

The Special Auditor's Report on Abbreviated Accounts in the United Kingdom

2008

April

2008/4

**This Bulletin applies to financial years beginning on
or after 6 April 2008.**

The Auditing Practices
Board

THE AUDITING PRACTICES BOARD

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- Standards and guidance for auditing;
- Standards and guidance for reviews of interim financial information performed by the auditor of the entity;
- Standards and guidance for the work of reporting accountants in connection with investment circulars; and
- Standards and guidance for auditor's and reporting accountant's integrity, objectivity and independence

with the objective of enhancing public confidence in the audit process and the quality and relevance of audit services in the public interest.

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For periods commencing on or after 6 April 2008, this Bulletin supersedes Bulletin 2006/3 "The Special Auditor's Report on Abbreviated Accounts in the United Kingdom".

THE AUDITING PRACTICES BOARD

THE SPECIAL AUDITOR'S REPORT ON ABBREVIATED ACCOUNTS IN THE UNITED KINGDOM

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INTRODUCTION

1. This Bulletin provides guidance for auditors regarding the filing obligations of small and medium-sized companies, under the United Kingdom Companies Act 2006 (CA 2006). In particular, it provides guidance concerning the "Special Auditor's Report on Abbreviated Accounts".

COMPANIES SUBJECT TO THE SMALL COMPANIES REGIME

2. Section 381 of CA 2006 states that the small companies regime for accounts and reports applies to a company for a financial year in relation to which the company:
 - (a) qualifies as small (see sections 382 and 383 of CA 2006); and
 - (b) is not excluded from the regime (see section 384 of CA 2006).
3. With respect to companies preparing accounts under UK GAAP¹ (described in CA 2006 as Companies Act accounts), section 396 (3) of CA 2006 provides for the Secretary of State to make regulations as to:
 - (a) the form and content of the balance sheet and profit and loss account; and
 - (b) additional information to be provided by way of notes to the accounts.

The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008² (the SI 409 Regulations) provide the regulations that are applicable to companies subject to the small companies regime.

Accounts sent to members

4. A small company that prepares accounts under UK GAAP is required to prepare and send to its members its "full" annual accounts and a directors' report prepared in accordance with the relevant requirements of CA 2006, the SI 409 Regulations and either:
 - (a) the Financial Reporting Standard for Smaller Entities (FRSSE)³; or
 - (b) UK Financial Reporting Standards.
5. A small company that prepares IAS accounts is required to prepare and send to its members its "full" annual accounts and a directors' report prepared in accordance with

1 Generally accepted accounting practice.

2 Statutory Instrument, SI 2008 No. 409.

3 Example 1 of Appendix 1 of Bulletin 2006/6 "Auditor's Reports on Financial Statements in the United Kingdom" provides an illustrative example of an auditor's report of a non-publicly traded company preparing financial statements under the FRSSE.

the relevant requirements of CA 2006, the SI 409 Regulations and International Financial Reporting Standards as adopted by the European Union.

6. All small companies are required to send to their members an auditor's report prepared in accordance with sections 495 and 496 of CA 2006, except where the company is exempt from audit and the directors have taken advantage of that exemption⁴.

Accounts placed on the public record

7. With respect to the accounts that a small company is required to place on the public record, by delivering them to the Registrar of Companies⁵, it has the following three choices. These are, delivering to the Registrar:
 - (a) a copy of the balance sheet as sent to its members; or
 - (b) a copy of the balance sheet and the profit and loss account as sent to its members; or
 - (c) where its accounts are prepared using UK GAAP, abbreviated accounts prepared in accordance with Regulation 6 and Schedule 4 of the SI 409 Regulations.

In the case of (a) and (b) the company is required to deliver to the Registrar a copy of the auditor's report prepared in accordance with section 495 of CA 2006. In the case of (c) the company is required to deliver the "special auditor's report" prepared in accordance with section 449 of CA 2006.

8. A small company is not required to deliver to the Registrar a copy of the directors' report. However, where it chooses to deliver a copy of the directors' report, the auditor's report prepared in connection with section 496 of CA 2006 on the directors' report must also be delivered to the Registrar⁶.
9. These requirements are discussed further in the following paragraphs and are summarised in the table in Appendix 1.

Delivering accounts subject to the small companies regime other than abbreviated accounts

10. Where a small company delivers to the Registrar IAS accounts or UK GAAP accounts that are not abbreviated accounts and does not deliver a copy of the company's profit and

4 This Bulletin provides guidance with respect to small companies that are either not exempt from audit; or, where exempt have not taken advantage of that exemption.

5 In CA 2006 the expressions "the registrar of companies" and "the registrar" mean the registrar of companies for England & Wales, Scotland or Northern Ireland, as the case may require (section 1060(3) CA 2006).

6 Section 444(2) CA 2006.

loss account or a copy of the directors' report, the copy of the balance sheet delivered to the Registrar is required to contain in a prominent position a statement that the company's accounts and reports have been delivered in accordance with the provisions applicable to companies subject to the small companies regime⁷.

11. The company is also required to deliver to the Registrar a copy of the auditor's report prepared in accordance with section 495 [and section 496 if a Directors' Report is filed] of CA 2006 notwithstanding that the auditor's opinion is expressed on the full accounts and report rather than being restricted in scope to the balance sheet [and directors' report] that has been filed. As the auditor's report that is filed has to be a copy of the report prepared in accordance with section 495 [and, if applicable, 496] of CA 2006 the auditor is not permitted to amend the report to refer to only those items that are delivered.
12. However, the auditor is not precluded from adding a preface to the copy report explaining that the auditor's report had been prepared in connection with the audit of the full annual accounts and directors' report and that certain primary statements and the directors' report originally reported on are not included within the filing. Illustrative wording for such a preface is as follows:

Although the company is only required to file a balance sheet, the Companies Act 2006 requires the accompanying auditor's report to be a copy of our report to the members on the company's full annual accounts and directors' report. Readers are cautioned that the profit and loss account and certain other primary statements and the directors' report, referred to in the copy of our auditor's report, are not required to be filed with the Registrar of Companies.

Delivering abbreviated accounts

13. Abbreviated accounts for small companies:
 - (a) comprise a balance sheet and prescribed notes (including the disclosure of accounting policies) drawn up in accordance with Schedule 4 of the SI 409 Regulations, and
 - (b) if a profit and loss account is filed it may omit those items specified by the SI 409 Regulations⁸.

7 Section 444(5) CA 2006.

8 Section 444(3) CA 2006.

14. If abbreviated accounts are delivered to the Registrar and an audit has been undertaken the obligation to deliver a copy of the auditor's report is to deliver a copy of the special auditor's report required by section 449 of CA 2006⁹.

MEDIUM-SIZED COMPANIES

15. The criteria for a company to qualify as medium-sized are set out in sections 465 to 467 of CA 2006. The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008¹⁰ (the SI 410 Regulations) provide the regulations that are applicable to medium sized companies that prepare accounts under UK GAAP.

Accounts sent to members

16. A medium-sized company that prepares accounts under UK GAAP is required to prepare and send to its members its "full" annual accounts prepared in accordance with the relevant requirements of CA 2006, the SI 410 Regulations and UK Financial Reporting Standards.
17. A medium-sized company that prepares IAS accounts is required to prepare and send to its members its "full" annual accounts prepared in accordance with the relevant requirements of CA 2006 and International Financial Reporting Standards as adopted by the European Union.

Accounts placed on the public record

18. The directors of a company that qualifies as a medium-sized company in relation to a financial year must deliver to the Registrar a copy of:

- (a) the company's annual accounts; and
- (b) the directors' report¹¹.

The directors are also required to deliver to the Registrar a copy of the auditor's report on the accounts and on the directors' report prepared in accordance with sections 495 and 496 of CA 2006¹² respectively.

19. However, where the company prepares UK GAAP accounts the directors may deliver to the Registrar abbreviated accounts rather than the company's full annual accounts and directors' report as described in paragraph 18¹³.

9 Section 444(4) CA 2006.

10 Statutory Instrument, SI 2008 No. 410.

11 Section 445(1) CA 2006.

12 Section 445(2) CA 2006.

13 Section 445(3) CA 2006.

20. The filing obligations of medium-sized companies, described above, are discussed further in the following paragraphs and summarised in tabular form in Appendix 2.

Delivering abbreviated accounts

21. Abbreviated accounts for medium-sized companies comprise:
- (a) a balance sheet; and
 - (b) a profit and loss account in which items are combined in accordance with the SI 410 Regulations¹⁴ and that does not contain items whose omission is authorised by those Regulations¹⁵ (See paragraphs 4, 5 and 6 of the SI 410 Regulations).
22. If abbreviated accounts are delivered to the Registrar and an audit has been undertaken¹⁶ the obligation to deliver a copy of the auditor's report is to deliver a copy of the special auditor's report required by section 449 of CA 2006.

ABBREVIATED ACCOUNTS OF SMALL AND MEDIUM-SIZED COMPANIES

23. As described above, companies which are small companies or medium-sized companies in relation to a financial year and that are preparing "full" UK GAAP individual accounts are entitled to deliver "abbreviated accounts" to the Registrar. These provisions are only available to companies preparing UK GAAP accounts, as the format of accounts on which abbreviated accounts are based does not apply to companies preparing IAS accounts.
24. Section 384 (for small companies) and 467 (for medium-sized companies) of CA 2006 specify cases in which the provisions permitting the delivery of abbreviated accounts do not apply.
25. Section 450(3) of CA 2006 requires, with respect to abbreviated accounts that the balance sheet include a statement, in a prominent position above the director's signature, that the accounts are prepared in accordance with the special provisions of CA 2006 relating (as the case may be) to companies subject to the small companies regime or to medium-sized companies.

14 For companies that are not banking or insurance companies these regulations are set out in Schedule 1 of the SI 410 Regulations. (Schedules 2 and 3 of the SI 410 Regulations set out the requirements for banking and insurance companies).

15 Section 445 (3) CA 2006.

16 An audit exemption may arise with respect to non-profit making companies subject to public sector audit.

26. CA 2006 provides for abbreviated accounts to be prepared in respect of an individual company only. CA 2006 does not provide for “abbreviated group accounts”.

AUDITOR’S PROCEDURES WHEN REPORTING ON ABBREVIATED ACCOUNTS

27. Before issuing the special auditor’s report on abbreviated accounts the auditor:
- (a) assesses by reference to section 444 (small companies) or section 445 (medium-sized companies) of CA 2006 whether the company is entitled to deliver abbreviated accounts;
 - (b) compares the abbreviated accounts to the underlying audited annual accounts from which they have been derived and assesses whether the abbreviated accounts are consistent with the audited annual accounts;
 - (c) checks whether the content of the abbreviated accounts complies with the requirements of the SI 409 Regulations with respect to small companies and the SI 410 Regulations with respect to medium-sized companies; and
 - (d) considers whether the omission of information, other than through compliance with the relevant regulations, results in the abbreviated accounts being misleading.

SPECIAL REPORT OF THE AUDITOR ON ABBREVIATED ACCOUNTS

28. If abbreviated accounts prepared in accordance with the relevant provision are delivered to the Registrar, sections 444(4), 445(4) and 449(2) of CA 2006 require that they be accompanied by a copy of a special report of the auditor.
29. By virtue of section 449(4) of CA 2006, the provisions of sections 503 to 506 (signature of auditor’s report) and sections 507 to 509 (offences in connection with auditor’s report) apply to the special report of the auditor as they apply to an auditor’s report on the company’s annual accounts prepared under Part 16 of CA 2006.
30. The elements of the special report of the auditor are set out in the following paragraphs and illustrated in appendices 3 to 6 of this Bulletin.

Title and addressee

31. CA 2006 does not state to whom the special report of the auditor should be addressed. In the absence of any requirement the auditor addresses the report to the company. It is appropriate to use the term “Independent Auditor” in the title.

Introductory paragraph

32. The auditor identifies the abbreviated accounts examined.

Respective responsibilities

33. The auditor includes a description of its responsibilities and also states that the directors are responsible for preparing the abbreviated accounts in accordance with the relevant section of CA 2006.
34. The auditor indicates that its work was conducted in accordance with this Bulletin and was limited to determining whether the company is entitled to deliver abbreviated accounts to the Registrar and whether the abbreviated accounts to be delivered are properly prepared in accordance with the relevant provisions.

Opinion

35. Although abbreviated accounts must be properly prepared in accordance with the relevant provisions, they are not required to give a true and fair view (in practice, they will not do so).
36. Section 449(2) of CA 2006 requires the auditor to state that in its opinion:
 - (a) the company is entitled to deliver abbreviated accounts prepared in accordance with the section in question¹⁷; and
 - (b) the abbreviated accounts to be delivered are properly prepared in accordance with regulations under that section.
37. The fact that the auditor's report under section 495 of CA 2006 on the "full" accounts was modified (e.g. qualified or contained an emphasis of matter paragraph), does not prevent the abbreviated accounts from being prepared in accordance with the relevant section of CA 2006.
38. The matter in question may, however, affect the company's eligibility as "small" or "medium-sized". The auditor therefore considers whether the maximum effect of the matter giving rise to the modification would cause two or more of the criteria for determining eligibility (that is, the turnover, employee or balance sheet totals) to exceed the relevant limits. An auditor may be unable to assess properly the criteria for small or medium sized eligibility where an adverse opinion or disclaimer of opinion has been given under section 495 of CA 2006.
39. Where either:
 - (a) the criteria exceed the relevant limits; or
 - (b) the auditor is unable to assess the criteria,

17 Section 444(3) of CA 2006 for a small company and section 445(3) of CA 2006 for a medium-sized company.

the auditor will be unable to express an opinion that the company is entitled to deliver abbreviated accounts.

40. CA 2006 does not envisage a qualified opinion being expressed on the abbreviated accounts. An auditor unable to make the positive statements required, reports this fact to the directors. In such circumstances, the directors cannot deliver the abbreviated accounts to the Registrar.

Other information required in the Auditor's Special Report

41. Under section 449(3) of CA 2006, if the auditor's report under section 495 of CA 2006 on the "full" annual accounts:
- (a) was qualified, the special report must set out that report in full (together with any further material necessary to understand the qualification); or
 - (b) contained a statement under section 498(2)(a) or (b) (accounts, records or returns inadequate or accounts not agreeing with records or returns), or section 498(3) (failure to obtain necessary information and explanations) of CA 2006, the special report is required to set out the statement in full.
42. These are, however, minimum requirements and do not preclude the inclusion in the special auditor's report of other information which the auditor considers important to a proper understanding of that report. In particular, when the auditor's report under section 495 of CA 2006 is unqualified but contains an emphasis of matter paragraph, the APB considers that it is necessary for the auditor to include such a paragraph (together with any further material necessary to understand it) in the special auditor's report (see Appendix 5).
43. When a qualified report or an emphasis of matter paragraph includes a reference to a note to the "full" annual accounts, without stating explicitly all the relevant information contained in that note, the auditor includes the necessary information in their report on the abbreviated accounts, immediately following the reproduction of the text of its report on the "full" annual accounts. Alternatively the auditor could request the company to include such information in the notes to the abbreviated accounts.
44. For a medium-sized company, where the auditor's report under sections 495 and 496 of CA 2006 draws attention to an inconsistency between the directors' report and the "full" financial statements (as described in Example B to Section B of ISA (UK and Ireland) 720 (Revised)) the paragraph describing the inconsistency is likely to be included in the special report of the auditor as illustrated in Appendix 6¹⁸.

18 For a small company the abbreviated accounts may exclude the directors' report and therefore the paragraph describing the inconsistency is unlikely to be included in the special report of the auditor as it does not affect the reader's understanding of the information in the abbreviated accounts.

Signature

45. Where the auditor is an individual the special report is signed by the individual. Where the auditor is a firm, the report must be signed by the senior statutory auditor in his own name for and on behalf of the auditor (See Bulletin 2008/6 "The 'Senior Statutory Auditor' under the United Kingdom Companies Act 2006").

Date

46. The auditor dates the special report with the date on which it is signed. The auditor does not sign the special report until the directors have approved and signed the abbreviated accounts. It is desirable that the auditor complete and sign its special report on the date that they complete and sign their report on the "full" annual accounts to avoid the impression that the special report in any way 'updates' the auditor's report on the "full" annual accounts. Where the auditor dates its special report after the date of their report on the "full" annual accounts, the special report states that the auditor has not considered the effects of any events between the two dates.

CHANGE OF AUDITOR

47. Where there is to be a change of auditor, it is preferable for the auditor who reported on the "full" annual accounts to report on the abbreviated accounts for that financial year. Where this is not possible, the new auditor performing the latter function may decide to accept the "full" annual accounts audited by its predecessor as a basis for its work, unless it has grounds to doubt the company's eligibility to deliver abbreviated accounts (for example, because a qualified opinion affects the criteria for determining eligibility). If there is a need to refer in the special report to the predecessor auditor's report on the "full" annual accounts, the new auditor indicates in its report by whom the audit of the "full" annual accounts was carried out.

FILING OPTIONS AVAILABLE TO SMALL COMPANIES WHICH ARE EXEMPT FROM AUDIT

Option	1 Full Accounts	2 Full Balance Sheet only	3 Full Abbreviated Accounts	4 Abbreviated Balance Sheet only
Applicability	UK GAAP and IAS companies	UK GAAP and IAS companies	UK GAAP companies only	UK GAAP companies only
Copy full Balance Sheet	✓	✓		
Balance sheet to include statement that the company's annual accounts and reports have been delivered in accordance with the provisions applicable to companies subject to the small companies regime	x	✓		
Copy full Profit and Loss Account	✓	x		
Copy Directors' Report	✓	x		
Auditor's report required by section 495 of CA 2006	✓	✓		
Auditor's report required by section 496 of CA 2006	✓	x		
Abbreviated balance sheet drawn up in accordance with the SI 409 Regulations				
Abbreviated profit and loss account drawn up in accordance with the SI 409 Regulations			✓	x
Copy Directors' Report			✓	x
Special auditor's report required by section 449 of CA 2006			✓	✓

NOTE: It is a small company's choice as to whether it files its profit and loss account or director's report. Options 1 and 3 illustrate the filing of both. Options 2 and 4 illustrate the filing of neither. Small companies may also file one but not the other. For simplicity these other alternatives are not illustrated.

APPENDIX 2

**THE TWO FILING OPTIONS AVAILABLE TO MEDIUM-SIZED
COMPANIES**

Option	1: Full Accounts	2: Abbreviated Accounts
Applicability	UK GAAP and IAS companies	UK GAAP companies only
Copy Annual Accounts	✓	
Copy Abbreviated Accounts drawn up in accordance with the SI 410 Regulations		✓
Copy Directors' Report	✓	✓
Auditors' report required by sections 495 and 496 of CA 2006	✓	
Special auditor's report required by section 449 of CA 2006		✓

ILLUSTRATIVE EXAMPLE OF A SPECIAL REPORT ON THE ABBREVIATED ACCOUNTS OF A SMALL COMPANY

INDEPENDENT AUDITOR'S REPORT TO XYZ LIMITED UNDER SECTION 449 OF THE COMPANIES ACT 2006

We have examined the abbreviated accounts set out on pages ... to ...¹⁹, together with the financial statements of XYZ Limited for the year ended ... prepared under section 396 of the Companies Act 2006.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 444 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared²⁰.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 444(3) of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the regulations made under that section.

[Other information²¹]

[Signature]

John Smith (senior statutory auditor)

for and on behalf of ABC LLP, Statutory Auditors

Address

Date

19 If the profit and loss account and/or directors' report are included (as is permitted but not required) they are included within these page numbers.

20 Add appropriate wording such as "The scope of our work for the purposes of this report does not include examining events occurring after the date of our auditor's report on the full financial statements" where special report is dated after the signing of the auditor's report on the full annual accounts (see paragraph 46).

21 This section is included only in the circumstances described in paragraphs 41 to 44 (see Appendices 5 and 6).

APPENDIX 4

ILLUSTRATIVE EXAMPLE OF A SPECIAL REPORT ON THE ABBREVIATED ACCOUNTS OF A MEDIUM-SIZED COMPANY

INDEPENDENT AUDITOR'S REPORT TO XYZ LIMITED UNDER SECTION 449 OF THE COMPANIES ACT 2006

We have examined the abbreviated accounts set out on pages ... to ...,²² together with the financial statements of XYZ Limited for the year ended ... prepared under section 396 of the Companies Act 2006.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 445 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared²³.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 445(3) of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the regulations made under that section.

[Other information²⁴]

[Signature]

John Smith (senior statutory auditor)

for and on behalf of ABC LLP, Statutory Auditors

Address

Date

22 The directors' report is included within these page numbers.

23 Add appropriate wording such as "The scope of our work for the purposes of this report does not include examining events occurring after the date of our auditor's report on the full financial statements" where special report is dated after the signing of the auditor's report on the full annual accounts (see paragraph 46).

24 This section is included only in the circumstances described in paragraphs 41 to 44 (see Appendices 5 and 6).

**ILLUSTRATIVE EXAMPLE OF A SPECIAL REPORT ON THE
ABBREVIATED ACCOUNTS OF A SMALL COMPANY INCLUDING
OTHER INFORMATION - EMPHASIS OF MATTER PARAGRAPH
REGARDING A MATERIAL UNCERTAINTY (GOING CONCERN)**

**INDEPENDENT AUDITOR'S REPORT TO XYZ LIMITED UNDER
SECTION 449 OF THE COMPANIES ACT 2006**

We have examined the abbreviated accounts set out on pages ... to ...,²⁵ together with the financial statements of XYZ Limited for the year ended ... prepared under section 396 of the Companies Act 2006.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 444 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared²⁶.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 444 of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the regulations made under that section.

25 If the profit and loss account and/or directors' report are included (as is permitted but not required) they are included within these page numbers.

26 Add appropriate wording such as "The scope of our work for the purposes of this report does not include examining events occurring after the date of our auditor's report on the full annual accounts" where special report is dated after the signing of the auditor's report on the full annual accounts (see paragraph 46).

Other information

On ...²⁷ we reported as auditor to the members of the company on the financial statements prepared under section 396 of the Companies Act 2006 and our report [included the following paragraph]²⁸ [was as follows]²⁹

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note x to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £X during the year ended 31 December 20X1 and, at that date, the company's current liabilities exceeded its total assets by £Y. These conditions, along with the other matters explained in note x to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.³⁰

[Signature]

John Smith (senior statutory auditor)

for and on behalf of ABC LLP, Statutory Auditors

Address

Date

27 The date of the auditor's report on the annual accounts.

28 In this example, the "other information" section of the report on the abbreviated accounts reproduces an emphasis of matter paragraph from the auditors' report on the annual accounts and consequently the words "included the following paragraph" are used (see paragraph 42).

29 Where the auditor's opinion is qualified the words "was as follows" are used.

30 Further material necessary to understand the explanatory paragraph may be added (see paragraph 43).

**ILLUSTRATIVE EXAMPLE OF A SPECIAL REPORT ON THE
ABBREVIATED ACCOUNTS OF A MEDIUM-SIZED COMPANY
INCLUDING A PARAGRAPH REGARDING A MATERIAL
INCONSISTENCY BETWEEN THE FULL ANNUAL ACCOUNTS AND
THE DIRECTORS' REPORT**

**INDEPENDENT AUDITOR'S REPORT TO XYZ LIMITED UNDER
SECTION 449 OF THE COMPANIES ACT 2006**

We have examined the abbreviated accounts set out on pages ... to ...,³¹ together with the financial statements of XYZ Limited for the year ended ... prepared under section 396 of the Companies Act 2006.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 445 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared³².

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 445(3) of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the regulations made under that section.

31 The directors' report is included within these page numbers.

32 Add appropriate wording such as "The scope of our work for the purposes of this report does not include examining events occurring after the date of our auditor's report on the full annual accounts" where special report is dated after the signing of the auditor's report on the full financial statements (see paragraph 46).

Other information

On ...³³ we reported as auditor to the members of the company on the full financial statements prepared under section 396 of the Companies Act 2006 and our report included the following paragraph:³⁴

Material inconsistency between the full financial statements and the directors' report

In our opinion, the information given in the seventh paragraph of the Business Review in the directors' report is not consistent with the full financial statements. That paragraph states without amplification that "the company's trading for the period resulted in a 10% increase in profit over the previous period's profit. The income statement, however, shows that the company's profit for the period includes a profit of £Z which did not arise from trading but from the disposal of assets of a discontinued operation. Without this profit on the disposal of assets the company would have reported a profit for the year of £Y, representing a reduction in profit of 25% over the previous period's profit on a like for like basis. Except for this matter, in our opinion the information given in the directors' report is consistent with the full financial statements on which we separately reported on [insert date]³⁵.

[Signature]

John Smith (senior statutory auditor)

for and on behalf of ABC LLP, Statutory Auditors

Address

Date

33 The date of the auditor's report on the financial statements.

34 In this example, the "other information" section of the report on the abbreviated accounts reproduces a paragraph from the auditor's report on the financial statements drawing attention to an inconsistency between the directors' report and the full financial statements (see paragraph 44).

35 Further material necessary to understand the explanatory paragraph may be added (see paragraph 43).

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