

Evolution of price-sensitivity

Annual report

„An issuer shall inform the public as soon as possible of inside information which directly concerns that issuer.“

Market Abuse Regulation art. 17 par. 1

Management accounting systems can generate information about financial situation of a company. Such information may also emerge during preparation, modification or audit of a financial report. Some of these information may be price-sensitive and as such cause obligation to be published as inside information.

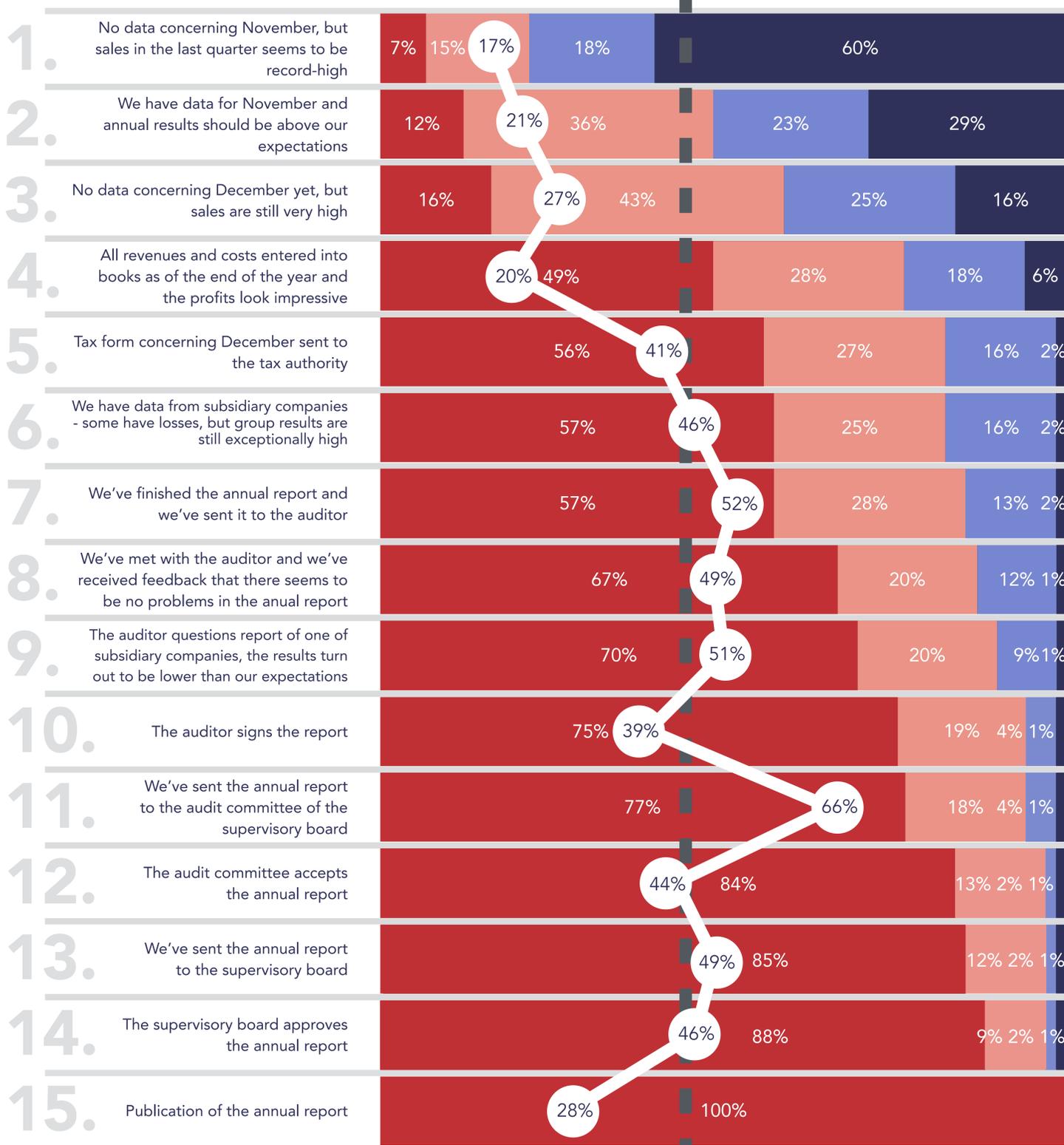
The Polish Association of Listed Companies (SEG) has conducted a survey among compliance and investor relations managers, in which the changes in their opinions were researched regarding price-sensitivity of financial information possessed by the company at various controlling steps leading to preparation and publication of an annual report.

Legend

Percentage of answers to the question: **Is this a price-sensitive information?** among persons who had a precise opinion about the given step



irrelevance ratio - percentage of respondents who haven't answered the question regarding the given step, probably regarding it as a change too small in respect to previous steps in order to be analysed



Formation of sales results before the end of reporting period (November and December in case of an annual report) in a way significantly different from expectations provokes about half of respondents to at least suppose existence of a price-sensitive financial information.

Entering of all revenues and costs into books means for half of respondents certainty that the company knows its financial results. From this moment on very few respondents are sure that there exists no price-sensitive information. In case the financial results at this stage differ significantly from market expectations, consensus or results of previous comparable periods, they may constitute price-sensitive information and as such they should be considered as inside information that should be reported.

All subsequent steps of preparation, modification and auditing of a financial report in most cases don't change substantially the respondents' opinion that the information about financial results of the period emerged previously and in case it was price-sensitive, it should have been reported to the public beforehand.

The price-sensitivity of financial information may arise at any step of book-keeping or controlling or during preparation, modification or auditing of a financial report. In such a case it must be every time assessed whether it is an inside information and if it is - it should be reported to the public without delay.

At almost all steps of preparation, modification or auditing of a financial report, high levels of irrelevance ratio (40-50 percent) have been recorded. It means that the respondents have most probably assessed that particular steps of the process haven't changed their mind concerning price-sensitivity of financial information. At the same time, steps 4 and 15 have been acknowledged as the most relevant to assessment of price-sensitivity of financial information.

Survey conducted among participants of the conference *Reporting of price-sensitive information in the context of MAR* organised by the Polish Association of Listed Companies (25-26 November 2015). Conclusions from the research have an informative and educational character and the must not be treated as specifying of the definition of inside information or the definition of the intermediate steps in a protracted process.