

March 2020

STANDARDS FOR INVESTMENT REPORTING:

1000 – Investment Reporting
Standards Applicable to all
Engagements in Connection with an
Investment Circular

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Registered in England number 2486368. Registered Office:

8th Floor, 125 London Wall, London EC2Y 5AS

STANDARDS FOR INVESTMENT REPORTING

1000 – INVESTMENT REPORTING STANDARDS APPLICABLE TO ALL
ENGAGEMENTS IN CONNECTION WITH AN INVESTMENT CIRCULAR

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Preface

SIR 1000 contains basic principles and essential procedures (“Investment Reporting Standards”), indicated by paragraphs in bold type, with which a reporting accountant is required to comply in the conduct of all engagements in connection with an investment circular prepared for issue in connection with a securities transaction governed wholly or in part by the laws and regulations of the United Kingdom.

SIR 1000 also includes explanatory and other material, including appendices, in the context of which the basic principles and essential procedures are to be understood and applied. It is necessary to consider the whole text of the SIR to understand and apply the basic principles and essential procedures.

The definitions in the glossary of terms set out in Appendix 3 are to be applied in the interpretation of this and all other SIRs. Terms defined in the glossary are underlined the first time that they occur in the text.

To assist readers, SIRs contain references to, and extracts from, certain legislation, chapters of the Handbook of the Financial Conduct Authority (FCA), the *City Code on Takeovers and Mergers* and other applicable regulations. Readers are cautioned that these references may change subsequent to publication.

Introduction

Scope of this Standard

1. The Ethical Standard and Standards for Investment Reporting (SIRs) issued by the FRC apply to reporting accountants when carrying out engagements involving investment circulars intended to be issued in connection with a securities transaction governed wholly or in part by the laws and regulations of the United Kingdom.

Definitions

2. The application of Standards for Investment Reporting (SIRs) is best understood by reference to the following four defined terms used throughout the SIRs:
 - a) **investment circular** is a generic term defined as “*Any document issued by an entity pursuant to statutory or regulatory requirements relating to securities on which it is intended that a third party should make an investment decision, including a prospectus, listing particulars, a circular to shareholders or similar document*”;
 - b) **reporting accountant** is defined as “*An accountant engaged to prepare a report for inclusion in, or in connection with, an investment circular. The reporting accountant may or may not be the auditor of the entity issuing the investment circular. The term “reporting accountant” is used to describe either the engagement partner or the engagement partner’s firm¹. The reporting accountant could be a limited company or an engagement principal employed by the company*”;
 - c) **public reporting engagement** is defined as “*An engagement in which a reporting accountant expresses a conclusion that is published in an investment circular, and which is designed to enhance the degree of confidence of the intended users of the report about the ‘outcome’² of the directors’ evaluation or measurement of ‘subject matter’ against ‘suitable criteria’*”; and
 - d) **private reporting engagement** is defined as “*An engagement, in connection with an investment circular, in which a reporting accountant does not express a conclusion that is published in an investment circular*”. Private reporting engagements are likely to involve the reporting accountant reporting privately to one or more of an issuer, sponsor or regulator.
3. In order to provide flexibility to develop SIRs for a wide range of possible public reporting engagements, the description of public reporting engagement includes three generic terms. Their meanings are as follows:
 - a) the “**subject matter**” of the engagement is that which is being evaluated or measured against suitable criteria. Examples of subject matter are the entity’s financial position and the directors’ expectation of the issuer’s profit for the period covered by a profit forecast;

¹ Where the term applies to the engagement partner, it describes the responsibilities or obligations of the engagement partner. Such obligations or responsibilities may be fulfilled by either the engagement partner or a member of the engagement partner’s team.

² The “outcome” is sometimes described as “subject matter information.”

- b) criteria are the benchmarks used to evaluate or measure the subject matter. “**Suitable criteria**” are usually derived from laws and regulations and are required by directors to enable them to make reasonably consistent evaluations or measurements of the subject matter. With respect to public reporting engagements the suitable criteria for specific types of engagement are described in the individual SIR dealing with such engagements. Where the reporting accountant’s engagement requires it to consider only certain criteria, such criteria are described as “reporting accountant’s criteria”. Reporting accountant’s criteria are set out in the SIRs. Where a SIR has not been issued with respect to a particular type of reporting engagement, the reporting accountant uses those criteria that are specified by legislation or regulation. The evaluation or measurement of a subject matter solely on the basis of the reporting accountant’s own expectations, judgments and individual experience would not constitute suitable criteria; and
- c) the “**outcome**” of the evaluation or measurement of a subject matter is the information that results from the directors applying the suitable criteria to the subject matter. Examples of outcomes are historical financial information and a directors’ profit forecast and related disclosures that are included in an investment circular.
4. Not all engagements performed by a reporting accountant are public reporting engagements. Examples of engagements that are not public reporting engagements include:
- Engagements involving the preparation of a comfort letter.
 - Engagements involving the preparation of a long form report.
 - Engagements involving the preparation of the working capital report.

Such engagements are private reporting engagements.

5. This SIR establishes basic principles and essential procedures for the work of reporting accountants that are common to all reporting engagements (both public and private) relating to investment circulars. Other SIRs set out basic principles and essential procedures to address the particular issues and requirements arising on specific public reporting engagements. These comprise:
- a) SIR 2000 Revised “*Investment Reporting Standards Applicable to Public Reporting Engagements on Historical Financial Information*”;
 - b) SIR 3000 Revised “*Investment Reporting Standards Applicable to Public Reporting Engagements on Profit Forecasts*”;
 - c) SIR 4000 Revised “*Investment Reporting Standards Applicable to Public Reporting Engagements on Pro Forma Financial Information*”;
 - d) SIR 5000 Revised “*Investment Reporting Standards Applicable to Public Reporting Engagements on Financial Information Reconciliations under the Listing Rules*”;
and
 - e) SIR 6000 “*Investment Reporting Standards Applicable to Public Reporting Engagements on Quantified Financial Benefits Statements.*”

6. Appendix 1 summarises relevant legislation and regulations.

Engagement acceptance and continuance

7. **The reporting accountant shall accept or continue a reporting engagement only if the reporting accountant:**
 - (a) **Has reason to believe that all relevant ethical requirements, including independence, will be satisfied;**
 - (b) **The basis upon which the engagement is to be performed has been agreed between the reporting accountant and those from whom they accept instructions;**
 - (c) **Where the reporting engagement involves the provision of assurance, the scope of the engagement is expected to be sufficient to support the required report;**
 - (d) **The reporting accountant expects to be able to carry out the procedures required by the SIRs; and**
 - (e) **Those persons who are to perform the engagement collectively possess the necessary competencies and capabilities (whether time or resources). (SIR 1000.1)**
8. In determining whether the scope of the engagement is expected to be sufficient to support the required report, the reporting accountant considers whether there appear to be any significant limitations on the scope of the reporting accountant's work.
9. A reporting accountant may be requested to perform reporting engagements on a wide range of matters. Some engagements may require specialised skills and knowledge. In these circumstances the reporting accountant considers using internal or external specialists having the appropriate skills.

Agreeing the terms of the engagement

10. **The reporting accountant shall agree the terms of the engagement with those from whom they accept instructions. All the terms of the engagement should be recorded in sufficient detail and in writing. (SIR 1000.2)**
11. Generally, a letter is prepared by the reporting accountant, covering all aspects of the engagement, and accepted in writing by the directors of the issuer and, where relevant, the sponsor. With respect to a public reporting engagement the letter will record the reporting accountant's understanding of what constitutes the subject matter of the engagement, the suitable criteria, and the information that constitutes the outcome of the evaluation or measurement of the subject matter against the suitable criteria.

12. As an alternative to a letter drafted by the reporting accountant, an instruction letter may be issued by the directors and, where relevant, the sponsor. In these circumstances, its terms are formally acknowledged by the reporting accountant in writing, clarifying particular aspects of the instructions and covering any matters that may not have been addressed.
13. This letter, or exchange of letters (together referred to as “the engagement letter”), provides evidence of the contractual relationship between the reporting accountant, the entity and, where relevant, the sponsor. It sets out clearly the scope and limitations of the work to be performed by the reporting accountant. It also confirms the reporting accountant’s acceptance of the engagement and includes a summary of the reporting accountant’s responsibilities and those of the directors and, where relevant, the sponsor as they relate to the reporting accountant’s role.
14. The engagement letter establishes a direct responsibility to the other parties from the reporting accountant. It is also the mechanism by which the scope of the reporting accountant’s contribution is defined and agreed. If in the course of the engagement the terms of the engagement are changed, such changes are similarly agreed, and recorded in writing.
15. The engagement letter will usually set out the form of any reports (public or private) required (including, in each case, the nature of any opinion to be expressed by the reporting accountant). Accordingly, it is important to clarify those from whom the reporting accountant has agreed to accept instructions including, where relevant, sponsors, and determine their requirements and the scope of such reports, at an early stage.
16. **The engagement letter shall specify those reports that are intended for publication in the investment circular and any other reports that are required. The engagement letter should specify, in respect of each report, to whom it is to be addressed. (SIR 1000.3)**
17. Reporting accountants do not accept responsibility beyond the matters or entities in respect of which they are specifically instructed. The reporting accountant may find information outside the defined scope of the engagement, however, that it believes should be disclosed, because, in its view such information is material to the purpose of the investment circular or to the proposed transaction. The reporting accountant discusses such matters with the directors of the issuer and the sponsor, where relevant, and agrees a course of action.

Ethical requirements

18. **In the conduct of an engagement involving an investment circular prepared for issue in connection with a securities transaction governed wholly or in part by the laws and regulations of the United Kingdom, the reporting accountant shall comply with the applicable ethical standards issued by the Financial Reporting Council. The reporting accountant should also adhere to the relevant ethical guidance of the professional bodies of which the reporting accountant is a member. (SIR 1000.4)**

19. In practice, the UK recognised supervisory bodies have adopted, with minor modifications, The Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the IESBA Code). The FRC is not aware of any significant instances where the relevant parts of the IESBA Code of Ethics are more restrictive than the FRC's Ethical Standard.
20. While it is not the responsibility of the reporting accountant to judge the appropriateness, or otherwise, of a proposed transaction, in respect of which they have been engaged, there may be rare circumstances where a reporting accountant considers the proposed transaction, or their proposed association with the transaction, to be so inappropriate that the reporting accountant cannot properly commence work or continue to act.

Legal and regulatory requirements

21. **The reporting accountant shall be familiar with the applicable laws and regulations governing the report which is to be given. (SIR 1000.5)**
22. The principal legal and regulatory requirements applicable to reporting accountants in the United Kingdom are summarised in Appendix 1. Readers are cautioned that these references may subsequently change.

Quality control

23. **The reporting accountant shall comply with the applicable standards and guidance set out in International Standard on Quality Control (UK) 1 (ISQC (UK) 1) and ISA (UK) 220. An engagement quality control review (EQCR) shall be carried out for each public reporting engagement carried out under SIRs 2000, 3000, 4000, 5000 and 6000. (SIR 1000.6)**
24. ISQC (UK) 1 provides standards and guidance on the system of quality control that a firm establishes. This includes the requirement for a firm to establish policies and procedures for an EQCR to be performed for engagements with certain types of characteristic. These engagements include those where the firm has determined through its quality management process that an engagement quality control review is an appropriate response based on the assessed likelihood and impact of the quality risks. Relevant characteristics include engagements involving significant public interest (for example in relation to entities that are undergoing, or plan to undergo, an initial public offering); those that involve a high level of complexity or judgment or where previous issues have been encountered; those where unusual circumstances or risks have been identified; and those with quality risks associated with the composition of the engagement team (for example long association with the entity).
25. The quality control procedures that an engagement partner applies are those set out in ISA (UK) 220 "Quality control for audits of historical financial information". In applying ISA (UK) 220, the terms "audit" and "audit engagement" are read as "reporting accountant's engagement" and the term "auditor's report" is read as "reporting accountant's report".

- 26. When undertaking any engagement involving an investment circular a partner with appropriate experience shall be involved in the conduct of the work. (SIR 1000.7)**
27. Reporting accountants may be from a firm that is also the auditor of the entity. The audit partner, although having knowledge of the entity, may not have the necessary experience to take responsibility for all aspects of an engagement involving an investment circular. The extent of involvement of a partner with the requisite experience of dealing with investment circulars is determined, for example, by the expertise required to make the reports that the reporting accountant has agreed to provide and the experience of the audit partner.
28. The reporting accountant shall be satisfied that it will be able to evaluate the objectivity and competence of any other practitioner, not part of the engagement team, where the assurance work of that practitioner is to be used, to an extent that is sufficient to accept responsibility for the reporting accountant's report.
29. In some cases it may be appropriate for the partner with the requisite experience of dealing with investment circulars to act as a second partner. In other cases it may be appropriate for such a partner to be the lead engagement partner.

Planning and performing the engagement

- 30. The reporting accountant shall develop and document a plan for the work so as to perform the engagement in an effective manner. For public reporting engagements this includes setting the scope, timing and direction of the engagement, and determining the nature, timing and extent of those planned procedures that are required to be carried out in order to achieve the objective of the reporting accountant. (SIR 1000.8)**
31. Planning is an essential component of all reporting accountant's engagements. Examples of the main matters to be considered include:
- a. The terms of the engagement.
 - b. Where applicable, whether the criteria are suitable for the engagement.
 - c. Ethical considerations.
 - d. Whether the timetable is realistic.
 - e. The reporting accountant's understanding of the entity and its environment.
 - f. Identifying potential problems that could impact the performance of the engagement.
 - g. The need for the involvement of specialists.
32. Planning is not a discrete phase, but rather an iterative process throughout the engagement. As a result of unexpected events, changes in conditions or the evidence obtained from the results of evidence-gathering procedures, the reporting accountant may need to revise the overall strategy and engagement plan, and thereby the resulting planned nature, timing and extent of further procedures. This includes consideration, where applicable, of whether the criteria and subject matter of the engagement continue to be suitable.

33. A preliminary review of the available information may provide an indication of potential issues that might need to be addressed in carrying out the engagement. If the preliminary review indicates that there are factors which may give rise to a qualification or other modification of any report, then such factors are reported immediately to the directors and, where relevant, the sponsor.
34. Changes in circumstances, or unexpected results of work carried out, may require the plan to be amended as work progresses. Any such amendments are documented. Where the changes affect the work set out in the engagement letter, the engagement letter is also amended as necessary following agreement with the directors, and where relevant, the sponsor.

Materiality

35. **The reporting accountant shall consider materiality when planning and performing its work in accordance with its instructions, including when determining the nature, timing and extent of procedures; and, in determining the effect of its findings on the report to be issued. (SIR 1000.9)**
36. Matters are material if their omission or misstatement could, individually or collectively, influence the economic decisions of users of the outcome. Materiality depends on the size and nature of the omission or misstatement judged in light of the surrounding circumstances. The size or nature of the matter, or a combination of both, could be the determining factor.
37. In certain circumstances, such as private reporting engagements to report the results of agreed-upon procedures, materiality may have been determined for the reporting accountant within the scope of the engagement.

Evidence

38. **The reporting accountant shall obtain sufficient appropriate evidence on which to base the report provided. (SIR 1000.10)**
39. The reporting accountant, either directly or indirectly, will seek to obtain evidence derived from one or more of the following procedures: inspection, observation, enquiry, confirmation, reperformance, computation and analytical procedures. The choice of which of these, or which combination, is appropriate will depend on the circumstances of each engagement and on the form of opinion (if any) to be given. Guidance on considerations applicable in particular circumstances is given in other SIRs which address the particular issues and requirements arising on specific engagements.
40. The evidence gathered in support of an individual report takes account of the information gathered and conclusions drawn in support of other reporting engagements in connection with the transaction.
41. **If the reporting accountant becomes aware of any withholding, concealment or misrepresentation of information, it shall take steps, as soon as practicable, to consider its obligation to report such findings and, if necessary, take legal advice to determine the appropriate response. (SIR 1000.11)**

42. In preparing any report the reporting accountant relies on information supplied to it by the directors, employees or agents of the entity that is the subject of the reporting accountant's enquiries. The engagement letter may limit the extent of the reporting accountant's responsibility where information which is material to the report has been withheld from, concealed from or misrepresented to the reporting accountant. Notwithstanding any such limitation, the reporting accountant does not accept such information without further inquiry where, applying its professional skill and experience to the engagement, the information provided, prima facie, gives rise to doubts about its validity.
43. The reporting accountant normally informs the directors of the issuer and the sponsor, where relevant, as soon as practicable, of any withholding, concealment or misrepresentation of information. The reporting accountant's duty of confidentiality would ordinarily preclude reporting to a third party. However, in certain circumstances, that duty of confidentiality is overridden by law, for example, in the case of suspected money laundering it may be appropriate to report the matter direct to the appropriate authority.³ The reporting accountant may need to seek legal advice in such circumstances, giving due consideration to any public interest considerations.
44. Additional considerations may arise when the reporting accountant is performing an engagement for specific types of entity, including those in the financial services sector; and/or when the reporting accountant is also the auditor of that entity. Relevant guidance is provided in ISA (UK) 250 (Revised November 2019) *Section B – the auditor's statutory right and duty to report to regulators of public interest entities and regulators of other entities in the financial sector*.⁴
- 45. The reporting accountant shall obtain appropriate written confirmation of representations from the directors of the entity. (SIR 1000.12)**
46. Written confirmation of representations made by the directors on matters material to the reporting accountant's report is ordinarily obtained. These representations also encompass statements or opinions attributed to directors, management, employees or agents of an entity, which are relied upon by the reporting accountant. This may be achieved by the directors confirming that they have read a final draft of the report and that to the best of their knowledge and belief:
- a. they have provided to the reporting accountant all significant information, relevant to the report, of which they have knowledge; the report is factually accurate, no material facts have been omitted and the report is not otherwise misleading; and
 - b. the report accurately reflects any opinion or statements attributed therein to the directors, management, employees or agents of the entity.
47. The date of the written representations should be as near as practicable to, but not subsequent to, the date of the reporting accountant's report.
48. Representations by the directors of the entity cannot replace the evidence that the reporting accountant could reasonably expect to be available to support any opinion given, if any. Although written representations may provide necessary evidence, they do not usually provide sufficient appropriate evidence on their own about any of the matters with

³ In the UK, subject to compliance with legislation relating to "tipping off".

⁴ See, in particular Appendix 2.

which they deal. An inability to obtain sufficient appropriate evidence regarding a matter could represent a limitation of scope even if a representation has been received on the matter.

Documentation

49. **The reporting accountant shall, in a timely manner, document matters that are significant in providing evidence that supports the report provided and in providing evidence that the engagement was performed in accordance with SIRs. (SIR 1000.13)**
50. **The reporting accountant shall record in the working papers (or, if applicable, the report) the reporting accountant's reasoning on all significant matters that require the exercise of judgment, and related conclusions, including whether it is appropriate to make the required report, and the form of report to give, having regard to the scope of the work performed and the evidence obtained. For public reporting engagements, the reporting accountant shall document the thought processes underlying its decisions in relation to the form of report to give, having regard to the work performed and the evidence obtained. (SIR 1000.14)**
51. **The reporting accountant shall consider what is necessary to provide an understanding of the work performed (and the results of those procedures) and the basis of the principal decisions taken to another person who has no previous experience with the engagement. It is neither necessary nor practical to document every matter considered by the reporting accountant. (SIR 1000.15)⁵**
52. The form and content of working papers are affected by matters such as:
- a. The nature and scope of the engagement.
 - b. The form of the report and the opinion, if any, to be given.
 - c. The nature and complexity of the entity's business.
 - d. The nature and condition of the entity's accounting and internal control systems.
 - e. The needs in the particular circumstances for direction, supervision and review of the work of members of the reporting accountant's team.
 - f. The specific methodology and technology that the reporting accountant uses.
53. If the reporting accountant finds it necessary to amend existing engagement documentation or add new engagement documentation after the assembly of the final engagement file has been completed, the reporting accountant shall, regardless of the nature of the amendments or additions, document:
- a. The specific reasons for making the amendments or additions; and
 - b. When, and by whom, they were made and reviewed

Professional scepticism

54. **The reporting accountant shall plan and perform an engagement with an attitude of professional scepticism. (SIR 1000.16)**

⁵ That other person may, however, only be able to obtain an understanding of detailed aspects of the engagement by discussing them with the reporting accountant who prepared the documentation.

55. An attitude of professional scepticism is essential to ensure that the reporting accountant 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.
56. The reporting accountant assesses the plausibility of information and explanations provided to it by the directors and management of the issuer. Where appropriate it assesses them critically and considers them in the context of its knowledge and findings derived from other areas of its work. The reporting accountant is alert for, and, where appropriate reports, on a timely basis, to the directors and sponsors, where relevant, any inconsistencies it considers to be significant. The extent to which the reporting accountant is required to perform further procedures on the information and explanations received will depend upon the reporting accountant's specific instructions, and the level of assurance, if any, it is to provide and the requirements of relevant SIRs.

Reporting

57. In all reports the reporting accountant shall:

- a. address reports only to those parties who are party to the engagement letter (and on the basis agreed in the engagement letter) or to a relevant regulatory body;
- b. give, where applicable, a clear expression of opinion;
- c. identify the matters to which the report relates;
- d. address all matters that are required by the engagement letter;
- e. identify, where applicable, relative responsibilities for the underlying subject matter, the preparation of the subject matter information against the relevant criteria, and the reporting accountant's role to independently express an opinion about the subject matter information;
- f. explain, the basis of the reporting accountant's work, including, where applicable, the relevant criteria;
- g. include the reporting accountant's manuscript or printed signature;
- h. include the reporting accountant's address; and
- i. date the report. (SIR 1000.17)

58. When an opinion is given, it is particularly important for the reporting accountant to clearly identify those elements of a relevant investment circular or other publication to which their opinion relates.

59. In all public reporting engagements the reporting accountant shall explain the basis of the reporting accountant's opinion by including in its report:

- a. a statement as to the reporting accountant's compliance, or otherwise, with applicable Standards for Investment Reporting;
- b. clearly identifying the applicable ethical standard relevant to the engagement; and
- c. a summary description of the work performed by the reporting accountant. (SIR 1000.18)

60. Certain of the reports prepared in connection with investment circulars are public reporting engagements and, therefore, usually intended for publication in the investment circular. Additional basic principles and essential procedures on the expression of opinions or conclusions relating to these example public reporting engagements are provided as follows:
- a. accountant's reports on historical financial information, in SIR 2000;
 - b. reports on profit forecasts, in SIR 3000;
 - c. reports on pro forma financial information, in SIR 4000;
 - d. reports of financial information reconciliations under the Listing Rules, in SIR 5000; and
 - e. reports on Quantified Financial Benefits Statements (QFBS), in SIR 6000.
61. In private reporting engagements the reporting accountant would include in its report:
- a. a statement of compliance with this SIR; and
 - b. either a summary description of the work performed or a cross reference to the description of work to be performed in the engagement letter.
- 62. Before signing the report, the reporting accountant shall consider whether it is appropriate to make the required report, having regard to the scope of the work performed and the evidence obtained. (SIR 1000.19)**
63. The date of a report is the date on which the reporting accountant signs the report as being suitable for release. However, the reporting accountant should not sign the report (whether modified or not) unless sufficient appropriate evidence has been obtained and all relevant procedures have been finalised. Such procedures include the review procedures of both the engagement partner and the engagement quality control reviewer.
64. As noted in paragraph 15 above, the engagement letter usually sets out the form of the report to be issued, including, where applicable, the form of opinion to be expressed. The reporting accountant ensures that the form of report or opinion is consistent with the terms of the engagement letter.
65. The level of assurance, if any, provided by the reporting accountant may vary from engagement to engagement. This reflects the wide range of characteristics of the matters to which the engagements undertaken by reporting accountants relate. To avoid any misunderstanding by the user of the report as to the scope of the opinion or the level of assurance provided, it is important that the matters to which the engagements undertaken by reporting accountants relate are clearly identified and that the reporting accountant's opinion or other assurance is expressed in terms that are appropriate to the particular engagement. Standards and guidance on the form and scope of reports appropriate in particular circumstances is given in other SIRs which address particular issues and requirements relevant to individual reports.
66. In certain circumstances the Prospectus Regulation Rules require, "a declaration by those responsible for certain parts of the registration document that, having taken all reasonable care to ensure that such is the case, the information contained in the part of the registration document for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import". The reporting accountant

is responsible for its reports included in investment circulars⁶ and ordinarily includes this declaration (when satisfied it is able to do so) at the end of each public report included in an investment circular to which the Prospectus Regulation Rules apply.

Modified opinions

67. The reporting accountant shall not express an unmodified opinion when the following circumstances exist and, in the reporting accountant’s judgment, the effect of the matter is or may be material:

- a. there is a limitation on the scope of the reporting accountant’s work, that is, circumstances prevent, or there are restrictions imposed that prevent, the reporting accountant from obtaining evidence required to reduce engagement risk to the appropriate level; or**
- b. the outcome is materially misstated. (SIR 1000.20)**

68. Some regulations require a positive and unmodified opinion. Consequently, in the event that the reporting accountant is unable to report in the manner prescribed it considers, with the parties to whom it is to report, whether the outcome can be amended to alleviate its concerns, or whether the outcome should be omitted from the investment circular.

69. Where not precluded by regulation, the reporting accountant expresses a qualified opinion when the effect of a matter described in paragraph 67 is not so material or pervasive as to require an adverse opinion or a disclaimer of opinion. When giving a qualified opinion, the opinion is expressed “except for” the matter to which the qualification relates.

Pre-existing financial information

70. With respect to historical financial information, where the issuer already has available:

- a. audited annual financial statements; or
- b. audited or reviewed financial information, which meet the requirements of the applicable rules in respect of the preparation and presentation of historical financial information to be included in the investment circular,

it may choose to include these financial statements, or financial information, in the investment circular together with the pre-existing reports of the auditor. In these circumstances the audit firm is not required by the Prospectus Regulation Rules to consent to the inclusion of its reports in the investment circular.

Consent

71. Where the reporting accountant is required to give consent to the inclusion of its public report, or references to its name, in an investment circular the reporting

⁶ [PRR 5.3.2 R (2) (f)] [PRR 5.3.5 R (2) (f)]

accountant shall, before doing so, consider its public report in the investment circular as a whole by:

- a. comparing its public report together with the information being reported on to the other information in the rest of the investment circular and assessing whether the reporting accountant has any cause to believe that such other information is inconsistent with the information being reported on; and
- b. assessing whether the reporting accountant has any cause to believe that any information in the investment circular is misleading

When the reporting accountant believes information in the investment circular is either inconsistent with its public report, together with the information being reported on, or misleading, the reporting accountant shall withhold its consent until the reporting accountant is satisfied that its concerns are unwarranted or until the investment circular has been appropriately amended. (SIR 1000.21)

72. The reporting accountant shall give consent to the inclusion of any report in an investment circular only when all relevant reports that it has agreed to make, in that investment circular, have been finalised. (SIR 1000.22)

73. In order to comply with the relevant legislation or regulations, the issuer of an investment circular may ask a reporting accountant to provide a consent letter, consenting to the inclusion of public reports in investment circulars in a number of different circumstances. An example consent letter is set out in Appendix 2. The various circumstances include:

- a. under the Prospectus Regulation Rules. These relate to a prospectus issued by an issuer. No consent is required to the inclusion of previously issued reports. Where a reporting accountant prepares an accountant's report on a financial information table for the purposes of the prospectus, the reporting accountant's consent must be obtained. A statement referring to the reporting accountant's consent to the inclusion of such report in the prospectus is required, by Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129;
- b. under the Listing Rules. Where these relate to listing particulars prepared in connection with an application for admission of securities to listing, the same consent requirements, that is, those contained within Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 apply;
- c. under the Listing Rules. Where these relate to a Class 1 circular, paragraph 13.4.1 (6) of the Listing Rules sets out similar consent requirements;
- d. under the *City Code*. In connection with a takeover, Rule 23.2.b requires similar consents requirements in respect of a public report on a profit forecast or quantified financial benefits statement; and
- e. under the AIM Rules. The consent requirements of Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 apply.

74. Whilst the reporting accountant's reporting responsibilities do not extend beyond its report, the process of giving consent involves an awareness of the overall process whereby the

investment circular is prepared, and may entail discussions with those responsible for the document as a whole in relation to its contents.

75. In deciding whether to give its consent, a reporting accountant reads the final version of the investment circular with a view to assessing the overall impression given by the document, having regard to the purposes for which it has been prepared, as well as considering whether there are any inconsistencies between its report and the information in the rest of the document. As part of this process the reporting accountant considers whether it has any cause to believe that any information in the investment circular may be misleading.
76. For this purpose the engagement partner who is responsible for the report or reports that are the subject of the consent, uses the knowledge of the partners and professional staff working on the engagement. If particular issues are identified the engagement partner may, having due regard for any issues of confidentiality, make enquiries of partners and professional staff previously engaged on the audit of financial statements that are the basis of financial information in the investment circular, and any other partners and professional staff who may have been previously consulted regarding such issues, including the engagement quality review partner who is independent of the engagement. The engagement partner is not expected to make enquiries more widely within the reporting accountant's firm.
77. Because of the degree of knowledge required and the increased responsibility that may be assumed, it is inappropriate for a reporting accountant to provide consent unless the reporting accountant has been commissioned to undertake work specifically in connection with the relevant document in relation to the matter for which consent is sought. Hence, if an investment circular includes a reference to a report or opinion, previously provided by the reporting accountant, which is already in the public domain, the reporting accountant is not expected to provide consent to the inclusion of that information and does not generally do so. An example would be the inclusion or incorporation by reference in a prospectus of a previously published audit report or interim review report.

An exception to this general rule would be where the reporting accountant has previously consented to the inclusion in an investment circular of that earlier report or opinion and it is being repeated or referred to in connection with the same transaction in respect of which it was originally issued.

78. Letters of consent or reconfirmation are dated the same date as the relevant document.

Events occurring between the date of the reporting accountant's report and the completion date of the transaction

79. **If, in the period between the date of the reporting accountant's report and the completion date of the transaction, the reporting accountant becomes aware of events and other matters which, had they occurred and been known at the date of the report, might have caused it to issue a different report or withhold consent, the reporting accountant shall discuss the implications of them with those responsible for the investment circular and take additional action as appropriate. (SIR 1000.23)**

80. If, as a result of discussion with those responsible for the investment circular concerning an event that occurred prior to the completion date of the transaction, the reporting accountant is either uncertain about or disagrees with the course of action proposed, it may consider it necessary to take legal advice with respect to its responsibilities in the particular circumstances.
81. After the date of its report, the reporting accountant has no obligation to perform procedures or make enquiries regarding the investment circular.

Effective date

82. This Investment Reporting Standard is effective for reporting accountant engagements commencing on or after 15 September 2020. For those engagements already underway before the 15 September 2020, the reporting accountant may comply with the requirements of the previous version of SIR 1000.

Appendix 1: Principal Legal and Regulatory Requirements

The description of legal and regulatory requirements provided in this appendix is intended to be a guide and not intended to be a definitive interpretation of such requirements.

The FCA Handbook

1. The FCA Handbook includes three parts relevant to securities and their issuers, namely:
 - a. The Listing Rules (LR);
 - b. The Prospectus Regulation Rules (PRR); and
 - c. The Disclosure Guidance and Transparency Rules Sourcebook (DTR).
2. The Listing Rules provide the rules and guidance applicable to issuers of securities both seeking admission to, and once admitted to, the Official List. They include the conditions for admission to listing, the requirements concerning Sponsors under the Listing Rules, Class 1 and related party transactions and the requirements for listing particulars when a prospectus is not required to be prepared.
3. The Prospectus Regulation Rules implement the Prospectus Regulation (EU) No 2017/1129. They apply to all prospectuses required to be issued by UK companies either offering securities to the public or seeking admission of securities to a regulated market. The Prospectus Regulation (EU) No 2017/1129 and Commission Delegated Regulation (EU) 2019/980 provide detailed rules on prospectuses and, in particular, the content requirements of prospectuses. In respect of prospectus content requirements, the FCA's Prospectus Regulation Rules Sourcebook links to the relevant requirements of the Prospectus Regulation (EU) No 2017/1129 and Commission Delegated Regulation (EU) 2019/980.
4. The FCA's Prospectus Regulation Rules Sourcebook [PRR 1.1.5 G] states that the FCA considers relevant documents in respect of the prospectus regime to include: Regulation (EU) No 2017/1129; Part 6 FSMA 2000; Commission Delegated Regulation (EU) No 2019/980; ESMA Prospectus Recommendations; ESMA PD Prospectus Questions and Answers; ESMA PR Questions and Answers; ESMA Prospectus Opinions; the Prospectus RTS Regulation; and, ESMA guidance on Alternative Performance Measures.
5. The Disclosure Guidance and Transparency Rules Sourcebook contains rules, disclosure guidance, transparency rules, corporate governance rules and the rules pertaining to primary information providers.
6. The Prospectus Regulation Rules provide that historical financial information for the last three completed financial years, where it exists, is to be included in a prospectus. This information can either be extracted or incorporated by reference from the issuer's annual financial statements or presented in the prospectus specifically for that purpose.
7. The Prospectus Regulation Rules provide that the last audited historical financial information must be presented and prepared in a form consistent with the accounting standards framework that will be adopted in the issuer's next published annual financial statements. The historical annual financial information must be independently audited.

8. Where an issuer with premium listed equity securities proposes to undertake a Class 1 acquisition, Listing Rule 13.5 requires that certain historical financial information is presented in relation to the target and, where relevant, the target's subsidiary undertakings. The last three years historical financial information must be presented in a financial information table on a basis consistent with accounting policies of the issuer. Unless the target is itself admitted to trading on an EU regulated market or on an overseas regulated market or listed on an overseas investment exchange, the financial information table must be reported on by a reporting accountant. However, if there is no report by reporting accountants on the financial information table itself, it is necessary for the issuer to consider whether any material adjustment is required to achieve consistency between the target's historical financial information and the accounting policies of the issuer, in which event a reconciliation of key financial statement components must be presented and the reconciliation reported on by reporting accountants.
9. Where an issuer includes pro forma financial information in a prospectus, (relating to shares, transferable securities equivalent to shares and certain other securities convertible into shares), Prospectus Regulation Rules require any such information to be reported on by the reporting accountants. The Listing Rules also require a reporting accountant's report on any pro forma financial information that an issuer chooses to include in a Class 1 circular.
10. Where a statement or report attributed to an expert (including reporting accountants) is included in a prospectus at the issuer's request, the Prospectus Regulation Rules require a statement of consent from the expert. This is discussed in more detail in paragraphs 71 to 80 in the body of this SIR. The consent of the auditor is not required where reports (audit or review) previously issued by the auditor are included in a prospectus.
11. Other rules apply in particular circumstances. By replication of the Prospectus Regulation Rule requirements an expert is required, by the Listing Rules, to consent to the inclusion of any report in any listing particulars. However, the consent of the auditor is not required where reports (audit or review) previously issued by the auditor are included in the listing particulars.
12. The Listing Rules also require pro forma financial information in a Class 1 circular to be reported on by an issuer's reporting accountants and to contain provisions requiring an expert's consent to any report included in a Class 1 circular.

Admission to the Main Market of the London Stock Exchange.

13. A two-stage admission process applies to companies who want to have their securities admitted to the Main Market for listed securities of the London Stock Exchange. The securities need to be admitted to the Official List by the FCA, and also admitted to trading by the London Stock Exchange. To be admitted to trading the Admission and Disclosure Standards need to be met. Once both processes are complete the securities are officially listed on the Exchange.

AIM requirements

14. Under the AIM Rules for Companies of the London Stock Exchange, companies seeking admission to AIM must publish an AIM admission document. This is the case whether or not they are required by the Prospectus Regulation Rules to prepare a prospectus (because they are also making an offer of securities to the public which is not exempt from the requirement to produce a prospectus).
15. The AIM Rules for Companies provide that the content of an admission document should be based on the share disclosure requirements in the Prospectus Regulation Rules, modified to allow issuers elect not to include certain financial information where no prospectus is required, notably profit forecasts and pro forma financial information.

The City Code

16. Where a document sent to shareholders in connection with an offer falling within the scope of the *City Code* contains a profit forecast, profit estimate or QFBS, with certain exceptions, Rule 28.1 of the *City Code* requires that forecast estimate or QFBS to be reported on by reporting accountants and by the financial advisers.

Companies legislation

17. Financial information presented in an investment circular may constitute “non-statutory accounts” under section 435 of the Companies Act 2006 (CA 2006) and may therefore require the inclusion of a statement indicating:
 - a. that they are not the company’s statutory accounts;
 - b. whether statutory accounts dealing with any financial year with which the non-statutory accounts purport to deal have been delivered to the registrar;
 - c. whether an auditor’s report has been made on the company’s statutory accounts for any such financial year; and if so whether the report –
 - i. was qualified or unqualified, or included a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, or
 - ii. contained a statement under section 498(2) (accounting records or returns inadequate or accounts or directors’ remuneration report not agreeing with records and returns), or section 498(3) (failure to obtain necessary information and explanations).

The company must not publish with non-statutory accounts the auditor’s report on the company’s statutory accounts (section 435 (2) CA 2006)

18. However, this statement is only appropriate where the financial information comprises non-statutory accounts of the company issuing the document. No statement is needed in respect of financial information on a target company, for example, unless the directors of the target company explicitly accept responsibility for that part of the document. The statement is also the responsibility of the directors of the company publishing the document, not the reporting accountants.

Financial Services and Markets Act 2000

19. Under Part VI, the FCA’s function is a statutory one. Part VI covers not only the whole process by which securities are admitted to official listing but also the obligations to which companies are subject once they have obtained listing. The Listing Rules represent listing rules for the purposes of Part VI.

20. Prospectus Regulation Rules (in relation to prospectuses), and regulation 6 of The Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001 (in relation to listing particulars, i.e. not prospectuses within the meaning of the Prospectus Regulation) provide that each person: (a) who accepts, and is stated in the particulars as accepting, responsibility for the particulars or for any part of the particulars; or (b) who has authorised the contents of, or any part of, the particulars; is deemed to accept responsibility for the particulars (or that part of them).
21. This raises potential issues for reporting accountants, for example:
- If they are involved in advising on an investment circular but are not named in it;
 - If they issue a report or letter which is included in the investment circular.
22. In the first example the Prospectus Regulation Rules and The Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001 relieve professional advisers from responsibility for the circular where they are solely giving advice as to the contents of the listing particulars in a professional capacity.
23. In the second example the Prospectus Regulation Rules and The Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001 limit the responsibility of experts, including reporting accountants, to the part for which they accept responsibility and only if the part for which they accept responsibility is included in (or substantially in) the form and context to which they have agreed.

UK Corporate Governance Code

24. The UK Corporate Governance Code is applicable to all companies with a premium listing, whether incorporated in the UK or elsewhere. The Code includes both Principles and supporting Provisions. The Provisions operate on a 'comply or explain' basis. For parent companies with a premium listing, the board should ensure that there is adequate co-operation within the group to enable it to discharge its governance responsibilities under the Code effectively. This includes the communication of the parent company's purpose, values and strategy. Externally managed investment companies (which typically have a different board and company structure that may affect the relevance of particular Principles) may wish to use the Association of Investment Companies' Corporate Governance Code to meet their obligations under the Code. In addition, the Association of Financial Mutuals produces an annotated version of the Code for mutual insurers to use.
25. Principle N of the Code requires that, "*The board should present a fair, balanced and understandable assessment of the company's position and prospects.*" This Principle "*....extends to interim and other price-sensitive public records and reports to regulators, as well as to information required to be presented by statutory instruments.*"⁷

⁷ <https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf>

Appendix 2: Example of a Consent Letter

The Directors

ABC plc

Dear Sirs

We have given and not withdrawn our consent to the inclusion in the [describe Investment Circular] dated [] issued by ABC plc of [our accountant's report]/ [our report relating to the profit estimate for the year ended 20 ,]/[our report relating to the profit forecast for the year ending 20 ,]/[our report relating to the pro forma financial information for the year ended 20]/[our report relating to the Financial Information Reconciliation] /[our report relating to the Quantified Financial Benefits Statement] dated [] [[and] the references to our name⁸], as shown in the enclosed proof of the [describe Investment Circular] which we have signed for identification.

[We also hereby authorise the contents of the [report[s]] referred to above which [is/are] included in the Prospectus for the purposes of Prospectus Regulation Rule [5.3.2R (2)(f)] [5.3.5R (2)(f)] OR [We also hereby authorise the contents of the [report[s]] referred to above which [is/are] included in the Listing Particulars for the purposes of Regulation 6(1)(e) of The Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.] OR [We also hereby authorise the contents of the report[s] referred to above which [is/are] included in the Admission Document for the purposes of the Schedule Two to the AIM Rules]⁹

Yours faithfully

Reporting Accountant

⁸ This is required only when a statement is attributed to a reporting accountant as an expert outside the context of a report from the reporting accountant included in the investment circular.

⁹ This paragraph is not required in respect of a Class 1 Circular.

Appendix 3: Glossary of Terms

Accountant’s report - A report by a reporting accountant included in an investment circular, in which the reporting accountant normally expresses a “true and fair, for the purposes of the investment circular” opinion on historical financial information relating to the issuer and its subsidiaries in accordance with SIR 2000 “Investment Reporting Standards applicable to public reporting engagements on historical financial information”.

Admission and Disclosure Standards - The Admission and Disclosure Standards published by the London Stock Exchange, for companies admitted or seeking to be admitted to trading by the Exchange.

Agreed-upon procedures engagement—An engagement in which an auditor or reporting accountant is engaged to carry out those procedures of an audit or assurance nature to which the auditor or reporting accountant and the entity and any appropriate third parties have agreed and to report on factual findings. The recipients of the report form their own conclusions from the report by the auditor or reporting accountant. The report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results.

AIM - A market operated by the London Stock Exchange plc

AIM Admission Document - The document prepared in connection with an application for admission of an issuer’s securities to trading on AIM. If upon admission a prospectus is required in accordance with the Prospectus Regulation Rules, such prospectus may serve as the AIM Admission Document.

AIM Rules for Companies- The Rules AIM applicable to companies seeking admission to, or admitted to, AIM.

Circular - Any document issued by any company to its shareholders and/or holders of its debt securities in connection with a transaction, which does not constitute a prospectus, listing particulars, annual reports and accounts, interim reports, proxy cards and dividend or interest vouchers.

City Code - The City Code on Takeovers and Mergers, published by the Panel on Takeovers and Mergers. Generally referred to within the SIRs as the *Takeover Code*.

Class 1 circular - A circular relating to a Class 1 transaction.

Class 1 transaction - A transaction where one or more of a number of specified percentage ratios exceed a predetermined level as specified in LR 10 Chapter 10 of the Listing Rules.

Comfort letter - A private letter from the reporting accountant, usually prepared at the request of the issuer and/or the sponsor, where relevant. It is intended to provide the addressees with comfort (in the form of an opinion or a report on the results of specific procedures carried out by the reporting accountants) regarding matters relevant to the addressees’ responsibilities.

Completion date of the transaction - The date by which any offer contained in the circular must have been accepted or application made for shares or other securities to be issued, or the date on which shareholders vote to approve the transaction.

Consent letter - A letter whereby the reporting accountant consents to the inclusion in an investment circular of references to its name or the inclusion of any of its reports or letters which are to be published therein.

Due diligence - The process whereby the directors of the issuer and other parties, whether as principal or in an advisory capacity, satisfy themselves that the transaction is entered into after due and careful enquiry and that all relevant regulatory and/or legal requirements have been properly complied with. There is no generally accepted definition of required procedures for this purpose and where others (such as reporting accountants) are engaged to carry out work that will form part of the process, it is for the instructing parties to make clear what is required of those others in the particular circumstances.

Engagement—In the FRC's Ethical Standard, an audit engagement or an other public interest assurance engagement, or both where the context permits.

Engagement documentation—The record of work performed, results obtained, and conclusions the practitioner reached (terms such as "working papers" or "workpapers" are sometimes used).

Engagement partner - The partner or other person in the firm who is responsible for the engagement and its performance, and for reports that are issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

Engagement quality control review—A process designed to provide an objective evaluation, on or before the date of the report, of the significant judgments the engagement team made and the conclusions it reached in formulating the report. The engagement quality control review process is for audits of financial statements of listed entities and those other engagements, if any, for which the firm has determined an engagement quality control review is required.

Engagement quality control reviewer—A partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgments the engagement team made and the conclusions it reached in formulating the report.

ESMA - European Securities and Markets Authority.

Financial information - The term is used to signify the specific information presented in the form of a table upon which a reporting accountant reports. Typically, this information encompasses a number of accounting periods.

Financial statements - A structured representation of historical financial information, including disclosures, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term "financial statements" ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but it can also refer to a single financial statement. In order to avoid confusion the term financial information is used throughout the SIRs to refer to the information upon which the reporting accountant reports. When the term financial statements is used within the SIRs this refers to financial statements from which the financial information has been derived by the issuer.

FCA - Financial Conduct Authority.

FSMA - Financial Services and Markets Act 2000.

Historical financial information—Information expressed in financial terms in relation to a particular entity, derived primarily from that entity's accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.

IFRSs - International Financial Reporting Standards issued by the International Accounting Standards Board. This term incorporates all International Financial Reporting Standards, International Accounting Standards (IASs) and Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standards Interpretation Committee of the IASC.

Investment circular—An investment circular is a document issued by an entity pursuant to statutory or regulatory requirements relating to securities on which it is intended that a third party should make an investment decision, including a prospectus, listing particulars, a circular to shareholders or similar document, an offer document under the *Takeover Code*.

Investment circular reporting engagement—Any public or private reporting engagement in connection with an investment circular where the engagement is undertaken in accordance with Standards for Investment Reporting (SIRs).

ISAs (UK) - International Standards on Auditing (UK) issued by the Financial Reporting Council.

Issuer - For the purposes of the Prospectus Regulation Rules “A legal person who issues or proposes to issue securities”. For the purposes of the Listing Rules “Any company or other legal person or undertaking (including a public sector issuer), any class of whose securities has been admitted to listing, or is the subject of an application for admission to listing”.

Listing particulars - A document not being a Prospectus prepared in connection with an admission of securities to the Official List.

Listing Rules - The part of the FCA’s Handbook entitled “Listing Rules” governing the conduct of companies whose securities are admitted to the Official List.

London Stock Exchange - The London Stock Exchange Group plc.

Long form report - A private report with a restricted circulation, normally prepared by the reporting accountants on the instructions of, and addressed to, the sponsor, where relevant, and the directors of the issuer as part of their due diligence, dealing with agreed matters including commentary on financial and other information in an orderly and relevant form for a specific purpose.

Main Market - The London Stock Exchange’s market for larger and established companies. Securities admitted to the Main Market are listed.

Nominated adviser - A corporate broker, investment banker or other professional adviser approved by the London Stock Exchange to act as a nominated adviser to an AIM company under the AIM Rules.

Non-Statutory Accounts – defined by s.435 (3) of the CA 2006 as: (a) any balance sheet or profit and loss account relating to, or purporting to deal with, a financial year of the company, or (b) an account in any form purporting to be a balance sheet or profit and loss account for a group headed by the company relating to, or purporting to deal with, a financial year of the company, otherwise than as part of the company's statutory accounts

NEX - An independent, self-regulated, UK market for smaller companies.

Official List - The Official List, maintained by the FCA in accordance with Part 6 of FSMA 2000, of securities that have been admitted to listing.

Outcome - The outcome of the evaluation or measurement of a subject matter is the information that results from the directors applying the suitable criteria to the subject matter. Examples of outcomes are historical financial information and a directors' profit forecast and related disclosures that are included in an investment circular. **Partner** - Any individual with authority to bind a firm of reporting accountants with respect to the performance of any engagement in connection with an investment circular.

PR Regulation - the implementing Commission Delegated Regulation (EU) 2019/980 that provides the detailed rules concerning Prospectuses and their contents. Much of the text of this regulation is included within the Prospectus Regulation Rules.

Private reporting engagement - An engagement in which a reporting accountant does not express a conclusion that is published in an investment circular.

Professional scepticism—An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.

Professional Securities Market - A market for debt, convertibles and depository receipts, which is operated and regulated by the London Stock Exchange.

Profit estimate - Historical financial information for a financial period which has expired but for which the results have not yet been published.

Profit forecast - The *City Code* defines a profit forecast as “a form of words which expressly states or by implication indicates a figure or a minimum or maximum figure for the likely level of profits or losses for the current financial period and/or financial periods subsequent to that period, or contains data from which a calculation of such a figure for future profits or losses may be made, even if no particular figure is mentioned and the word “profit” is not used”. Where a profit forecast relates to an extended period and/or is subject to significant uncertainty it is sometimes referred to as a **projection**.

Pro forma financial information - Financial information such as net assets, profit or cash flow statements that demonstrate the impact of a transaction on previously published financial information together with the explanatory notes thereto.

Projection - Prospective financial information prepared on the basis of:

(a) Hypothetical assumptions about future events and management actions which are not necessarily expected to take place, such as when some entities are in a startup phase or are considering a major change in the nature of operations; or

(b) A mixture of best-estimate and hypothetical assumptions.

Prospective financial information—Financial information based on assumptions about events that may occur in the future and possible actions by an entity. Prospective financial information can be in the form of a forecast, a projection or a combination of both. (see Forecast and Projection)

Prospectus - The document issued in accordance with the Prospectus Rules in connection with either a public offer or an admission of securities to trading on a regulated market.

Prospectus Regulations - The UK statutory instrument which makes amendments to Part VI of FSMA and to certain secondary legislation.

Prospectus Regulation Rules - The FCA's Handbook part "Prospectus Regulation Rules". In respect of Prospectus content requirements, the Prospectus Regulation Rules link to the Annexes to the PR Regulation. Accordingly, references to the contents requirements in the Prospectus Regulation Rules are also references to the PR Regulation.

Public interest assurance engagement—Audits of financial statements undertaken in compliance with International Standards on Auditing (ISAs) (UK) and other engagements undertaken in compliance with performance standards issued by the FRC which includes reporting accountants acting in connection with an investment circular (the Standards for Investment Reporting – 'SIRs').

Public offer - An offer to the public in any form to subscribe for securities in an issuer.

Public reporting engagement - An engagement in which a reporting accountant expresses a conclusion that is published in an investment circular and which is designed to enhance the degree of confidence of the intended users of the report about the "outcome" of the directors' evaluation or measurement of "subject matter" (usually financial information) against "suitable criteria".

Quantified Financial Benefits Statement – Defined by the Takeover Code as either:

(a) a statement by a securities exchange offeror or the offeree company quantifying any financial benefits expected to accrue to the enlarged group if the offer is successful; or

(b) a statement by the offeree company quantifying any financial benefits expected to accrue to the offeree company from cost saving or other measures and/or a transaction proposed to be implemented by the offeree company if the offer is withdrawn or lapses.**Report** - This term encompasses letters that the reporting accountant may be required to send by regulation or arising from the terms of the engagement.

Reporting accountant - An accountant engaged to prepare a report for inclusion in, or in connection with, an investment circular. The reporting accountant may or may not be the auditor of the entity issuing the investment circular. The term "reporting accountant" is used to describe either the engagement partner or the engagement partner's firm.¹⁰ The reporting accountant could be a limited company or an engagement principal employed by the company.

Reporting accountant's criteria - A subset of suitable criteria which the reporting accountant's engagement requires the reporting accountant to consider. Reporting accountant's criteria are set out in the relevant SIRs.

Securities - Are as defined by Article 4 of the EU's Markets in Financial Instruments Directive with the exception of money-market instruments having a maturity of less than twelve months.

Sponsor - For the purposes of SIRs, "sponsor" is a generic term which includes any one or more of the following to whom the reporting accountant has agreed, in its engagement letter, to address a relevant report:

(a) a person approved, under section 88 of FSMA, by the FCA as a sponsor. The FCA's sponsor regime applies to applications for admission to listing and major transactions. The

¹⁰ Where the term applies to the engagement partner, it describes the responsibilities or obligations of the engagement partner. Such obligations or responsibilities may be fulfilled by either the engagement partner or another member of the engagement team.

sponsor regime is designed to ensure that effective due diligence is undertaken on issuers and transactions to ensure that issuers are eligible for listing, that major transactions are properly evaluated and that all relevant information has been included in the investment circular. The rules governing sponsors and their conduct of sponsor services are set out in Chapter 8 of the Listing Rules. Listing Rule 8.2.1 sets out the circumstances when an issuer must appoint a sponsor;

(b) a nominated adviser approved by the London Stock Exchange in connection with an application for admission to AIM and subsequent transactions by a company with securities traded on AIM; and

(c) in connection with any transaction, any party, other than the issuer, who may have specific responsibility for the preparation and/or contents of an investment circular.

Subject matter - The subject matter of an engagement is that which is being evaluated or measured against “suitable criteria”. Subject matter varies widely in assurance engagements but in public interest assurance engagements is often one or more financial or non-financial aspects of an entity of interest to the intended users of the assurance report. The entity responsible for the subject matter is therefore usually the entity whose underlying subject matter is being addressed in such engagements. In some engagements, there can be more than one entity responsible for the subject matter. Examples of subject matter are the entity’s financial position and the directors’ expectation of the issuer’s profit for the period covered by a profit forecast or a quantified financial benefits statement.

Suitable criteria - Criteria are the benchmarks used to evaluate or measure the subject matter. Suitable criteria are usually derived from laws and regulations and are required by directors to enable them to make reasonably consistent evaluations or measurements of the subject matter. With respect to public reporting engagements the suitable criteria for specific types of engagement are described in the individual SIR dealing with such engagements.



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