

***Statements of Standards  
For Reporting Accountants***

***International Standard on  
Review Engagements  
(UK and Ireland) 2410***

2007

July

**REVIEW OF INTERIM FINANCIAL INFORMATION  
PERFORMED BY THE INDEPENDENT AUDITOR OF  
THE ENTITY**

The Auditing Practices  
Board

## **THE AUDITING PRACTICES BOARD LIMITED**

The Auditing Practices Board Limited, which is part of the Financial Reporting Council, 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 auditors of the entity;
- Standards and guidance for the work of reporting accountants in connection with investment circulars; and
- Standards and guidance for auditors' integrity, objectivity and independence

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

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For reviews of interim financial information for periods ending on or after 20 September 2007, this ISRE (UK and Ireland) supersedes APB Bulletin 1999/4. Early adoption is permitted.

**INTERNATIONAL STANDARD ON REVIEW  
ENGAGEMENTS (UK AND IRELAND) 2410**  
**REVIEW OF INTERIM FINANCIAL INFORMATION  
PERFORMED BY THE INDEPENDENT AUDITOR OF  
THE ENTITY**

(Effective for reviews of interim financial information for periods  
ending on or after 20 September 2007. Early adoption is permitted.)

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International Standard on Review Engagements (UK and Ireland) (ISRE (UK and Ireland)) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" should be read in the context of the Statement "The Financial Reporting Council – Scope and Authority of Audit and Assurance Pronouncements." which sets out the application and authority of APB pronouncements.

ISRE (UK and Ireland) 2410 adopts the text of ISRE 2410 as issued by the International Auditing and Assurance Standards Board (IAASB) in July 2005. Supplementary material added by the APB is differentiated by the use of grey shading.

## Introduction

1. The purpose of this International Standard on Review Engagements (UK and Ireland) (ISRE (UK and Ireland)) is to establish standards and provide guidance on the auditor's professional responsibilities when the auditor undertakes an engagement to review interim financial information of an audit client, and on the form and content of the report. The term "auditor" is used throughout this ISRE (UK and Ireland), not because the auditor is performing an audit function but because the scope of this ISRE (UK and Ireland) is limited to a review of interim financial information performed by the independent auditor of the financial statements of the entity.

1-1. This ISRE (UK and Ireland) uses the terms 'those charged with governance' and 'management'. The term 'governance' describes the role of persons entrusted with the supervision, control and direction of an entity. Ordinarily, those charged with governance are accountable for ensuring that the entity achieves its objectives, and for the quality of its financial reporting and reporting to interested parties. Those charged with governance include management only when they perform such functions.

1-2. In the UK and Ireland, those charged with governance include the directors (executive and non-executive) of a company or other body, the members of an audit committee where one exists, the partners, proprietors, committee of management or trustees of other forms of entity, or equivalent persons responsible for directing the entity's affairs and preparing its financial statements.

1-3. 'Management' comprises those persons who perform senior managerial functions.

1-4. In the UK and Ireland, depending on the nature and circumstances of the entity, management may include some or all of those charged with governance (e.g. executive directors). Management will not normally include non-executive directors.

2. For purposes of this ISRE (UK and Ireland), interim financial information is financial information that is prepared and presented in accordance with an applicable financial reporting framework<sup>1</sup> and comprises either a complete or a condensed set of financial statements for a period that is shorter than the entity's financial year.

2-1. In the UK and Ireland, interim financial information usually comprises condensed financial information prepared for the first six months of the financial year. For entities listed on the London Stock Exchange the applicable financial reporting framework is established by the Disclosure and Transparency Rules of the Financial Services

<sup>1</sup> For example, International Financial Reporting Standards as issued by the International Accounting Standards Board.

Authority (FSA)<sup>1a</sup>. For entities listed on the Irish Stock Exchange the applicable financial reporting framework is established by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Financial Regulator<sup>1b</sup>.

- 2-2. For entities listed on the London or Irish Stock Exchanges, issuers that are required to prepare consolidated annual accounts using International Financial Reporting Standards (IFRS) are required to prepare half-yearly financial reports that include a condensed set of financial statements that comply with International Accounting Standard (IAS) 34, "Interim Financial Reporting," as adopted by the European Union. The relatively few issuers that do not prepare consolidated accounts are required to comply with the minimum disclosure requirements set out in the relevant rules of the UK FSA and the Irish Transparency Regulations and rules of the Irish Financial Regulator as applicable. These rules and regulations also make clear that the persons making the required responsibility statements can satisfy the requirement to confirm that the condensed set of financial statements give a true and fair view by giving a statement that they have been prepared in accordance with IAS 34 as adopted by the European Union or, for UK or Irish issuers not using IFRS, pronouncements on interim reporting issued by the Accounting Standards Board<sup>1c</sup>, provided always that such persons have reasonable grounds to be satisfied that the condensed set of financial statements is not misleading. Further information on the rules and regulations applicable to issuers is given in Appendix 9.
- 2-3. In the context of a review of consolidated interim financial information "the entity," as referred to in this ISRE (UK and Ireland), is the group.

3. **The auditor who is engaged to perform a review of interim financial information should perform the review in accordance with this ISRE (UK and Ireland).** Through performing the audit of the annual financial statements, the auditor obtains an understanding of the entity and its environment, including its internal control. When the auditor is engaged to review the interim financial information, this understanding is updated through inquiries made in the course of the review, and assists the auditor in focusing the inquiries to be made and the analytical and other review procedures to be applied. A practitioner who is engaged to perform a review of interim financial information, and who is not the auditor of the entity, performs the review in accordance

<sup>1a</sup> Disclosure and Transparency Rule (DTR) 4.2 "Half-yearly financial reports" applies to all issuers whose shares or debt securities are admitted to trading and whose home state is the UK, subject to the exemptions set out in DTR 4.4.

<sup>1b</sup> Requirements for half yearly financial reports are set out in regulations 6 to 8 of Part 2 of the Transparency (Directive 2004/109/EC) Regulations 2007, subject to the exemptions set out in Part 3. Further requirements applicable to half-yearly financial reports are set out in the Transparency Rules issued by The Financial Regulator in Ireland.

<sup>1c</sup> For half-yearly periods ending on or after 20 September 2007, the relevant ASB pronouncement is the Statement "Half-Yearly Financial Reports".

with ISRE 2400, “Engagements to Review Financial Statements.”<sup>1d</sup> As the practitioner does not ordinarily have the same understanding of the entity and its environment, including its internal control, as the auditor of the entity, the practitioner needs to carry out different inquiries and procedures to meet the objective of the review.

- 3-1. In some cases the auditor may be asked to carry out specific agreed-upon procedures as an alternative to a review, or the auditor may be approached for advice and guidance on specific accounting and financial reporting issues such as the policies relating to asset impairment or the useful life of an intangible asset. In such circumstances the auditor first agrees the procedures to be carried out, and then reports within that context. Such engagements are outside the scope of this ISRE (UK and Ireland) and, in such circumstances, the auditor requests the entity to describe interim financial information as ‘neither audited nor reviewed’<sup>1e</sup>.

## General Principles of a Review of Interim Financial Information

4. **The auditor should comply with the ethical requirements relevant to the audit of the annual financial statements of the entity**<sup>1f</sup>. These ethical requirements govern the auditor’s professional responsibilities in the following areas: independence, integrity, objectivity, professional competence and due care, confidentiality, professional behavior, and technical standards.
5. **The auditor should implement quality control procedures that are applicable to the individual engagement.** The elements of quality control that are relevant to an individual engagement include leadership responsibilities for quality on the engagement, ethical requirements, acceptance and continuance of client relationships and specific engagements, assignment of engagement teams, engagement performance, and monitoring.
6. **The auditor should plan and perform the review with an attitude of professional skepticism, recognizing that circumstances may exist that cause the interim financial information to require a material adjustment for it to be prepared, in all**

<sup>1d</sup> ISRE 2400 has not been promulgated by the APB for application in the UK and Ireland.

<sup>1e</sup> The FSA’s Disclosure and Transparency Rule 4.2.9(1), and the Irish Regulation 8(4)(a), requires that if the half-yearly financial report has been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information, the audit report or review report must be reproduced in full.

The FSA’s Disclosure and Transparency Rule 4.2.9(2), and the Irish Regulation 8(4)(b), requires that if the half-yearly financial report has not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information, an issuer must make a statement to this effect in its report.

<sup>1f</sup> In the UK and Ireland the relevant ethical pronouncements with which the auditor complies are the APB’s Ethical Standards for Auditors and the ethical pronouncements relating to the work of auditors issued by the auditor’s relevant professional body.

**material respects, in accordance with the applicable financial reporting framework.**

An attitude of professional skepticism means that the auditor makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that contradicts or brings into question the reliability of documents or representations by management of the entity.

## **Objective of an Engagement to Review Interim Financial Information**

7. The objective of an engagement to review interim financial information is to enable the auditor to express a conclusion whether, on the basis of the review, anything has come to the auditor's attention that causes the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with an applicable financial reporting framework. The auditor makes inquiries, and performs analytical and other review procedures in order to reduce to a moderate level the risk of expressing an inappropriate conclusion when the interim financial information is materially misstated.
8. The objective of a review of interim financial information differs significantly from that of an audit conducted in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK and Ireland)). A review of interim financial information does not provide a basis for expressing an opinion whether the financial information gives a true and fair view, or is presented fairly, in all material respects, in accordance with an applicable financial reporting framework.
9. A review, in contrast to an audit, is not designed to obtain reasonable assurance that the interim financial information is free from material misstatement. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review may bring significant matters affecting the interim financial information to the auditor's attention, but it does not provide all of the evidence that would be required in an audit.

## **Agreeing the Terms of the Engagement**

10. **The auditor and the client should agree on the terms of the engagement.**
11. The agreed terms of the engagement are ordinarily recorded in an engagement letter. Such a communication helps to avoid misunderstandings regarding the nature of the engagement and, in particular, the objective and scope of the review, management's responsibilities, the extent of the auditor's responsibilities, the assurance obtained, and the nature and form of the report. The communication ordinarily covers the following matters:
  - The objective of a review of interim financial information.
  - The scope of the review.

- Management's responsibility for the interim financial information.
- The applicable financial reporting framework (e.g. IAS 34 as adopted by the European Union and/or, where applicable, rules and regulations of a listing/regulatory authority relating to the form and content of interim financial information).
- Management's responsibility for establishing and maintaining effective internal control relevant to the preparation of interim financial information.
- Management's responsibility for making all financial records and related information available to the auditor.
- Management's agreement to provide written representations to the auditor to confirm representations made orally during the review, as well as representations that are implicit in the entity's records.
- The anticipated form and content of the report to be issued, including the identity of the addressee of the report.
- Management's agreement that where any document containing interim financial information indicates that the interim financial information has been reviewed by the entity's auditor, the review report will also be included in the document.

An illustrative engagement letter is set out in Appendix 1 to this ISRE (UK and Ireland). The terms of engagement to review interim financial information can also be combined with the terms of engagement to audit the annual financial statements.

## **Procedures for a Review of Interim Financial Information**

### ***Understanding the Entity and its Environment, Including its Internal Control***

- 12. The auditor should have an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both annual and interim financial information, sufficient to plan and conduct the engagement so as to be able to:**
  - (a) Identify the types of potential material misstatement and consider the likelihood of their occurrence; and**
  - (b) Select the inquiries, analytical and other review procedures that will provide the auditor with a basis for reporting whether anything has come to the auditor's attention that causes the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with the applicable financial reporting framework.**

13. As required by ISA (UK and Ireland) 315, "Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement," the auditor who has audited the entity's financial statements for one or more annual periods has obtained an understanding of the entity and its environment, including its internal control, as it relates to the preparation of annual financial information that was sufficient to conduct the audit. In planning a review of interim financial information, the auditor updates this understanding. The auditor also obtains a sufficient understanding of internal control as it relates to the preparation of interim financial information as it may differ from internal control as it relates to annual financial information.
14. The auditor uses the understanding of the entity and its environment, including its internal control, to determine the inquiries to be made and the analytical and other review procedures to be applied, and to identify the particular events, transactions or assertions to which inquiries may be directed or analytical or other review procedures applied.
15. The procedures performed by the auditor to update the understanding of the entity and its environment, including its internal control, ordinarily include the following:
  - Reading the documentation, to the extent necessary, of the preceding year's audit and reviews of prior interim period(s) of the current year and corresponding interim period(s) of the prior year, to enable the auditor to identify matters that may affect the current-period interim financial information.
  - Considering any significant risks, including the risk of management override of controls, that were identified in the audit of the prior year's financial statements.
  - Reading the most recent annual and comparable prior period interim financial information.
  - Considering materiality with reference to the applicable financial reporting framework as it relates to interim financial information to assist in determining the nature and extent of the procedures to be performed and evaluating the effect of misstatements.
  - Considering the nature of any corrected material misstatements and any identified uncorrected immaterial misstatements in the prior year's financial statements.
  - Considering significant financial accounting and reporting matters that may be of continuing significance such as material weaknesses in internal control.
  - Considering the results of any audit procedures performed with respect to the current year's financial statements.
  - Considering the results of any internal audit performed and the subsequent actions taken by management.

- Reading management accounts and commentaries for the period.
  - Considering any findings from prior periods relating to the quality and reliability of management accounts.
- Inquiring of management about the results of management's assessment of the risk that the interim financial information may be materially misstated as a result of fraud.
  - Inquiring of management about the effect of changes in the entity's business activities.
  - Inquiring of management about any significant changes in internal control and the potential effect of any such changes on the preparation of interim financial information.
  - Inquiring of management of the process by which the interim financial information has been prepared and the reliability of the underlying accounting records to which the interim financial information is agreed or reconciled.
16. The auditor determines the nature of the review procedures, if any, to be performed for components and, where applicable, communicates these matters to other auditors involved in the review. Factors to be considered include the materiality of, and risk of misstatement in, the interim financial information of components, and the auditor's understanding of the extent to which internal control over the preparation of such information is centralized or decentralized.
17. **In order to plan and conduct a review of interim financial information, a recently appointed auditor, who has not yet performed an audit of the annual financial statements in accordance with ISAs (UK and Ireland), should obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both annual and interim financial information.**
18. This understanding enables the auditor to focus the inquiries made, and the analytical and other review procedures applied in performing a review of interim financial information in accordance with this ISRE (UK and Ireland). As part of obtaining this understanding, the auditor ordinarily makes inquiries of the predecessor auditor and, where practicable, reviews the predecessor auditor's documentation for the preceding annual audit, and for any prior interim periods in the current year that have been reviewed by the predecessor auditor. In doing so, the auditor considers the nature of any corrected misstatements, and any uncorrected misstatements aggregated by the predecessor auditor, any significant risks, including the risk of management override of controls, and significant accounting and any reporting matters that may be of continuing significance, such as material weaknesses in internal control.

### ***Inquiries, Analytical and Other Review Procedures***

19. **The auditor should make inquiries, primarily of persons responsible for financial and accounting matters, and perform analytical and other review procedures to enable the auditor to conclude whether, on the basis of the procedures performed, anything has come to the auditor's attention that causes the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with the applicable financial reporting framework.**
  
20. A review ordinarily does not require tests of the accounting records through inspection, observation or confirmation. Procedures for performing a review of interim financial information are ordinarily limited to making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures, rather than corroborating information obtained concerning significant accounting matters relating to the interim financial information. The auditor's understanding of the entity and its environment, including its internal control, the results of the risk assessments relating to the preceding audit and the auditor's consideration of materiality as it relates to the interim financial information, affects the nature and extent of the inquiries made, and analytical and other review procedures applied.
  
21. The auditor ordinarily performs the following procedures:
  - Reading the minutes of the meetings of shareholders, those charged with governance, and other appropriate committees to identify matters that may affect the interim financial information, and inquiring about matters dealt with at meetings for which minutes are not available that may affect the interim financial information.
  
  - Considering the effect, if any, of matters giving rise to a modification of the audit or review report, accounting adjustments or unadjusted misstatements, at the time of the previous audit or reviews.
  
  - Communicating, where appropriate, with other auditors who are performing a review of the interim financial information of the reporting entity's significant components.
  
  - Inquiring of members of management responsible for financial and accounting matters, and others as appropriate about the following:
    - Whether the interim financial information has been prepared and presented in accordance with the applicable financial reporting framework.
  
    - Whether there have been any changes in accounting principles or in the methods of applying them.
  
    - Whether any new transactions have necessitated the application of a new accounting principle.

- Whether the interim financial information contains any known uncorrected misstatements.
  - Unusual or complex situations that may have affected the interim financial information, such as a business combination or disposal of a segment of the business.
  - Significant assumptions that are relevant to the fair value measurement or disclosures and management's intention and ability to carry out specific courses of action on behalf of the entity.
  - Whether related party transactions have been appropriately accounted for and disclosed in the interim financial information.
  - Significant changes in commitments and contractual obligations.
  - Significant changes in contingent liabilities including litigation or claims.
  - Compliance with debt covenants.
  - Matters about which questions have arisen in the course of applying the review procedures.
  - Significant transactions occurring in the last several days of the interim period or the first several days of the next interim period.
  - Knowledge of any fraud or suspected fraud affecting the entity involving:
    - Management;
    - Employees who have significant roles in internal control; or
    - Others where the fraud could have a material effect on the interim financial information.
  - Knowledge of any allegations of fraud, or suspected fraud, affecting the entity's interim financial information communicated by employees, former employees, analysts, regulators, or others.
  - Knowledge of any actual or possible noncompliance with laws and regulations that could have a material effect on the interim financial information.
- For group interim financial information, reviewing consolidation adjustments for consistency with the preceding annual financial statements and enquiring into large or unusual adjustments, and into adjustments made in the preceding annual financial statements but not made in the financial information in the interim report.

- Reviewing correspondence with regulators where applicable.
- Applying analytical procedures to the interim financial information designed to identify relationships and individual items that appear to be unusual and that may reflect a material misstatement in the interim financial information. Analytical procedures may include ratio analysis and statistical techniques such as trend analysis or regression analysis and may be performed manually or with the use of computer-assisted techniques. Appendix 2 to this ISRE (UK and Ireland) contains examples of analytical procedures the auditor may consider when performing a review of interim financial information.
- Reading the interim financial information, and considering whether anything has come to the auditor's attention that causes the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with the applicable financial reporting framework.

22. The auditor may perform many of the review procedures before or simultaneously with the entity's preparation of the interim financial information. For example, it may be practicable to update the understanding of the entity and its environment, including its internal control, and begin reading applicable minutes before the end of the interim period. Performing some of the review procedures earlier in the interim period also permits early identification and consideration of significant accounting matters affecting the interim financial information.

23. The auditor performing the review of interim financial information is also engaged to perform an audit of the annual financial statements of the entity. For convenience and efficiency, the auditor may decide to perform certain audit procedures concurrently with the review of interim financial information. For example, information gained from reading the minutes of meetings of the board of directors in connection with the review of the interim financial information also may be used for the annual audit. The auditor may also decide to perform, at the time of the interim review, auditing procedures that would need to be performed for the purpose of the audit of the annual financial statements, for example, performing audit procedures on significant or unusual transactions that occurred during the period, such as business combinations, restructurings, or significant revenue transactions.

24. A review of interim financial information ordinarily does not require corroborating the inquiries about litigation or claims. It is, therefore, ordinarily not necessary to send an inquiry letter to the entity's lawyer. Direct communication with the entity's lawyer with respect to litigation or claims may, however, be appropriate if a matter comes to the auditor's attention that causes the auditor to question whether the interim financial information is not prepared, in all material respects, in accordance with the applicable financial reporting framework, and the auditor believes the entity's lawyer may have pertinent information.

25. **The auditor should obtain evidence that the interim financial information agrees or reconciles with the underlying accounting records.** The auditor may obtain evidence that the interim financial information agrees or reconciles with the underlying accounting records by tracing the interim financial information to:

- (a) The accounting records, such as the general ledger, or a consolidating schedule that agrees or reconciles with the accounting records; and
- (b) Other supporting data in the entity's records as necessary.

25-1. For a review of consolidated group interim financial information, the auditor traces the financial information of group components to the consolidation schedules and records of significant consolidation journals and adjustments. The auditor is not required to check the financial information back to the accounting records of individual group components.

26. **The auditor should inquire whether management has identified all events up to the date of the review report that may require adjustment to or disclosure in the interim financial information.** It is not necessary for the auditor to perform other procedures to identify events occurring after the date of the review report.

27. **The auditor should inquire whether management has changed its assessment of the entity's ability to continue as a going concern. When, as a result of this inquiry or other review procedures, the auditor becomes aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the auditor should:**

- (a) **Inquire of management as to its plans for future actions based on its going concern assessment, the feasibility of these plans, and whether management believes that the outcome of these plans will improve the situation; and**
- (b) **Consider the adequacy of the disclosure about such matters in the interim financial information.**

27-1. The guidance in "Going concern and financial reporting - guidance for directors of listed companies registered in the UK" issued in 1994 states "Directors cannot be expected to consider going concern as fully at the interim, but they should undertake a review of their previous work." Paragraph 57 of that guidance also states: "They should look at the position at the previous year-end to see whether any of the significant factors which they had identified at that time have changed in the interim to such an extent as to affect the appropriateness of the going concern assumption."

28. Events or conditions which may cast significant doubt on the entity's ability to continue as a going concern may have existed at the date of the annual financial statements or

may be identified as a result of inquiries of management or in the course of performing other review procedures. When such events or conditions come to the auditor's attention, the auditor inquires of management as to its plans for future action, such as its plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital. The auditor also inquires as to the feasibility of management's plans and whether management believes that the outcome of these plans will improve the situation. However, it is not ordinarily necessary for the auditor to corroborate the feasibility of management's plans and whether the outcome of these plans will improve the situation.

29. **When a matter comes to the auditor's attention that leads the auditor to question whether a material adjustment should be made for the interim financial information to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor should make additional inquiries or perform other procedures to enable the auditor to express a conclusion in the review report.** For example, if the auditor's review procedures lead the auditor to question whether a significant sales transaction is recorded in accordance with the applicable financial reporting framework, the auditor performs additional procedures sufficient to resolve the auditor's questions, such as discussing the terms of the transaction with senior marketing and accounting personnel, or reading the sales contract.

### ***Comparative Interim Financial Information***

29-1. **When comparative interim financial information is presented, the auditor should consider whether:**

- (a) **The accounting policies used for the comparative financial information are consistent with those of the current period and appropriate adjustments and disclosures have been made where this is not the case; and**
- (b) **The comparative amounts agree with the amounts and other disclosures presented in the preceding interim financial report for the corresponding period or whether appropriate disclosures and adjustments have been made where this is not the case.**

### **Evaluation of Misstatements**

30. **The auditor should evaluate, individually and in the aggregate, whether uncorrected misstatements that have come to the auditor's attention are material to the interim financial information.**
31. A review of interim financial information, in contrast to an audit engagement, is not designed to obtain reasonable assurance that the interim financial information is free from material misstatement. However, misstatements which come to the auditor's

attention, including inadequate disclosures, are evaluated individually and in the aggregate to determine whether a material adjustment is required to be made to the interim financial information for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework.

32. The auditor exercises professional judgment in evaluating the materiality of any misstatements that the entity has not corrected. The auditor considers matters such as the nature, cause and amount of the misstatements, whether the misstatements originated in the preceding year or interim period of the current year, and the potential effect of the misstatements on future interim or annual periods.
33. The auditor may designate an amount below which misstatements need not be aggregated, because the auditor expects that the aggregation of such amounts clearly would not have a material effect on the interim financial information. In so doing, the auditor considers the fact that the determination of materiality involves quantitative as well as qualitative considerations, and that misstatements of a relatively small amount could nevertheless have a material effect on the interim financial information.
- 33-1. The amount designated by the auditor, below which misstatements that have come to the auditors attention need not be aggregated, is the amount below which the auditor believes misstatements are clearly trivial<sup>19</sup>.

## Management Representations

34. **The auditor should obtain written representation from management that:**
- (a) **It acknowledges its responsibility for the design and implementation of internal control to prevent and detect fraud and error;**
  - (b) **The interim financial information is prepared and presented in accordance with the applicable financial reporting framework;**
  - (c) **It believes the effect of those uncorrected misstatements aggregated by the auditor during the review are immaterial, both individually and in the aggregate, to the interim financial information taken as a whole. A summary of such items is included in or attached to the written representations;**

<sup>19</sup> This is not another expression for 'immaterial'. Matters which are 'clearly trivial' will be of an wholly different (smaller) order of magnitude than the materiality thresholds used in the review, and will be matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative and/or qualitative criteria. Further, whenever there is any uncertainty about whether one or more items are 'clearly trivial' (in accordance with this definition), the presumption should be that the matter is not 'clearly trivial'.

- (d) **It has disclosed to the auditor all significant facts relating to any frauds or suspected frauds known to management that may have affected the entity;**
- (e) **It has disclosed to the auditor the results of its assessment of the risks that the interim financial information may be materially misstated as a result of fraud;<sup>2</sup>**
- (f) **It has disclosed to the auditor all known actual or possible noncompliance with laws and regulations whose effects are to be considered when preparing the interim financial information; and**
- (g) **It has disclosed to the auditor all significant events that have occurred subsequent to the balance sheet date and through to the date of the review report that may require adjustment to or disclosure in the interim financial information.**

35. The auditor obtains additional representations as are appropriate related to matters specific to the entity's business or industry. An illustrative management representation letter is set out in Appendix 3 to this ISRE (UK and Ireland).

### **Auditor's Responsibility for Accompanying Information<sup>2a</sup>**

36. **The auditor should read the other information that accompanies the interim financial information to consider whether any such information is materially inconsistent with the interim financial information.** If the auditor identifies a material inconsistency, the auditor considers whether the interim financial information or the other information needs to be amended. If an amendment is necessary in the interim financial information and management refuses to make the amendment, the auditor considers the implications for the review report. If an amendment is necessary in the other information and management refuses to make the amendment, the auditor considers including in the review report an additional paragraph describing the material inconsistency, or taking other actions, such as withholding the issuance of the review report or withdrawing from the engagement. For example, management may present alternative measures of earnings that more positively portray financial performance than the interim financial information, and such alternative measures are given excessive

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<sup>2</sup> Paragraph 35 of ISA (UK and Ireland) 240, "The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements" explains that the nature, extent and frequency of such an assessment vary from entity to entity and that management may make a detailed assessment on an annual basis or as part of continuous monitoring. Accordingly, this representation, insofar as it relates to the interim financial information, is tailored to the entity's specific circumstances.

<sup>2a</sup> Other information in the half-yearly financial report of a listed entity includes the interim management report and the responsibility statements required by the rules and regulations of the listing/regulatory authorities. It may also include, for example, performance summaries, prospective information and a chairman's statement.

prominence, are not clearly defined, or not clearly reconciled to the interim financial information such that they are confusing and potentially misleading<sup>2b</sup>.

37. **If a matter comes to the auditor's attention that causes the auditor to believe that the other information appears to include a material misstatement of fact, the auditor should discuss the matter with the entity's management.** While reading the other information for the purpose of identifying material inconsistencies, an apparent material misstatement of fact may come to the auditor's attention (i.e., information, not related to matters appearing in the interim financial information, that is incorrectly stated or presented). When discussing the matter with the entity's management, the auditor considers the validity of the other information and management's responses to the auditor's inquiries, whether valid differences of judgment or opinion exist and whether to request management to consult with a qualified third party to resolve the apparent misstatement of fact. If an amendment is necessary to correct a material misstatement of fact and management refuses to make the amendment, the auditor considers taking further action as appropriate, such as notifying those charged with governance and obtaining legal advice.

## Communication

38. **When, as a result of performing the review of interim financial information, a matter comes to the auditor's attention that causes the auditor to believe that it is necessary to make a material adjustment to the interim financial information for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor should communicate this matter as soon as practicable to the appropriate level of management.**

<sup>2b</sup> The APB recognises that in some circumstances the presentation of alternative performance measures and associated narrative explanations may help shareholders understand better the financial performance of a company. However, the APB is concerned that in other circumstances such alternative performance measures have the potential to be misleading and shareholders may sometimes be misinformed by the manner in which alternative performance measures are presented. The APB believes that the potential for alternative performance measures to be misleading is considerable when they are given undue and inappropriate prominence, when there is no description of the basis on which the information was produced and, where appropriate, the adjusted numbers are not reconciled to the financial information that is presented in accordance with the applicable financial reporting framework.

The APB's concerns are shared by the UK Listing Authority (UKLA). In its September 2005 newsletter, List!, the UKLA reminded issuers that they were free to disclose additional non-GAAP numbers in their interim accounts but, where they did, the UKLA said they should make clear the basis on which the numbers are calculated in order to avoid misleading investors. The UKLA also explained that it would not expect non-GAAP figures to be given greater prominence in interim announcements than any GAAP numbers. On 3 November 2005, the Committee of European Securities Regulators (CESR) published a recommendation on the use of alternative performance measures. In the February 2006 edition of List! the UKLA indicated that in its view the CESR recommendation represents best practice for the disclosure of alternative performance measures and encouraged issuers to follow the recommendation.

39. **When, in the auditor's judgment, management does not respond appropriately within a reasonable period of time, the auditor should inform those charged with governance.** The communication is made as soon as practicable, either orally or in writing. The auditor's decision whether to communicate orally or in writing is affected by factors such as the nature, sensitivity and significance of the matter to be communicated and the timing of such communications. If the information is communicated orally, the auditor documents the communication.
40. **When, in the auditor's judgment, those charged with governance do not respond appropriately within a reasonable period of time, the auditor should consider:**
- (a) **Whether to modify the report; or**
  - (b) **The possibility of withdrawing from the engagement; and**
  - (c) **The possibility of resigning from the appointment to audit the annual financial statements.**
41. **When, as a result of performing the review of interim financial information, a matter comes to the auditor's attention that causes the auditor to believe in the existence of fraud or noncompliance by the entity with laws and regulations the auditor should communicate the matter as soon as practicable to the appropriate level of management.** The determination of which level of management is the appropriate one is affected by the likelihood of collusion or the involvement of a member of management. The auditor also considers the need to report such matters to those charged with governance and considers the implication for the review.
42. **The auditor should communicate relevant matters of governance interest arising from the review of interim financial information to those charged with governance.** As a result of performing the review of the interim financial information, the auditor may become aware of matters that in the opinion of the auditor are both important and relevant to those charged with governance in overseeing the financial reporting and disclosure process. The auditor communicates such matters to those charged with governance.

## **Reporting the Nature, Extent and Results of the Review of Interim Financial Information**

43. **The auditor should issue a written report that contains the following:**
- (a) **An appropriate title.**
  - (b) **An addressee, as required by the circumstances of the engagement.**
  - (c) **Identification of the interim financial information reviewed, including**

**identification of the title of each of the statements contained in the complete or condensed set of financial statements and the date and period covered by the interim financial information.**

- (d) If the interim financial information comprises a complete set of general purpose financial statements prepared in accordance with a financial reporting framework designed to achieve fair presentation, a statement that management is responsible for the preparation and fair presentation of the interim financial information in accordance with the applicable financial reporting framework.**
- (e) In other circumstances, a statement that management is responsible for the preparation and presentation of the interim financial information in accordance with the applicable financial reporting framework.**
- (f) A statement that the auditor is responsible for expressing a conclusion on the interim financial information based on the review.**
- (g) A statement that the review of the interim financial information was conducted in accordance with International Standard on Review Engagements (UK and Ireland) (ISRE (UK and Ireland)) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity," and a statement that that such a review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.**
- (h) A statement that a review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit and that accordingly no audit opinion is expressed.**
- (i) If the interim financial information comprises a complete set of general purpose financial statements prepared in accordance with a financial reporting framework designed to achieve fair presentation, a conclusion as to whether anything has come to the auditor's attention that causes the auditor to believe that the interim financial information does not give a true and fair view, or does not present fairly, in all material respects, in accordance with the applicable financial reporting framework (including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards); or**
- (j) In other circumstances, a conclusion as to whether anything has come to the auditor's attention that causes the auditor to believe that the interim financial**

**information is not prepared, in all material respects, in accordance with the applicable financial reporting framework (including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards).**

- (k) **The date of the report.**
- (l) **The location in the country or jurisdiction where the auditor practices.**
- (m) **The auditor's signature.**

Illustrative review reports are set out in Appendix 4 to this ISRE (UK and Ireland).

43-1. An illustrative review report for a UK or Irish Company listed in the UK or Ireland and complying with IAS 34 as adopted by the European Union is set out in Appendix 8 to this ISRE (UK and Ireland).

44. In some jurisdictions, law or regulation governing the review of interim financial information may prescribe wording for the auditor's conclusion that is different from the wording described in paragraph 43(i) or (j). Although the auditor may be obliged to use the prescribed wording, the auditor's responsibilities as described in this ISRE (UK and Ireland) for coming to the conclusion remain the same.

### ***Date of the Review Report***

44-1. **The date of the review report on an entity's financial information is the date on which the auditor signs the review report. The auditor should not date the review report earlier than the date on which the financial information is approved by management and those charged with governance.**

### ***Departure from the Applicable Financial Reporting Framework***

- 45. **The auditor should express a qualified or adverse conclusion when a matter has come to the auditor's attention that causes the auditor to believe that a material adjustment should be made to the interim financial information for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework.**
- 46. If matters have come to the auditor's attention that cause the auditor to believe that the interim financial information is or may be materially affected by a departure from the applicable financial reporting framework, and management does not correct the interim financial information, the auditor modifies the review report. The modification describes the nature of the departure and, if practicable, states the effects on the interim financial

information. If the information that the auditor believes is necessary for adequate disclosure is not included in the interim financial information, the auditor modifies the review report and, if practicable, includes the necessary information in the review report. The modification to the review report is ordinarily accomplished by adding an explanatory paragraph to the review report, and qualifying the conclusion. Illustrative review reports with a qualified conclusion are set out in Appendix 5 to this ISRE (UK and Ireland).

47. When the effect of the departure is so material and pervasive to the interim financial information that the auditor concludes a qualified conclusion is not adequate to disclose the misleading or incomplete nature of the interim financial information, the auditor expresses an adverse conclusion. Illustrative review reports with an adverse conclusion are set out in Appendix 7 to this ISRE (UK and Ireland).

### ***Limitation on Scope***

48. A limitation on scope ordinarily prevents the auditor from completing the review.
49. **When the auditor is unable to complete the review, the auditor should communicate, in writing, to the appropriate level of management and to those charged with governance the reason why the review cannot be completed, and consider whether it is appropriate to issue a report.**

### ***Limitation on Scope Imposed by Management***

50. The auditor does not accept an engagement to review the interim financial information if the auditor's preliminary knowledge of the engagement circumstances indicates that the auditor would be unable to complete the review because there will be a limitation on the scope of the auditor's review imposed by management of the entity.
51. If, after accepting the engagement, management imposes a limitation on the scope of the review, the auditor requests the removal of that limitation. If management refuses to do so, the auditor is unable to complete the review and express a conclusion. In such cases, the auditor communicates, in writing, to the appropriate level of management and those charged with governance the reason why the review cannot be completed. Nevertheless, if a matter comes to the auditor's attention that causes the auditor to believe that a material adjustment to the interim financial information is necessary for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor communicates such matters in accordance with the guidance in paragraphs 38-40.
52. The auditor also considers the legal and regulatory responsibilities, including whether there is a requirement for the auditor to issue a report. If there is such a requirement, the auditor disclaims a conclusion, and provides in the review report the reason why the review cannot be completed. However, if a matter comes to the auditor's attention that

causes the auditor to believe that a material adjustment to the interim financial information is necessary for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor also communicates such a matter in the report.

### ***Other Limitations on Scope***

53. A limitation on scope may occur due to circumstances other than a limitation on scope imposed by management. In such circumstances, the auditor is ordinarily unable to complete the review and express a conclusion and is guided by paragraphs 51-52. There may be, however, some rare circumstances where the limitation on the scope of the auditor's work is clearly confined to one or more specific matters that, while material, are not in the auditor's judgment pervasive to the interim financial information. In such circumstances, the auditor modifies the review report by indicating that, except for the matter which is described in an explanatory paragraph to the review report, the review was conducted in accordance with this ISRE (UK and Ireland), and by qualifying the conclusion. Illustrative review reports with a qualified conclusion are set out in Appendix 6 to this ISRE (UK and Ireland).
54. The auditor may have expressed a qualified opinion on the audit of the latest annual financial statements because of a limitation on the scope of that audit. The auditor considers whether that limitation on scope still exists and, if so, the implications for the review report.

### ***Going Concern and Significant Uncertainties***

55. In certain circumstances, an emphasis of matter paragraph may be added to a review report, without affecting the auditor's conclusion, to highlight a matter that is included in a note to the interim financial information that more extensively discusses the matter. The paragraph would preferably be included after the conclusion paragraph and ordinarily refers to the fact that the conclusion is not qualified in this respect.
56. **If adequate disclosure is made in the interim financial information, the auditor should add an emphasis of matter paragraph to the review report 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.**
57. The auditor may have modified a prior audit or review report by adding 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. If the material uncertainty still exists and adequate disclosure is made in the interim financial information, the auditor modifies the review report on the current interim financial information by adding a paragraph to highlight the continued material uncertainty.
58. If, as a result of inquiries or other review procedures, a material uncertainty relating to an

event or condition comes to the auditor's attention that may cast significant doubt on the entity's ability to continue as a going concern, and adequate disclosure is made in the interim financial information the auditor modifies the review report by adding an emphasis of matter paragraph.

59. **If a material uncertainty that casts significant doubt about the entity's ability to continue as a going concern is not adequately disclosed in the interim financial information, the auditor should express a qualified or adverse conclusion, as appropriate. The report should include specific reference to the fact that there is such a material uncertainty.**
60. **The auditor should consider modifying the review report by adding a paragraph to highlight a significant uncertainty (other than a going concern problem) that came to the auditor's attention, the resolution of which is dependent upon future events and which may affect the interim financial information.**

### ***Requests to Discontinue an Interim Review Engagement***

- 60-1. There may be rare circumstances in which the auditor indicates in advance to management and those charged with governance that the review report may be modified for one or more of the reasons set out in paragraphs 45 to 60 above. In these cases the auditor may be requested to discontinue the review engagement rather than include a modified review report with the interim financial information.
- 60-2. The auditor informs the audit committee, where one exists, of this situation as soon as practicable. If information is communicated orally, the auditor subsequently documents the communication as appropriate. For a listed entity, if, in the auditor's judgment, the entity does not take appropriate action to address the auditor's concerns regarding the financial information to be published, the auditor considers requesting those charged with governance to discuss the matter with the entity's brokers, including whether the matter should be reported to the relevant regulatory authority. The auditor also evaluates whether to resign as the entity's auditor and include the auditor's reasons for resigning in a statement of circumstances as required by the Companies Act. The auditor may wish to take legal advice when considering resignation.

### ***Other Considerations***

61. The terms of the engagement include management's agreement that where any document containing interim financial information indicates that such information has been reviewed by the entity's auditor, the review report will also be included in the document. If management has not included the review report in the document, the auditor considers seeking legal advice to assist in determining the appropriate course of action in the circumstances.

62. If the auditor has issued a modified review report and management issues the interim financial information without including the modified review report in the document containing the interim financial information, the auditor considers seeking legal advice to assist in determining the appropriate course of action in the circumstances, and the possibility of resigning from the appointment to audit the annual financial statements.
63. Interim financial information consisting of a condensed set of financial statements does not necessarily include all the information that would be included in a complete set of financial statements, but may rather present an explanation of the events and changes that are significant to an understanding of the changes in the financial position and performance of the entity since the annual reporting date. This is because it is presumed that the users of the interim financial information will have access to the latest audited financial statements, such as is the case with listed entities. In other circumstances, the auditor discusses with management the need for such interim financial information to include a statement that it is to be read in conjunction with the latest audited financial statements. In the absence of such a statement, the auditor considers whether, without a reference to the latest audited financial statements, the interim financial information is misleading in the circumstances, and the implications for the review report.

## Documentation

64. **The auditor should prepare review documentation that is sufficient and appropriate to provide a basis for the auditor's conclusion and to provide evidence that the review was performed in accordance with this ISRE (UK and Ireland) and applicable legal and regulatory requirements.** The documentation enables an experienced auditor having no previous connection with the engagement to understand the nature, timing and extent of the inquiries made, and analytical and other review procedures applied, information obtained, and any significant matters considered during the performance of the review, including the disposition of such matters.

## Effective Date

65. This ISRE (UK and Ireland) is effective for reviews of interim financial information for periods ending on or after 20 September 2007. Early adoption is permitted.

## Public Sector Perspective

1. *Paragraph 10 requires that the auditor and the client agree on the terms of engagement. Paragraph 11 explains that an engagement letter helps to avoid misunderstandings regarding the nature of the engagement and, in particular, the objective and scope of the review, management's responsibilities, the extent of the auditor's responsibilities, the assurance obtained, and the nature and form of the report. Law or regulation governing review engagements in the public sector ordinarily mandates the appointment of the auditor. Consequently, engagement letters may not be a widespread practice in the public sector. Nevertheless, an engagement letter setting out the matters referred to in paragraph 11 may be useful to both the public sector auditor and the client. Public sector auditors, therefore, consider agreeing with the client the terms of a review engagement by way of an engagement letter.*
2. *In the public sector, the auditor's statutory audit obligation may extend to other work, such as a review of interim financial information. Where this is the case, the public sector auditor cannot avoid such an obligation and, consequently, may not be in a position not to accept (see paragraph 50) or to withdraw from a review engagement (see paragraphs 36 and 40(b)). The public sector auditor also may not be in the position to resign from the appointment to audit the annual financial statements (see paragraphs 40(c)) and 62).*
3. *Paragraph 41 discusses the auditor's responsibility when a matter comes to the auditor's attention that causes the auditor to believe in the existence of fraud or noncompliance by the entity with laws and regulations. In the public sector, the auditor may be subject to statutory or other regulatory requirements to report such a matter to regulatory or other public authorities.*

## Appendix 1

### Example of an Engagement Letter for a Review of Interim Financial Information

The following letter is to be used as a guide in conjunction with the consideration outlined in paragraph 10 of this ISRE (UK and Ireland) and will need to be adapted according to individual requirements and circumstances.

For an engagement to review interim financial information prepared by a listed company in the UK or Ireland, the letter would ordinarily include paragraphs such as:

“As directors of XYZ PLC you are responsible under the [Companies Act 1985] [Companies Act 1990] for keeping proper accounting records. You are also responsible for presenting the half-yearly financial report in accordance with [International Accounting Standard 34, “Interim Financial Reporting,” as adopted by the European Union] [the Accounting Standards Board Statement “Half-Yearly Financial Reports”] and the requirements of the [Disclosure and Transparency Rules of the Financial Services Authority] [Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Financial Regulator].” *[The second sentence identifies the applicable financial reporting framework for the entity and should be amended as necessary.]*

“For the purpose of our review you will make available to us all of the company’s accounting records and all other related information, including minutes of directors’ shareholders’, and audit committee meetings and of all relevant management meetings, that we consider necessary.”

To the Board of Directors (or the appropriate representative of senior management)

We are providing this letter to confirm our understanding of the terms and objectives of our engagement to review the entity’s interim balance sheet as at June 30, 20X1 and the related statements of income, changes in equity and cash flows for the six-month period then ended.

Our review will be conducted in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board with the objective of providing us with a basis for reporting whether anything has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with the [indicate applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting when the financial reporting framework used is not International Financial Reporting Standards]. Such a review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures and does not, ordinarily, require

corroboration of the information obtained. The scope of a review of interim financial information is substantially less than the scope of an audit conducted in accordance with International Standards on Auditing (UK and Ireland) whose objective is the expression of an opinion regarding the financial statements and, accordingly, we shall express no such opinion.

We expect to report on the interim financial information as follows:

[Include text of sample report]

Responsibility for the interim financial information, including adequate disclosure, is that of management of the entity. This includes designing, implementing and maintaining internal control relevant to the preparation and presentation of interim financial information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. As part of our review, we will request written representations from management concerning assertions made in connection with the review. We will also request that where any document containing interim financial information indicates that the interim financial information has been reviewed, our report will also be included in the document.

A review of interim financial information does not provide assurance that we will become aware of all significant matters that might be identified in an audit. Further, our engagement cannot be relied upon to disclose whether fraud or errors, or illegal acts exist. However, we will inform you of any material matters that come to our attention.

We look forward to full cooperation with your staff ~~and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our review.~~<sup>2c</sup>

[Insert additional information here regarding fee arrangements and billings, as appropriate.]

This letter will be effective for future years unless it is terminated, amended or superseded (if applicable).

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our review of the financial statements.

Acknowledged on behalf of ABC Entity by

(signed)

Name and Title

Date

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<sup>2c</sup> Rendered unnecessary by the alternative text presented in the shaded note immediately before this example letter.

## Appendix 2

### **Analytical Procedures the Auditor May Consider When Performing a Review of Interim Financial Information**

Examples of analytical procedures the auditor may consider when performing a review of interim financial information include the following:

- Comparing the interim financial information with the interim financial information of the immediately preceding interim period, with the interim financial information of the corresponding interim period of the preceding financial year, with the interim financial information that was expected by management for the current period, and with the most recent audited annual financial statements.
- Comparing current interim financial information with anticipated results, such as budgets or forecasts (for example, comparing tax balances and the relationship between the provision for income taxes to pretax income in the current interim financial information with corresponding information in (a) budgets, using expected rates, and (b) financial information for prior periods).
- Comparing current interim financial information with relevant non-financial information.
- Comparing the recorded amounts, or ratios developed from recorded amounts, to expectations developed by the auditor. The auditor develops such expectations by identifying and applying relationships that are reasonably expected to exist based on the auditor's understanding of the entity and of the industry in which the entity operates.
- Comparing ratios and indicators for the current interim period with those of entities in the same industry.
- Comparing relationships among elements in the current interim financial information with corresponding relationships in the interim financial information of prior periods, for example, expense by type as a percentage of sales, assets by type as a percentage of total assets, and percentage of change in sales to percentage of change in receivables.
- Comparing disaggregated data. The following are examples of how data may be disaggregated:
  - By period, for example, revenue or expense items disaggregated into quarterly, monthly, or weekly amounts.
  - By product line or source of revenue.

- By location, for example, by component.
- By attributes of the transaction, for example, revenue generated by designers, architects, or craftsmen.
- By several attributes of the transaction, for example, sales by product and month.

## Appendix 3

### Example of a Management Representation Letter

The following letter is not intended to be a standard letter. Representations by management will vary from entity to entity and from one interim period to the next.

(Entity Letterhead)

(To Auditor)

(Date)

*Opening paragraphs if interim financial information comprises condensed financial statements:*

This representation letter is provided in connection with your review of the condensed balance sheet of ABC Entity as of March 31, 20X1 and the related condensed statements of income, changes in equity and cash flows for the three-month period then ended for the purposes of expressing a conclusion whether anything has come to your attention that causes you to believe that the interim financial information is not prepared, in all material respects, in accordance with [indicate applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards].

We acknowledge our responsibility for the preparation and presentation of the interim financial information in accordance with [indicate applicable financial reporting framework].

*Opening paragraphs if interim financial information comprises a complete set of general purpose financial statements prepared in accordance with a financial reporting framework designed to achieve fair presentation:*

This representation letter is provided in connection with your review of the balance sheet of ABC Entity as of March 31, 20X1 and the related statements of income, changes in equity and cash flows for the three-month period then ended and a summary of the significant accounting policies and other explanatory notes for the purposes of expressing a conclusion whether anything has come to your attention that causes you to believe that the interim financial information does not give a true and fair view of (or "does not present fairly, in all material respects,") the financial position of ABC Entity as at March 31, 20X1, and of its financial performance and its cash flows in accordance with [indicate applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards].

We acknowledge our responsibility for the fair presentation of the interim financial information in accordance with [indicate applicable financial reporting framework].

We confirm, to the best of our knowledge and belief, the following representations:

- The interim financial information referred to above has been prepared and presented in accordance with [indicate applicable financial reporting framework].
- We have made available to you all books of account and supporting documentation, and all minutes of meetings of shareholders and the board of directors (namely those held on [insert applicable dates]).
- There are no material transactions that have not been properly recorded in the accounting records underlying the interim financial information.
- There has been no known actual or possible noncompliance with laws and regulations that could have a material effect on the interim financial information in the event of noncompliance.
- We acknowledge responsibility for the design and implementation of internal control to prevent and detect fraud and error.
- We have disclosed to you all significant facts relating to any known frauds or suspected frauds that may have affected the entity.
- We have disclosed to you the results of our assessment of the risk that the interim financial information may be materially misstated as the result of fraud.
- We believe the effects of uncorrected misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the interim financial information taken as a whole.
- We confirm the completeness of the information provided to you regarding the identification of related parties.
- The following have been properly recorded and, when appropriate, adequately disclosed in the interim financial information:
  - Related party transactions, including sales, purchases, loans, transfers, leasing arrangements and guarantees, and amounts receivable from or payable to related parties;
  - Guarantees, whether written or oral, under which the entity is contingently liable; and
  - Agreements and options to buy back assets previously sold.
- The presentation and disclosure of the fair value measurements of assets and liabilities are in accordance with [indicate applicable financial reporting framework]. The assumptions used reflect our intent and ability to carry specific courses of

action on behalf of the entity, where relevant to the fair value measurements or disclosure.

- We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the interim financial information.
- We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of realizable value.
- The entity has satisfactory title to all assets and there are no liens or encumbrances on the entity's assets.
- We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
- [Add any additional representations related to new accounting standards that are being implemented for the first time and consider any additional representations required by a new International Standard on Auditing (UK and Ireland) that are relevant to interim financial information.]

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that may require adjustment to or disclosure in the aforementioned interim financial information.

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(Senior Executive Officer)

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(Senior Financial Officer)

## Appendix 4

### Examples of Review Reports on Interim Financial Information

An example review report for a UK or Irish company listed in the UK or Ireland is set out in Appendix 8.

***Complete Set of General Purpose Financial Statements Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation (see paragraph 43(i))***

*Report on Review of Interim Financial Information*

*(Appropriate addressee)*

*Introduction*

*We have reviewed the accompanying balance sheet of ABC Entity as of March 31, 20X1 and the related statements of income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes.<sup>3</sup>*

*Management is responsible for the preparation and fair presentation of this interim financial information in accordance with [indicate applicable financial reporting framework]. Our responsibility is to express a conclusion on this interim financial information based on our review.*

*Scope of Review*

*We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.*

*Conclusion*

*Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of (or "does not present fairly, in all material respects,") the financial position of the entity as at March 31, 20X1,*

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<sup>3</sup> *The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial information is filed.*

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*and of its financial performance and its cash flows for the three-month period then ended in accordance with [applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards].*

*AUDITOR*

*Date*

*Address*

## **Other Interim Financial Information (see paragraph 43(j))**

### *Report on Review of Interim Financial Information*

*(Appropriate addressee)*

#### *Introduction*

*We have reviewed the accompanying [condensed] balance sheet of ABC Entity as of March 31, 20X1 and the related [condensed] statements of income, changes in equity and cash flows for the three-month period then ended.<sup>4</sup> Management is responsible for the preparation and presentation of this interim financial information in accordance with [indicate applicable financial reporting framework]. Our responsibility is to express a conclusion on this interim financial information based on our review.*

#### *Scope of Review*

*We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.*

#### *Conclusion*

*Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with [applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards].*

AUDITOR

Date

Address

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<sup>4</sup> *The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial information is filed.*

## Appendix 5

### Examples of Review Reports with a Qualified Conclusion for a Departure from the Applicable Financial Reporting Framework

An example unqualified review report for a UK or Irish company listed in the UK or Ireland is set out in Appendix 8 and can be tailored to give a report with a qualified conclusion when appropriate.

#### ***Complete Set of General Purpose Financial Statements Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation (see paragraph 43(i))***

##### *Report on Review of Interim Financial Information*

*(Appropriate addressee)*

##### *Introduction*

*We have reviewed the accompanying balance sheet of ABC Entity as of March 31, 20X1 and the related statements of income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes.<sup>5</sup>*

*Management is responsible for the preparation and fair presentation of this interim financial information in accordance with [indicate applicable financial reporting framework]. Our responsibility is to express a conclusion on this interim financial information based on our review.*

##### *Scope of Review*

*We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.*

##### *Basis for Qualified Conclusion*

*Based on information provided to us by management, ABC Entity has excluded from property*

---

<sup>5</sup> *The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial information is filed.*

*and long-term debt certain lease obligations that we believe should be capitalized to conform with [indicate applicable financial reporting framework]. This information indicates that if these lease obligations were capitalized at March 31, 20X1, property would be increased by \$\_\_\_\_\_, long-term debt by \$\_\_\_\_\_, and net income and earnings per share would be increased (decreased) by \$\_\_\_\_\_, \$\_\_\_\_\_, \$\_\_\_\_\_, and \$\_\_\_\_\_, respectively for the three-month period then ended.*

*Qualified Conclusion*

*Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of (or "does not present fairly, in all material respects,") the financial position of the entity as at March 31, 20X1, and of its financial performance and its cash flows for the three-month period then ended in accordance with [indicate applicable financial reporting framework, including the reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards].*

AUDITOR

Date

Address

## **Other Interim Financial Information (see paragraph 43(j))**

### *Report on Review of Interim Financial Information*

*(Appropriate addressee)*

#### *Introduction*

*We have reviewed the accompanying [condensed] balance sheet of ABC Entity as of March 31, 20X1 and the related [condensed] statements of income, changes in equity and cash flows for the three-month period then ended.<sup>6</sup> Management is responsible for the preparation and presentation of this interim financial information in accordance with [indicate applicable financial reporting framework]. Our responsibility is to express a conclusion on this interim financial information based on our review.*

#### *Scope of Review*

*We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.*

#### *Basis for Qualified Conclusion*

*Based on information provided to us by management, ABC Entity has excluded from property and long-term debt certain lease obligations that we believe should be capitalized to conform with [indicate applicable financial reporting framework]. This information indicates that if these lease obligations were capitalized at March 31, 20X1, property would be increased by \$\_\_\_\_\_, long-term debt by \$\_\_\_\_\_, and net income and earnings per share would be increased (decreased) by \$\_\_\_\_\_, \$\_\_\_\_\_, \$\_\_\_\_\_, and \$\_\_\_\_\_, respectively for the three-month period then ended.*

#### *Qualified Conclusion*

*Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with [indicate*

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<sup>6</sup> *The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial information is filed.*

*applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards].*

**AUDITOR**

*Date*

*Address*

## Appendix 6

### Examples of Review Reports with a Qualified Conclusion for a Limitation on Scope Not Imposed By Management

An example unqualified review report for a UK or Irish company listed in the UK or Ireland is set out in Appendix 8 and can be tailored to give a report with a qualified conclusion when appropriate.

#### ***Complete Set of General Purpose Financial Statements Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation (see paragraph 43(i))***

##### *Report on Review of Interim Financial Information*

*(Appropriate addressee)*

##### *Introduction*

*We have reviewed the accompanying balance sheet of ABC Entity as of March 31, 20X1 and the related statements of income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes.<sup>7</sup>*

*Management is responsible for the preparation and fair presentation of this interim financial information in accordance with [indicate applicable financial reporting framework]. Our responsibility is to express a conclusion on this interim financial information based on our review.*

##### *Scope of Review*

*Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.*

---

<sup>7</sup> *The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial information is filed.*

*Basis for Qualified Conclusion*

*As a result of a fire in a branch office on (date) that destroyed its accounts receivable records, we were unable to complete our review of accounts receivable totaling \$\_\_\_\_\_ included in the interim financial information. The entity is in the process of reconstructing these records and is uncertain as to whether these records will support the amount shown above and the related allowance for uncollectible accounts. Had we been able to complete our review of accounts receivable, matters might have come to our attention indicating that adjustments might be necessary to the interim financial information.*

*Qualified Conclusion*

*Except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of (or “does not present fairly, in all material respects,”) the financial position of the entity as at March 31, 20X1, and of its financial performance and its cash flows for the three-month period then ended in accordance with [indicate applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards].*

AUDITOR

Date

Address

## **Other Interim Financial Information (see paragraph 43(j))**

### *Report on Review of Interim Financial Information*

*(Appropriate addressee)*

#### *Introduction*

*We have reviewed the accompanying [condensed] balance sheet of ABC Entity as of March 31, 20X1 and the related [condensed] statements of income, changes in equity and cash flows for the three-month period then ended.<sup>8</sup> Management is responsible for the preparation and presentation of this interim financial information in accordance with [indicate applicable financial reporting framework]. Our responsibility is to express a conclusion on this interim financial information based on our review.*

#### *Scope of Review*

*Except as explained in the following paragraph, we conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.*

#### *Basis for Qualified Conclusion*

*As a result of a fire in a branch office on (date) that destroyed its accounts receivable records, we were unable to complete our review of accounts receivable totaling \$ \_\_\_\_\_ included in the interim financial information. The entity is in the process of reconstructing these records and is uncertain as to whether these records will support the amount shown above and the related allowance for uncollectible accounts. Had we been able to complete our review of accounts receivable, matters might have come to our attention indicating that adjustments might be necessary to the interim financial information.*

#### *Qualified Conclusion*

*Except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not*

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<sup>8</sup> *The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial information is filed.*

*prepared, in all material respects, in accordance with [indicate applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards].*

AUDITOR

Date

Address

## Appendix 7

### Examples of Review Reports with an Adverse Conclusion for a Departure from the Applicable Financial Reporting Framework

An example unqualified review report for a UK or Irish company listed in the UK or Ireland is set out in Appendix 8 and can be tailored to give a report with an adverse conclusion when appropriate.

#### ***Complete Set of General Purpose Financial Statements Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation (see paragraph 43(i))***

##### *Report on Review of Interim Financial Information*

*(Appropriate addressee)*

##### *Introduction*

*We have reviewed the accompanying balance sheet of ABC Entity as of March 31, 20X1 and the related statements of income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes.<sup>9</sup>*

*Management is responsible for the preparation and fair presentation of this interim financial information in accordance with [indicate applicable financial reporting framework]. Our responsibility is to express a conclusion on this interim financial information based on our review.*

##### *Scope of Review*

*We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.*

##### *Basis for Adverse Conclusion*

*Commencing this period, management of the entity ceased to consolidate the financial*

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<sup>9</sup> *The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial information is filed.*

*statements of its subsidiary companies since management considers consolidation to be inappropriate because of the existence of new substantial non-controlling interests. This is not in accordance with [indicate applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards]. Had consolidated financial statements been prepared, virtually every account in the interim financial information would have been materially different.*

*Adverse Conclusion*

*Our review indicates that, because the entity's investment in subsidiary companies is not accounted for on a consolidated basis, as described in the preceding paragraph, this interim financial information does not give a true and fair view of (or "does not present fairly, in all material respects,") the financial position of the entity as at March 31, 20X1, and of its financial performance and its cash flows for the three-month period then ended in accordance with [indicate applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards].*

AUDITOR

Date

Address

## **Other Interim Financial Information (see paragraph 43(j))**

### *Report on Review of Interim Financial Information*

*(Appropriate addressee)*

#### *Introduction*

*We have reviewed the accompanying [condensed] balance sheet of ABC Entity as of March 31, 20X1 and the related [condensed] statements of income, changes in equity and cash flows for the three-month period then ended.<sup>10</sup> Management is responsible for the preparation and presentation of this interim financial information in accordance with [indicate applicable financial reporting framework]. Our responsibility is to express a conclusion on this interim financial information based on our review.*

#### *Scope of Review*

*We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independence Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.*

#### *Basis for Adverse Conclusion*

*Commencing this period, management of the entity ceased to consolidate the financial statements of its subsidiary companies since management considers consolidation to be inappropriate because of the existence of new substantial non-controlling interests. This is not in accordance with [indicate applicable financial reporting framework, including the reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards]. Had consolidated financial statements been prepared, virtually every account in the interim financial information would have been materially different.*

#### *Adverse Conclusion*

*Our review indicates that, because the entity's investment in subsidiary companies is not accounted for on a consolidated basis, as described in the preceding paragraph, this interim*

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<sup>10</sup> *The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial information is filed.*

*financial information is not prepared, in all material respects, in accordance with [indicate applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards].*

AUDITOR

Date

Address

## Appendix 8

### Example Review Report for a UK or Irish Company Listed in the UK or Ireland Preparing a Half-Yearly Financial Report in Compliance with IAS 34 as Adopted by the European Union

#### INDEPENDENT REVIEW REPORT TO XYZ PLC

##### *Introduction*

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended ... which comprises [specify the primary financial statements and the related explanatory notes that have been reviewed].<sup>10a</sup> We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

##### *Directors' Responsibilities*

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the [Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority] [Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Republic of Ireland's Financial Regulator].

As disclosed in note X, the annual financial statements of the [group/company] are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

##### *Our Responsibility*

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

##### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in [the United Kingdom]

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<sup>10a</sup> Review reports of entities that do not publish their half-yearly reports on a web site or publish them using 'PDF' format may continue to refer to the pages of the half-yearly report.

[Ireland]. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended .... is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and [the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority] [the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Republic of Ireland's Financial Regulator].

*AUDITOR*

*Date*

*Address*

## Appendix 9

### Summary of Particular Requirements of Half-Yearly Reports Prepared by Listed Companies in the UK and Ireland

This Appendix sets out a summary of particular requirements of the FSA's Disclosure and Transparency Rules (DTRs) applicable to half-yearly financial reports prepared by an 'issuer' whose shares or debt securities are admitted to trading and whose home state is the United Kingdom, subject to the exemptions in DTR 4.4. Equivalent requirements are included in the Irish Transparency (Directive 2004/109/EC) Regulations 2007 (specifically Regulations 6 – 8 in Part 2, subject to the exemptions in Part 3) and Transparency Rules of the Financial Regulator in the Republic of Ireland (specifically Rule 6.2). It also gives a summary of Companies Act requirements relevant to the publication of non-statutory accounts. It does not set out in full all the applicable requirements and, therefore, is not intended to provide a substitute for the auditor reading the applicable Rules, Regulations and legislation to obtain an understanding of them.

#### FSA Disclosure and Transparency Rules

Rule 4.2.3 requires that an issuer publish a half-yearly financial report, containing:

- (1) a condensed set of financial statements;
- (2) an interim management report; and
- (3) responsibility statements.

Rule 4.2.4 requires that if an issuer is required to prepare consolidated accounts, the condensed set of financial statements must be prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". (Under the FSA's definitions of "International Accounting Standards" this will be IAS 34 as adopted by the European Union.)

If an issuer is not required to prepare consolidated accounts, the condensed set of financial information must contain, as a minimum, the following:

- (a) a condensed balance sheet;
- (b) a condensed profit and loss account; and
- (c) explanatory notes on these accounts.

Rule 4.2.5 requires that the condensed balance sheet and condensed profit and loss account referred to in (a) and (b) above must:

- follow the same principles for recognising and measuring as when preparing annual financial reports,
- show each of the headings and subtotals included in the most recent annual financial statements of the issuer. Additional line items must be included if, as a result of their omission, the half-yearly financial statements would give a misleading view of the assets, liabilities, financial position and profit or loss of the issuer.

For issuers not required to prepare consolidated accounts the Rules also set out further specific requirements in relation to comparative information and the content of the explanatory notes.

Rule 4.2.6 requires that the accounting policies and presentation applied to the half-yearly figures must be consistent with those applied in the latest published annual accounts except where:

- (1) the accounting policies and presentation are to be changed in the subsequent annual financial statements, in which case the new accounting policies and presentation should be followed, and the changes and the reasons for the changes should be disclosed in the half-yearly report; or
- (2) the FSA otherwise agrees.

Companies may choose to have the half-yearly financial report reviewed or audited by an auditor. Rule 4.2.9 requires that “if the half-yearly financial report has been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information, the audit report or review report must be reproduced in full.”

### **Responsibility Statements**

Rule 4.2.10 requires that for each person making a responsibility statement, the statement must confirm that to the best of his or her knowledge, inter alia:

“the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole ...”

However, Rule 4.2.10 also provides that:

“A person making a responsibility statement will satisfy the requirement ... to confirm that the condensed set of financial statements gives a true and fair view ... by including a statement that the condensed set of financial statements have been prepared in accordance with:

- (a) IAS 34; or
- (b) for UK issuers not using IFRS, pronouncements on interim reporting issued by the Accounting Standards Board<sup>10b</sup>; or
- (c) for all other issuers not using IFRS, a national accounting standard relating to interim reporting,

provided always that a person making such a statement has reasonable grounds to be satisfied that the condensed set of financial statements prepared in accordance with such a standard is not misleading.”

## **Companies Act Requirements**

### ***United Kingdom***

Financial statements included in half-yearly financial reports constitute non-statutory accounts under the provisions of the Companies Act<sup>10c</sup> and therefore must include a statement indicating:

- (a) that they are not the statutory accounts;
- (b) whether statutory accounts for any relevant financial year have been delivered to the registrar of companies;
- (c) whether the auditors reported on the statutory accounts for any such year; and
- (d) if so, whether it was qualified or unqualified, or included an emphasis of matter, or contained a statement by the auditor required under the Companies Act<sup>10d</sup> (accounting records or returns inadequate or accounts or directors' remuneration report not agreeing with records and returns, or failure to obtain necessary information and explanations).

<sup>10b</sup> For half-yearly periods ending on or after 20 September 2007, the relevant ASB pronouncement is the Statement “Half-Yearly Financial Reports”.

<sup>10c</sup> Relevant references are: for the Companies Act 1985 – section 240 (the equivalent legislation in Northern Ireland is Article 243(3) of the Companies (Northern Ireland) Order, 1986); for the Companies Act 2006 – section 435 (this also applies in Northern Ireland).

<sup>10d</sup> Relevant references are: for the Companies Act 1985 – section 237(2) and (3); for the Companies Act 2006 – section 498(2) and (3).

**Republic of Ireland**

In the Republic of Ireland, financial statements included in a half-yearly report made by a single entity constitute abbreviated accounts under section 19 of the Companies (Amendment) Act, 1986. Financial statements included in a half-yearly report made by a group constitute abbreviated group accounts under regulation 40 of the European Communities (Companies: Group Accounts) Regulations, 1992. This states that where a parent undertaking publishes abbreviated group accounts relating to any financial year, it shall also publish a statement indicating:

- (a) that the abbreviated group accounts are not the group accounts, copies of which are required by law to be annexed to the annual return,
- (b) whether the copies of the group accounts so required to be annexed have in fact been so annexed,
- (c) whether the auditors have made a report under section 193 of the Companies Act, 1990 in respect of the group accounts which relate to any financial year with which the abbreviated group accounts purport to deal, and
- (d) whether the report of the auditors contained any qualifications.

The statement required for a single entity is similar.



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