

## Financial Services Authority

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## FSA warns listed companies on accounting standards

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**Howard Davies, Chairman of the Financial Services Authority, in a speech this evening to the Confederation of British Industry in Glasgow will remind listed companies of the need to prepare themselves for new accounting standards due to begin on 1 January 2005.**

"The European Union has decided that listed companies should use international accounting standards for accounting periods beginning on or after the first of January 2005. So we have written today to all listed companies to press them to get ahead with their preparations as a matter of urgency."

The [letter](#), signed by FSA Director of Listing, Ken Rushton, has been sent to all companies with securities on the UK Listing Authority's Official List:

Dear Company Secretary

### FINANCIAL REPORTING REQUIREMENTS

As I am sure you are aware, all EU listed companies that are required to publish consolidated accounts will be required to prepare their accounts in accordance with adopted International Financial Reporting Standards (IFRS) for accounting periods beginning on or after 1 January 2005.

For a company with a reporting date of 31 December 2005, the date of its transition to IFRS will be 1 January 2004. This means such a company will be required to prepare comparative IFRS accounts for 2004. In order to met this requirement, an issuer must:

- prepare its opening IFRS balance sheet at 1 January 2004; and
- prepare and present its balance sheet for 31 December 2005 (including comparative amounts for 2004), income statement, statement of changes in equity and cash flow statement for the year to 31 December 2005 (including comparative amounts for 2004) and disclosures (including comparative information for 2004).

Listing Rule 12.47a requires an issuer to present its interim results in accordance with the accounting policies and presentation to be followed in the subsequent annual financial statements. Therefore an issuer with a 31 December 2005 year-end will have to present its June 2005 interim results in

accordance with IFRS.

I am very concerned to learn that many issuers are poorly prepared for these changes. A recent ICAEW survey indicated that:

- a third of respondents were either “not very aware” or “not at all aware” of the publication of the relevant EU Regulation on the Application of International Accounting Standards (EC No 1606/2002); and
- less than half of respondents felt they were aware of the effect IAS would have on their company or financial statements

I appreciate that the timetable is made more difficult, given the fact that not all the relevant standards have been agreed and some have not yet been published. Nevertheless a consequence of not being in a position to adopt IFRS will be that issuers are unable to meet the reporting requirements and deadlines of the listing rules. Failure by issuers to submit preliminary or interim results within the required timescale is likely to result in the suspension of the issuer's securities.

For many companies there is a significant amount of work and resource involved in changing from UK GAAP to International Accounting Standards (IAS). We are rapidly approaching 2004 when issuers are going to need to start getting the information to enable them to produce their opening IFRS balance sheet.

It is vital that listed companies are ready for the introduction of IAS and have the necessary procedures and processes in place to ensure that they are able to continue to meet reporting requirements. Please would you bring this letter to the attention of your Chief Executive and the Chief Financial Officer.

The Listing Rules and UKLA Guidance Manual are available on [www.fsa.gov.uk/ukla](http://www.fsa.gov.uk/ukla).

### Notes for editors

1. The FSA regulates the financial services industry and has four objectives under the Financial Services and Markets Act 2000: maintaining market confidence; promoting public understanding of the financial system; the protection of consumers; and fighting financial crime.
2. The FSA aims to maintain efficient, orderly and clean financial markets and help retail consumers achieve a fair deal.

