

AMF recommendation 2013-01

The impact of change in the end of the reporting period with respect to pro forma financial information

Background regulation: Article 223-1 of the AMF General Regulation

A change in the end of the reporting period most often results in the information reported to the market being asymmetrical. The regulatory accounting framework does not directly address this issue in terms of comparability of information.

Three situations may arise, depending on whether the issuer presents consolidated financial statements under IFRS or under French regulations or whether it merely releases statutory accounts.

Under IFRS, IAS 1 provides in paragraph 36¹ that *“When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, the entity shall disclose the period covered by the financial statements a) the reason for using a longer or shorter period and b) the fact that the amounts presented in the financial statements are not entirely comparable”*.

Thus, IFRS do not require companies to release comparative pro forma information.

French regulations and CRC Regulation 99-02 on consolidated financial statements do not require companies to disclose comparative for forma information when they change the end of their reporting period.

Similarly, CRC Regulation 99-03 on statutory accounts does not provide for companies to release such information. The management report does not require disclosing other information than that on the company's particular circumstances and activities for the current financial year.

The notion of pro forma information arises only in the event of changes in the scope of consolidation. It is defined accordingly in Article 20.2 of Annex I of the European Prospectus Directive and in paragraph 423 of CRC Regulation 99.02 and in Article 222-2 of the AMF General Regulation. The information required under IFRS 3 is quite similar to pro forma information but it does not use the same terminology.

Thus, it bears noting that there are no regulations or accounting standards requiring that comparative pro forma information be disclosed in the event of a change in the end of the reporting period.

In order to make up for this lack of regulations and for the purpose of legibility and comparability of accounting and financial information, it is desirable that, in the event of a change in the end of the reporting period, companies provide pro forma information for the main accounting aggregates, established on a comparable basis, so that such data may be used on a forward-looking basis.

For instance, should an issuer having a 31 March year-end decide to change the end of its reporting period to 31 December N, the length of the new financial year will be nine months. In this case, the AMF recommends that issuers provide pro forma information on the main accounting aggregates for the twelve-month period to the new year-end.

¹ IAS 1.36 *“An entity shall present a complete set of financial statements (including comparative information) at least annually.*

When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:

(a) the reason for using a longer or shorter period; and

(b) the fact that amounts presented in the financial statements are not entirely comparable.”

In the aforementioned example, the issuer will establish pro forma information for the twelve-month period to 31 December N (1 January – 31 December N).

Recommendation

The AMF recommends that, should a change in the end of the reporting period be decided, issuers provide comparative pro forma information on the main accounting aggregates in the notes to the financial statements. Comparative pro forma information is the information produced during the twelve-month accounting period, using the new year-end.

When companies are unable to produce pro forma information, they should give the reasons as to why not in the notes to the financial statements.