

**Submission Date**

28/01/2021

## **ESMA\_QA\_995**

Status: Answer Published

### **Additional Information**

---

#### **Level 1 Regulation**

Prospectus Regulation 2017/1129

#### **Topic**

Financial reporting

### **Subject Matter**

Item 18.1.1 of Annex 1 Commission Delegated Regulation 2019/980: clarifying the meaning of “or such shorter period as the issuer has been in operation”

### **Question**

What financial information is required where the shorter period is less than one year?

## ESMA Answer

---

28-01-2021

Original language

[ESMA31-62-1258 Prospectus Q&A 7.4b]

The following example should provide some insight into what financial information is required from an issuer that has been operating for less than a year:

An issuer commenced operations on 1 November 2019 and is due to prepare audited historical financial information for the year ended 31 December 2019<sup>[1]</sup>. The issuer produces a prospectus in June 2020.

Two situations can be envisaged in terms of the financial information to be provided:

1. Audited historical financial information could be included from the date of incorporation of the issuer (or the date when the issuer started its operations in its current sphere of economic activity, if different from the date of incorporation) until the end of the financial year chosen by the issuer<sup>[1]</sup>. In the example above, the financial year of the issuer is from January to December 2019, so the period covered would be two months audited historical financial information, i.e. 1 November 2019 to 31 December 2019.

Or

2. Audited historical financial information could be included from the date of incorporation of the issuer (or the date when the issuer started its operations in its current sphere of economic activity, if different from the date of incorporation) until the most practicable date before the publication of the prospectus. This means that the audited historical financial information should be prepared by the issuer just for the purposes of the prospectus and the period this information would cover would not be consistent with the future financial information produced according to accounting legislation applicable to the issuer. For example, in the case above, the period covered by audited historical financial information could be from 1 November 2019 until 31 March 2020.

In the example described above, the issuer would not be obliged by the Commission Delegated Regulation 2019/980 to include interim financial information, because:

- i) more than 9 months would not have elapsed since the end of the last audited financial year until the date of the prospectus or the registration document (item 18.2.1 of Annex I Commission Delegated Regulation 2019/980); and
- ii) the issuer would not have published its half-yearly financial report since the draft prospectus was submitted for approval in June (item 18.2.1 of Annex I Commission Delegated Regulation 2019/980).

Situation (1) has the advantage of ensuring timing consistency between the audited historical financial information required by both accounting and prospectus rules. Whereas situation (2) would oblige the issuer to produce audited historical financial statements just for the purposes of the prospectus, with a closing date that would not be consistent with future audited historical financial statements or with those of other issuers.

When the issuer has already published audited historical financial information required by national legislation, this should normally be the only information required to comply with item 18.1.1 in situation (1) referred to above. Additionally, ESMA considers that inclusion of the audited historical financial information required by national legislation together with requirements under item 18.7.1 of Annex 1<sup>[2]</sup> and the Recommendations published for start-up companies by ESMA (see paragraphs 135 to 139 of ESMA/2013/319) will normally provide investors with relevant information in the prospectus and should enable issuers to comply with Article 6.1 of the Prospectus Regulation.

However, in exceptional circumstances (such as the absence of interim financial information in the prospectus combined with the passing of a significant amount of months since the end of the last audited financial statements) situation (2) would be more appropriate to satisfy Article 6.1 of the Prospectus Regulation.

---

<sup>[1]</sup> According to its national accounting legislation.

<sup>[2]</sup> *Significant change in the issuer's financial or trading position:* A description of any significant change in the financial position of the group which has occurred since the end of the last financial period for which either audited financial statements or interim financial information have been published, or provide an appropriate negative statement.