

*Conseil Déontologique des Valeurs Mobilières*



*Financial disclosure practices of issuers  
Status over the period of 2010-2011*

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# Financial disclosure practices of issuers

Status over the period of 2010-2011

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<b>INTRODUCTION .....</b>	<b>2</b>
<b>SAMPLE DESCRIPTION .....</b>	<b>3</b>
<b>RESPECT OF DISCLOSURE REQUIREMENTS .....</b>	<b>5</b>
PERIODIC DISCLOSURE .....	5
<i>Timeliness and completeness</i> .....	5
1. Compliance with timeliness .....	5
2. Compliance with completeness .....	6
3. Consolidated accounts .....	7
<i>Analytical review</i> .....	9
1. Follow-up of statutory auditors' observations and reservations .....	9
2. Underperformance and disclosure .....	10
3. Follow-up of pro forma financial statements .....	11
PERMANENT DISCLOSURE .....	12
<b>FINANCIAL DISCLOSURE .....</b>	<b>13</b>
RESULTS FEEDBACK .....	13
<i>Press releases accompanying the results</i> .....	13
<i>Analytical meetings</i> .....	14
WEBSITE .....	16

## INTRODUCTION

The efficiency of financial markets depends on the confidence given to information published by issuers. Accurate and complete financial statements and important facts disclosed properly and timely, are the most important elements of good communication practices.

The CDVM, through its mission of investor protection, established procedures for monitoring and controlling information, thus ensuring close monitoring of financial publications to guide issuers to improve the quality of published information and enhance greater transparency.

The purpose of this note is to describe the disclosure practices of Moroccan issuers over the last two years (2010-2011), highlighting the failures or shortcomings in terms of communication recorded, the actions implemented by the CDVM and advances performed in terms of transparency.



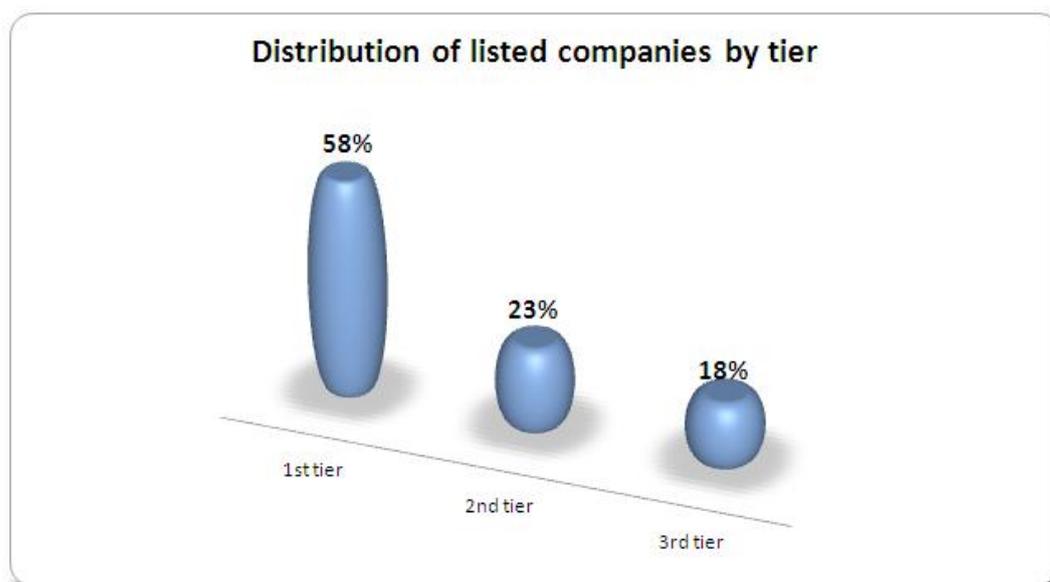
## Sample description

For purposes of this study, issuers subject to Moroccan law were selected representing 86% of all issuers issuing public offerings. The sample includes 99 issuers at the end of the fiscal year 2011.

The entire sample includes 77 companies whose shares are listed on the Casablanca stock exchange and 22 representing debt securities issuers.

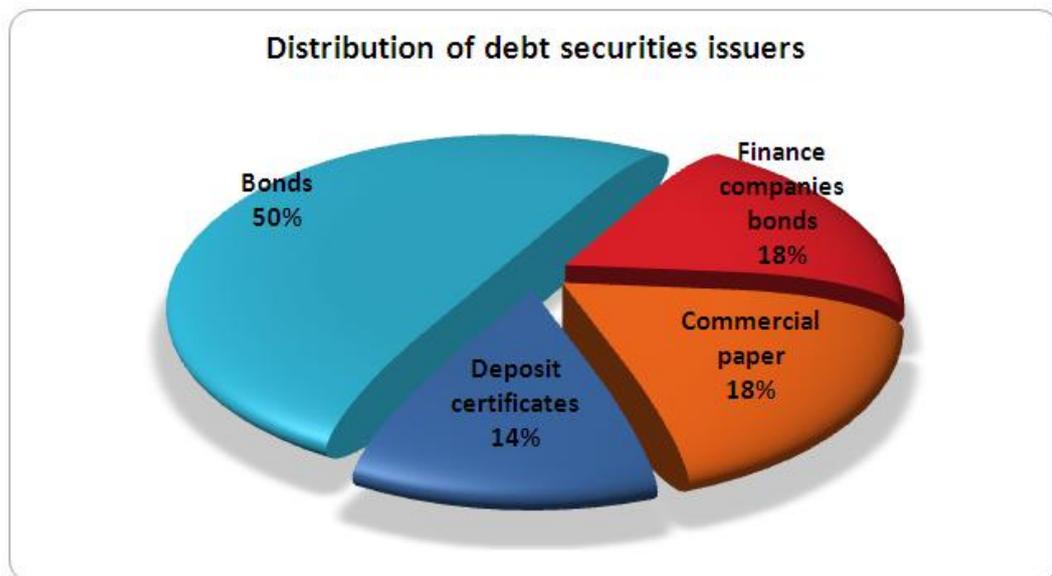
- **Listed companies** represent 78% of all issuers, ranked by pre-defined conditions, at the three tiers of the stock exchange.

The following is an illustration of this classification on 31/12/2011:



- **Debt securities issuers** are divided into bonds, certificates of deposit, purchase finance companies and commercial paper issuers.

*The following* is an illustration of this distribution on 31/12/2011:



# RESPECT OF DISCLOSURE REQUIREMENTS

Any corporation issuing a public offering is subject to disclosure requirements including periodic and permanent disclosure.

It should be recalled that the information published by issuers must adhere to some universal principles such as relevance, completeness, accuracy, comparability in time for the statistical data and finally equal accessibility by investors.

## *Periodic disclosure*

Issuers are required to have periodic information corresponding to the financial statements issued annually and every six months. This disclosure requirement is governed by specific regulations regarding its deadlines and content.

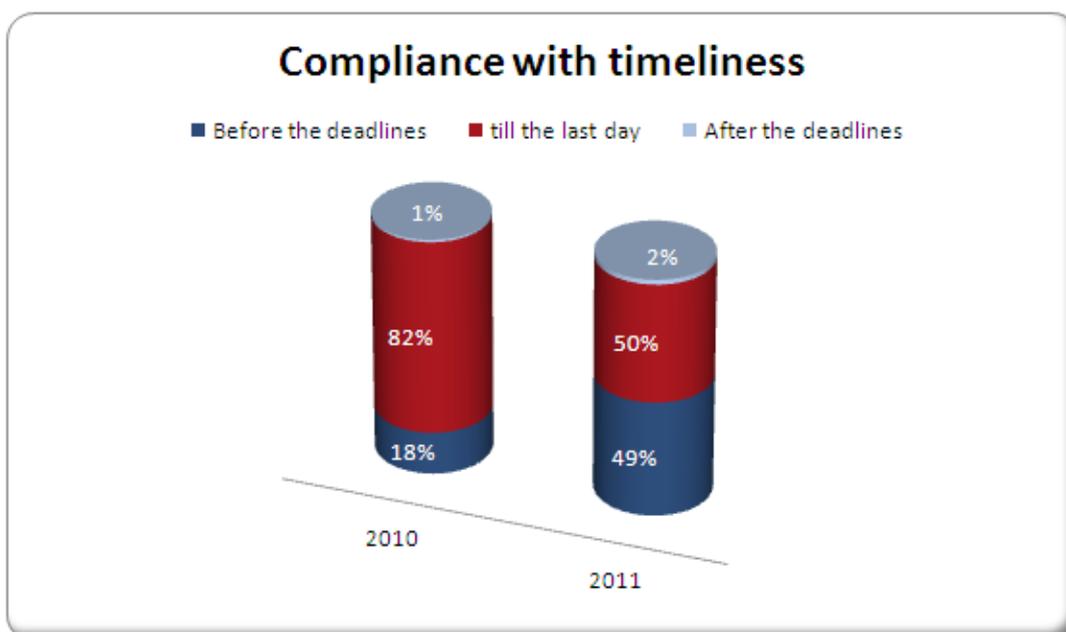
On the occasion of each periodic publication, the CDVM checks initially the compliance with the timeliness and completeness of the publications, before carrying an analytical review of the published statements in order to verify the coherence and relevance of information.

Note that in the course of its inspections, the CDVM is not limited only to figures reported in financial statements, but also includes in its analysis, the information about the issuers identified in the press, research notes of analysts, on-line information and internal documents of issuers forwarded to the CDVM.

## *Timeliness and completeness*

### *1. Compliance with timeliness*

Issuers have three months after the end of the half of the year for the biannual publication, and 30 days prior to the shareholders General Meeting to approve the summary financial statements, to make public annual summary statements.



⇒ [Exceeding publication deadlines](#)

During these last fiscal years, 3 issuers have not met the deadlines, including two issuers of debt securities, subject to new disclosure requirements.

It should be noted that for the fiscal year 2011, 50% of issuers have waited until the last day of the regulatory deadline of publication to publish their financial statements, against 82% in 2010.

Otherwise, over 50% of issuers have directly published their annual financial statements for 2011, before March 31, 2012, benefiting thus from the exemption from publication under the second half of the year 2011.

Under the fiscal 2011, 82% of issuers have published the consolidated financial statements at the same time as the corporate financial statements, against 79% for the year 2010.

## *2. Compliance with completeness*

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The content of the periodic disclosure corresponds to patterns the list of which is determined by the CDVM and indicated at the consolidated circular. These patterns tend to respond to sectoral specificities of issuers. The selection of financial statements to be published ensures to the public a minimum of statistical data advising on operational and financial performance of the issuer.



Under the study period, 8% of issuers registered some omissions, this includes the non-publication:

- The certificate or report of the statutory auditors
- The scope of consolidation
- Equities tables
- the statement of accounting exemptions

The CDVM contacted via mail the concerned issuers to carry out complementary publications.

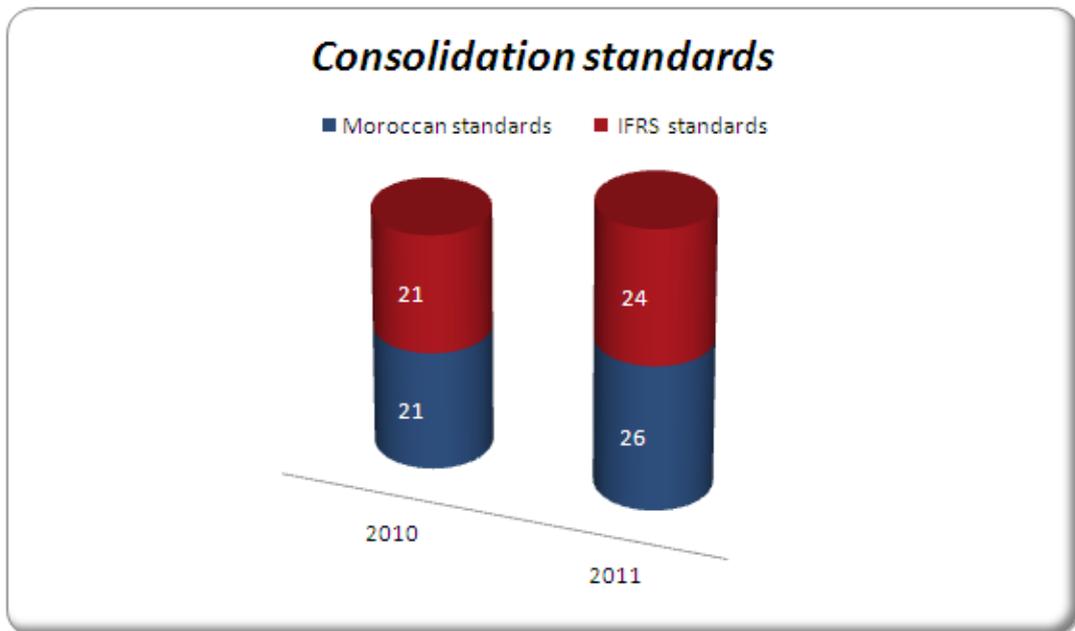
The majority of these issuers have regularized within the agreed deadline their situations by conducting additional publications.

Moreover, under the 2011 results, four issuers have issued statements with errors. The concerned issuers were also contacted by the CDVM for corrective publications.

### ***3. Consolidated accounts***

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It should be recalled that issuers subject to consolidation are companies whose shares are listed on the first tier and issuers of debt securities, when supervising other entities.



- In 2011, the number of issuers subject to consolidation is 50 against 42 in respect of the fiscal year of 2010.
- 24 issuer subject to consolidation opted for IFRS against 21 for 2010.
- 2 issuers not subject to consolidation, publish consolidated financial statements voluntarily.



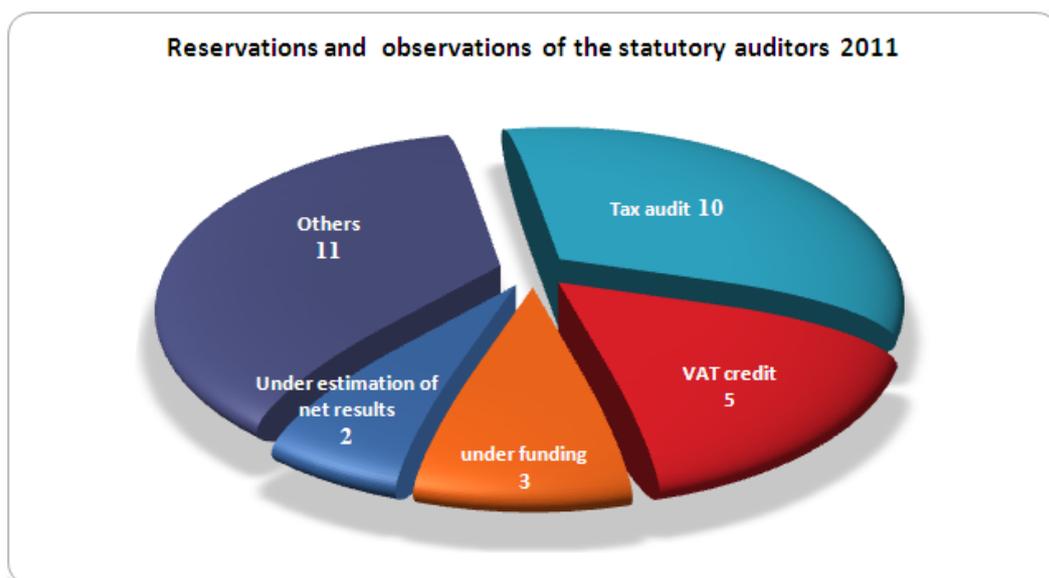
## Analytical review

The analytical control of financial publications aims to ensure the consistency of information. For this, several aspects are checked:

- Reserves and / or observations of the statutory auditors,
- Comparison between achievements and expectations,
- The accounting irregularities,
- The pro forma financial statements, if any.

### 1. Follow-up of statutory auditors' observations and reservations

The CDVM pays particular attention to reports of the statutory auditors accompanying the financial statements of issuers and ensures that in case of reservations and /or comments, which are given in a clear and relevant format allowing investors to assess them.



- In 2011, the statutory auditors of 26 issuers have made reservations and / or comments on the published financial statements, against 24 in respect of the fiscal year 2010.

- Some issuers have been subject to several reservations or comments.
- 10 reservations for the year 2011 against 12 in 2010 focused on the tax notices, generally rejected by the issuers whose amounts have not been made public. The statutory auditors of these issuers, generally report not being able to decide the outcome of such litigation.

In this context, a number of 14 issuers have issued under the last 2 years, the statement of liabilities describing the nature of liabilities, specifying the amounts accepted and those rejected.

- 5 reservations made in 2011 concerned a registered VAT credit whose prospect of recovery by the issuers is not certain.
- 3 reservations in 2011 relate to underfunding against 2 in 2010.

Under the fiscal 2010, the CDVM required of 4 issuers to take into account the reservations expressed by the statutory auditors.

## ***2. Underperformance and disclosure***

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In terms of achievements, 37% of issuers have observed underperformances in 2011, against 38% in 2010, whose origin is often linked to external factors such as: Social conflicts, the political and economic situation, the financial crisis, and the fluctuations in world prices of certain raw materials.

Generally, when important underperformances are identified under the first half of the year, the CDVM contacts the concerned issuers to raise their awareness about the need for issuing an alert on the results.

- 14 issuers in 2011, against 13 in 2010, showed significant variations in their results breaking with the history of their accomplishments, including 11 issued a profit warning advising the public of expected underperformances specifying the causes and future prospects.

- 3 issuers having recorded a break with the history of their achievements without issuing a profit warning at the appropriate time, two under the results of 2010 and one under the fiscal year 2011.

The CDVM, after conducting an investigation to determine the exact time where issuers had complete information about their prospects of closing, issued in their regard disciplinary and pecuniary sanctions.

The CDVM made these sanctions public.

- 3% of issuers have performed in 2011 in deviation from the estimates announced in the prospectuses. These were established on the occasion of financial transactions in 2011.

The CDVM contacted financial advisers who accompanied the aforesaid companies during the above financial transactions, requesting information on the deviations recorded

### ***3. Follow-up of pro forma financial statements***

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Issuers subject to the publication of the pro forma financial statements are those who, during the current fiscal year, experienced a significant change in their aspect or their scope. The pro forma information meets the needs of comparability of historical accounts.

- During this period, 4% of issuers subject to the release of pro forma financial statements issued following the request of the CDVM.
- 10% of issuers have issued pro forma financial statements in 2011, against 7% in 2010

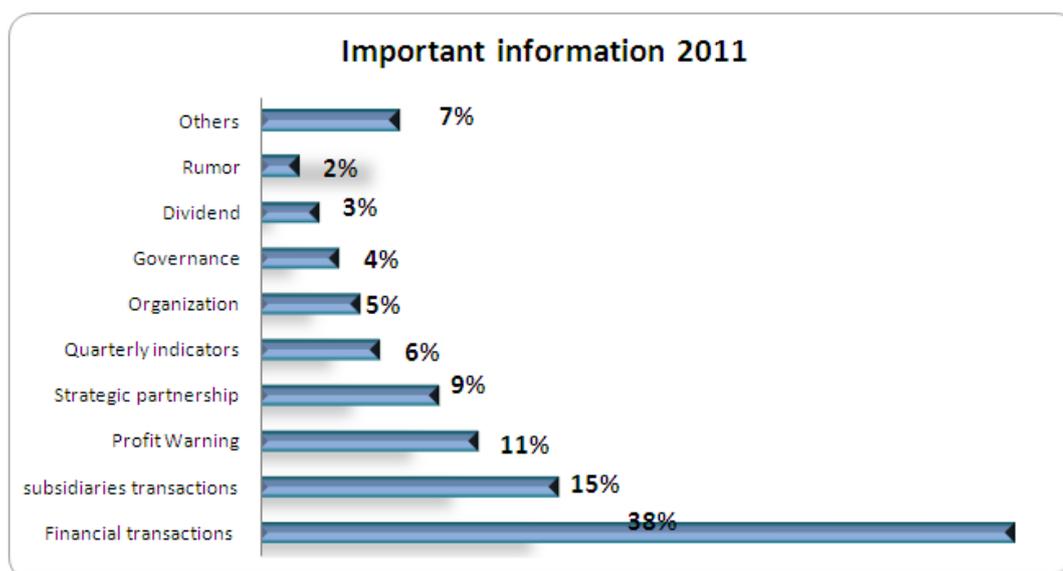
## Permanent disclosure

Sustained education informs the public about the facts relating to the issuer. It must be made public without delay.

The CDVM is frequently called upon by issuers for consultation, before the publication of press releases relating to important information.

Under the year 2011, 108 press releases, apart from meeting notices of shareholders to General meetings and post General meetings, have been published.

The following is a graph illustrating the types of disclosure:



- 38% of press releases have focused on the characteristics of financial transactions carried by the issuer
- 15% of press releases focused on acquisitions, assignment or transfer of business
- The profits warning represent 11% of press releases issued against 7% in 2010
- Publication of quarterly indicators is a recommendation followed only by 6% of issuers, 2% of which publish quarterly indicators by virtue of their dual listing on foreign stock exchange markets.

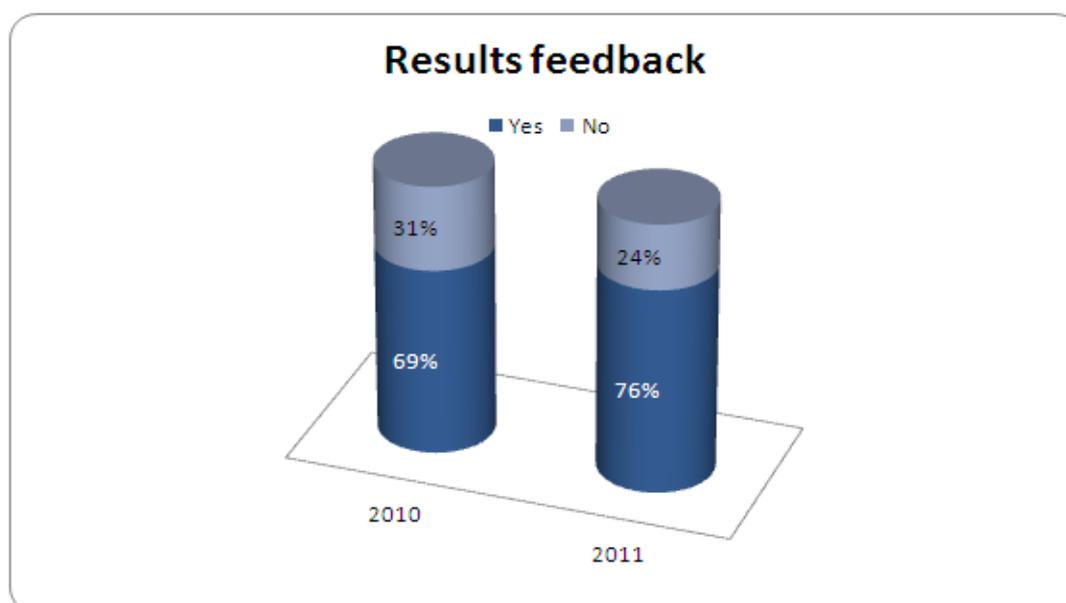
# FINANCIAL DISCLOSURE

## *Results feedback*

Among the communication practices adopted by issuers in recent years, it should be noted that the practice regarding the feedback of achievements by the management board, including through meetings with analysts and the comments accompanying the published financial statements.

## *Press releases accompanying the results*

The CDVM provides a review of the content of press releases commenting on the achievements as well as the summary statements and ensures the consistency of data, the announced prospects, consistent communicated messages, respect for scale units used for graphics, ,...



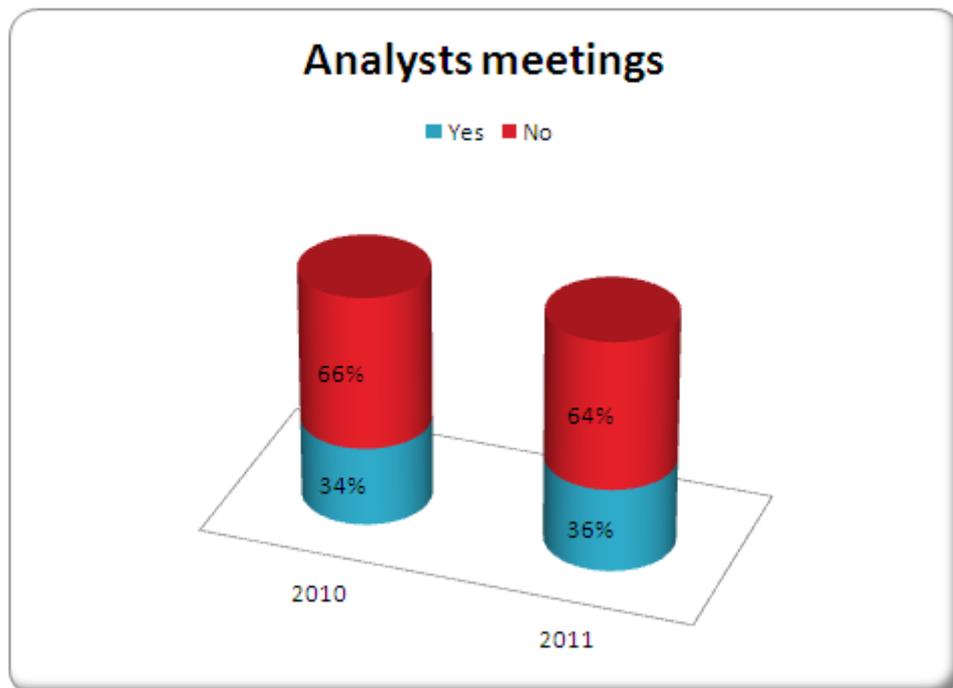
Press releases commenting on the progress achieved remain the recommendation of the CDVM regarding the disclosure followed by most issuers. Under the fiscal 2011, 77 issuers, 6 of which are unlisted published results feedback. A number of 5 issuers have published results feedback containing errors. The said issuers were contacted by the CDVM.

## **Analytical meetings**

These types of events represent a special occasion during which analysts and journalists have the opportunity to interact with the management board of the issuer.

The CDVM urges issuers to hold such meetings, and draws their attention to the importance of completing, explaining and clarifying the important information having already been pre-published in a newspaper authorized to publish legal ads, thus ensuring equal access to information among investors.

The meeting with analysts and the press is an opportunity to highlight transparency and proximity to investors. The general observation is that the practice continues to gain ground without reaching a satisfactory completion percentage.



Under the fiscal year 2011, 36 companies whose shares are publicly traded, and 2 debt issuers, against 34 in 2010 organized meetings to present their results to the benefit of analysts and the press.

It should be noted that listed companies within the banking, real estate and cement recorded a 100% rate in the organization of such events.

At the end of financial publications of each year, the CDVM publishes a press release that contains the list of issuers who have followed this recommendation.

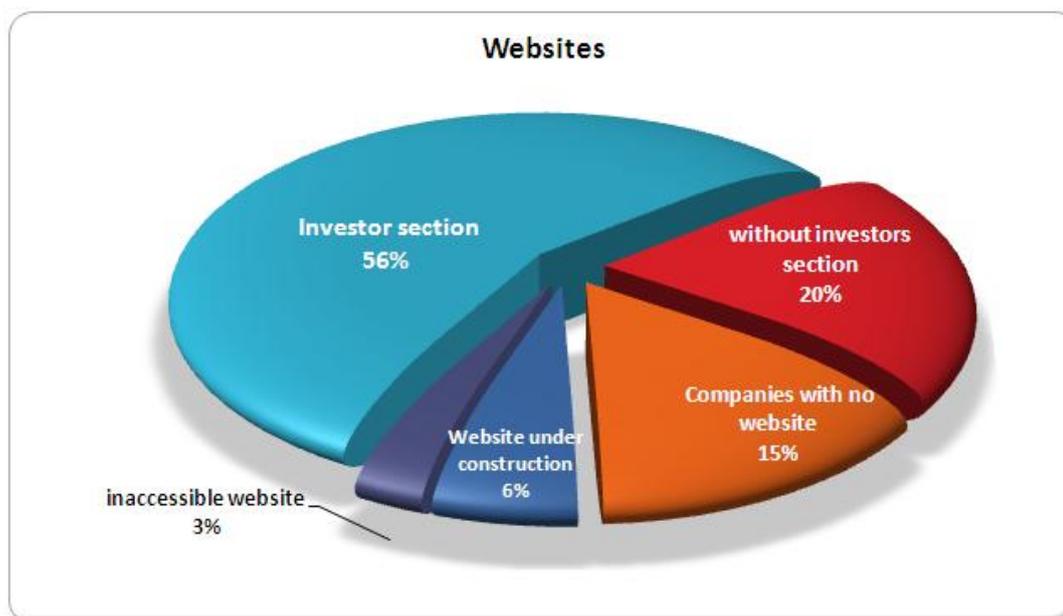
## Website

The CDVM periodically reviews the data posted by issuers.

In this context, several advocacy measures conducted by the CDVM for the benefit of issuers concern the website and its importance as a tool that conveys information rapidly to a wide audience.

The website of an issuer must indeed contain a section dedicated to investors, through which several items are available online including:

- *Financial publications*
- *Press releases*
- *Presentations to analysts and the press,*
- *The annual reports, if any*
- *The information made available to shareholders*



Also in 2011:

- The number of issuers that do not have website amounted to 15 out of 99.
- 56% of issuers have a Web site with an updated section entitled financial information
- 20% of issuers do not have a section of “financial information”.
- 9% of issuers have a website under construction or not accessible

