

Auditor's Reports on Financial Statements in the United Kingdom

2009

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BULLETIN

This Bulletin includes updated examples of unmodified and modified auditor's reports, for audits of financial statements of companies incorporated in the United Kingdom, for periods beginning on or after 6 April 2008 and ending on or after 5 April 2009.

The Auditing Practices
Board

THE AUDITING PRACTICES BOARD

The Auditing Practices Board (APB), which is part of the Financial Reporting Council (FRC), prepares for use within the United Kingdom and the Republic of Ireland:

- 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.

The APB comprises individuals who are not eligible for appointment as company auditors, as well as those who are so eligible. Those who are eligible for appointment as company auditors may not exceed 40% of the APB by number.

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THE AUDITING PRACTICES BOARD

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INTRODUCTION

1. Auditor's reports of companies incorporated in the United Kingdom (UK), for accounting periods commencing on or after 6 April 2008, need to comply with the requirements of the Companies Act 2006 (CA 2006) rather than with the requirements of the Companies Act 1985 or, for Northern Ireland, the 1986 Order.
2. In March 2009 the Auditing Practices Board revised ISA (UK and Ireland) 700 "The auditor's report on financial statements". With respect to UK companies, except for those that are charities, ISA (UK and Ireland) 700 (Revised) is effective for periods beginning on or after 6 April 2008 and ending on or after 5 April 2009¹.
3. To support the requirements of ISA (UK and Ireland) 700 (Revised) and the requirements of CA 2006 with respect to the auditor's report, this Bulletin provides illustrative examples of:
 - (a) unmodified auditor's reports (see Appendices 1 to 4);
 - (b) modified auditor's reports where the matter does not affect the auditor's opinion on the financial statements (see Appendix 5);
 - (c) modified auditor's reports where the auditor's opinion on the financial statements is qualified (see Appendix 6);
 - (d) modified auditor's reports where the auditor's opinion on the financial statements is adverse (see Appendix 7);
 - (e) modified auditor's reports where the auditor disclaims an opinion on the financial statements (see Appendix 8);
 - (f) auditor's report with a modified opinion on the directors' report (see Appendix 10); and
 - (g) a statement of directors' responsibilities for a non-publicly traded company (see Appendix 11).
4. For the purposes of this Bulletin companies are classified as either:
 - (a) "publicly traded companies" – defined as "those whose securities are admitted to trading on a regulated market in any Member State in the European Union"; or
 - (b) "non-publicly traded companies" – defined as "those who do not have any securities that are admitted to trading on a regulated market in any Member State in the European Union".

¹ The illustrative examples in this Bulletin do not apply to those accounting periods of longer than one year that ended on or after 5 April 2009 but commenced prior to 6 April 2008. The illustrative examples in Bulletin 2006/6 apply to such long accounting periods.

5. The provisions of CA 2006 relating to the Directors' Remuneration Report apply to "quoted companies". The definition of a quoted company differs from that of a publicly traded company. However, for the purposes of the examples in this Bulletin it is assumed that non-publicly traded companies are not quoted companies and that publicly traded companies are quoted companies. The definition of "quoted company" for the purposes of the Directors' Remuneration Report is set out in section 385(2) of CA 2006.

DESCRIPTION OF THE "SCOPE OF AN AUDIT"

6. Paragraph 14 of ISA (UK and Ireland) 700 (Revised) requires:

An auditor's report should either:

- (a) cross refer to a "Statement of the Scope of an Audit" that is maintained on the APB's web-site; or**
- (b) cross refer to a "Statement of the Scope of an Audit" that is included elsewhere within the Annual Report; or**
- (c) include the following description of the scope of an audit.**

"An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the [*describe nature of entity*] circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by [*describe those charged with governance*]; and the overall presentation of the financial statements"

7. In the illustrative auditor's reports in Appendices 1 to 4 of this Bulletin these alternatives are shown by means of two text boxes. The alternative shown by the first text box is the wording that is used when the auditor's report cross refers to a Statement of the Scope of an Audit maintained on the APB's web site, or included elsewhere within the Annual Report. The alternative shown by the second text box is the wording that must be used if the description of the Scope of an Audit is included within the auditor's report.
8. Appendix 9 sets out the text of the two "Statements of the Scope of an Audit" posted to the APB's web site on 26 March 2009. One applies to publicly traded companies and the other applies to non-publicly traded companies.

ALTERNATIVE PRESENTATION OPTIONS OF THE FINANCIAL STATEMENTS OF A GROUP

9. When United Kingdom Generally Accepted Accounting Practice (UK GAAP) was the sole financial reporting framework permitted by company law it was common practice for the group and parent company financial statements to be presented as if they were a single

set of financial statements, typically using separate columns for the group and parent company financial statements respectively.

10. A significant development arising from the adoption of International Financial Reporting Standards (IFRSs) as adopted by the European Union, as the financial reporting framework for the group financial statements of publicly traded companies, is that group and parent company financial statements may be prepared in accordance with different financial reporting frameworks (for example IFRSs as adopted by the European Union used for the group financial statements and UK GAAP used for the parent company financial statements).
11. Where the financial statements of the group and the parent company are presented in accordance with different financial reporting frameworks the financial statements might be presented separately within the Annual Report and in such circumstances separate auditor's reports might be provided².
12. The examples in Appendix 2 of this Bulletin illustrate auditor's reports where the report on the group financial statements and the report on the parent company financial statements are presented as a single auditor's report.
13. The examples in Appendices 3 and 4 illustrate auditor's reports where the group and the parent company financial statements are presented separately. In such cases the auditor might provide separate auditor's reports on the group financial statements (See Appendix 3) and on the parent company financial statements (See Appendix 4).
14. Where separate auditor's reports are provided on the group and parent company financial statements the illustrative examples assume that:
 - (a) the auditor's responsibilities with respect to the Corporate Governance Statement are described in the auditor's report on the group financial statements; and
 - (b) the Directors' Remuneration Report is reported on in the auditor's report on the parent company financial statements.

However, other approaches may be adopted.

OMITTING THE PARENT COMPANY PROFIT AND LOSS ACCOUNT

15. Section 408 CA 2006 allows a company that prepares group accounts to omit the parent company's profit and loss account from the company's annual accounts provided that:

2 CA 2006 does not require the directors to sign the group balance sheet and thereby evidence their approval of it. Where separate financial statements are presented the auditor obtains evidence of the directors' approval of the group financial statements before signing the auditor's report on those group financial statements.

- (a) the notes to the parent company's balance sheet show the company's profit or loss for the financial year determined in accordance with CA 2006; and
- (b) it is disclosed in the company's annual accounts that the exemption applies.
16. Where advantage has been taken of the section 408 exemption and the parent company financial statements have been prepared in accordance with "IFRSs as adopted by the European Union" the financial reporting framework is described in the auditor's report as:
- "have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006"³.
17. The example unmodified reports in Appendices 2 and 4 illustrate (by way of shaded text) the wording that is required to be inserted in the auditor's report when the company does not take advantage of the section 408 exemption (i.e. a parent company profit and loss account is included). They illustrate by way of struck out text, wording that should be deleted when the shaded text is included (i.e. the struck out text is included in the auditor's report when the company excludes the profit and loss account from the parent company financial statements).

OPINION IN RESPECT OF AN ADDITIONAL FINANCIAL REPORTING FRAMEWORK

18. The financial statements of some companies may comply with two financial reporting frameworks (for example IFRSs as adopted by the European Union and IFRSs as issued by the IASB) and those charged with governance may engage the auditor to express an opinion in respect of both frameworks.
19. ISA (UK and Ireland) 700 (Revised) requires that the second opinion should be clearly separated from the first opinion on the financial statements by use of an appropriate heading. This is illustrated in examples 4, 6, 7 and 8⁴.

3 See paragraph 9.24 of "Guidance for UK Companies on Accounting and Reporting: Requirements under the Companies Act 2006 and the application of the IAS regulation" Department for Business Enterprise & Regulatory Reform. June 2008. (www.berr.gov.uk/files/file46791.pdf)

4 The wording used in these examples is illustrative to reflect the requirement of the Securities and Exchange Commission of the USA whose Final Rule "Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to US GAAP (4 January 2008) states "...the independent auditor must opine in its report on whether those financial statements comply with IFRS as issued by the IASB. ...the auditor's report can include this language in addition to any opinion relating to compliance with standards required by the home country".

MODIFYING THE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

20. An auditor's report on financial statements is considered to be modified in the following situations.

Matters that do not affect the auditor's opinion

- (a) Emphasis of matter (Illustrative examples set out in Appendix 5);

Matters that do affect the auditor's opinion

- (b) Qualified opinion arising from either a disagreement or a scope limitation (Illustrative examples set out in Appendix 6);
- (c) Adverse opinion (Illustrative examples set out in Appendix 7); and
- (d) Disclaimer of opinion (Illustrative examples set out in Appendix 8).

MODIFYING THE AUDITOR'S OPINION ON THE DIRECTORS' REPORT

21. Section 496 of CA 2006 requires the auditor to state in its report on the company's annual accounts whether in its opinion the information given in the directors' report for the financial year for which the accounts are prepared is consistent with those accounts. The example report in Appendix 10 illustrates a modified opinion on the consistency of the directors' report with the annual accounts.

ILLUSTRATIVE DIRECTORS' RESPONSIBILITIES STATEMENT

22. Appendix 11 is an illustrative example of a Directors' Responsibilities Statement for a non-publicly traded company preparing its parent company financial statements under UK GAAP. The APB has not prepared an illustrative example of a Directors' Responsibilities Statement for a publicly traded company as the directors' responsibilities, which are in part dependent on the particular regulatory environment, will vary dependent on the rules of the market on which its securities are admitted to trading.

APPENDIX 1

**UNMODIFIED AUDITOR'S REPORTS WHERE COMPANY DOES NOT
PREPARE GROUP FINANCIAL STATEMENTS**

1. Non-publicly traded company preparing financial statements under the FRSSE
2. Non-publicly traded company preparing financial statements under UK GAAP
3. Publicly traded company preparing financial statements under UK GAAP
4. Publicly traded company preparing financial statements under IFRSs as adopted by the European Union

Example 1 – Non-publicly traded company preparing financial statements under the FRSS E

- *Company qualifies as a small company.*
- *Company does not prepare group financial statements.*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XYZ LIMITED

We have audited the financial statements of (name of entity) for the year ended ... which comprise [specify the titles of the primary statements such as the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds] and the related notes⁵. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities [(Effective April 2008)]⁶ (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement [set out [on page ...]], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's [(APB's)] Ethical Standards for Auditors[, including "APB Ethical Standard – Provisions Available for Small Entities (Revised)", in the circumstances set out in note [x] to the financial statements]⁷.

Scope of the audit of the financial statements

Either:

A description of the scope of an audit of financial statements is [provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP] / [set out [on page ...] of the Annual Report].

Or:

5 Auditor's reports of entities that do not publish their financial statements on a web site or publish them using 'PDF' format may continue to refer to the financial statements by reference to page numbers.

6 Specify the version of The Financial Reporting Standard for Smaller Entities.

7 Delete the words in square brackets if the relief and exemptions provided by ES PASE are not utilised. Paragraph 22 of ES PASE requires disclosure in the auditor's report where the audit firm has taken advantage of an exemption provided by ES PASE. The Appendix to ES PASE provides illustrative disclosures of relevant circumstances where the audit firm has taken advantage of an exemption provided by ES PASE.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at and of its profit [loss] for the year then ended⁸;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.⁸

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime.

[Signature]

*John Smith (Senior statutory auditor)
for and on behalf of ABC LLP, Statutory Auditor*

Address

Date

⁸ Guidance for auditors when a company takes advantage of the option in section 444(1) of CA 2006 not to file the profit and loss account or the directors' report is set out in paragraph 12 of APB Bulletin 2008/4 "The Special Auditor's Report on Abbreviated Accounts in the United Kingdom".

Example 2 – Non-publicly traded company preparing financial statements under UK GAAP

- *Company is not a quoted company.*
- *Company does not qualify as a small company.*
- *Company does not prepare group financial statements.*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XYZ LIMITED

We have audited the financial statements of (name of entity) for the year ended ... which comprise [specify the titles of the primary statements such as the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds] and the related notes⁹. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement [set out [on page ...]], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's [(APB's)] Ethical Standards for Auditors.

Scope of the audit of the financial statements

Either:

A description of the scope of an audit of financial statements is [provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP] / [set out [on page ...] of the Annual Report].

Or:

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's

9 Auditor's reports of entities that do not publish their financial statements on a web site or publish them using 'PDF' format may continue to refer to the financial statements by reference to page numbers.

circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

[Signature]

*John Smith (Senior statutory auditor)
for and on behalf of ABC LLP, Statutory Auditor*

Address

Date

Example 3 – Publicly traded company preparing financial statements under UK GAAP

- *Company is a quoted company.*
- *Company does not prepare group financial statements.*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XYZ PLC

We have audited the financial statements of (name of entity) for the year ended ... which comprise [specify the titles of the primary statements such as the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds] and the related notes¹⁰. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement [set out [on page ...]], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's [(APB's)] Ethical Standards for Auditors.

Scope of the audit of the financial statements

Either:

A description of the scope of an audit of financial statements is [provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP] / [set out [on page ...] of the Annual Report].

Or:

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

10 Auditor's reports of entities that do not publish their financial statements on a web site or publish them using 'PDF' format may continue to refer to the financial statements by reference to page numbers.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006¹¹; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, [set out [on page...]], in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the [2006] [June 2008]¹² Combined Code specified for our review.

11 Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) sets out the information in the Directors' Remuneration Report that is subject to audit. Companies should describe clearly which disclosures within the Directors' Remuneration Report have been audited.

12 The June 2008 Combined Code applies to accounting periods beginning on or after 29 June 2008. The 2006 Combined Code applies before that date.

[Signature]

John Smith (Senior statutory auditor)

for and on behalf of ABC LLP, Statutory Auditor

Address

Date

Example 4 – Publicly traded company preparing financial statements under IFRSs as adopted by the European Union

- *Company is a quoted company.*
- *Company does not prepare group financial statements.*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XYZ PLC

We have audited the financial statements of (name of entity) for the year ended ... which comprise [specify the titles of the primary statements such as the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow, the Statement of Changes in Equity¹³] and the related notes¹⁴. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement [set out [on page ...]], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's [(APB's)] Ethical Standards for Auditors.

Scope of the audit of the financial statements

Either:

A description of the scope of an audit of financial statements is [provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP] / [set out [on page ...] of the Annual Report].

Or:

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the

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- 13 The names of the primary statements given in this illustration are those terms used in IAS 1 (2007) which applies for accounting periods beginning on or after 1 January 2009 (although early adoption is permitted). The names used for the primary statements in the auditor's report should reflect the precise titles used by the company for them.
- 14 Auditor's reports of entities that do not publish their financial statements on a web site or publish them using 'PDF' format may continue to refer to the financial statements by reference to page numbers.

reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

[Separate opinion in relation to IFRSs as issued by the IASB

As explained in note [x] to the financial statements, the company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.]¹⁵

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006¹⁶; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

¹⁵ See footnote 4 on page 6

¹⁶ Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) sets out the information in the Directors' Remuneration Report that is subject to audit. Companies should describe clearly which disclosures within the Directors' Remuneration Report have been audited.

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, [set out [on page...]], in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the [2006] [June 2008]¹⁷ Combined Code specified for our review.

[Signature]

*John Smith (Senior statutory auditor)
for and on behalf of ABC LLP, Statutory Auditor*

Address

Date

17 The June 2008 Combined Code applies to accounting periods beginning on or after 29 June 2008. The 2006 Combined Code applies before that date.

APPENDIX 2

UNMODIFIED AUDITOR'S REPORTS WHERE GROUP AND PARENT COMPANY FINANCIAL STATEMENTS REPORTED ON IN A SINGLE AUDITOR'S REPORT

5. Non-publicly traded group preparing financial statements under UK GAAP
6. Publicly traded group – Parent company financial statement prepared under UK GAAP
7. Publicly traded group – Parent company financial statements prepared under IFRSs as adopted by the European Union

Example 5 – Non-publicly traded group preparing financial statements under UK GAAP

- *Company is not a quoted company.*
- *Company does not qualify as a “small group”.*
- *Section 408 exemption taken for parent company’s own profit and loss account.*
- *Company does prepare group financial statements.*

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF XYZ LIMITED

We have audited the financial statements of (name of entity) for the year ended ... which comprise [specify the titles of the primary statements such as the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Reconciliation of Movements in Shareholders’ Funds] and the related notes¹⁸. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors’ Responsibilities Statement [set out [on page ...]], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s [(APB’s)] Ethical Standards for Auditors.

Scope of the audit of the financial statements

Either:

A description of the scope of an audit of financial statements is [provided on the APB’s web-site at www.frc.org.uk/apb/scope/UKNP] / [set out [on page ...] of the Annual Report].

Or:

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group’s and the

¹⁸ Auditor’s reports of entities that do not publish their financial statements on a web site or publish them using ‘PDF’ format may continue to refer to the financial statements by reference to page numbers.

parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at and of the group's profit [loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

[Signature]

*John Smith (Senior statutory auditor)
for and on behalf of ABC LLP, Statutory Auditor*

Address

Date

Example 6 – Publicly traded group – Parent company financial statements prepared under UK GAAP

- *Company is a quoted company.*
- *Shaded text to be included only where section 408 exemption not taken in respect of parent company's own profit and loss account.*
- *Company does prepare group financial statements.*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XYZ PLC

We have audited the financial statements of (name of entity) for the year ended ... which comprise [specify the titles of the primary statements such as the Group Statement of Financial Position and Parent Company Balance Sheet, the Group Statement of Comprehensive Income, the Parent Company Profit and Loss Account, the Group Statement of Cash Flow, the Group Statement of Changes in Equity, the Parent Company Statement of Total Recognised Gains and Losses, the Parent Company Reconciliation of Movements in Shareholders' Funds] and the related notes¹⁹. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement [set out [on page ...]], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's [(APB's)] Ethical Standards for Auditors.

Scope of the audit of the financial statements

Either:

A description of the scope of an audit of financial statements is [provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP] / [set out [on page ...] of the Annual Report].

Or:

19 Auditor's reports of entities that do not publish their financial statements on a web site or publish them using 'PDF' format may continue to refer to the financial statements by reference to page numbers.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at and of the group's and the parent company's profit [loss] for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

[Separate opinion in relation to IFRSs as issued by the IASB

As explained in note [x] to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.]²⁰

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006²¹; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

²⁰ See footnote 4 on page 6

²¹ Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) sets out the information in the Directors' Remuneration Report that is subject to audit. Companies should describe clearly which disclosures within the Directors' Remuneration Report have been audited.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, [set out [on page...]], in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the [2006] [June 2008]²² Combined Code specified for our review.

[Signature]

John Smith (Senior statutory auditor)

for and on behalf of ABC LLP, Statutory Auditor

Address

Date

²² The June 2008 Combined Code applies to accounting periods beginning on or after 29 June 2008. The 2006 Combined Code applies before that date.

Example 7 – Publicly traded group – Parent company financial statements prepared under IFRSs as adopted by the European Union

- *Company is a quoted company.*
- *Shaded text to be included, and struck through text omitted, where section 408 exemption not taken in respect of parent company's own profit and loss account.*
- *Company does prepare group financial statements.*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XYZ PLC

We have audited the financial statements of (name of entity) for the year ended ... which comprise [specify the titles of the primary statements such as, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity]²³ and the related notes²⁴. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ~~and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.~~

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement [set out [on page ...]], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's [(APB's)] Ethical Standards for Auditors.

Scope of the audit of the financial statements

Either:

A description of the scope of an audit of financial statements is [provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP] / [set out [on page ...] of the Annual Report].

Or:

-
- 23 The names of the primary statements given in this illustration are those terms used in IAS 1 (2007) which applies for accounting periods beginning on or after 1 January 2009 (although early adoption is permitted). The names used for the primary statements in the auditor's report should reflect the precise titles used by the company for them.
- 24 Auditor's reports of entities that do not publish their financial statements on a web site or publish them using 'PDF' format may continue to refer to the financial statements by reference to page numbers.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at and of the group's and the parent company's profit [loss] for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

[Separate opinion in relation to IFRSs as issued by the IASB

As explained in note [x] to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.]²⁵

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006²⁶; and

²⁵ See footnote 4 on page 6

²⁶ Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) sets out the information in the Directors' Remuneration Report that is subject to audit. Companies should describe clearly which disclosures within the Directors' Remuneration Report have been audited.

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, [set out [on page...]], in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the [2006] [June 2008]²⁷ Combined Code specified for our review.

[Signature]

*John Smith (Senior statutory auditor)
for and on behalf of ABC LLP, Statutory Auditor*

Address

Date

²⁷ The June 2008 Combined Code applies to accounting periods beginning on or after 29 June 2008. The 2006 Combined Code applies before that date.

APPENDIX 3

**UNMODIFIED AUDITOR'S REPORT ON GROUP FINANCIAL
STATEMENTS REPORTED ON SEPARATELY FROM THE PARENT
COMPANY FINANCIAL STATEMENTS**

8. Publicly traded group – Auditor's report on group financial statements prepared under IFRSs as adopted by the European Union

Example 8 – Publicly traded group – Auditor’s report on group financial statements prepared under IFRSs as adopted by the European Union

- *Company is a quoted company.*
- *Corporate governance statement reported on in the report on the group financial statements.*
- *Directors’ Remuneration Report reported on in the report on the parent company financial statements.*
- *Company does prepare group financial statements.*

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF XYZ PLC

We have audited the group financial statements of (name of entity) for the year ended ... which comprise [specify the titles of the primary statements such as the Group Statement of Financial Position, the Group Statement of Comprehensive Income, the Group Statement of Cash Flows, the Group Statement of Changes in Equity]²⁸ and the related notes²⁹. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors’ Responsibilities Statement [set out [on page ...]], the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s [(APB’s)] Ethical Standards for Auditors.

Scope of the audit of the financial statements

Either:

A description of the scope of an audit of financial statements is [provided on the APB’s web-site at www.frc.org.uk/apb/scope/UKP] / [set out [on page ...] of the Annual Report].

Or:

28 The names of the primary statements given in this illustration are those terms used in IAS 1 (2007) which applies for accounting periods beginning on or after 1 January 2009 (although early adoption is permitted). The names used for the primary statements in the auditor’s report should reflect the precise titles used by the company for them.

29 Auditor’s reports of entities that do not publish their financial statements on a web site or publish them using ‘PDF’ format may continue to refer to the financial statements by reference to page numbers.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

[Separate opinion in relation to IFRSs as issued by the IASB

As explained in note [x] to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.]³⁰

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, [set out [on page...]], in relation to going concern; and

³⁰ See footnote 4 on page 6

- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the [2006] [June 2008]³¹ Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of (name of entity) for the year ended ... and on the information in the Directors' Remuneration Report that is described as having been audited. [That report is modified by the inclusion of an emphasis of matter] [The opinion in that report is (qualified)/(an adverse opinion)/(a disclaimer of opinion)].

[Signature]

John Smith (Senior statutory auditor)

for and on behalf of ABC LLP, Statutory Auditor

Address

Date

31 The June 2008 Combined Code applies to accounting periods beginning on or after 29 June 2008. The 2006 Combined Code applies before that date.

APPENDIX 4

**UNMODIFIED AUDITOR'S REPORTS ON PARENT COMPANY
FINANCIAL STATEMENTS REPORTED ON SEPARATELY FROM THE
GROUP FINANCIAL STATEMENTS**

9. Publicly traded group – Auditor's report on parent company financial statements prepared under UK GAAP

10. Publicly traded group – Auditor's report on parent company financial statements prepared under IFRSs as adopted by the European Union

Example 9 – Publicly traded group – Auditor’s report on parent company financial statements prepared under UK GAAP

- *Company is a quoted company.*
- *Shaded text to be included only where section 408 exemption not taken in respect of parent company’s own profit and loss account.*
- *Corporate governance statement reported on in the report on the group financial statements.*
- *Directors’ Remuneration Report reported on in the report on the parent company financial statements.*
- *Company does prepare group financial statements.*

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF XYZ PLC

We have audited the parent company financial statements of (name of entity) for the year ended ... which comprise [specify the titles of the primary statements such as the Parent Company Balance Sheet, the Parent Company Profit and Loss Account the Parent Company Statement of Total Recognised Gains and Losses, the Parent Company Reconciliation of Movements in Shareholders’ Funds] and the related notes³². The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors’ Responsibilities Statement [set out [on page ...]], the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s [(APB’s)] Ethical Standards for Auditors.

Scope of the audit of the financial statements

Either:

A description of the scope of an audit of financial statements is [provided on the APB’s web-site at www.frc.org.uk/apb/scope/UKP] / [set out [on page ...] of the Annual Report].

Or:

³² Auditor’s reports of entities that do not publish their financial statements on a web site or publish them using ‘PDF’ format may continue to refer to the financial statements by reference to page numbers.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006³³; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or

33 Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) sets out the information in the Directors' Remuneration Report that is subject to audit. Companies should describe clearly which disclosures within the Directors' Remuneration Report have been audited.

- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of (name of entity) for the year ended [That report is modified by the inclusion of an emphasis of matter] [The opinion in that report is (qualified)/(an adverse opinion)/(a disclaimer of opinion)].

[Signature]

John Smith (Senior statutory auditor)

for and on behalf of ABC LLP, Statutory Auditor

Address

Date

Example 10 – Publicly traded group – Auditor’s report on parent company financial statements prepared under IFRSs as adopted by the European Union

- *Company is a quoted company.*
- *Shaded text to be included, and struck through text omitted, where section 408 exemption not taken in respect of parent company’s own profit and loss account.*
- *Corporate governance statement reported on in the report on the group financial statements.*
- *Directors’ Remuneration Report reported on in the report on the parent company financial statements.*
- *Company does prepare group financial statements.*

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF XYZ PLC

We have audited the parent company financial statements of (name of entity) for the year ended ... which comprise [specify the titles of the primary statements such as the Statement of Financial Position, ~~the Statement of Comprehensive Income~~, the Statement of Cash Flow, the Statement of Changes in Equity]³⁴ and the related notes³⁵. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ~~and as applied in accordance with the provisions of the Companies Act 2006.~~

Respective responsibilities of directors and auditors

As explained more fully in the Directors’ Responsibilities Statement [set out [on page ...]], the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s [(APB’s)] Ethical Standards for Auditors.

Scope of the audit of the financial statements

Either:

A description of the scope of an audit of financial statements is [provided on the APB’s web-site at www.frc.org.uk/apb/scope/UKP] / [set out [on page ...] of the Annual Report].

- 34 The names of the primary statements given in this illustration are those terms used in IAS 1 (2007) which applies for accounting periods beginning on or after 1 January 2009 (although early adoption is permitted). The names used for the primary statements in the auditor’s report should reflect the precise titles used by the company for them.
- 35 Auditor’s reports of entities that do not publish their financial statements on a web site or publish them using ‘PDF’ format may continue to refer to the financial statements by reference to page numbers.

Or:

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006³⁶; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

36 Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) sets out the information in the Directors' Remuneration Report that is subject to audit. Companies should describe clearly which disclosures within the Directors' Remuneration Report have been audited.

- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of (name of entity) for the year ended [That report is modified by the inclusion of an emphasis of matter] [The opinion in that report is (qualified)/(an adverse opinion)/(a disclaimer of opinion).]

[Signature]

John Smith (Senior statutory auditor)

for and on behalf of ABC LLP, Statutory Auditor

Address

Date

APPENDIX 5

**MODIFIED AUDITOR'S REPORTS – EMPHASIS OF MATTER
PARAGRAPHS**

11. Emphasis of matter: Material uncertainty that may cast significant doubt about the company's ability to continue as a going concern

12. Emphasis of matter: Possible outcome of a lawsuit

Example 11 – Emphasis of matter: Material uncertainty that may cast significant doubt about the company’s ability to continue as a going concern

- *UK non-publicly traded company prepares UK GAAP financial statements (Example 2).*
- *The company incurred a net loss of £X during the year ended 31 December 20X1 and, as of that date, the company’s current liabilities exceeded its total assets by £Y.*
- *These conditions, along with other matters set forth in the notes 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 company makes relevant disclosures in the financial statements including those referred to in paragraphs 32, 33 and 33-2 of ISA (UK and Ireland) 570 “Going Concern”.*
- *The auditor issues an unqualified auditor’s report with an emphasis of matter paragraph describing the situation giving rise to the emphasis of matter and its possible effects on the financial statements, including (where practicable) quantification.*

Extract from auditor’s report

...

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 December 20X1 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Opinion on other matter prescribed by the Companies Act 2006

...

Example 12 – Emphasis of matter: Possible outcome of a lawsuit

- *UK non-publicly traded company prepares UK GAAP financial statements (Example 2).*
- *A lawsuit alleges that the company has infringed certain patent rights and claims royalties and punitive damages. The company has filed a counter action, and preliminary hearings and discovery proceedings on both actions are in progress.*
- *The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.*
- *The company makes relevant disclosures in the financial statements.*
- *The auditor issues an unqualified auditor's report with an emphasis of matter paragraph describing the situation giving rise to the emphasis of matter and its possible effects on the financial statements, including that the effect on the financial statements of the resolution of the uncertainty cannot be quantified.*

Extract from auditor's report

...

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at ... and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – possible outcome of a lawsuit

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note [x] to the financial statements concerning the possible outcome of a lawsuit, alleging infringement of certain patent rights and claiming royalties and punitive damages, where the company is the defendant. The company has filed a counter action, and preliminary hearings and discovery proceedings on both actions are in progress. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Opinion on other matter prescribed by the Companies Act 2006

...

APPENDIX 6

**MODIFIED AUDITOR'S REPORTS – QUALIFIED OPINION ON
FINANCIAL STATEMENTS**

13. Qualified opinion: Disagreement – Inappropriate accounting treatment of debtors
14. Qualified opinion: Disagreement – Non-disclosure of a going concern problem
15. Qualified opinion: Scope Limitation – Auditor not appointed at the time of the stocktake
16. Qualified opinion: Scope Limitation – Directors did not prepare cash flow forecasts sufficiently far into the future to be able to assess the going concern status of the company

Example 13 – Qualified opinion: Disagreement – Inappropriate accounting treatment of debtors

- UK non-publicly traded company prepares UK GAAP financial statements (Example 2).
- The debtors shown on the balance sheet include an amount of £Y due from a company which has ceased trading. XYZ Limited has no security for this debt.
- The auditor's opinion is that the company is unlikely to receive any payment and full provision of £Y should have been made.
- The auditor does not believe that the effect of the disagreement is so material / pervasive that the financial statements as a whole are misleading and issues a qualified opinion – except for disagreement about the accounting treatment of debtors.

Extract from auditor's report

...

Qualified opinion on financial statements arising from disagreement about accounting treatment

Included in the debtors shown on the balance sheet is an amount of £Y due from a company which has ceased trading. XYZ Limited has no security for this debt. In our opinion the company is unlikely to receive any payment and full provision of £Y should have been made. Accordingly, debtors should be reduced by £Y, the deferred tax liability should be reduced by £X and profit for the year and retained earnings should be reduced by £Z.

Except for the financial effect of not making the provision referred to in the preceding paragraph, in our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at ... and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception³⁷

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

...

37 The auditor needs to consider whether the circumstances leading to the disagreement about the accounting treatment affect the matters on which the auditor is required to report by exception.

Example 14 – Qualified opinion: Disagreement – Non-disclosure of a going concern problem

- UK non-publicly traded company prepares UK GAAP financial statements (Example 2).
- The company's year-end is 31 December 20X1 and neither the financial statements nor the directors' report disclose that the Company's financing arrangements expire and amounts outstanding are payable on 19 July 20X2 and that the Company has been unable to re-negotiate or obtain replacement financing. The directors continue to talk to potential alternative providers of finance.
- This situation indicates the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.
- The auditor concludes that there is a significant level of concern about going concern and disagrees with the failure to disclose this information in the financial statements. The auditor issues a qualified except for opinion describing the disagreement.

Extract from auditor's report

...

Qualified opinion on financial statements arising from omission of information concerning going concern

The company's financing arrangements expire and amounts outstanding are payable on 19 July 20X2. While the directors continue to investigate alternative sources of finance, the company has so far been unable to re-negotiate or obtain replacement financing. This situation indicates the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements (and notes thereto) do not disclose this fact.

Except for the omission of the information included in the preceding paragraph, in our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 20X1 and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

...

Example 15 – Qualified opinion: Limitation on scope – Auditor not appointed at the time of the stocktake

- UK non-publicly traded company prepares UK GAAP financial statements (Example 2).
- The evidence available to the auditor was limited because they did not observe the counting of the physical stock as at 31 December 20X1, since that date was prior to the time the auditor was initially engaged as auditor for the company. Owing to the nature of the company's records, the auditor was unable to satisfy themselves as to stock quantities using other audit procedures.
- The limitation in audit scope causes the auditor to issue a qualified opinion "except for" any adjustments that might have been found to be necessary had they been able to obtain sufficient evidence concerning stock.
- The limitation of scope was determined by the auditor not to be so material / pervasive as to require a disclaimer of opinion.

Extract from auditor's report

...

Qualified opinion on financial statements arising from limitation in audit scope

With respect to stock having a carrying amount of £X the audit evidence available to us was limited because we did not observe the counting of the physical stock as at 31 December 20X1, since that date was prior to our appointment as auditor of the company. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence regarding the stock quantities by using other audit procedures.

Except for the financial effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to physical stock quantities, in our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 20X1 and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to stock, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.

[Signature]

John Smith (Senior statutory auditor)

for and on behalf of ABC LLP, Statutory Auditor

Address

Date

Example 16 – Qualified opinion: Limitation of scope – Directors did not prepare cash flow forecasts sufficiently far into the future to be able to assess the going concern status of the company

- *UK non-publicly traded company prepares UK GAAP financial statements (Example 2).*
- *The evidence available to the auditor was limited because the company had prepared cash flow forecasts and other information needed for the assessment of the appropriateness of the going concern basis of preparation of the financial statements only for a period of nine months from the date of approval of the financial statements and there were no sufficient alternative procedures that the auditor could perform.*
- *Although this fact is disclosed in the financial statements had the information been available the auditor might have formed a different opinion. The auditor considers that the directors have not taken adequate steps to satisfy themselves that it is appropriate for them to adopt the going concern basis.*
- *The auditor does not consider that the future period to which the directors have paid particular attention in assessing going concern is reasonable in the company's circumstances. The auditor considers that the particular circumstances of the company and the nature of the company's business require that such information be prepared, and reviewed by the directors and auditor for a period of at least twelve months from the date of approval of the financial statements.*
- *The auditor considers that the possible effect of the limitation of scope is not so material / pervasive that they are unable to form an opinion on the financial statements.*
- *The auditor issues an "except for" qualified opinion referring to the adjustments that might have been found to be necessary had they obtained sufficient evidence concerning the appropriateness of the going concern basis of preparation of the financial statements.*

Extract from auditor's report

...

Qualified opinion on financial statements arising from limitation in audit scope

The audit evidence available to us was limited because the directors of the company have prepared cash flow forecasts and other information needed for the assessment of the appropriateness of the going concern basis of preparation of the financial statements for a period of only nine months from the date of approval of these financial statements. We consider that the directors have not taken adequate steps to satisfy themselves that it is appropriate for them to adopt the going concern basis because the circumstances of the company and the nature of the business require that such information be prepared, and reviewed by the directors and ourselves, for a period of at least twelve months from the date of approval of the financial statements. Had this information been available to us we might have formed a different opinion on the financial statements.

Except for the financial effects of any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the appropriateness of the going concern basis of preparation of the financial statements, in our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at ... and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to the assessment of the appropriateness of the going concern basis of preparation of the financial statements, described above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.

[Signature]

*John Smith (Senior statutory auditor)
for and on behalf of ABC LLP, Statutory Auditor*

Address

Date

APPENDIX 7

**MODIFIED AUDITOR'S REPORTS – ADVERSE OPINION ON
FINANCIAL STATEMENTS**

17. Adverse opinion: No provision made for losses expected to arise on long term contracts
18. Adverse opinion: Significant level of concern about going concern status that is not disclosed in the financial statements

Example 17 – Adverse opinion: No provision made for losses expected to arise on long-term contracts

- *UK non-publicly traded company prepares UK GAAP financial statements (Example 2).*
- *No provision has been made for losses expected to arise on certain long-term contracts currently in progress, as the directors consider that such losses should be off-set against amounts recoverable on other long-term contracts.*
- *In the auditor's opinion, provision should be made for foreseeable losses on individual contracts as required by SSAP 9.*
- *In the auditor's view, the financial effect of this disagreement in accounting treatment is so material / pervasive to the financial statements that an "except for" qualification of the auditor's report would not be sufficient to disclose the misleading nature of the financial statements.*
- *The auditor issues an adverse opinion due to the failure to provide for the losses and quantifies the impact on the profit for the year, the contract work in progress and the deferred tax liability at the year end.*
- *The auditor considers that notwithstanding its adverse opinion on the financial statements that adequate accounting records had been kept by the company and that it had received all the information and explanations it required for the audit.*

Extract from auditor's report

...

Adverse opinion on financial statements

As more fully explained in note [x] to the financial statements no provision has been made for losses expected to arise on certain long-term contracts currently in progress, as the directors consider that such losses should be off-set against amounts recoverable on other long-term contracts. In our opinion, provision should be made for foreseeable losses on individual contracts as required by Statement of Standard Accounting Practice 9: *Stocks and long-term contracts*. If losses had been so recognised the effect would have been to reduce the carrying amount of contract work in progress by £X, the deferred tax liability by £Y and the profit for the year and retained earnings at 31 December 20X1 by £Z.

In view of the effect of the failure to provide for the losses referred to above, in our opinion the financial statements:

- do not give a true and fair view of the state of the company's affairs as at 31 December 20X1 and of its profit [loss] for the year then ended; and
- have not been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

In all other respects, in our opinion the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our adverse opinion on the financial statements, in our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception³⁸

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

[Signature]

John Smith (Senior statutory auditor)

for and on behalf of ABC LLP, Statutory Auditor

Address

Date

38 The auditor needs to consider whether the circumstances leading to the adverse opinion on the financial statements affect the matters on which the auditor is required to report by exception.

Example 18 – Adverse opinion: Significant level of concern about going concern status that is not disclosed in the financial statements

- *UK non-publicly traded company prepares UK GAAP financial statements (Example 2).*
- *Although there is a significant level of concern about the company's ability to continue as a going concern the financial statements and notes do not disclose this fact and the directors have prepared the financial statements on the going concern basis.*
- *The auditor considers that the financial statements should disclose that there is a material uncertainty, which may cast significant doubt on the company's ability to continue as a going concern.*
- *The effect of this disagreement is so material / pervasive to the amounts included within the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.*
- *The auditor issues an adverse audit opinion stating that, because the material uncertainty regarding going concern is not disclosed, the financial statements do not give a true and fair view.*

Extract from auditor's report

...

Adverse opinion on financial statements

As explained in note [x] to the financial statements the company's financing arrangements expired and the amount outstanding was payable on [a past date]. The company has been unable to re-negotiate or obtain replacement financing and the directors of the company are considering whether the company should enter insolvency proceedings [but are continuing to investigate alternative sources of finance]. These events indicate a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements (and notes thereto) do not disclose this fact and have been prepared on the going concern basis.

In our opinion, because of the omission of the information referred to above:

- the financial statements do not give a true and fair view of the state of the company's affairs as at ... and of its profit [loss] for the year then ended; and
- have not been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

In all other respects, in our opinion the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our adverse opinion on the financial statements, in our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

[Signature]

John Smith (Senior statutory auditor)

for and on behalf of ABC LLP, Statutory Auditor

Address

Date

APPENDIX 8

**MODIFIED AUDITOR'S REPORTS – DISCLAIMER OF OPINION ON
FINANCIAL STATEMENTS**

19. Disclaimer of opinion: Auditor unable to attend stocktake and confirm trade debtors
20. Disclaimer of opinion: Multiple uncertainties

Example 19 – Disclaimer of opinion: Auditor unable to attend stocktake and confirm trade debtors

- UK non-publicly traded company prepares UK GAAP financial statements (Example 2).
- The evidence available to the auditor was limited because the auditor was not able to observe all physical stock and confirm trade debtors due to limitations placed on the scope of the auditor's work by the directors of the company.
- The limitation in scope is considered by the auditor to be so material / pervasive that it is unable to form an opinion on the financial statements.
- As a result, the auditor issues a modified opinion disclaiming an opinion on the financial statements.

Extract from auditor's report

...

Opinion: disclaimer on view given by the financial statements

The audit evidence available to us was limited because we were unable to observe the counting of physical stock having a carrying amount of £X and send confirmation letters to trade debtors having a carrying amount of £Y due to limitations placed on the scope of our work by the directors of the company. As a result of this we have been unable to obtain sufficient appropriate audit evidence concerning both stock and trade debtors.

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements:

- give a true and fair view of the state of the company's affairs as at ... and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the view given by the financial statements, in our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In respect solely of the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- we were unable to determine whether adequate accounting records have been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.

[Signature]

John Smith (Senior statutory auditor)

for and on behalf of ABC LLP, Statutory Auditor

Address

Date

Example 20 – Disclaimer of opinion: Multiple uncertainties

- *As discussed in ISA (UK and Ireland) 700(Revised) paragraph 54 the addition of a paragraph emphasising a going concern problem or significant uncertainty is ordinarily adequate to meet the auditor's reporting responsibilities regarding such matters. However, in extreme cases, such as situations involving multiple uncertainties that are significant to the financial statements, the auditor may consider it appropriate to express a disclaimer of opinion instead of adding an emphasis of matter paragraph.*
- *This example does not include a description of the multiple material/significant uncertainties that might lead to a disclaimer of opinion because circumstances will vary and auditors will have to use their judgment when deciding whether it is an extreme case involving multiple uncertainties that are significant to the financial statements. Often, if such matters were considered individually, because the company makes relevant disclosures in the financial statements, the auditor would normally issue an unqualified auditor's report with an emphasis of matter paragraph describing the situation giving rise to the emphasis of matter and its possible effects on the financial statements, including (where practicable) quantification but the audit opinion would be unqualified.*

Extract from auditor's report

...

Opinion: disclaimer on view given by the financial statements

In forming our opinion on the financial statements, we have considered the adequacy of the disclosures made in the financial statements concerning the following matters:

- [Significant uncertainty 1]
- [Significant uncertainty 2]
- [Significant uncertainty 3]

Because of the potential significance, to the financial statements, of the combined effect of the three matters referred to in the paragraph above, we are unable to form an opinion as to whether the financial statements:

- give a true and fair view of the state of the company's affairs as at ... and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the view given by the financial statements, in our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception³⁹

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

[Signature]

John Smith (Senior statutory auditor)

for and on behalf of ABC LLP, Statutory Auditor

Address

Date

³⁹ The auditor needs to consider whether the circumstances leading to the disclaimer of opinion on the financial statements affects the matters on which the auditor is required to report by exception.

APPENDIX 9

**DESCRIPTIONS OF THE “SCOPE OF AN AUDIT” THAT MAY BE
CROSS REFERENCED FROM AUDITOR’S REPORTS**

- UK Publicly Traded Company (issued 26 March 2009)
- UK Non-Publicly Traded Company (issued 26 March 2009)

Scope of an audit of the financial statements of a United Kingdom publicly traded company or group (issued 26 March 2009)⁴⁰

This statement may be cross referred to from auditor's reports that are effective for accounting periods commencing on or after 6 April 2008 and ending on or after 5 April 2009. If the auditor's report is required to be read out, only the shaded paragraph is to be regarded as forming part of the auditor's report for that purpose.

1. THE SCOPE OF AN AUDIT OF FINANCIAL STATEMENTS ARISING FROM THE REQUIREMENTS OF COMPANY LAW

The Companies Act 2006 (CA 2006) requires the auditor to make a report to the company's members that must state clearly whether, in the auditor's opinion, the financial statements:

- give a true and fair view-
 - in the case of an individual balance sheet, of the state of affairs of the company as at the end of the financial year;
 - in the case of an individual profit and loss account, of the profit or loss of the company for the financial year; and
 - in the case of group accounts, of the state of affairs as at the end of the financial year and of the profit or loss for the financial year of the undertakings included in the consolidation as a whole, so far as concerns members of the company;
- have been properly prepared in accordance with the relevant financial reporting framework⁴¹;
- have been prepared in accordance with the requirements of CA 2006 and, in the case of the consolidated accounts of publicly traded companies, the requirements of Article 4 of the IAS Regulation⁴².

CA 2006 further requires the auditor's report on the financial statements to be either unqualified or qualified and to include a reference to any matters to which the auditor wishes to draw attention by way of emphasis without qualifying the report. Requirements of International Standards on Auditing (ISAs) (UK and Ireland) regarding qualified reports, unqualified reports and "emphasis of matter paragraphs" are discussed further in the next part of this statement.

40 The web reference is www.frc.org.uk/apb/scope/UKP.

41 The report will identify the relevant financial reporting framework.

42 Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

2. THE SCOPE OF AN AUDIT OF FINANCIAL STATEMENTS ARISING FROM THE REQUIREMENTS OF ISAs (UK AND IRELAND)

Overall objective

In conducting an audit of financial statements, the overall objectives of the auditor are to:

- (a) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- (b) report on the financial statements and communicate, as required by ISAs (UK and Ireland), the auditor's findings.

Compliance with ISAs (UK and Ireland) and APB's Ethical Standards for Auditors

The auditor is required to comply with:

- (a) all ISAs (UK and Ireland) that are relevant to the audit; and
- (b) APB's Ethical Standards for Auditors.

ISAs (UK and Ireland) require the auditor to plan and perform an audit with professional scepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated.

ISAs (UK and Ireland) and the Ethical Standards for Auditors contain basic principles and essential procedures together with related guidance. The nature of these Standards requires an auditor to exercise professional judgment in applying them.

Some ISAs (UK and Ireland) address the core aspects of the audit process such as:

- Planning.
- Understanding the company and its environment (including internal controls).
- Assessing the risks of material misstatement.
- Responding to assessed risks.

Other ISAs (UK and Ireland) establish requirements in relation to those areas of the auditor's work where it is particularly important that the views of auditors and users of financial statements, regarding the nature and extent of work to be performed, are aligned. Such areas include:

- Going concern.
- The auditor's responsibility to consider fraud in an audit of financial statements.
- Consideration of laws and regulations in an audit of financial statements.

Scope of an audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the [group's and the parent] company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Other information in the Annual Report

An auditor is required to read all financial and non-financial information included in the Annual Report and consider whether such "other information" is consistent with the audited financial statements. The auditor considers the implications for its report if it becomes aware of any material inconsistencies with the financial statements or any apparent material misstatements in the other information.

Communicating with those charged with governance

The auditor is required to communicate its significant findings arising from the audit with those charged with governance. Those charged with governance are the persons (usually the directors) with responsibility for overseeing the strategic direction of the company and obligations relating to the accountability of the company.

Significant findings from the audit include:

- (a) the auditor's view about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- (b) significant difficulties encountered during the audit; and
- (c) material weaknesses in internal control identified during the audit.

Reporting on the financial statements

The auditor's report is required to contain a clear expression of opinion on the financial statements taken as a whole.

To form an opinion on the financial statements the auditor concludes as to whether:

- (a) sufficient appropriate audit evidence has been obtained;
- (b) uncorrected misstatements are material, individually or in aggregate;

- (c) the financial statements, including the related notes, give a true and fair view; and
- (d) the financial statements are prepared, in all material respects, in accordance with the requirements of the relevant financial reporting framework, including the requirements of applicable law.

In particular an audit involves evaluating whether:

- (a) the financial statements adequately refer to or describe the relevant financial reporting framework;
- (b) the financial statements adequately disclose the significant accounting policies selected and applied;
- (c) the accounting policies selected and applied are consistent with the applicable financial reporting framework, and are appropriate in the circumstances;
- (d) accounting estimates are reasonable;
- (e) the information presented in the financial statements is relevant, reliable comparable and understandable;
- (f) the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements; and
- (g) the terminology used in the financial statements, including the title of each financial statement, is appropriate.

Expressing an unqualified opinion

An unqualified opinion is expressed when the auditor is able to conclude that the financial statements comply with the applicable financial reporting framework (including applicable law) and give a true and fair view.

Qualifying the auditor's opinion

An auditor expresses a qualified opinion when either of the following circumstances exists and, in the auditor's judgment, the effect of the matter is or may be material to the financial statements:

- (a) there is a limitation on the scope of the auditor's work that has prevented the auditor from obtaining sufficient appropriate audit evidence; or
- (b) there is a disagreement regarding the acceptability of the accounting policies selected, the method of their application or the adequacy of financial statement disclosures.

The circumstances in (a) could lead to either a qualified opinion or a disclaimer of opinion whereas those in (b) could lead to either a qualified opinion or an adverse opinion.

Emphasising certain matters without qualifying the opinion

In certain circumstances an auditor's report includes an emphasis of matter paragraph to highlight a matter affecting the financial statements. An emphasis of matter paragraph does not affect the auditor's opinion. The auditor is required to consider adding an emphasis of matter paragraph where there is a significant uncertainty the resolution of which is dependent upon future events and which may affect the financial statements. However, the auditor is required to add an emphasis of matter paragraph to highlight a material uncertainty relating to an event or condition that may cast significant doubt on the entity's ability to continue as a going concern.

Communicating "other matters"

If the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the auditor's judgment is relevant to users' understanding of the audit, the auditor's responsibility or the auditor's report, the auditor does so in a paragraph in the auditor's report with the heading "Other Matter" or other appropriate heading.

3. OTHER LEGAL AND REGULATORY REQUIREMENTS

Requirements of ISA (UK and Ireland) 700 (Revised)

The auditor is required to address other legal and regulatory requirements relating to the auditor's report in a separate section of the auditor's report following the opinion on the financial statements. If the auditor is required to report on certain matters by exception the auditor should describe its responsibilities under the heading "Matters on which we are required to report by exception" and to incorporate a suitable conclusion in respect of such matters.

Requirements of CA 2006

CA 2006 establishes the following duties for auditors to which reference is, or may be, required in the auditor's report.

Directors' report

The auditor is required to report its opinion as to whether the information given in the directors' report (including the business review) for the financial year for which the financial statements are prepared is consistent with those financial statements.

Directors' remuneration report (Applies to those publicly traded companies that also meet the definition of quoted company in the Companies Act 2006)

If the company is a quoted company⁴³ the auditor is required to report whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the requirements of CA 2006.

Duty to report on certain matters by exception

If the auditor is of the opinion:

- (a) that adequate accounting records have not been kept, or that returns adequate for the audit have not been received from branches not visited by the auditor; or
- (b) that the company's individual accounts are not in agreement with the accounting records and returns; or
- (c) in the case of a quoted company, that the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns, or
- (d) certain disclosures of directors' remuneration specified by law are not made

the auditor is required to state that fact in the auditor's report.

If the auditor fails to obtain all the information and explanations which, to the best of the auditor's knowledge and belief, are necessary for the purposes of the audit, the auditor is required to state that fact in its report.

Duty of the auditor to include certain particulars, which have been omitted from the financial statements, in the auditor's report

The auditor is required to include in the auditor's report, so far as it is reasonably able to do so, a statement giving the required particulars, if:

- (a) the requirements concerning the disclosure of directors' benefits: remuneration, pensions and compensation for loss of office are not complied with in the accounts; or
- (b) in the case of a quoted company, the requirements as to information forming the part of the Directors' Remuneration Report to be audited are not complied with in that report,

43 A quoted company is a company whose equity share capital –
 (a) has been included in the official list in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000 (c. 8), or
 (b) is officially listed in an EEA state, or
 (c) is admitted to dealing on either the New York Stock Exchange or the exchange known as NASDAQ.

Corporate Governance (*Applies to listed companies only*)

The Listing Rules of the Financial Services Authority (the FSA) require listed companies⁴⁴ to ensure that their auditor reviews each of the following statements required by the Listing Rules, before the annual report is published:

- (a) the directors' statement in relation to going concern;
- (b) the parts of the statement by the directors that relate to the following provisions of the Combined Code:
 - C1.1 (The directors should explain their responsibility for preparing the financial statements and there should be a statement about their reporting responsibilities;
 - C2.1 (The Board should conduct a review of the effectiveness of the group's system of internal controls); and
 - C3.1 to C3.7 (Various matters relating to Audit Committees and Auditors)

If, based on its review, the auditor disagrees with the statement by the directors on going concern or concludes that the Corporate Governance Statement does not appropriately reflect the company's compliance with the nine provisions of the Combined Code the auditor reports that under the heading "Other matter" in its report.

However, the auditor is not required to consider whether the directors' statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

44 A listed company is a company that has any class of its securities admitted to the Official List maintained by the FSA in accordance with section 74 of the Financial Services and Markets Act 2000.

Scope of an audit of the financial statements of a United Kingdom non-publicly traded company or group (issued 26 March 2009)⁴⁵

This statement may be cross referred to from auditor's reports that are effective for accounting periods commencing on or after 6 April 2008 and ending on or after 5 April 2009. If the auditor's report is required to be read out, only the shaded paragraph is to be regarded as forming part of the auditor's report for that purpose.

1. THE SCOPE OF AN AUDIT OF FINANCIAL STATEMENTS ARISING FROM THE REQUIREMENTS OF COMPANY LAW

The Companies Act 2006 (CA 2006) requires the auditor to make a report to the company's members that must state clearly whether, in the auditor's opinion, the financial statements:

- give a true and fair view-
 - in the case of an individual balance sheet, of the state of affairs of the company as at the end of the financial year;
 - in the case of an individual profit and loss account, of the profit or loss of the company for the financial year; and
 - in the case of group accounts, of the state of affairs as at the end of the financial year and of the profit or loss for the financial year of the undertakings included in the consolidation as a whole, so far as concerns members of the company;
- have been properly prepared in accordance with the relevant financial reporting framework⁴⁶;
- have been prepared in accordance with the requirements of CA 2006.

CA 2006 further requires the auditor's report on the financial statements to be either unqualified or qualified and to include a reference to any matters to which the auditor wishes to draw attention by way of emphasis without qualifying the report. Requirements of International Standards on Auditing (ISAs) (UK and Ireland) regarding qualified reports, unqualified reports and "emphasis of matter paragraphs" are discussed further in the next part of this statement.

2. THE SCOPE OF AN AUDIT OF FINANCIAL STATEMENTS ARISING FROM THE REQUIREMENTS OF ISAs (UK AND IRELAND)

Overall objective

In conducting an audit of financial statements, the overall objectives of the auditor are to:

45 The web reference is www.frc.org.uk/apb/scope/UKNP.

46 The report will identify the relevant financial reporting framework.

- (a) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- (b) report on the financial statements and communicate, as required by ISAs (UK and Ireland), the auditor's findings.

Compliance with ISAs (UK and Ireland) and APB's Ethical Standards for Auditors

The auditor is required to comply with:

- (a) all ISAs (UK and Ireland) that are relevant to the audit; and
- (b) APB's Ethical Standards for Auditors.

ISAs (UK and Ireland) require the auditor to plan and perform an audit with professional scepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated.

ISAs (UK and Ireland) and the Ethical Standards for Auditors contain basic principles and essential procedures together with related guidance. The nature of these Standards requires an auditor to exercise professional judgment in applying them.

Some ISAs (UK and Ireland) address the core aspects of the audit process such as:

- Planning.
- Understanding the company and its environment (including internal controls).
- Assessing the risks of material misstatement.
- Responding to assessed risks.

Other ISAs (UK and Ireland) establish requirements in relation to those areas of the auditor's work where it is particularly important that the views of auditors and users of financial statements, regarding the nature and extent of work to be performed, are aligned. Such areas include:

- Going concern.
- The auditor's responsibility to consider fraud in an audit of financial statements.
- Consideration of laws and regulations in an audit of financial statements.

Scope of an audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the [group's and the parent] company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Other information in the Annual Report

If the financial statements are included in a document (such as an Annual Report) that contains surround information, other than the Directors' Report, an auditor is required to read all financial and non-financial information included in the document and consider whether such "other information" is consistent with the audited financial statements. The auditor considers the implications for its report if it becomes aware of any material inconsistencies with the financial statements or any apparent material misstatements in the other information.

Communicating with those charged with governance

The auditor is required to communicate its significant findings arising from the audit with those charged with governance. Those charged with governance are the persons (usually the directors) with responsibility for overseeing the strategic direction of the company and obligations relating to the accountability of the company.

Significant findings from the audit include:

- (a) the auditor's view about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- (b) significant difficulties encountered during the audit; and
- (c) material weaknesses in internal control identified during the audit.

Reporting on the financial statements

The auditor's report is required to contain a clear expression of opinion on the financial statements taken as a whole.

To form an opinion on the financial statements the auditor concludes as to whether:

- (a) sufficient appropriate audit evidence has been obtained;
- (b) uncorrected misstatements are material, individually or in aggregate;

- (c) the financial statements, including the related notes, give a true and fair view; and
- (d) the financial statements are prepared, in all material respects, in accordance with the requirements of the relevant financial reporting framework, including the requirements of applicable law.

In particular an audit involves evaluating whether:

- (a) the financial statements adequately refer to or describe the relevant financial reporting framework;
- (b) the financial statements adequately disclose the significant accounting policies selected and applied;
- (c) the accounting policies selected and applied are consistent with the applicable financial reporting framework, and are appropriate in the circumstances;
- (d) accounting estimates are reasonable;
- (e) the information presented in the financial statements is relevant, reliable comparable and understandable;
- (f) the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements; and
- (g) the terminology used in the financial statements, including the title of each financial statement, is appropriate.

Expressing an unqualified opinion

An unqualified opinion is expressed when the auditor is able to conclude that the financial statements comply with the applicable financial reporting framework (including applicable law) and give a true and fair view.

Qualifying the auditor's opinion

An auditor expresses a qualified opinion when either of the following circumstances exists and, in the auditor's judgment, the effect of the matter is or may be material to the financial statements:

- (a) there is a limitation on the scope of the auditor's work that has prevented the auditor from obtaining sufficient appropriate audit evidence; or
- (b) there is a disagreement regarding the acceptability of the accounting policies selected, the method of their application or the adequacy of financial statement disclosures.

The circumstances in (a) could lead to either a qualified opinion or a disclaimer of opinion whereas those in (b) could lead to either a qualified opinion or an adverse opinion.

Emphasising certain matters without qualifying the opinion

In certain circumstances an auditor's report includes an emphasis of matter paragraph to highlight a matter affecting the financial statements. An emphasis of matter paragraph does not affect the auditor's opinion. The auditor is required to consider adding an emphasis of matter paragraph where there is a significant uncertainty the resolution of which is dependent upon future events and which may affect the financial statements. However, the auditor is required to add an emphasis of matter paragraph to highlight a material uncertainty relating to an event or condition that may cast significant doubt on the entity's ability to continue as a going concern.

Communicating "other matters"

If the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the auditor's judgment is relevant to users' understanding of the audit, the auditor's responsibility or the auditor's report, the auditor does so in a paragraph in the auditor's report with the heading "Other Matter" or other appropriate heading.

3. OTHER LEGAL AND REGULATORY REQUIREMENTS**Requirements of ISA (UK and Ireland) 700 (Revised)**

The auditor is required to address other legal and regulatory requirements relating to the auditor's report in a separate section of the auditor's report following the opinion on the financial statements. If the auditor is required to report on certain matters by exception the auditor should describe its responsibilities under the heading "Matters on which we are required to report by exception" and to incorporate a suitable conclusion in respect of such matters.

Requirements of CA 2006

CA 2006 establishes the following duties for auditors of non-publicly traded companies to which reference is, or may be, required in the auditor's report.

Directors' report

The auditor is required to report its opinion as to whether the information given in the directors' report (including, where required, the business review) for the financial year for which the financial statements are prepared is consistent with those financial statements.

Duty to report on certain matters by exception

If the auditor is of the opinion:

- (a) that adequate accounting records have not been kept, or that returns adequate for the audit have not been received from branches not visited by the auditor; or
- (b) that the company's individual accounts are not in agreement with the accounting records and returns, , or

(c) certain disclosures of directors' remuneration specified by law are not made.

the auditor is required to state that fact in the auditor's report.

If the auditor fails to obtain all the information and explanations which, to the best of the auditor's knowledge and belief, are necessary for the purposes of the audit, the auditor is required to state that fact in its report.

If the directors of the company have prepared accounts and report in accordance with the small companies regime and in the auditor's opinion they were not entitled so to do, the auditor is required to state that fact in the auditor's report.

Duty of the auditor to include certain particulars, which have been omitted from the financial statements, in the auditor's report

The auditor is required to include in the auditor's report, so far as it is reasonably able to do so, a statement giving the required particulars, if the requirements concerning the disclosure of directors' benefits: remuneration, pensions and compensation for loss of office are not complied with in the accounts.

MODIFIED AUDITOR'S REPORT – MODIFIED OPINION ON THE DIRECTORS' REPORT

- *UK non-publicly traded company prepares UK GAAP financial statements (Example 2).*
- *Auditor gives an unqualified opinion on the financial statements.*
- *There is an unresolved inconsistency between the directors' report and the financial statements.*

Extract from auditor's report

...

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Material inconsistency between the 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 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 profit and loss account, however, shows that the company's profit for the period includes a profit of £Z which did not arise from trading but arose 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 financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

[Signature]

John Smith (Senior statutory auditor)

for and on behalf of ABC LLP, Statutory Auditor

Address

Date

ILLUSTRATIVE DIRECTORS' RESPONSIBILITIES STATEMENT FOR A NON-PUBLICLY TRADED COMPANY PREPARING ITS FINANCIAL STATEMENTS UNDER UK GAAP

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent⁴⁷;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;⁴⁸
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business⁴⁹.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The APB has not prepared an illustrative example of a Directors' Responsibilities Statement for a publicly traded company as the directors' responsibilities, which are in part dependent on the particular regulatory environment, will vary dependent on the rules of the market on which its securities are admitted to trading.

47 Paragraph 13 of Part II of Schedule 2 to each of "The Small Companies and Groups (Accounts and Reports) Regulations 2008" (SI 2008 No. 409) and "The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008" (SI 2008 No. 410) require that the amount of any item "must be determined on a prudent basis".

48 This bullet does not apply to companies subject to the small companies regime and medium-sized companies as defined by CA 2006.

49 Included where no separate statement on going concern is made by the directors.

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