decrease in this very good investment possiblity in the last year was because the property prices have gone so high that it was impossible for the property trust to be formed and purchase good properties with a reasonable return.

As the foreign investor will be stopped from the market, in such a way the demand for property might be less and it is reasonable to expect that a $7\frac{1}{2}\%$ to 8% yield property trust will be formed in the future, and in my opinion, they will be a very good investment and will have a very large future. When you see in England the Abbey Property Trust going to hundreds of millions of pounds or more than our property trusts which only have a maximum of \$10 million to \$20 million, they are still relatively small and will be increasing in the future. The same applies for property trusts as to public company shares: the property trusts are as good, honest and capable as their manager. They have been misused and abused overseas and will be obviously misused and abused by sharp businessmen in the future here too.

Before I finish I would like to comment again on the C.B.D. overbuilding which I have mentioned before, and which is such a current topic these days when one speaks of property development.

It should be remembered firstly that a city building is a long term investment. Secondly I would suggest that the experience of the recent past where office buildings were often fully let before completion, or where they were sold and leased back before completion on rents which turned out very conservative was a boom situation. Now if you build, complete, and spend the next year filling the building then certainly this would be a more normal situation, both historically and on international experience. The conclusion should not be drawn that this lag time of one year is a disaster, because as I suggest it is a long term project and secondly capital appreciation is taking place, if for no other reason but that to replace the building would cost so much more. Naturally you have to be conscious of the carrying cost effect on profits, but in terms of the companies we have discussed I would remain prudently optimistic.

"Dixi et salvavi animum" which means I have told my opinions and cleared my mind, but naturally please realise that I, like everyone of you here, make daily mistakes, so all I can do is tell my opinion, and if you make any profit out of benefiting from my advice I certainly will not want commission out of it, but on the other hand please do not blame me if any loss emerges from it.

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STANDARDS FOR INTERIM INFORMATION

By M.G. Wright, B.Com., A.C.C.A., F.C.I.S

(This article was published in Great Britain in "The Accountant" of 28 December, 1972, and permission has been kindly given for its re-printing in this Journal. Although triggered by the U.K. accession to the European Economic Community, it is believed that the article will be of interest to many of our members. The form, content and frequency of interim reports is topical in this country and overseas ideas could be helpful.)

Many European companies, including those in the United Kingdom, publish regular interim reports on the course of their business between annual reports. Such reports may be mandatory by law or provided in accordance with the requirements of regulatory bodies - e.g., in the UK the London Stock Exchange - or they are provided out of enlightened self-interest. Because of varying legal and other requirements such reports take a variety of forms and content. In view of this country's accession to the Treaty of Rome, there are considerable advantages in trying to reach common standards of corporate reporting throughout the enlarged European Community.

A step in this direction has been taken by the Fédération Européenne des Associations d'Analystes Financiers whose British affiliate is the Society of Investment Analysts. The second report of the Corporate Information Committee of the Federation sets out standards for interim reporting which it thinks ought to be adopted throughout Europe and includes comments on the current practice in a number of countries.

Frequency of reports

The report distinguishes between regular reports and reports on exceptional events. The former should be at least at half-yearly intervals, with a distinct preference for ultimately adopting a standard of quarterly reporting on the Wall Street model. The latter should be used as and when required to release information to the public immediately an event occurs, so avoiding one section of the community enjoying advanced notice.

Where the company is subject to seasonal influences, it should be able to use discretion in breaking up the year into different reporting periods, such as eight months plus four months.

It is important that figures for the corresponding period of the previous year be shown in the same form as those now being presented, which in some cases will mean that they differ from those originally published, e.g., where there has been an acquisition. Where quarterly reports are issued, cumulative 'year to date' figures should also be added.

Matters which should be included in the report are shown in Table 1.

Table 1

STANDARDS FOR PERIODIC INTERIM REPORTS

1. Presentation

1.1 Half-yearly reports
1.2 Quarterly reports
1.3 Comparable figures for the corresponding period of the previous year
1.4 Same accounting principles as in the annual reports
1.5 Rapid publication (six weeks or less)

2. Table of Results

2.1 Sales
2.2 Provisions for estimated depreciation
2.3 Trading profit
2.4 Provision for estimated taxation
2.5 Net profit
2.6 Net profit share

3. Financial Situation

3.1 Comments on liquid position
3.2 Indication of inventory changes
3.3 Long-term debt

4. Recent Developments

4.1 Effects of acquisitions and disposals
4.2 Comments on capital commitments and their financing
4.3 Comments on new products (services) and discoveries

5. Outlook

5.1 Prospects for rest of the fiscal year
5.2 Anticipated consequences of recent economic, political or social events for the company.

The table of results will show external sales and whether or not excise duties and sales taxes are included or excluded. Trading profit is defined by the Federation as 'profit resulting from industrial and commercial operations, after depreciation, but before financial revenues and charges, extraordinary items and taxes'. Profits per share should be shown both factual and fully diluted.

Where there are major changes in the figures or deviations from previous trends these should be explained.

The financial situation section should comment on the liquid position and changes since the last balance sheet. With each of the three items included in this section it may not be possible to provide exact figures. In such cases it is preferable to provide an approximation or indication of prevailing trends rather than not to comment at all.

Comments on recent developments should show where the business has changed physically or in concept since the last report. The actual or prospective effects of significant acquisitions or disposals should be commented upon. The opportunity should also be taken of updating previously-provided information whether in previous reports or part of normal press information.

Outlook is concerned with the future. Any forecasts made at the time of the annual report should be reconciled with the figures now being published and prospects for the remainder of the year given. The effects of any major environmental change upon the company should also be commented on.

Non-periodic reports

Any event of an exceptional character which is likely to affect the smooth running and future prospects of the business or which might influence investor decisions should be immediately reported to shareholders and the public. Events which fall within this definition include:

(a) Fire, strikes, nationalization, lawsuits
(b) Discoveries, e.g., natural resources, production techniques, products
(c) Changes in the nature of the activities
(d) New co-operation agreements for research, production or marketing
(e) Substantial acquisitions or sales of assets or shares
(f) Structural modifications
(g) Important organizational changes
(h) Changes in control or management
(i) Mergers or take-over bids, increase in share or loan capital free issue of shares, changes in dividend policy
(j) Delays in the publication of periodic information

Requirements in various European countries

Germany - There are no legal requirements, all reports being made on a voluntary basis. About half in number of quoted companies present interim reports. On the basis of market capitalization this rises to 90 per cent. A committee of stock exchange experts includes the quality of interim reports in its work, with some success.

The stock exchange rules are broadly in line with the Federation proposals, those companies which comply receiving a special ear-marking in the official stock exchange price list. Where no interim information is provided or it does not meet the stock exchange rules, the companies are thus distinguished from those that do comply with the requirements.

Belgium - There are no legal requirements and - except where there are statutory controls, e.g., public utilities, loan companies, etc. - the position is generally unsatisfactory.

France - A decree of March 23rd, 1967, requires quoted companies with assets exceeding Frs 10 million to publish in the Bulletin d'Announce Légales Obligatoires:

quarterly turnover within 45 days of the end of the quarter;

a provisional balance sheet at the end of each half-year, within four months; and

annual accounts within four months of approval by shareholders.

The disadvantages of the system are that only figures are included with no comments, and they are published in a paper which the public does not read. Few companies supplement it with letters to shareholders.

United Kingdom - There are no legal requirements in the UK the regulatory body being the Stock Exchange, London. The latter requires half-yearly reports on the following:

(a) Profit or loss after all charges including taxation
(b) UK and overseas tax charged
(c) Amount of (a) attributable to shareholders in the holding company where appropriate
(d) Extent to which (a) has been affected by special items
(e) Rates of dividends paid and proposed and their cost
(f) Comparative figures for (a) to (e)
(g) Any supplementary information necessary for the reasonable appreciation of the results.

While these are some deficiencies, the committee found that the general standard of reporting was much higher than the basic requirements.

Sweden - A proposed bill for corporate reporting was put forward in 1971. It provides that at least one interim report should be issued containing the following information:

Sales
Dividends received
Net interest
Profit and losses from sale of fixed assets
Gross investments
Liquidity position
Average number of employees.

Switzerland - Swiss company law makes no provision for interim reports. This position is currently being reviewed. Very few corporations provide interim information and that provided is usually limited to general remarks about current trends.

Conclusions

This is a topic which will undoubtly receive comment from a number of quarters, not least from the profession. There is no doubt, however, that the trend in the near future will be towards the provision of much more information and it is one that merits serious attention now.