

New regulations from 2008

Interim reporting for publicly listed companies



Through several EU Directives which are being incorporated into Norwegian legislation, increased confidence in financial reporting is a primary focus. An important part of this is new and expanded requirements for half-yearly reporting for publicly listed companies, and the introduction of a statement to the interim management report and the interim financial statements to be made by the board of directors and the managing director.

Half-yearly financial report

While it previously was a requirement to prepare interim reporting for each quarter only, there is from 2008 a requirement to issue an expanded half-yearly financial report which according to the Securities Trading Act (Verdipapirhandelloven) § 5-6 shall comprise:

- a condensed set of financial statements
- an interim management report, and
- a statement from the board of directors and managing director

It is not a requirement for the half-yearly financial report to be subject to an audit or a review by auditors. The interim report must state clearly that no audit or review has been carried out. If an audit report or review report to the half-yearly financial report has been issued, this must be reproduced in full together with the half-yearly financial report.

The half-yearly financial report should be made public as soon as possible and no later than two months after the end of the accounting period. The issuer shall ensure that the half-yearly financial report remains available to the public for at least five years.

Condensed set of financial statements

Where the issuer is required to prepare consolidated accounts according to IFRS, the condensed set of financial statements shall be prepared in accordance with the international accounting standard applicable to the interim financial reporting (IAS 34). Where the issuer is not required to prepare consolidated accounts, the condensed set of financial statements shall at least contain a condensed balance sheet, a condensed profit and loss account and explanatory notes.

In preparing the condensed set of financial statements the issuer shall follow the same principles for recognizing and measuring as when preparing annual accounts.

Interim management report

The requirements to the interim management report is according to the Securities Trading Act § 5-6, section 4: “The interim report shall include at least an indication of important events that have occurred during the first six months of the financial year, and their impact on the half-yearly financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year. For issuers of shares, the interim management report shall also include major related parties transactions.”

Based on the legal requirements the board of directors must, as when preparing the board of directors' annual report, make an assessment of what information is material to the reader of the financial information. The report must cover the entire first half year, even though events that occurred in the first quarter have already been commented on in the interim financial statements for the first quarter.

Important events means events that have or might in the future have important impact on the financial statements. Examples of such events may be acquisition and sale of significant assets or businesses, entering into/lapse of important contracts, new financing of the business, significant impact of foreign currencies or derivatives, or other one-time events or unusual transactions. The description must be sufficient to provide the reader with an understanding of the impact of these events on the financial statements. For businesses that are significantly influenced by seasonal variations, a description of this would contribute to better understanding of the contents of the financial statements, although such disclosure also is a requirement of IAS 34.

As in the board of directors' annual report, the interim management report must contain a description of principal risks and uncertainties. This should be a description of those risks that the business is exposed to and the directors focus on, rather than undifferentiated statements about risks in general.

IAS 24 Related Party Disclosures, applies at year end and requires extensive disclosure, even where related parties transactions are regular in pattern and at arm's length. The interim disclosures focus on major related-party transactions. Furthermore, IAS 34, paragraph 17, includes in its examples related-party transactions disclosures, thereby reinforcing this Directive requirement. We would also like to mention that any information stating that transactions with related parties were carried out at arm's length according to IAS 24, paragraph 21, can only be given if such terms can be substantiated. This must also apply to the condensed set of financial statements.

Statement from board of directors and managing director

Important news is that the half-yearly financial report shall include a statement made by "the persons responsible within the issuer" covering the interim management report as well as the condensed set of financial statements. "Persons responsible" must in this context be perceived to be the board of directors and managing director. This corresponds both with regulations in the Norwegian Accounting Act requiring the board of directors and managing director to sign the annual accounts and board of directors' annual report, and with the new regulation in the Securities Trading Act § 5-5 which require a corresponding statement to the annual accounts and board of directors' annual report (applicable from the 2008 annual accounts).



The Securities Trading Regulations (verdipapirforskriften) § 5-2 also states that for Norwegian issuers “the persons responsible within the issuer” is to be interpreted as the members of the board and the managing director.

The requirement is presented in the Securities Trading Act § 5-6 as follows:

”Statements made by the persons responsible within the issuer, clearly stating their names and job titles, to the effect that

- a. to the best of their knowledge, the condensed set of financial statements has been prepared in accordance with applicable accounting standards and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the group taken as a whole and that
- b. to the best of their knowledge, the interim management report includes a fair review of the information mentioned in subsection (4).”

The statement must be published as an integral part of the half-yearly financial report and cover the same financial information that is presented in the interim report. Most listed companies present consolidated figures only.

Example of statement

To the right we present an example of possible wording. We would, however, emphasise that the individual company must formulate the statement in such a manner that it covers and is correct for the company’s actual situation. The example may not be perceived to be a template or recommended statement wording from PricewaterhouseCoopers.

Responsibility Statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 200x has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the (Company’s and) Group’s assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Place, date

Signatures (Board of Directors and Managing Director)

Note: This is a translated version of a Norwegian publication and has been prepared for information purposes only. When quoting Norwegian legislation, the official translation of the Securities Trading Act (Verdipapirhandelloven) is shown.

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