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# Bulletin: The Auditor's Association with Preliminary Announcements made in accordance with UK Listing Rules

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# The Auditor's Association with Preliminary Announcements made in accordance with UK Listing Rules

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## Introduction

1. This Bulletin provides guidance for the auditor concerning its responsibilities with regard to preliminary announcements.<sup>1</sup> The updated Bulletin reflects:
  - a) changes in the UK Listing Rules since 2008;
  - b) changes to International Standards on Auditing (ISAs) (UK);
  - c) new guidance from the European Securities and Markets Authority (ESMA) about alternative performance measures<sup>2</sup>; and
  - d) changes to the UK Corporate Governance Code and the principle that the board should present a fair, balanced and understandable assessment of the company's position and prospects.<sup>3</sup>

## Listing Rule Requirements

2. There is no requirement for a listed company to publish a preliminary statement of annual results. When a listed company chooses to do so, then under UKLA Listing Rule 9.7A.1R:
  - 1) the statement must be published as soon as possible after it has been approved by the board;
  - 2) the statement must be agreed with the company's auditors prior to publication;
  - 3) the statement must show the figures in the form of a table, including the items required for a half-yearly report, consistent with the presentation to be adopted in the annual accounts for that financial year;<sup>4</sup>
  - 4) the statement must give details of the nature of any likely modification or emphasis-of-matter paragraph that may be contained in the auditor's report required to be included with the annual financial report; and
  - 5) the statement must include any significant additional information necessary for the purpose of assessing the results being announced.
3. There are no formal requirements which relate to the preparation of preliminary announcements by companies listed on other exchanges such as the Alternative

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<sup>1</sup> In the Listing Rules preliminary announcements are described as "preliminary statements of annual results".

<sup>2</sup> <https://www.esma.europa.eu/press-news/esma-news/esma-publishes-final-guidelines-alternative-performance-measures>.

<sup>3</sup> <https://www.frc.org.uk/getattachment/ca7e94c4-b9a9-49e2-a824-ad76a322873c/UK-Corporate-Governance-Code-April-2016.pdf>.

<sup>4</sup> In March 2017 the UKLA clarified that: "We are aware that some issuers have read this requirement in conjunction with the requirement to prepare half-yearly accounts in accordance with International Accounting Standard (IAS) 34 and have concluded that they must comply with IAS 34 for prelims. It is not the intent of either the LRs or the DTRs to require prelims, where prepared, to be in accordance with IAS 34." UKLA / TN / 502.2.

Investment Market (AIM). In practice, however, other sectors of the UK listed market tend to follow the practice adopted by FTSE companies.

4. In accordance with UKLA<sup>5</sup> Listing Rule 9.7A.3 the FCA may authorise the omission from any preliminary announcement of information required by UKLA Listing Rule 9.7A.1 R if it considers that disclosure of such information would be contrary to the public interest or seriously detrimental to the listed company, provided that such omission would not be likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the shares.

## **Companies Act Requirements**

5. In the United Kingdom, preliminary announcements constitute non-statutory accounts under section 435 of the Companies Act 2006 (CA 2006) and must include 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).
6. The company must not publish with non-statutory accounts the auditor's report on the company's statutory accounts (section 435 (2) CA 2006).

## **UK Corporate Governance Code**

7. A main principle of the UK Corporate Governance Code is that the board should present a fair, balanced and understandable assessment of the company's position and prospects. A supporting principle of the Code is that, "The board's responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements. The board should establish arrangements that will enable it to ensure that the information presented is fair, balanced and understandable."<sup>6</sup>

## **The Role of the Auditor**

8. If a company decides to make a preliminary announcement it will be the first public communication of that company's full year results and year-end financial position. Preliminary announcements form one of the focal points for investor interest, primarily because they confirm or update market expectations. Because of this the auditor of a

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<sup>5</sup> In the UK the term "Listing Authority" refers to the United Kingdom Listing Authority (UKLA) of the Financial Conduct Authority ("FCA") acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000.

<sup>6</sup> C.1, UK Corporate Governance Code (2016), <https://www.frc.org.uk/getattachment/ca7e94c4-b9a9-49e2-a824-ad76a322873c/UK-Corporate-Governance-Code-April-2016.pdf>

listed company has an important role to play in the process leading to the orderly release of preliminary announcements.

9. Both the content and the preparation of any preliminary announcement are the responsibility of the company's directors. The directors of companies having equities on the Official List are required by the Listing Rules to have agreed the preliminary announcement with the auditor prior to publication (UKLA Listing Rule 9.7A.1R (2)).
10. The UK Listing Rules do not indicate what form the agreement with the auditor should take, or the extent of work expected of the auditor before the auditor gives its agreement. This Bulletin provides guidance on the procedures that would normally be carried out by the auditor and on communicating the outcome of such procedures to the directors.
11. Many companies provide more information in their preliminary announcement than the minimum requirements of the Listing Rules. In the opinion of the FRC it is neither practical nor desirable for the auditor to agree to anything less than the entire content of the preliminary announcement.
12. In this Bulletin the term "Preliminary Announcement" encompasses:
  - a) the disclosures required to be made by United Kingdom Listing Authority (UKLA) Listing Rule 9.7A.1R; and
  - b) other additional information (highlights, Chairman's Statement, narrative disclosures, management commentary, press release etc) that is released to a Regulatory Information Service<sup>7</sup> as part of a preliminary announcement.

Any presentation to analysts, trading statement, interim management statement or half-yearly financial report is not included within the definition of preliminary announcement.

13. There is an expectation that the information in a preliminary announcement will be consistent with that in the audited financial statements. There is an unavoidable risk that the company may wish to revise its preliminary announcement in the light of audit findings or other developments arising unless the preliminary announcement is issued at the same time that the full financial statements are approved by the directors and the auditor has signed the auditor's report on them. However, it has also been the accepted practice of some companies to issue the preliminary announcement, with their auditor's agreement, when the audit is at an "advanced stage" but before the auditor's report on the financial statements has been signed. This Bulletin provides guidance on interpreting the expression "advanced stage".
14. There is no requirement for a preliminary announcement to include an auditor's report. However, to avoid possible misunderstanding and to make explicit their agreement to the preliminary announcement the auditor issues a letter to the company signifying its agreement (see Appendix 1). The auditor may also wish to agree to the inclusion of a voluntary report by the auditor within the preliminary announcement, which sets out the respective responsibilities of the directors and the auditors; procedures performed by the auditor to agree to its publication; and, the status of the audit of the related statutory financial statements (see Appendix 4). The auditor could, if the auditor's report has been issued refer to key audit matters and other matters addressed in the report.

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<sup>7</sup> Regulatory Information Service is the term used for any organisation through which the Listing Rules require listed companies to disseminate price sensitive information.

## Terms of Engagement

15. It is in the interests of both the auditor and the company that the auditor's role in respect of the preliminary announcement is set out in writing; typically by including relevant paragraphs in the audit engagement letter. To avoid misunderstandings the engagement letter describes the auditor's understanding of the process of "agreeing" the preliminary announcement.
16. In circumstances where the auditor is to agree to a preliminary announcement based on financial statements on which its audit is not complete the engagement letter includes cautionary language to the effect that there is an unavoidable risk that the company may wish to revise its preliminary announcement in the light of audit findings or other developments occurring before the completion of the audit. (See Appendix 3).
17. Matters that may be dealt with in the engagement letter include:
  - a) the responsibility of the directors for the preparation of any preliminary announcement;
  - b) the fact that the auditor will conduct its work in accordance with this Bulletin;
  - c) a statement as to whether the auditor believes it is management's intention that the preliminary announcement will be based on audited financial statements or on draft financial statements upon which the auditor has not issued a report;
  - d) a statement that the auditor will issue a letter confirming its agreement to the preliminary announcement;
  - e) whether a voluntary statement by the auditor on the status of the audit, and the procedures carried out when agreeing to the publication of the preliminary announcement, will be prepared and included;
  - f) that the auditor will consider the appropriateness of any details included within the preliminary announcement which relate to any likely or actual modification of the auditor's report, or emphasis of matter paragraph, on the statutory financial statements; and
  - g) a statement explaining the inherent limitations of the auditor's work.
18. Examples of suitable paragraphs for inclusion in a letter of engagement are given in Appendix 2 for circumstances where the preliminary announcement is to be based on audited financial statements and in Appendix 3 for circumstances where the preliminary announcement is to be based on draft financial statements.

## Procedures

### *Planning*

19. Where the preliminary announcement is to be based on draft financial statements the company's timetable should allow the auditor to have completed the audit other than for those matters set out in paragraph 23 below.

### *Preliminary announcements based on audited financial statements*

20. There is an expectation on the part of users that the information in a preliminary announcement will be consistent with that in the audited financial statements. The only way of achieving absolute certainty of this is for the audit of the financial statements to have been completed and the contents of the preliminary announcement to have been extracted from audited financial statements that had been approved and signed by the directors and upon which the auditor has signed the auditor's report. Current market practice is for the majority of entities who issue preliminary announcements to do so based on audited information.

### *Preliminary announcements based on draft financial statements*

21. Companies may wish to issue their preliminary announcement before the audit is complete. There are additional risks for directors in these circumstances if further information comes to light as a result of the auditor's procedures that the directors decide should be reflected in the financial statements and gives rise to the need for a revised announcement by the company. Before agreeing to the release of the preliminary announcement, therefore, the directors will need to ensure they are satisfied that the information it contains will be consistent with the information that will be contained in the audited financial statements.
22. The auditor will need to be satisfied that any matters outstanding with respect to the audit will be unlikely to result in changes to the information contained in the preliminary announcement. This means that the audit of the financial statements must be at an advanced stage and that, subject only to unforeseen events, the auditor expects to be in a position to issue the auditor's report on the financial statements incorporating the amounts upon which the preliminary announcement is based, and know what that auditor's report will state.
23. This means completing the audit, including the engagement quality control review as described in paragraphs 19 to 22 of ISA (UK) 220 (Revised June 2016) "Quality control for an audit of financial statements", subject only to the following:
  - a) clearing outstanding audit matters which the auditor is satisfied are unlikely to have a material impact on the financial statements or disclosures insofar as they affect the preliminary announcement;
  - b) completing audit procedures on the detail of note disclosures to the financial statements that will not have a material impact on the primary financial statements and completing the auditor's work relating to "other information" in the annual report, in accordance with ISA (UK) 720 (Revised June 2016) "The Auditor's Responsibilities Relating to Other Information";
  - c) updating the subsequent events review to cover the period between the issue of the preliminary announcement and the date of the auditor's report on the financial statements; and
  - d) obtaining final signed written representations from management and establishing that the financial statements have been reviewed and approved by the directors.
24. In advance of the preliminary announcement the auditor discusses with management the representations that the auditor will be likely to require in order to issue its report on the financial statements. If management expresses reservations about its ability or willingness to make such representations the auditor does not agree to the preliminary announcement.

### *All preliminary announcements*

25. The following procedures will normally be carried out by the auditor in relation to the preliminary announcement itself regardless of whether it is based on draft financial statements or extracted from audited financial statements:
  - (a) checking that the figures in the preliminary announcement covering the full year have been accurately extracted from the audited or draft financial statements; and reflect the presentation to be adopted in the audited financial statements. For example, any summarisation should not change the order in which items are presented where this is specified by law or accounting standards;



- (b) considering whether the information (including the management commentary) is consistent with other expected contents of the annual report of which the auditor is aware; and
- (c) considering whether the financial information in the preliminary announcement is misstated. A misstatement exists when the information is stated incorrectly or presented in a misleading manner. A misstatement may arise, for example, as a result of an omission of a significant change of accounting policy disclosed or due to be disclosed in the audited financial statements.

26. The auditor considers whether the preliminary announcement includes a statement by directors as required by section 435 of CA 2006 (see paragraph 5) and whether the preliminary announcement includes the minimum information required by UKLA Listing Rule 9.7A.1 (see paragraph 2).

#### *Alternative performance measures*

27. Regulators recognise that in some circumstances the presentation of alternative performance measures (APMs)<sup>8</sup> and associated narrative explanations with the statutory results may help shareholders understand better the financial performance of a company. The FRC believes that when APMs are presented in an Annual Report, compliance with Guidelines issued by the European Securities and Markets Authority (ESMA), will help ensure that, taken as a whole, it is fair, balanced and understandable.<sup>9</sup>
28. However, regulators are also concerned that in other instances such APMs have the potential to be misleading and shareholders may sometimes be misinformed by the manner in which APMs are included in preliminary announcements with which the auditor is associated. The Listing Rules require that, “An issuer must take reasonable care to ensure that any information it notifies to a RIS or makes available through the FCA is not misleading, false or deceptive and does not omit anything likely to affect the import of the information.”<sup>10</sup> In this context, the ESMA guidelines provide a useful framework which the auditor may draw on in its consideration of the use and presentation of APMs in the preliminary announcement.
29. In this context where the preliminary announcement includes APMs, before agreeing to its release, the auditor considers whether appropriate prominence is given to statutory financial information and whether:
- a. the use, relevance and reliability of APMs has been explained;
  - b. the APMs used have been clearly defined, and have been given meaningful labels reflecting their content and basis of calculation;
  - c. the APMs have been reconciled to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period; and
  - d. comparatives have been included, and where the basis of calculation has changed over time this is explained.<sup>11</sup>

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<sup>8</sup> The European Securities and Markets Authority define an APM as, “a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.” ESMA *Guidelines on Alternative Performance Measures*, para.17.

<sup>9</sup> <https://www.frc.org.uk/news/may-2016/faqs-on-esma-apm-guidelines>.

<sup>10</sup> UKLA Listing Rule 1.3.3R.

<sup>11</sup> <https://www.esma.europa.eu/press-news/esma-news/esma-publishes-final-guidelines-alternative-performance-measures>

30. If the auditor does not believe that the preliminary announcement satisfies these conditions, it seeks to resolve the issues arising with the directors. If it is unable to resolve the issues the auditor considers whether to withhold its consent to the release of the announcement.

#### *Management commentary*

31. An important feature of preliminary announcements is a management commentary on the company's performance during the year and its position at the year-end. Such management commentary may include comments on the final interim period in the preliminary announcement and separate presentation of the final interim period figures to the extent this is necessary to support the management commentary. The extent of information on the final interim period will vary from company to company and in some cases this may only consist of a reference to the key figures in the management commentary.
32. The auditor reads the management commentary, any other narrative disclosures and any final interim period figures and considers whether:
- (a) the management commentary is fair, balanced and understandable;
  - (b) there is a material inconsistency between the other information and the financial statements. As the basis for this consideration, the auditor shall, to evaluate their consistency, compare selected amounts or other items in the other information (that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the financial statements) with such amounts or other items in the financial statements; and
  - (c) there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit, in the context of audit evidence obtained and conclusions reached in the audit.

Alternative performance measures (APMs) are part of management commentary and (b) above applies to it. The management commentary is taken to mean everything in the preliminary announcement that is not financial information extracted from the audited or draft financial statements. This consideration is based on the consideration required in ISA (UK) 720 and that the application material in that ISA may assist the auditor in performing their work on the management commentary.

33. If the auditor becomes aware of any material inconsistencies with the draft financial statements or with information obtained during the audit, it seeks to resolve them with the directors. If it is unable to resolve the matters the auditor withholds its consent to the publication of the preliminary announcement.
34. In the case of a preliminary announcement based on audited financial statements, the auditor will read the text of any Chairman's Statement, business review or similar document to be included in the annual report from which the management commentary in the preliminary announcement will usually be derived. For a preliminary announcement based on draft financial statements, this will be done on the latest draft of such documents that are available.

#### *Directors' approval of the preliminary announcement*

35. The auditor does not agree to the preliminary announcement until its entire content has been formally approved by the board or by a duly authorised committee<sup>12</sup> of the board.

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<sup>12</sup> The UK Corporate Governance Code states that one of the main roles and responsibilities of the audit committee is "to monitor the integrity of the financial statements of the company, and any formal announcements relating to

### *Modification of the auditor's report*

36. The Listing Rules require that the preliminary announcement must give details of the nature of any likely modification or emphasis-of-matter paragraph that may be contained in the auditor's report required to be included with the annual financial report.<sup>13</sup>
37. Where reference is made in a preliminary announcement to an actual or possible qualified opinion or emphasis of matter, the directors should give adequate prominence to that information in the announcement and the auditor should be satisfied in this regard.<sup>14</sup> If the auditor has concerns about the appropriateness of the wording of a statement referring to a modified report it, and cannot resolve these concerns through discussion with management, it should consider what actions to take. These actions may include raising the matter with the UK Listing Authority, communicating with the audit committee, not giving agreement to publication of the preliminary announcement, and/or seeking legal advice.

### *Communication of agreement*

38. The FRC encourages the auditor to make explicit its agreement to the issue of the preliminary announcement by sending a letter to the directors. An example of such a letter is given in Appendix 1. Similarly, if the auditor is not in agreement with the content of the preliminary announcement, it communicates this to the directors by sending them a letter setting out the reasons for its disagreement, advising the directors that the preliminary announcement should not be published.
39. The auditor may become aware that a company has released a preliminary announcement without first obtaining its agreement. There may be a number of reasons for this ranging from innocent oversight on the part of the directors to the directors knowingly releasing a preliminary announcement with which the auditor disagrees. The action that the auditor takes depends on the particular circumstances. In circumstances where a preliminary announcement is inadvertently released without the auditor's knowledge, but with which the auditor does in fact agree, the auditor may wish to remind the directors of their obligation under the Listing Rules to have obtained the auditor's agreement.
40. However, at the other end of the spectrum, where the auditor becomes aware that the directors have released an announcement with which it disagrees, it notifies the UK Listing Authority of the fact that it had not agreed to the announcement, and takes legal advice.

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the company's financial performance, reviewing significant financial reporting judgements contained in them"(UK Corporate Governance Code provision C.3.2).

<sup>13</sup> UKLA Listing Rule 9.7a.1.R.

<sup>14</sup> In accordance with UKLA Listing Rule 1.3.3R (see para. 28 above).

## Appendices

- **Appendix 1**— Illustrative Example Letter to Directors Indicating Auditor’s Agreement to Preliminary Announcement
- **Appendix 2** – Illustrative Example Terms of Engagement: Audit Completed
- **Appendix 3**— Illustrative Example Terms of Engagement: Audit Not Completed
- **Appendix 4**— Illustrative Report on the Auditor’s Agreement to the Preliminary Announcement and the Status of the Audit of the Statutory Financial Statements

## Appendix 1— Illustrative Example Letter To Directors Indicating Auditor’s Agreement With Preliminary Announcement

The Directors

**XYZ plc: preliminary announcement of results for year ended [...]**

In accordance with the terms of our engagement letter dated [ ], we have reviewed the attached proposed preliminary announcement of XYZ plc for the year ended [ ]. Our work was conducted having regard to the Financial Reporting Council’s Bulletin “The Auditor’s Association with Preliminary Announcements made in accordance with the requirements of the UK Listing Rules”. As directors you have accepted responsibility for preparing and issuing the preliminary announcement.

Our responsibility is solely to give our agreement to the preliminary announcement having carried out the procedures specified in the Bulletin as providing a basis for such agreement. In this regard we agree to the preliminary announcement being notified to [a Regulatory Information Service]].

[As you are aware we are not in a position to sign our auditor’s report on the annual financial statements as they have not yet been approved by the directors and we have not yet ... [insert significant procedures that are yet to be completed, for example completing the subsequent events review and obtaining final signed written representations from directors ... ]. Consequently there can be no absolute certainty that we will be in a position to issue an unmodified audit report on financial statements consistent with the results and financial position reported in the preliminary announcement. However, at the present time, we are not aware of any matters that may give rise to a modification to our report. In the event that such matters do come to our attention we will inform you immediately.]

Yours faithfully

[*Signature*]

John Smith (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

[*Address*]

[*Date*]

## Appendix 2—Illustrative Example Terms of Engagement: Audit Completed

### Extract from Letter of Engagement

The Listing Rules require that “a preliminary statement of annual results ..... must be agreed with the company’s auditor prior to publication”. As directors of the company, you have accepted responsibility for preparing and issuing any preliminary announcement and ensuring that we agree to its release.

We undertake to review the preliminary announcement having regard to the Financial Reporting Council’s Bulletin “The Auditor’s Association with Preliminary Announcements made in accordance with the requirements of the UK Listing Rules”. Accordingly, our review will be limited to checking the accuracy of extraction of the financial information in the preliminary announcement from the audited financial statements of the company for that year, considering whether any “alternative performance measures” and associated narrative explanations may be misleading and reading the management commentary, including any comments on or separate presentation of the final interim period figures, and considering whether it is in conflict with the information that we obtained in the course of our audit.

The Listing Rules require that the preliminary announcement must include a statement including details of the nature of any likely modification or emphasis-of-matter paragraph that may be contained in the auditor’s report required to be included with the annual financial report.<sup>15</sup> We will also review the appropriateness of the wording of any such statement.

You will provide us with such information and explanations as we consider necessary for the purposes of our work. We shall request sight of the preliminary announcement in sufficient time to enable us to complete our work. The Board/committee of the Board will formally approve the preliminary announcement before we agree to it.

In the event that we disagree with the release of the preliminary announcement we will send you a letter setting out the reasons why.

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<sup>15</sup> UKLA Listing Rule 9.7a.1.R.

## Appendix 3—Illustrative Example Terms of Engagement: Audit Not Completed

### Extract from Letter of Engagement

The Listing Rules require that “a preliminary statement<sup>1</sup> of annual results ..... must be agreed with the company's auditor prior to publication”. As directors of the company, you have accepted responsibility for preparing and issuing any preliminary announcement and ensuring that we agree to its release.

We undertake to review the preliminary announcement having regard to the Financial Reporting Council's Bulletin “The Auditor's Association with Preliminary Announcements made in accordance with the requirements of the UK Listing Rules”. Accordingly, our review will be limited to checking the accuracy of extraction of the financial information in the preliminary announcement from the latest available draft financial statements of the company for that year, considering whether any “alternative performance measures” and associated narrative explanations may be misleading and reading the management commentary, including any comments on or separate presentation of the final interim period figures, and considering whether it is in conflict with the information that we have obtained in the course of our audit.

The Listing Rules require that the preliminary announcement must include a statement including details of the nature of any likely modification or emphasis-of-matter paragraph that may be contained in the auditor's report required to be included with the annual financial report.<sup>16</sup> We will also review the appropriateness of the wording of any such statement.

You will provide us with such information and explanations as we consider necessary for the purposes of our work. We shall request sight of the preliminary announcement in sufficient time to enable us to complete our work. The Board/committee of the Board will formally approve the preliminary announcement before we agree to it. You will also make available to us the proposed text of the company's annual report.

We will not agree to the release of the preliminary announcement until the audit is complete subject only to the following:

- (a) clearing outstanding audit matters which we are satisfied are unlikely to have a material impact on the financial statements or disclosures insofar as they affect the preliminary announcement;
- (b) completing audit procedures on the detail of note disclosures to the financial statements that will not have a material impact on the primary financial statements and completing our reading of other information in the annual report, in accordance with ISA (UK) 720 (Revised June 2016), “The Auditor's Responsibilities Relating to Other Information”;
- (c) updating the subsequent events review to cover the period between the date of the preliminary announcement and the date of our auditor's report on the financial statements; and
- (d) obtaining final signed written representations from management and establishing that the financial statements have been reviewed and approved by the directors.

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<sup>16</sup> UKLA Listing Rule 9.7a.1.R.

The scope of our work will be necessarily limited in that, we will only be able to check the consistency of the preliminary announcement with draft financial statements on which our audit is incomplete. Accordingly, we shall not, at that stage, know whether further adjustments may be required to those draft financial statements. Consequently, there is an unavoidable risk that the company may wish to revise its preliminary announcement in the light of audit findings or other developments occurring between the preliminary announcement being notified to a Regulatory Information Service and the completion of the audit.

In the event that we disagree with the release of the preliminary announcement we will send you a letter setting out the reasons why.



## **Appendix 4—Illustrative Report on the Auditor’s Agreement to the Preliminary Announcement and the Status of the Audit of the Statutory Financial Statements**

### **INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF XYZ PLC ON THE PRELIMINARY ANNOUNCEMENT OF XYZ PLC**

As the independent auditor of [XYZ PLC] we are required by UK Listing Rule LR 9.7A.1 (2) R<sup>17</sup> to agree to the publication of [XYZ PLC]’s preliminary statement of annual results for the period ended [Date].

The preliminary statement of annual results for the period ended [Date] includes [description of the content of the preliminary announcement which the auditor has agreed to be published, including disclosures required by the Listing rules and any additional content such as highlights/overview, Chairman’s Statement, narrative disclosures, management commentary, press release etc.]. We are not required to agree to the publication of [description of additional information published alongside the preliminary statement of annual results, which may include presentations to analysts, trading statement, interim management statement or half-yearly financial report].

The Directors of [XYZ PLC] are responsible for the preparation, presentation and publication of the preliminary statement of annual results in accordance with the UK Listing Rules.

We are responsible for agreeing to the publication of the preliminary statement of annual results, having regard to the Financial Reporting Council’s Bulletin “The Auditor’s Association with Preliminary Announcements made in accordance with the requirements of the UK Listing Rules”.

#### **Status of our audit of the financial statements**

[Our audit of the annual financial statements of XYZ PLC is complete and we signed our auditor’s report on [Date]. Our auditor’s report [is not modified and contains no emphasis of matter paragraph]/[description of modification/emphasis of matter]]

[We are not in a position to sign our auditor’s report on the annual financial statements [of XYZ PLC] as they have not yet been approved by the Directors. In accordance with the FRC’s Bulletin “The Auditor’s Association with Preliminary Announcements made in accordance with the requirements of the UK Listing Rules” our audit is complete to an advanced stage, except for [insert significant procedures that are yet to be completed, for example completing the subsequent events review and obtaining final signed written representations from Directors ... ]. Consequently there can be no absolute certainty that we will be in a position to issue an unmodified audit report on financial statements consistent with the results and financial position reported in the preliminary announcement. However, at the present time, we are not aware of any matters that may give rise to a modification to our report and/or and emphasis of matter paragraph.]

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<sup>17</sup> Issued by the UK Listing Authority of the Financial Conduct Authority

**Procedures performed to agree to the preliminary announcement of annual results**

In order to agree to the publication of the preliminary announcement of annual results [of XYZ PLC] we carried out the following procedures:

[insert description of procedures carried out]

[*Signature*]

John Smith (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

[*Address*]

[*Date*]





**Financial Reporting Council**

8th Floor  
125 London Wall  
London  
EC2Y 5AS

+44 (0)20 7492 2300

[www.frc.org.uk](http://www.frc.org.uk)