Deloitte.

In Many Styles.

The second year's interim management statements

Contents

Executive summary

"The present letter is a very long one, simply because I had no leisure to make it shorter" is a famous quotation of the 17th century French mathematician, Pascal. Sadly what drives much corporate communication from UK public companies in the 21st century is a need to comply with the numerous disclosure rules. So what would happen if the rules were cut back to only a few?

Clues to the answer may be found in the way companies have responded to the need to publish twice a year an Interim Management Statement (IMS). The rules are short. The IMS must describe the financial position and performance, and explain material events and transactions, including their financial impact, that have occurred, during the relevant period. In addition, a few rules on timing are added. So how do companies fare?

This year's Deloitte survey of IMSs found:

- 2% (2008: 6%) of companies and 36% (2008: 21%) of investment trusts clearly complied with all of those few rules;

- 1% of companies failed to issue an IMS either in 2008/9 or in the first year, 2007/8, when the new IMS regime came into force. It was difficult to spot from the relevant company website any obvious reason for this omission. Perhaps the company has simply missed that a new regime has come into effect;

- common omissions were failing (a) to give any information on financial position (24% of corporates), (b) to explain the financial impact of transactions or events (29%) and (c) to meet the timing requirements (3% of companies); and

- investment trusts, having received guidance from the Association of Investment Companies, perform better in meeting the rules than corporates.

While these are some of the facts from this year's survey, the more interesting finding is the variety of styles used by companies in writing their IMSs. Some are short and sharp. Others tell more of the story of the period under review. These style findings cannot be neatly categorised by accountants! But the IMSs make interesting reading. They are manageable in size, being on average under two pages.

Rightly or otherwise the style becomes associated with the characteristics of those managing the individual companies. Who is taking the time to write a good IMS? Who is packing the report with detail? Who is simply taking last year's report and updating for this year's performance? The answer to the last question is relatively easy to find and this survey found that a majority of reporters followed the format of the previous period's IMSs. Perhaps that tried and tested twice format is perfect. Perhaps time is short, especially in the current economic environment when so many opportunities and challenges are faced daily.

Finding a style that suits and sticking to it is a mantra associated with the fashion industry. But, in these early days of the IMS, it may be wise to check that the chosen style of report is suitable.

The survey

Following the introduction of the DTR requirement for listed companies to publish a bi-annual IMS in 2007, the Deloitte survey *First IMpressionS*[1], undertaken in 2008, highlighted that companies seemed to have some difficulties in implementing the new requirements. Since then, companies have gained more experience in preparing IMSs.

The main objectives of this survey were to consider:

- how companies met the DTR requirements in the first IMSs published in the second year since the introduction of the IMS;

- what information companies provided in their IMSs and how it was presented; and

- how the second year's first IMSs published compared to the first and second IMSs published in the first year.

There were as at 31 March 2009 1,053 fully listed UK companies which formed the population for this survey. 40% of these companies were classified by the London Stock Exchange as being in the sectors of non-equity or equity investment instruments. Due to the specialised nature of investment trusts, and the particular needs of their investors, they were treated as a separate population, consistent with other Deloitte surveys on financial reporting[2], and a sample of 30 was used. From the remaining population of 627 companies, a sample of 100 companies was randomly selected.

The two samples have been stratified into three categories based on market capitalisation: companies within the top 350 listed companies by market capitalisation, companies ranked from 351-703 and companies within the smallest 350 listed companies by market capitalisation.

To achieve meaningful comparisons with previous findings, the sample of companies from the Deloitte survey of preliminary announcements, *Down The wiRe*, was carried forward, as far as possible. As a result of movements between the market capitalisation strata over the recent months, the sample could not be identical. One replacement company was selected at random from the appropriate population. The sample of 100 corporates contained 34, 33 and 33 companies from the top 350, middle and smallest 350 companies respectively. The sample of 30 investment trusts included ten trusts from each category.

The next two sections, "The IMS basics" and "Content of IMSs", refer to the main sample of 100 companies excluding the investment trusts which are separately discussed in the section "Investment Trusts' IMSs" from page 13. In addition, there are some companies which chose to provide full quarterly reports, containing, as a minimum, the primary statements and related notes as well as a management commentary. Some comments on the quarterly reports, from companies initially selected but then replaced in the above two samples, are included under "Quarterly reports" (see page 19).

1 The 2008 IMS survey *First IMpressionS* is available on www.deloitte.co.uk/audit

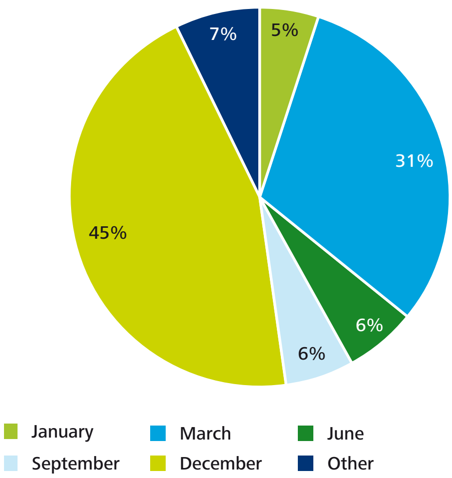
2 The Deloitte financial reporting survey series also include surveys on half-yearly financial reports, annual financial reports and annual results announcements. All surveys are available on www.deloitte.co.uk/audit and a list of the most recent surveys is included under "Related Publications" on page 27.

The IMS basics*

This section considers the fundamental elements of IMS reporting such as the timing of publication, the overall structure and the length of IMSs.

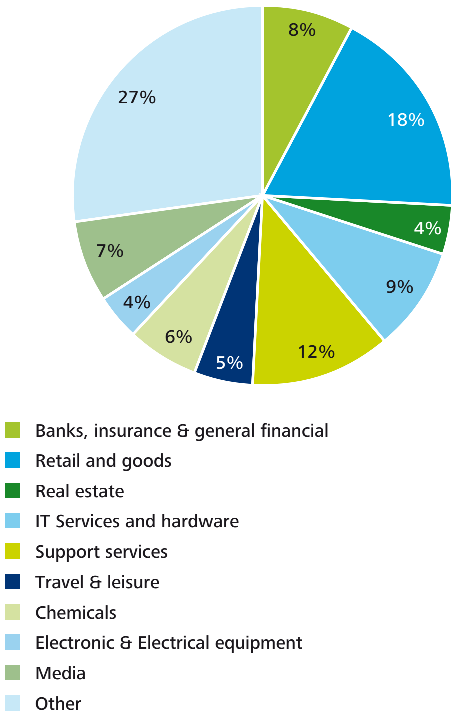
The majority (45%) of companies in the sample had December year ends, followed by 31% with March year ends. The year ends of the sample are analysed in Figure 1 below.

Figure 1. What was the financial year end of the companies in the sample?



The sample represents a broad range of companies across the various industry classifications as shown in Figure 2 opposite.

Figure 2. What was the industry representation of the sample?



DTR 4.3.2
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.

In the context of DTR 4.3.2, "making public" means the publication of the IMS in unedited full text via a RIS. In the sample of 100 companies surveyed:

- 70 companies (2008: 71 companies) published information clearly labelled as an IMS;
- 22 companies (2008: 17 companies) published a combined AGM statement and IMS;

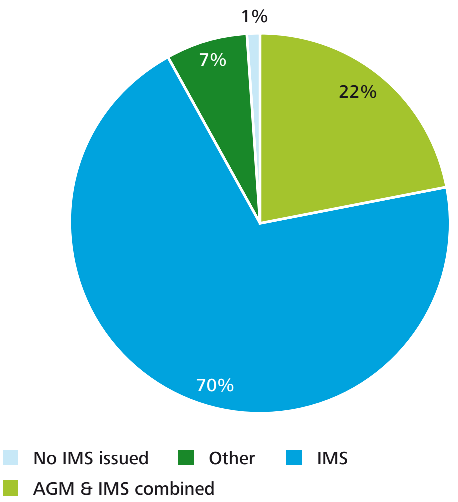
* This section analyses the findings for all companies other than investment trusts.

- seven companies (2008: eight companies) issued information which was not identified as an IMS in the heading. These companies headed their reports as an AGM statement or quarterly trading update, with one company describing its report as a *Christmas Trading Statement*. Two companies labelled their reports as *Quarter 1 Results* or *Quarterly Operational Review* respectively, although they did not contain any primary financial statements. These were not considered to be quarterly reports and were retained in the IMS sample for analysis; and

- one company (2008: four companies) did not issue any information which could be considered to be an IMS.

Figure 3 below summarises how the companies labelled their IMSs.

Figure 3. How were the IMSs labelled?



The company which did not publish any IMS during its 2008 financial year is yet to publish any statement or information that could be regarded as complying with the IMS requirements. There was no apparent reason for the non-compliance as the company has been issuing regular half-yearly financial statements and annual reports. Also, there was no evidence that the company's shares were suspended from listing. But even if the shares were suspended from listing, this would not relieve a company from its ongoing obligations under the DTR to publish an IMS. This was confirmed by the UKLA in its May 2009 *List!* newsletter[3] which states that **"these obligations do not fall away during a suspension and issuers must continue to comply"**. As a result, the discussion of findings below relates to 99 (2008: 96) IMSs, being 34, 33 and 32 per size category respectively.

3 *List!* issue 21 is available at www.fsa.gov.uk/pubs/ukla/list_may09.pdf

The above findings are broadly comparable with those reported in the first survey, with the number of companies failing to publish any IMS related information reducing from four companies in 2008 to one company in 2009.

Introductory comments and director involvement

Of the 99 companies that published an IMS, 46 (2008: 48 companies) introduced the statement as the company's IMS for the period, with another 29 companies (2008: 26 companies) introducing it by also referring to the company's AGM, usually held on the date of publication:

The company "is holding its AGM today […] at which […] Chairman will make the following statement. This announcement comprises the Group's Interim Management Statement…"

Eight companies (2008: 13 companies) introduced the statement as their AGM statement, without referring to it being the IMS as well. Three of these companies labelled the statement as an IMS in the RIS heading.

"… is holding its Annual General Meeting today at which the Chairman […] will make the following statement."

16 companies (2008: nine companies) either had no introduction or made no reference to an IMS or AGM in the introduction, for example:

"The board is pleased to report on events, transactions and trading since the last year end."

As there is no explicit requirement for IMSs to be signed, 52 of the companies surveyed did not show any involvement by the board of directors in issuing the IMS. Of those that demonstrated some involvement:

- 21 included a quote or statement from the Chief Executive;

- 20 included a quote or statement of the Chairman; and

- six indicated some involvement by the Board.

Speed and period of reporting

DTR 4.3.3
The statement required by DTR 4.3.2R must be made in a period between ten weeks after the beginning, and six weeks before, the end of the relevant six-month period.

The DTR effectively provides companies with two periods of approximately ten weeks to publish their IMSs.

Figure 4 opposite illustrates in which week, since the start of the six month period, companies published their IMSs. As expected and in line with the findings of the previous survey, the larger companies typically reported slightly earlier than the smaller companies.

Of the companies surveyed, 15 reported on the last day of the period specified by DTR 4.3.3, with three companies (2008: six companies) reporting outside the required timeframe. One, reporting in week 26, was 35 days late, publishing only an AGM statement towards the end of the half year period. The other companies reported a maximum of two working days after the DTR deadline which may be due to some confusion over the actual deadline.

The majority of companies issued their IMSs for the first six month period of the current year during the same week number as in the prior year. This is illustrated in Figure 5 opposite.

DTR 4.3.4
The interim management statement must contain information that covers the period between the beginning of the relevant six-month period and the date of publication of the statement.

Only one company (2008: three companies) did not provide any indication of the period covered by the IMS, whereas 71 companies (2008: 71 companies) explicitly stated the period being reported on. The other 27 companies used phrases such as “today”, “since the beginning of the year”, “to date” and “up to the date of publication”.

Figure 4. In which week was the IMS published?

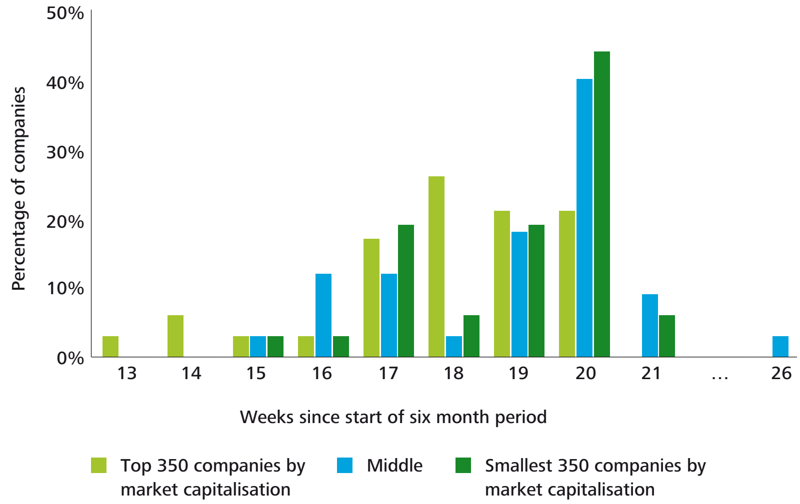
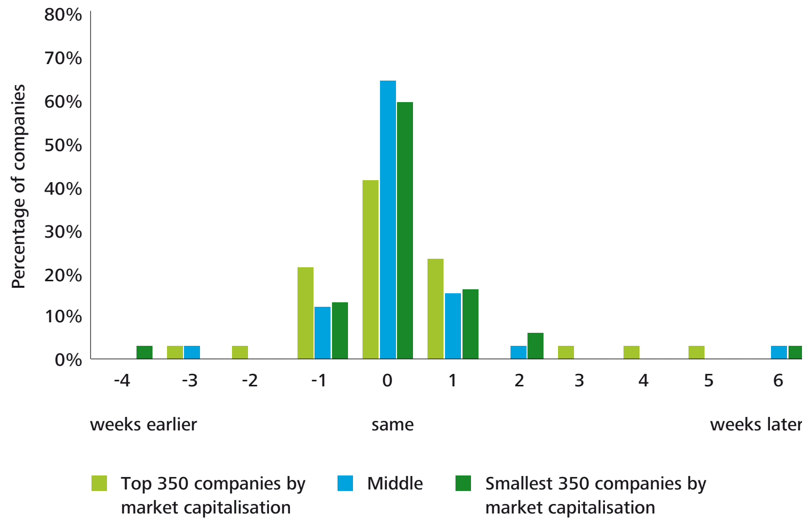


Figure 5. How does the week of publishing compare to the same period in the prior year?



47 companies fully complied with DTR 4.3.4 by covering the period up until the date of publication. This includes six companies that reported on the period up to the last working day before the date of publication of the IMS, which were considered to have met the requirement under DTR 4.3.4. This level of compliance is a slight improvement on the prior year when 41 companies complied with this requirement.

As shown in Figure 6 below, the average delay between the date reported to in the IMS and the date of publication was ten days, with the maximum delay being 47 days. This is an improvement on the prior year when the average delay was 21 days, with a maximum of 53 days.

Figure 6. What was the average number of days where there was a delay between the period the IMS covered and the date it was published?

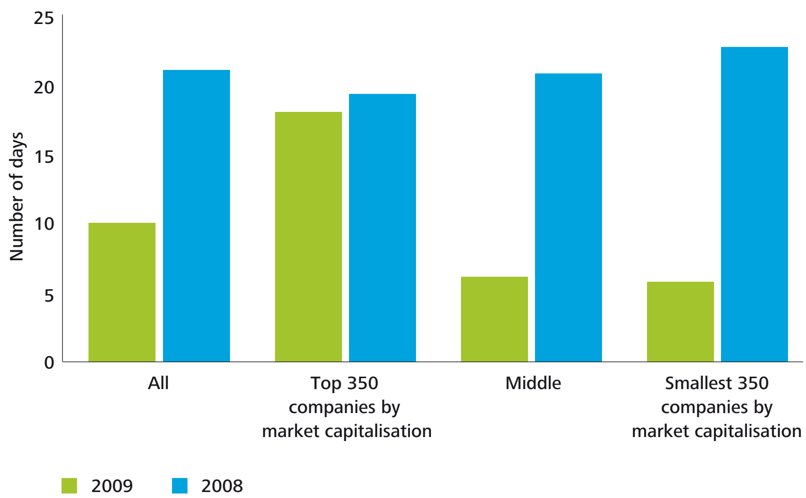
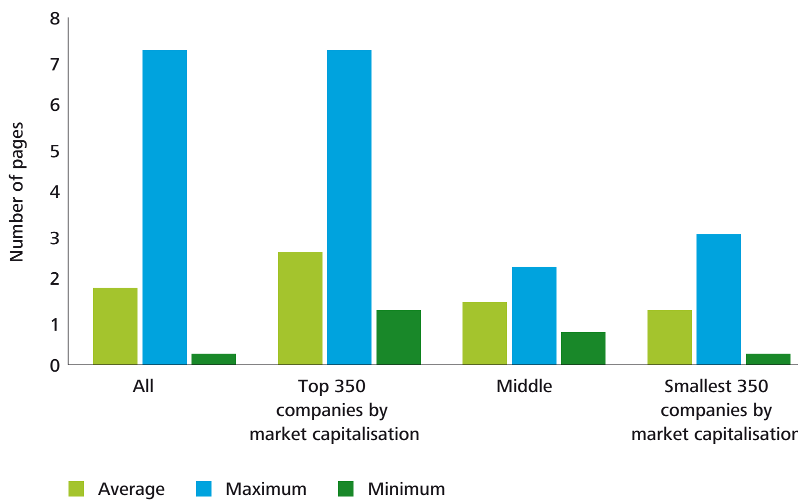


Figure 7. What was the average, maximum and minimum length of IMSs?



Consistent with the findings in the previous survey, the majority of companies with a delay between the period covered by the IMS and its publication was in the top 350 category. Delays were noted for 85% of the large companies surveyed, compared to 33% for the middle and 34% for the smallest companies.

Of the 47 companies covering the period up to the date of publication only five were within the top 350 category (compared to six in the prior year), with 22 and 20 respectively in the middle and smallest categories meeting the requirement.

As noted in the "Investment Trusts' IMSs" section (see page 13), industry guidance issued by the AIC suggests that any 'gap' between the period covered by the IMS and its date of publication could be covered with a statement by the board of directors **"to confirm that it is not aware of any significant events or transactions which have occurred between the 'as at' date of the financial information and the date of publication of the IMS which would have a material impact"**. This approach was taken by more than half of the investment trusts surveyed suggesting that the provision of additional guidance in this area may result in better compliance. In its recent review of IMSs, published in the May 2009 issue of *List!*, the UKLA did not include specific reference to this issue but it commented that **"there would appear to be no obligation on the issuer to make any comment"** if there have been no material events in the relevant period. However, to avoid confusion it is advisable for companies to state clearly if the IMS covers the period up until the date of publication.

Length of IMSs

Based on the IMSs published on the RIS, the IMSs surveyed were on average 1.7 pages (2008: 1.5 pages) long, ranging from under half a page to almost seven and a half pages. Figure 7 shows the average, maximum and minimum number of pages of an IMS, by size category of companies. As expected and consistent with last year, the larger companies produced longer statements.

Content of IMS*

DTR 4.3.5
The interim management statement must provide:

(1) an explanation of material events and transactions that have taken place during the relevant period and their impact on the financial position of the issuer and its controlled undertakings, and

(2) a general description of the financial position and performance of the issuer and its controlled undertakings during the relevant period.

In its April 2007 *List!* newsletter[4], the UKLA explained that broad requirements were provided on the basis that companies should be free **"to choose a form of reporting appropriate to their stakeholders"**. The UKLA further stated that **"we continue to believe that the content of IMS will depend on the circumstances of each issuer and the markets in which it operates"** and that it supports a **"market-led solution where the detail of IMS are developed by market practitioners and discussed between preparers and users of the information"**. Following its recent review of IMSs, the UKLA commented that its **"view remains that individual issuers are best placed to consider the approach that they take to their IMS announcements"**. It concluded that **"it would be counter-productive to take a more prescriptive 'one size fits all' approach"**.

The rules do not specifically require an IMS to contain any numerical data. The April 2007 issue of *List!* also clarified this point, stating that: **"We believe that the IMS may not require financial data in certain circumstances. The nature, scale and complexity of the issuer may be such that it can provide a meaningful narrative description of the major events/transactions that have occurred during the relevant period and the financial position of the issuer. If this happens then numerical data may not be required."** In its May 2009 *List!* newsletter, the UKLA stated further that it **"envisaged that the use of financial data was likely to be the main approach"** but that its own findings highlighted failings **"to provide adequate coverage in either narrative or data"**.

This section considers how companies complied with these broad DTR requirements and the additional *List!* guidance, and whether there are any trends emerging. This assessment was performed across the following areas:

- financial performance;
- financial position;
- material events and transactions;
- going concern, liquidity and key performance indicators; and
- other information provided.

Financial performance

There were almost as many different approaches in providing a general description of financial performance during the period covered by the IMS as there were companies surveyed. However, the following trends were identified:

- 87% of companies (2008: 90% of companies) surveyed commented on financial performance to some extent. 13 companies (2008: nine companies) failed to comment on financial performance in any way.
- 56 of these companies gave a brief description of revenue levels, combined with other measures associated with financial performance such as gross profit and operating profit, taxes, dividends, EBITDA, transaction volumes and wages. Generally, the information provided by these companies was meaningful not only to those familiar with the company, but also to other market participants without any prior knowledge of the company.
- 30 companies commented only on revenue measures, using terms such as "trading", "growth", and "performance". One of these companies found a way to comment on all these measures at the same time:

  "We have made a good start to the financial year with continued revenue growth and with trading performance in line with management's expectations."

* This section analyses the findings for all companies other than investment trusts.

4 *List!* issue 14 is available at www.fsa.gov.uk/ pubs/ukla/ list_apr07.pdf

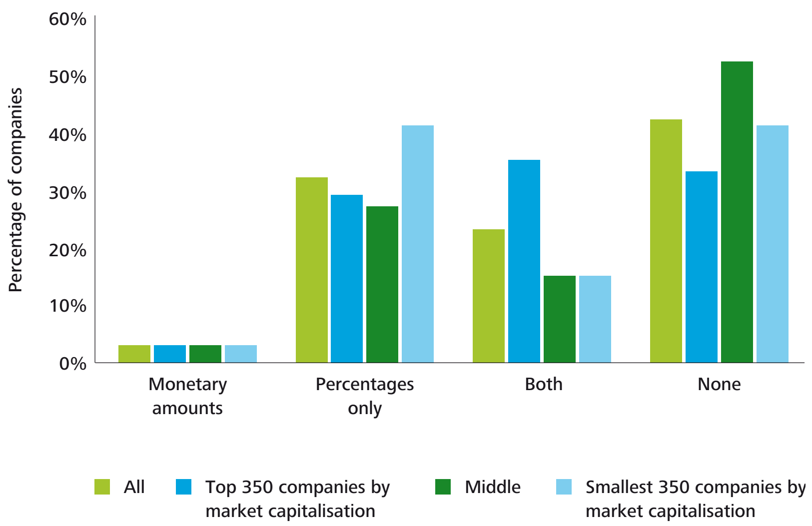
Four companies briefly commented on profits compared to the full year position as previously reported, for example:

"Profits for the first quarter to 30 June 2008 are down by over 30% compared with the same period last year."

Although these statements are considered to meet the requirement of a "general description of financial performance", they are meaningful only to an informed reader with prior knowledge of the company. This concern is supported by the UKLA in its May 2009 newsletter *List!*, which notes that the information provided on financial performance should be meaningful. It comments that in comparing to expectations, companies **"should be careful to refer to verifiable (that is, publicly stated) expectations"**. It also concludes that **"unless the company clarifies what these expectations relate to, such as management expectations from previous reports, analyst or market expectations etc, it risks that information not being meaningful to the reader"**.

Companies demonstrated a preference for providing numerical information either expressed as only percentages or in combination with absolute figures. One company in each of the three categories gave only absolute figures. Eight companies specifically stated that the numbers used were unaudited. 42% of companies provided only narrative information on financial performance. The use of numerical information by size of company is summarised in Figure 8 below.

Figure 8. What measures were used to report financial performance?



Financial position

While most IMSs included some information on the financial performance of the company, only 28 companies met the requirement of providing a general description of the financial position of the company. The low level of compliance in this area is a slight improvement on the results reported in the previous year's survey, when only 20 companies met the requirement.

Of those companies that provided a general description of the financial position:

- 21 companies provided a generic description of the financial position in combination with financial data with statements such as **"The group has maintained its strong balance sheet throughout the period with gross cash at 31 March 2009 of £12.4m…"**; and
- seven companies made a generic statement about the financial position, without providing any financial data, for example: **"The Group's financial position remains strong…"**.

Another 47 companies (2008: 20 companies) provided limited information on individual balance sheet items such as cash and debt or net debt, for example: **"After the payment of the final dividend of £7 million, net cash at 27 July was £26 million…"**. However, this level of information was not sufficient to give a general description of the financial position and therefore these entities were not seen to comply fully with the requirements.

The remaining 24 companies (2008: 56 companies) did not give any information about the financial position and therefore failed to comply with the relevant requirement.

Figure 9 opposite summarises the type of information provided by companies on their financial position, if any, by size of company.

The above results are consistent with the UKLA findings as published in the May 2009 issue of *List!*, where it confirms that **"this is the weakest area of compliance within the IMS obligations"** as **"the majority of IMS did not adequately deal with the financial position requirement, with many containing no information on, or even mentioning, the issuer's financial position"**.

Material events and transactions

Although only 11 of the companies surveyed included an explicit phrase referring to material events and transactions in their IMSs, 91 IMSs discussed transactions or events that occurred during the period. Similar to the assumption made in the previous survey, any event or transaction worth mentioning in the IMS was considered to be material. This appears to be a significant improvement from the previous survey when only 51 companies discussed material events and transactions in their IMSs.

62 companies discussed the transactions and events mainly by indicating the financial impact of the events and transactions in absolute amounts or, to a lesser extent, as percentage movements. Common types of material events and transactions discussed included:

- new business or contract wins;
- discontinued operations;
- acquisitions of new business;
- repayment, refinancing or repurchasing of long-term borrowings; and
- issuance of bonds or debt.

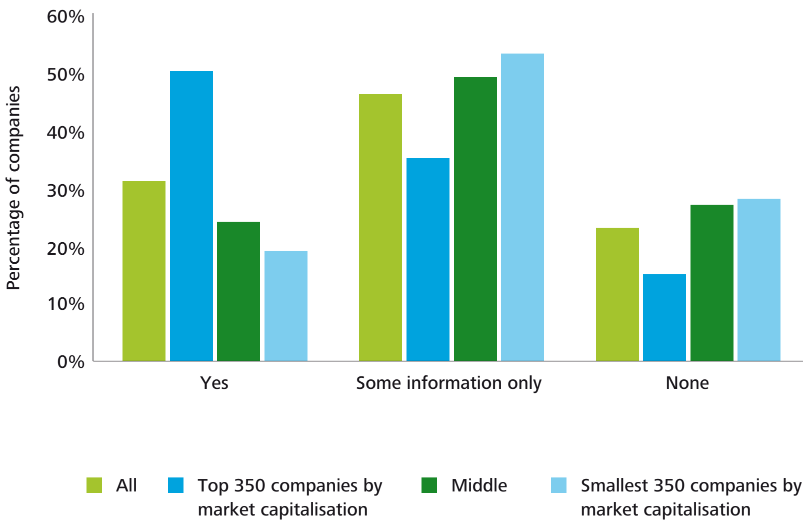
These 62 companies were considered to have complied with DTR 4.3.5(a). This represents a marked improvement on the prior year, when only 42 companies provided sufficient information to meet the requirements.

29 companies (2008: nine companies) discussed only the nature of material events and transactions without providing sufficient information to describe the impact on the financial position of the company. Examples include:

"After a long period of deflation in supermarket prices, the return of inflation has been widely reported. Much of this has been caused by the undersupply of commodities globally, exacerbated by poor harvest last year."

"Broadcasters in both the USA and Europe have been deferring capital expenditure which has led to a slow down in orders in those markets."

Figure 9. Was a general description of financial position provided?



The remaining eight companies (2008: 45 companies) did not discuss material events and/or transactions in their IMSs. These companies also did not include a statement in their IMSs that there were no material events or transactions during the period covered by the IMS. In its May 2009 newsletter *List!* the UKLA states that **"there would appear to be no obligation on the issuer to make any comment"** if there have been no material events in the relevant period. However, in the current economic climate it seems unlikely that many companies would have no events to report. Therefore it is questionable whether these eight companies met the requirements of DTR 4.3.5(a).

Going concern, liquidity and key performance indicators

In the wake of the global financial crisis and the heightened focus on the continued assessment of going concern and related disclosures in the financial statements, readers may expect companies to comment on going concern at least briefly in their IMSs. Only one company, in the smallest 350 category, commented explicitly on going concern in the following way:

"It should be noted that the prospect of devaluation across the European property market, the limited headroom under the Group's financial covenants, limited free cash reserves and the low volume of transactions in the investment market combine to raise material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern, and its prospects over the next twelve months."

None of the other IMSs included any reference to going concern. Companies may wish to consider whether an update on the going concern disclosures provided in the most recent set of financial statements would be useful to readers of their IMSs. Similarly, if those going concern disclosures published recently remain valid as at the date of publication of the IMS, a statement to that effect may be considered meaningful information by the market.

Although also not a specific requirement, the information provided on liquidity and cash flow was more encouraging, with five companies specifically commenting on liquidity in the IMS. Such comments included:

"Strong wholesale liquidity balances have been maintained…"

"The Group remains comfortable with its liquidity position at both holding and subsidiary level. The holding company has significant internal sources of liquidity which are sufficient to meet all of our requirements for the foreseeable future without having to utilise external funding. In aggregate, the Group has £2.1 billion of undrawn external committed facilities."

Another 42 companies provided information on net cash positions, undrawn bank facilities, covenant limits and cash flows without specifically referring to the liquidity position of the company, for example:

"The ratio of net debt/EBITDA for banking covenant purposes at March 31 2009 was 2.9x […], well within our covenant limits of 3.5x."

"[…] and the Group's cash balances are tracking management's plan for the year. As previously reported, the Group signed a five-year £25m committed bank facility […] and, in addition, has a £25m working capital facility in place."

Information provided on key performance indicators has also shown a slight improvement, with two companies providing information specifically labelled as key performance indicators for the period covered by the IMS, albeit as additional information accompanying the IMS. This compares to only one company in the same period in the prior year providing information on KPIs.

A further three companies commented on performance against budget, especially on revenue, for example: **"We have secured a record 83% (2007: 81%) of the current year's budgeted revenue…"**. It was not clear from these three IMSs, whether the budgeted amounts were publicly available. For a comparison to budget to be meaningful, the budget should be verifiable in line with the UKLA guidance in the May 2009 issue of *List!*.

Other information provided

Some companies chose to provide additional information in their IMSs such as non-financial data, forward-looking statements and related disclaimers, as well as reference to risks and uncertainties.

Non-financial data

47 companies (2008: 30 companies) chose to comment on non-financial data in their IMSs in support of financial data provided. Comments were made on matters such as:

- the number of employees and headcount percentages;
- the number of countries from which the company is operating;
- market growth; and
- customer renewal rates.

Forward-looking statements

Although the publication of forward-looking information is not a specific IMS requirement, 75 companies included some commentary on the future. This represents a slight decrease from the previous year when 84 companies gave such information. The forward-looking information was mostly incorporated into the text of the IMS whereas 19 companies (2008: 19 companies) included a separate *Outlook* section in their IMSs.

Figure 10 below illustrates the nature of the information provided:

- 43 companies included some cautionary statements regarding the future outlook of operations, such as:

  "Despite the challenging economic environment, the Board remains cautiously optimistic for the current year."

  "Although financial market conditions have improved recently we will continue to manage the business cautiously with a focus on cash management as the general market outlook remains uncertain."

  "Whilst the recent improvement in market conditions is encouraging, we will remain cautious about the outlook until mortgage availability improves further and employment prospects become less uncertain."

- 27 companies only included positive statements about the future, for example:

  "Our restructuring programme is going to plan and we continue to expect a year of progress in 2009."

  "With their strong market positions and high levels of organic revenue growth, the Group's core businesses of […] and Supply Chain offer many attractive opportunities."

- Five companies made some generic statements regarding the future outlook of the business without indicating whether this is a positive or cautious outlook, for example:

  "Performance in the first quarter has been in line with our expectations and our financial outlook for the current year remains unchanged."

- 24 companies did not include any comments regarding the future.

Disclaimers

In line with the findings reported in the previous survey, 23 (2008: 26) IMSs included some form of disclaimer statements clarifying that forward-looking comments were made in good faith and should be treated with caution due to the inherent uncertainties which underlie such forward-looking information. 12 of these companies referred within the cautionary statements to risks and uncertainties, for example:

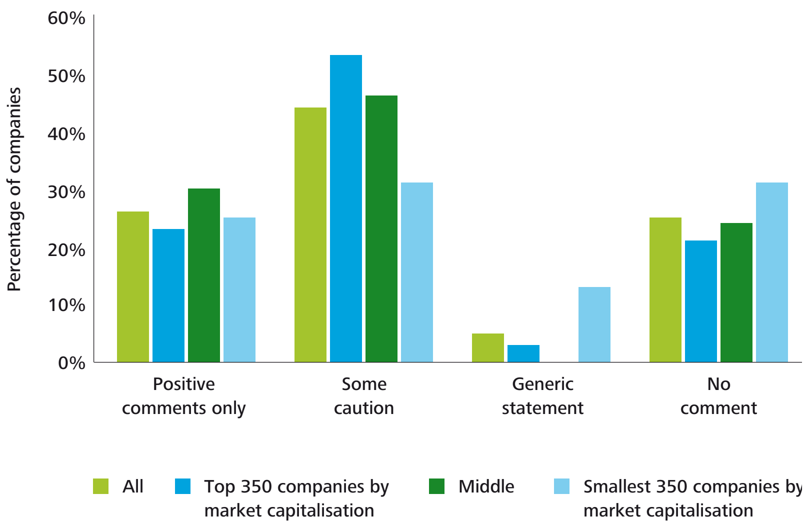
"By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, UK domestic and global economic and business conditions, the effects of continued volatility in credit markets, market related risks such as changes in interest rates and exchange rates, effects of changes in valuation of credit market exposures, changes in valuation of issued notes, …"

No separate discussions on specific risks and uncertainties were found.

Compliance

Overall, 15 companies met all the content requirements of an IMS as specified by DTR 4.3.5, albeit that the requirement to give a general description of the financial position of the company was met through generic comments only. All 15 companies reported within the ten week window provided by the DTR, although one of them just met this requirement by issuing its IMS on the last day of the specified period. However, when the requirement for the period to be covered by the IMS is taken into account, only two companies fully complied with all the IMS requirements, both of them being in the smallest 350 companies. This is a fall compared to the prior year, where six IMSs were found to be fully compliant with all the requirements. However, the number of IMSs meeting all the content requirements has almost doubled as only eight did so in the 2008 survey, suggesting that an increased focus on the requirements around the date of publication and the period to be covered could result in improved compliance overall in future.

Figure 10. What was the nature of forward-looking information?



Comparison with IMSs published in the prior year*

This section summarises how compliance with the IMS requirements in the current year compared to the prior year.

		Total		Top 350		Middle		Smallest 350	
		2009	2008	2009	2008	2009	2008	2009	2008
Companies that published an IMS	%	99	96	100	34	100	32	97	30
Average week of publication	Weeks	18.6	18.5	17.9	17.5	19	18.7	18.9	19.2
IMSs published within the deadline	%	97	94	100	94	97	94	91	93
IMSs that covered relevant period up to date of publication	%	43	43	12	18	58	63	63	50
Average delay between reporting date and date of publication	Days	11.2	11.2	20.9	15.8	6.1	7.8	5.8	10.1
Average length of IMS	Pages	1.7	1.5	2.6	2.4	1.4	1.2	1.2	0.9
IMSs that included a generic description of financial performance	%	86	90	94	88	67	90	97	93
IMSs that included a generic description of financial position	%	31	21	50	15	24	28	19	20
IMSs that discussed the effect of material events and transactions	%	63	44	79	69	64	38	44	27

Of the companies surveyed, 45 and 60 companies from the first and second six-month period in the prior year respectively published IMSs with no obvious differences from the IMSs reviewed for this survey. For the other IMSs, common differences included information on changes to the board and the inclusion or omission of headings and/or sections to discuss events or transactions that occurred during the period.

* This section analyses the findings for all companies other than investment trusts.

Investment trusts' IMSs

Over 400 of the companies listed on the main market are investment trusts. For the purposes of this survey, investment trusts were defined as those companies classified by the London Stock Exchange as being in the equity and non-equity investment instruments sectors, but excluding real estate investment trusts and investment type companies in other sectors. A random sample of 30 investment trusts was selected, being ten investment trusts per category (top 350 companies by market capitalisation, middle companies and smallest 350 companies). This section examines the survey findings on the first IMSs published by the investment trusts sampled in their second year under the DTR. Comparisons of the findings to those in the previous Deloitte survey *First IMpressionS* are included where relevant.

Two of the 30 investment trusts selected, one in the middle tier and one in the smallest 350 companies respectively, did not publish any IMS (or other similar information such as a portfolio update or a net asset statement) either in the financial year surveyed, or in the prior year. As these two trusts regularly issued other announcements such as half-yearly financial statements and annual reports, there was no apparent reason for the lack of IMSs published. As a result, the discussion of findings below relates to 28 IMSs, being ten, nine and nine per size category respectively.

In April 2007, the AIC published technical guidance on issues and considerations specific to investment companies in preparing their IMSs. This guidance is available on the AIC website[5] and relevant key points are included below, where appropriate.

Signatures and indicators of director involvement

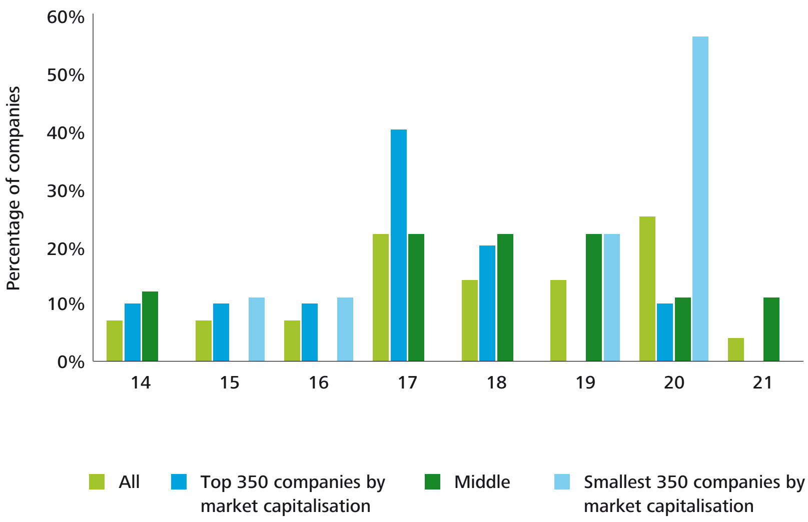
There is no explicit requirement for the IMS to be signed and 16 of the IMSs surveyed did not contain any signature or quotes. One IMS had a quote by the chairman and another IMS included a generic statement that "the directors are not aware" of any other events or transactions. The remaining ten IMSs contained signatures by the company secretary, four of which included the phrase "by order of the Board".

Speed and period of reporting

Except for one, all trusts published their IMSs within the ten week window specified by the DTR. The IMS that was published after the DTR deadline passed was in the middle category of companies and was issued three days late.

The first IMSs were published on average 18 weeks into the financial year. In line with the findings for corporates, the larger trusts tended to publish their IMSs earlier (on average 17 weeks into the financial year) compared to the middle category and the smallest 350, which published their IMSs on average two weeks later (19 weeks into the financial year). Figure 11 below shows in which week investment companies published their IMSs.

Figure 11. In which week did investment trusts publish their first IMSs?



5 The AIC guidance is available at www.theaic.co.uk/Technical-and-Public-Affairs-information/Technical-guidance/Regulation--legal

Overall, the time to report remained consistent with that in the prior year. Although 32% of IMSs were published in the same week as the respective first IMS in the prior year (three, two and four IMSs respectively in the top 350, middle and smallest 350 categories by market capitalisation), the analysis by category reveals more interesting results.

- In the top 350 companies by market capitalisation, 20% of IMSs were published up to one week earlier than in the prior year. However, half of the IMSs were published later, by up to five weeks.

- In the middle category of companies, 44% of trusts published their IMSs by up to three weeks earlier, compared to 33% that issued their IMSs later, by up to four weeks.

- In the smallest 350 category, only one IMS (11%) was published one week later than in the prior year. In contrast, 44% of IMSs were issued by up to six weeks earlier.

20 of the 28 IMSs (71%) explicitly covered the period up until the date of their publication:

- 17 of these IMSs reported on the three month period, with additional statements to confirm that the IMS covered the period up until the date of publication. For example:

  "The Board is not aware of any significant events or transactions that have occurred between 31 March 2009 and the date of publication of this statement which would have a material impact on the financial position of the Company."

  "This statement aims to give an indication of material events and transactions that have taken place during the period from 1 October 2008 to the date of publication of this statement …"

- Three IMSs covered the entire period up to the date of publication, without also reporting on a specific quarter. These IMSs were published by trusts in the smallest 350 category. An example of introductory comments follows:

  "I am pleased to present your Company's interim management statement for the period 1 March 2008 to 15 July 2008 as required by the UK Listing Authority's Disclosure and Transparency Rule 4.3."

- The remaining eight trusts, being three in the top 350 category, four in the middle category and one in the smallest 350 category, reported on a specified period (e.g. the first quarter) but did not include any explicit information covering the period from the end of that specified period to the date of publication of the IMSs. This 'gap' between the specified period end and the date of publication was on average 21 days, with a range of four days to 47 days. These delays are considerably longer than in the prior year when the average 'gap' was 12 days with a maximum delay of 18 days. The AIC guidance suggests that any 'gap' between the end of such a specified period and the date of the publication of the IMS may be covered with a statement by the Board **"to confirm that it is not aware of any significant events or transactions which have occurred between the 'as at' date of the financial information and the date of publication of the IMS which would have a material impact".** This was the approach followed by the 17 trusts reporting on the first quarter with additional information on the period between quarter end and the date of publication.

Length of IMSs

Similar to the prior year, investment trusts issued IMSs that were on average just over two pages long, ranging from one page to almost eight pages. In particular:

- one of the trusts in the smallest 350 category issued the shortest IMS, whereas the longest IMS was published by a trust in the middle category; and

- the average length among the IMSs in the top 350 category was just over two pages, increasing to almost three pages in the middle category and falling to just over one and a half pages in the smallest 350 companies by market capitalisation.

Content of the IMSs

The content of the 28 IMSs issued by the investment trusts were reviewed to assess compliance with the DTR requirements.

Financial performance

The AIC guidance states that **"the most likely measures which will be used are share price total return and NAV total return".** The guidance further suggests that "performance of the benchmark" is likely to be given and that **"information on share price and discount movements is highly valued by investors".**

Responding to this guidance, the 28 IMSs provided information on the financial performance during the periods covered as summarised in Figure 12 opposite.

All 28 IMSs contained some information about NAV:

- 15 IMSs stated NAV explicitly on a total return basis. Of these, two IMSs gave NAV on a cumulative and discrete total return basis and one trust included standardised performance information in addition to the total return;

- three trusts provided NAV on a capital return basis, thereby potentially excluding revenue return information;

- nine IMSs included NAV information without stating clearly whether this was on a total return or some other basis; and

- the remaining IMS, in the smallest 350 category, included NAV information as at the beginning of the period together with a statement that other than for the payment of a dividend during the period there had been no significant change to the net asset value since the beginning of the financial year. Although this IMS was published in July 2008, before the start of the financial crisis, this statement is surprising and unlikely to satisfy users' needs for information on the underlying performance of the trust.

Benchmark information was given by 82% of the investment trusts as follows:

- 64% of IMSs contained information on the percentage change of the benchmark;

- another 7% of IMSs contained both the percentage change and the monetary value of the benchmark at the end of the period; and

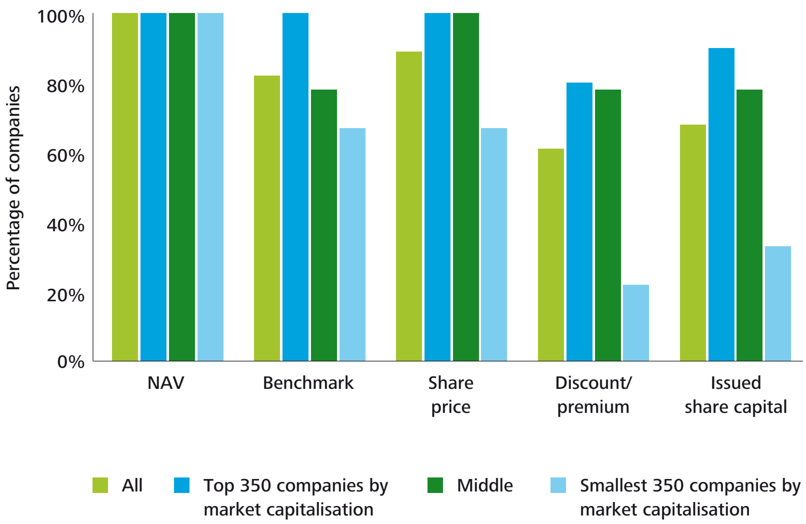
- the remaining 11% of IMSs referred to percentage changes of specific indices but without clearly stating that these indices were the benchmarks for their investment strategies.

89% of IMSs contained share price related information:

- 18% of IMSs gave the share price at the period end, 3% provided the percentage change in share price since the beginning of the period, and 68% of IMSs included both the share price and the percentage change; and

- 61% IMSs also stated the percentage discount or premium of the share price compared to the trusts' NAV at the period end.

Figure 12. Which information on financial performance was provided?



Information about issued share capital was included in 19 IMSs as follows:

- 11 trusts included the total number of shares in issue. Of these, six provided detail of changes in share capital and another four stated explicitly that there were no changes to share capital during the period. Only two trusts included monetary amounts for share capital or changes thereto;

- seven IMSs contained information about changes to share capital only without giving the position at the end of the period; and

- one trust stated that there were no changes in share capital in the period.

Other performance indicators were considerably less widespread and included information on yields (11% of IMSs), net revenue return after tax (given by 7% of IMSs), volatility (4% of IMSs) and total expense ratio (4%).

Financial position

In its guidance on IMSs, the AIC recognises that, in addition to being a measure of performance, the most recent NAV is also useful information in the context of the financial position of an investment trust.
The guidance does not state explicitly whether or not NAV information alone would be sufficient to meet the DTR requirement to provide a general description of the financial position. However, the AIC recommends that investment trusts may **"wish to publish a figure for total net assets"** and expects that most trusts would include information on gearing, suggesting that information about NAV alone may not be enough to meet the requirements.

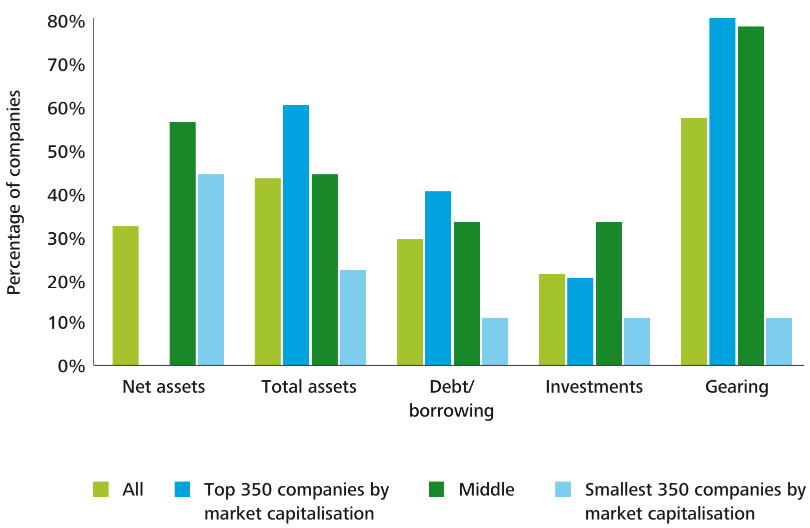
79% of IMSs contained information that clearly represented a general description of the financial position. The type of information and level of detail varied and ranged from one single amount for net assets to mini balance sheets, containing amounts for investments, cash, other net (current) assets and borrowings. Alternatively, some trusts described their financial position by giving NAV information, together with the number of shares in issue. The remaining six trusts (21%) included information about the financial position as follows:

- One IMS contained monetary amounts for total assets and short-term borrowings, but it was not clear whether the investment trust had any long-term liabilities. Similarly, another IMS included information about total assets and made reference to the net cash position of the trust, but it was not clear whether the net cash position included all liabilities. Therefore, in both of these cases it was not clear whether the information provided represented the net assets of the trusts.

- Two IMSs gave the amount of total assets, but not sufficient information to represent a general description of the financial position. Although these IMSs also included the percentage change in NAV and changes in share capital, no information was given about the total number of shares in issue.

- Two IMSs included NAV changes in percentage terms, together with information about any changes in share capital. But as the total number of shares in issue was not provided, the information was not deemed sufficient to describe the general financial position.

Figure 13. Which information on financial position was provided?



Overall, in addition to information about the NAV per share, investment trusts used a variety of measures to describe their financial positions:

- 43% of IMSs included information on the total assets of the investment trust;

- 32% gave a measure for net assets;

- 29% of trusts provided some information on liabilities;

- 21% contained information about total investments;

- 54% of IMSs presented gearing ratios; and

- 4% of trusts stated explicitly that they did not have any debt.

The use of the above common measures across the categories of companies is illustrated in Figure 13 below.

Most investment trusts included detailed information on their investments. The most common formats found in the IMSs surveyed included the following:

- 22 investment trusts included their top ten investment holdings;

- two IMSs, in the top 350, included the top 20 investments;

- nine IMSs contained an analysis of investments by industry sector, seven IMSs by geography and one trust included the analysis by country;

- four IMSs provided the number of investments held; and

- four IMSs included information about the asset allocation among different funds or markets.

Figure 14 opposite shows the most comment types of investment analysis included in IMSs for each of the size categories.

Material events and transactions

All 28 IMSs included information about material events or transactions. 75% of trusts provided detail of the events or transactions and their impacts on the financial position as required by the DTR, whereas the remaining 25% gave information about the events and transaction only. Common examples of material events or transactions included:

- share buy backs during the period;
- sales or purchases of investment holdings;
- changes in put options used in hedging underlying investment performance;
- dividends approved or paid during the period; and
- passing of resolutions at the AGM.

Liquidity and going concern

18% of IMSs contained some information on the liquidity of the trusts, including repayments of liabilities, draw downs of borrowings and the availability of credit facilities not yet drawn down. Disclosures in this area were better than for the corporates surveyed. For example:

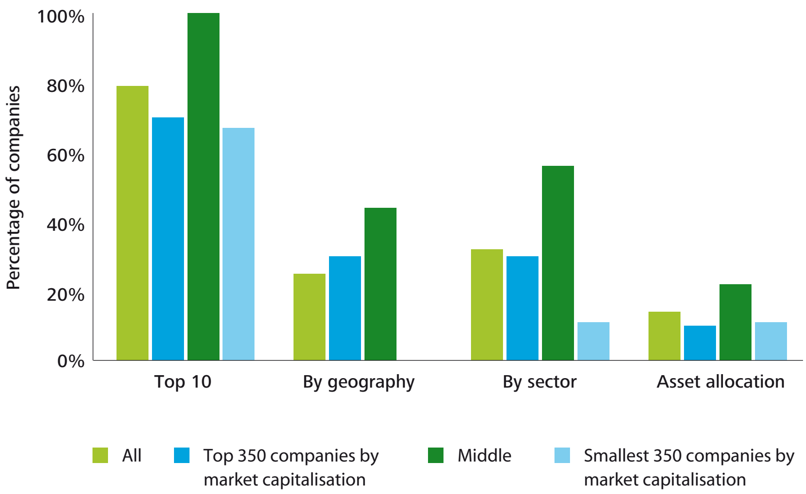
"To date the Company has not utilised the borrowing facilities arranged with the Bank of New York and maintained 5.7% of its net assets in cash at 30 April."

"At 31 December 2008 [company] had cash and floating rate notes of £287 million, a multicurrency revolving credit facility of £250 million, of which £201 million was drawn down […]. Commitments to third party funds, which may be drawn down over the next five years, amounted to £121 million at that date."

Only one of the IMSs included some reference to risks and uncertainties. None of the IMSs included any disclosures around going concern and whether the information disclosed in the annual report remained valid at the date of publication of the IMS.

A number of investment trusts placed their performances during the period into context by including some discussion on the current economic climate. In addition to comments about global economic stimulus packages, interesting remarks included the following:

Figure 14: How are investments analysed?



"Although economic news is dreadful, financial markets permit investors to worry today about what might go wrong tomorrow so it is fair to assume that a great deal of bad news is already discounted by equity markets after their big falls. Downside risk clearly remains for equities in the short-term but we must not let that cloud our judgement for the investment horizon over which we operate. Historically, long term investors buying equities at the current valuation levels have been well compensated for the risks."

"The macro-economic news has continued to deteriorate over the course of the past three months. The British economy is simultaneously facing the twin forces of rising commodity prices and slowing growth. Set against a backdrop of continued uncertainty in the British housing market and an ongoing credit crisis, there has been a discernible squeeze on the consumer's pocket. It is easy to see why the FTSE UK Smaller Companies Index has now seen five consecutive quarters of negative returns. […] The Company has been helped by retaining underweight positions in Real Estate and General Financials, which have been two of the hardest hit sectors. It has also run a low level of net gearing over the period. We have done little trading over the past three months as we have heightened our focus on our existing holdings. It has not been possible to avoid all the banana skins that have been out there. There were disappointing trading updates from …"

"Positive newsflow during the period was scarce, although consumers took some comfort from the significant drop in the oil price."

Use of numerical data and measures

Given the nature of investment trusts, it was not surprising that all 28 IMSs surveyed contained monetary amounts and percentages. This also reflects the AIC's expectation **"that most investment companies will provide statistical information".**

The use of tabular formats for certain information was equally consistent across the IMSs, with all but one IMS containing tables.

It was interesting to note that eight IMSs (29%) contained a specific reference that the information provided in the IMS was unaudited. Although this is not a requirement, a reference to the information being unaudited may be seen as a useful reminder to readers of IMSs.

Forward-looking information

36% of investment trusts provided forward-looking information in their IMSs. 22% included this information within the normal commentary: the other 14% included separate outlook sections within their IMSs. The majority of forward-looking information was cautionary in nature but three IMSs included only positive comments about the future.

25% of IMSs contained a warning that past performance is not an indicator of future performance and another 11% included full disclaimers regarding forward-looking information. Only 20% of those IMSs with disclaimers actually included forward-looking information. Conversely, 80% of the IMSs with forward-looking information did not contain any disclaimers in this regard.

Compliance

Overall, 15 of the 28 IMSs surveyed (54%) clearly met all the content requirements. This represents a 50% increase compared to the prior year, when only ten IMS met the content requirements. However, full compliance based on all the IMS requirements including the reporting timeframe and the period to be covered was only achieved by ten IMSs (36%), being three in the top 350, three in the middle category and four in the smallest 350 companies. This compares to six fully compliant IMSs in the prior year, still showing a marked increase by 50%.

Quarterly reports

DTR 4.3.6
An issuer which publishes quarterly financial reports in accordance with national legislation, or in accordance with the rules of the regulated market, or of its own initiative, will be taken as satisfying the requirement to make public the statements required by DTR 4.3.2R.

Quarterly reports, including, as a minimum, a management commentary, primary statements and related notes, contain considerably more detail than IMSs. In the original samples of 100 corporates and 30 investment trusts there were five quarterly reports. Four of the quarterly reports were published by corporates, two in the top 350 companies and two in the middle category. The fifth quarterly report was provided by an investment trust in the middle category. The low proportion of companies in the sample producing quarterly reports was consistent with the findings in the previous survey. This was not surprising as the IMS requirements should be **"less demanding than producing quarterly reports[6]"**. This is evidence that the IMS has not resulted in the introduction of quarterly reporting through the back door as some may have feared when the DTR came into force in 2007.

All five quarterly reports were published within the ten week window for publication of an IMS. Three quarterly reports were published within one month of the quarter end. The other two quarterly reports (published by one company in the middle category and the investment trust) were issued within the last week of the IMS publication period. As expected, quarterly reports averaging 14 pages are much longer than IMSs. The longest quarterly report, issued by one of the top 350 companies, was over 23 pages long. In comparison, the shortest quarterly report, issued by the investment trust, was just over five pages long, but still longer than the average IMS of two pages.

Similar to the findings for IMSs, the quarterly reports displayed a variety of content. A review of the five quarterly reports identified the following key points:

- The four corporates introduced their quarterly reports with financial highlights for the period. In contrast, the quarterly report of the investment trust started with management commentary.

- The quarterly reports of the two top 350 companies included a review opinion from their auditors, whereas the other three quarterly reports were prepared explicitly on an unaudited basis.

- Only one company made reference to certain measures being key indicators used by management to assess the company's performance as follows:

  "Net debt is non GAAP measure since it is not defined in accordance with IFRS but it is a key indicator used by management in order to assess operational performance."

- Two companies included disclaimers regarding forward-looking statements in their quarterly reports. Another company made reference to the use of estimates and assumptions which could differ from actual results.

- One company listed its risk factors within the disclaimer on forward-looking statements. Two companies included an explicit reference to the risk disclosures given in the annual report. The remaining company and the investment trust did not include any reference to risks and uncertainties.

- None of the five quarterly reports included any mention of going concern.

- Two quarterly reports included disclosures on changes in accounting policies since the previous financial year end.

6 UKLA *List!* issue 14 (updated), April 2007.

- The basis on which the quarterly reports were prepared varied greatly. The investment trust issued a quarterly report in compliance with the ASB Statement *Half-Yearly Financial Reports*[7]. One company confirmed that its quarterly report was prepared in accordance with IAS 34 *Interim Financial Reporting*. One made references to IFRSs and the previous annual report and also included a list of accounting policies. One stated compliance with IFRSs and one final company referred only to the previous annual report.

The quarterly report issued by the investment trust stated that **"the condensed financial statements have been prepared in accordance with the Statement: Half-Yearly Financial Reports issued by the Accounting Standards Board".** No further reference to accounting policies was made in that quarterly report. Therefore, the requirement in the ASB Statement to confirm that the condensed financial statements were prepared on the basis of the accounting policies set out in the most recent annual financial statements was not met. Other disclosures required by the ASB Statement, such as the reconciliation from operating profit to operating cash flow or the reconciliation from the movement in cash to the movement in net debt, were also omitted from the quarterly report.

The quarterly report prepared in accordance with IAS 34, which was issued by one of the companies in the top 350, included some disclosures on a number of business combinations that occurred during the three month period. IAS 34 requires that the interim report disclosures for business combinations comply with IFRS 3 *Business Combinations*. However, some of the detailed disclosures required by IFRS 3 were not given (such as the fair value information and goodwill).

The quarterly report that made reference to IFRSs included a statement that the report had been **"prepared using accounting policies consistent with International Financial Reporting Standards",** as disclosed by many companies in their half-yearly financial reports in accordance with IAS 34.

One quarterly report claimed that it had been **"prepared in accordance with International Financial Reporting Standards as adopted by the European Union"** despite it clearly being a condensed interim report. IAS 1 *Presentation of Financial Statements* requires that compliance with IFRSs can only be claimed if the financial statements comply with all requirements of IFRSs, including the detailed disclosures required in an annual report. This incorrect statement of compliance with IFRSs is consistent with findings in the previous Deloitte survey on half-yearly financial reports, *Our better halves*, and highlights a continuing confusion by preparers in this area.

The remaining quarterly report included only a statement that **"the accounting policies which have been applied to prepare the interim financial results are the same as those used for the preparation of the consolidated financial statements"** but no reference was made to IFRSs. Although the quarterly report is likely to be read in conjunction with the most recent annual report, it may be more useful to users if the basis of accounting is stated more clearly.

Of course, these points are reasonably "picky".
The quarterly reports clearly exceeded the normal IMS disclosures. The primary statements, notes and management commentary of all five quarterly reports contained sufficient information to meet the IMS requirements around financial performance, financial position and material events and transactions and their impact on the financial position.

7 As revised and issued by the ASB in July 2007.

Appendix 1 – Illustrative interim management statement

This illustrative IMS has been developed to provide an example of what an IMS may include. This illustrative IMS is based on a hypothetical large group and hence may go beyond the level of detail that is required by the DTR.

Interim management statement

To the members of Delto plc

> **Cautionary statement**
> This interim management statement has been prepared solely to provide additional information to shareholders as a body to meet the relevant requirements of the UK Listing Authority's Disclosure and Transparency Rules. The interim management statement should not be relied upon by any other party or for any other purpose.
>
> The interim management statement contains certain forward-looking statements. These statements are made by the directors in good faith, based on the information available to them up to the time of the publication of this interim management statement but such forward-looking statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking statements.

This interim management statement has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Delto plc and its subsidiary undertakings when viewed as a whole.

DTR 4.3.4 This interim management statement relates to the three months ended 31 March 20XX and contains information that covers the first quarter and the period since the quarter end to the date of publication of this interim management statement.[8]

DTR 4.3.5 **Our operations**
Delto plc manufacturers innovative, high quality products for the [ ] and [ ] industries. These products are used by our customers in a variety of systems which perform functions such as [ ] and [ ]. Our product portfolio includes lines such as the [ ] range and the [ ] range and our key brands include [ ], [ ] and [ ].

While we are not immune to the current economic conditions, our sales performance has been reasonably resilient due to the breadth of our operations and continuing strong end-user markets, particularly in the [ ] and [ ] industries. Although sales in the period are [ ] % down on those in the equivalent 20XY period, our performance is in line with the Board's expectations as communicated to shareholders at the recent AGM. In our recent annual report, we referred to the increased difficulty which some of our customers are having in accessing funding. This delayed orders in the last few months of 20XY. However, these orders have now come through and resulted in sales in this period. The difficulties in financial markets are still not necessarily resolved and we remain cautious about business levels for the remainder of the year. Due to our continued focus on cost efficiencies and effective working capital management we were able to maintain gross margins, one of the Group's key performance indicators, at a level which puts us on track to meet our profit target for the full year.

8 Date of publication of the IMS should be between ten weeks after the beginning, and six weeks before the end, of the relevant six-month period (DTR 4.3.3). Therefore, a company with a December year-end should publish its first IMS between 12 March and 19 May in a non-leap year.

Progress during the period

Revenue and operating profit

Total group revenue for the three month period was down by _% on the corresponding period in the previous financial year to £_million, with growth of _% in Asia Pacific being offset by a decline in Europe (_%) and the Americas (_%). Excluding the net impact of foreign currency effects (£_million), acquisitions (£_million) and disposals (£-_million), revenue on a like-for-like basis was lower by _% at £_million. Group operating profit for the 3 month period was £_million, _% below the comparative period in the previous financial year (£_million).

During the period, we have invested £_million (20XY: £_million) in our core products and have launched a new product, [Product X1]. This new product contributed revenue of £_million during the first quarter with a promising order book in place for the next 3 to 4 months. Further new products are nearing completion and are due to be launched over the next 12 to 18 months.

In our last annual report, we reported on the delay of the replacement of [Product X] with its updated version due to further testing requirements on the new version being imposed by the regulator. This has resulted in lower than anticipated sales from [Product X] with sales being _% below those in the first quarter in the prior year. The required tests have now been completed and the Board is expecting to receive regulator approval in due course. The launch of the new version is now expected to occur at the beginning of the third quarter of the current financial year.

Significant events, transactions and financial position

During the period, we acquired [name of company] for £_million to grow our market position in the Americas and we are currently restructuring this part of the business following the acquisition to consolidate our positions in this market. The consideration for the acquisition of [name of company] was funded partly by cash reserves available to the Group, and partly by utilising available funds under the Group's loan facility at competitive rates.

Total Group net assets as at 30 April 20XX remain relatively stable at £_million (31 December 20XY: £_million). Net debt increased to £_million (31 December 20XY: £_million) due to additional loans of £_million that were drawn down under the Group's existing loan facility at the time of the acquisition of [name of company]. The covenants under the loan facility are monitored closely and the directors expect that the headroom currently available can be maintained for the foreseeable future.

There have been no other significant events or transactions since the beginning of the financial year that could have a material impact on the financial position of the Group over the period since the beginning of the financial year.

[Address of registered office]

14 May 20XX

By order of the Board,
[Signature]
[Director]
[Name of signatory to be stated]

Appendix 2 – Interim management statement disclosure checklist

This IMS checklist is based on the Disclosure and Transparency Rules (DTR) in chapter 4 of the UKLA Handbook. In the checklist below are shaded boxes containing useful guidance from the UKLA's *List!* newsletter. The DTR apply for periods beginning on or after 20 January 2007.

		Reference	Yes/No/N/a
1	**Application**		
	Subject to the exemptions below, the requirement to prepare an interim management statement applies to an issuer: • whose shares are admitted to trading; and • whose Home State is the United Kingdom. Shares admitted to trading applies to a regulated market which includes the LSE main market, but excludes exchange regulated markets such as AIM.	DTR 4.3.1	
	In its newsletter *List!* issue 21, published in May 2009, the UKLA commented that the requirements to publish IMSs "do not fall away during a suspension and issuers must continue to comply."	*List!* issue 21	
2	**Exemptions from rules on interim management statements**		
2.1	Public sector issuers The rules on interim management statements (DTR 4.3) do not apply to a state, a regional or local authority of a state, a public international body of which at least one EEA State is a member, the ECB and EEA States' national central banks.	DTR 4.4.1	
2.2	Debt issuers The rules on interim management statements (DTR 4.3) do not apply to an issuer that issues exclusively debt securities admitted to trading the denomination per unit of which is at least 50,000 Euros (or an equivalent amount).	DTR 4.4.2	
2.3	Issuers of convertible securities The rules on interim management statements (DTR 4.3) do not apply to an issuer of transferable securities convertible into shares.	DTR 4.4.5	
2.4	Issuers of preference shares The rules on interim management statements (DTR 4.3) do not apply to an issuer of preference shares.	DTR 4.4.6	
2.5	Issuers of depository receipts The rules on interim management statements (DTR 4.3) do not apply to an issuer of depository receipts.	DTR 4.4.7	

		Reference	Yes/No/N/a
2	**Exemptions from rules on interim management statements (continued)**		
2.6	Non-EEA States – Equivalence An issuer whose registered office is in a non-EEA state whose relevant laws are considered equivalent by the FSA is exempted from the rules on interim management statements (DTR 4.3).	DTR 4.4.8	
2.7	Companies, which publish quarterly financial reports in accordance with either national legislation, or the rules of the regulated market on which the shares are listed, or voluntarily, are exempted from preparing an interim management statement (DTR 4.3).	DTR 4.3.6	
3	**Mechanics of reporting**		
3.1	Management should publish an IMS during the first six-month period of the financial year and another statement during the second six-month period of the financial year.	DTR 4.3.2	
3.2	Each IMS must be made in a period between ten weeks after the beginning, and six weeks before, the end of the relevant six-month period.	DTR 4.3.3	
4	**Content of IMS**		
4.1	The IMS should contain information that covers the period between the beginning of the relevant six-month period and the date of publication of the statement.	DTR 4.3.4	
4.2	An explanation of material events and transactions that have taken place during the relevant period and their impact on the financial position of the company and its controlled undertakings should be provided.	DTR 4.3.5 (1)	
	The UKLA confirmed in *List!* issue 14 (April 2007) that financial data is not necessarily required in an IMS. “The nature, scale and complexity of the issuer may be such that it can provide a meaningful narrative description of the major events/transactions that have occurred during the relevant period and the financial position of the issuer. If this happens then numerical data may not be required”.	*List!* issue 14	
	Further, in *List!* issue 21 (May 2009), the UKLA stated that “there would appear to be no obligation on the issue to makes any comment in this regard” if there have been no material events in the relevant period. However, readers of IMSs may prefer the approach suggested by the AIC: “The board may also wish to consider making a statement in the IMS to confirm that it is not aware of any significant events or transactions which have occurred between the ‘as at’ date of the financial information and the date of publication of the IMS which would have a material impact on the financial position of the company.”	*List!* issue 21 and AIC guidance “Interim Management Statements” April 2007	
4.3	A general description of the financial position of the company and its controlled undertakings during the relevant period should be provided.	DTR 4.3.5 (2)	
4.4	A general description of the financial performance of the company and its controlled undertakings during the relevant period should be provided.	DTR 4.3.5 (2)	
	In *List!* issue 21 (May 2009), the UKLA reminds companies that the information given on financial performance “should be meaningful to the reader and referenced accordingly. […] For example, the statement: ‘Trading…has been strong, with the Group’s adjusted profit before tax, for the three months of 2008, comfortably ahead of the Board’s expectations’, may be sufficient to comply with the issuer’s obligation. However, care should be taken to ensure that ‘the Board’s expectations’ have been previously stated publicly as a reference point. If a company states that its financial performance or position are ‘meeting expectations’, unless the company clarifies what these expectations relate to, such as management expectations from previous reports, analyst or market expectations etc, it risks that information not being meaningful to the reader.”	*List!* issue 21	

Acronyms explained

AIC	Association of Investment Companies
AIM	Alternative Investment Market
ASB	Accounting Standards Board
DTR	Disclosure and Transparency Rules
FSA	Financial Services Authority
GAAP	Generally Accepted Accounting Practice
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
IMS	Interim Management Statement
KPI	Key Performance Indicator
LSE	London Stock Exchange
NAV	Net asset value per share
RIS	Regulated Information Service
UKLA	UK Listing Authority

How can we help?

Deloitte would be pleased to advise on specific application of the principles set out in this publication. Professional advice should be obtained as this general advice cannot be relied upon to cover specific situations. Application will depend on the particular circumstances involved. If you would like further detailed information or advice, or would like to meet with us to discuss your reporting issues, please contact your local Deloitte partner or:

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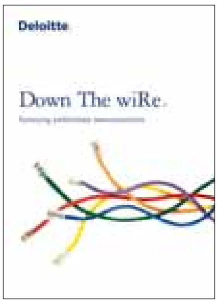
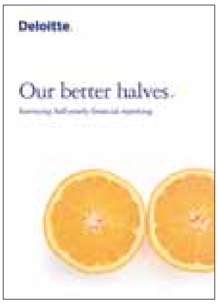
Related publications

The following publications survey a consistent sample of companies through a full cycle of periodic financial reporting requirements. All are available at www.deloitte.co.uk/audit.

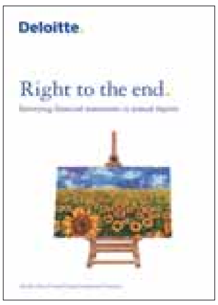


Down The wiRe – surveying preliminary announcements
Down The wiRe analyses the announcements of annual results made by listed companies and includes a review of compliance with the dissemination requirement of the Disclosure and Transparency Rules, the different forms of announcements used by listed companies and what information companies choose to include in their preliminary announcements.



Our better halves – Surveying half-yearly financial reporting
Our better halves analyses half-yearly financial statements and includes a review of compliance with the Disclosure and Transparency Rules and IAS 34, the different presentations adopted in half-yearly financial statements and how companies complied with the requirements for their Interim Management Report.

Write from the start – Surveying narrative reporting in annual reports
This publication looks at what listed companies are reporting in the narrative sections of their annual reports. The 2008 survey builds on those performed between 1996 and 2007 and includes an overview of current regulatory requirements and latest developments, as well as "best practice" examples.



Right to the end – surveying financial statements in annual reports
This survey analyses the financial statements of the same companies included in *Write from the start*. It includes a review of how compliance with disclosure requirements and the accounting policy choices made under IFRS varied, the level of variety in the presentation of primary statements and which critical judgements and key estimation uncertainties directors consider to be the most significant. It also includes detail of some current disclosure requirements and latest developments, as well as various "good practice" examples.

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