Financial Reporting Council

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Bulletin:

Compendium of illustrative auditor's reports on United Kingdom private sector financial statements for periods commencing on or after 17 June 2016

The FRC is responsible for promoting high quality corporate governance and reporting to foster investment. We set the UK Corporate Governance and Stewardship Codes as well as UK standards for accounting, auditing and actuarial work. We represent UK interests in international standard-setting. We also monitor and take action to promote the quality of corporate reporting and auditing. We operate independent disciplinary arrangements for accountants and actuaries, and oversee the regulatory activities of the accountancy and actuarial professional bodies.

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Compendium of illustrative auditor's reports on United Kingdom private sector financial statements for periods commencing on or after 17 June 2016

Contents **Page**

Introduction

1. This Compendium of illustrative auditor's reports is applicable to United Kingdom private sector financial statements for periods commencing on or after 17 June 2016. The auditor's reports set out in the Appendices support and illustrate how the requirements of ISA (UK) 700 (Revised June 2016)[1] and other reporting requirements of the ISAs (UK) can be applied. They also illustrate the requirements of the law and regulations applicable to the particular type of entity to which the illustration applies.

2. However, other approaches may be adopted provided that the form and content of the auditor's report meets the requirements of ISA (UK) 700 (Revised June 2016), other relevant standards and applicable legal and regulatory requirements. The FRC supports profession-led innovation in auditor reporting which promotes audit quality and transparent and accessible auditor's reports for users of the audited financial statements.

3. The auditor's report is the key deliverable addressing the output of the audit process for users of the audited financial statements. It is therefore important that the auditor's report is written in clear and unambiguous language.[2]

4. This Compendium replaces the guidance in:

   - Bulletin 2010/2 *Compendium of Illustrative Auditor's Reports on United Kingdom Private Sector Financial Statements for periods ended on or after 15 December 2010 (Revised)* (Updated March 2012); and
   - Bulletin 4 *Recent Developments in Company Law, The Listing Rules and Auditing Standards that affect United Kingdom Auditor's Reports (Revised)* (Updated June 2015).

Describing the applicable financial reporting framework

5. In accordance with ISA (UK) 700 (Revised June 2016), the Opinion section of the auditor's report shall make reference to the applicable financial reporting framework used to prepare the financial statements. In the UK, the applicable financial reporting framework is usually one of the following:

   - International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the national law that is applicable when using IFRSs and, in the case of consolidated financial statements of publicly traded companies,[3] Article 4 of the IAS Regulation (1606/2002/EC).

     > The financial reporting framework that has been applied in their preparation is applicable law, and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

   - United Kingdom Generally Accepted Accounting Practice (UK GAAP), which comprises applicable UK law including one of the following UK Accounting Standards as issued by the FRC:

[1] ISA (UK) 700 (Revised June 2016) *Forming an Opinion and Reporting on Financial Statements*.

[2] ISA (UK) 700 (Revised June 2016), paragraph 20-1.

[3] A publicly traded company is one whose securities are admitted to trading on a regulated market in any Member State in the European Union.

- Financial Reporting Standard 105,[4] where the financial statements are those of an entity that is eligible to apply FRS 105 and the entity opts to do so;[5]
- Financial Reporting Standard 101,[6] where the financial statements are the individual financial statements of a qualifying entity, and the entity opts to do so;
- Financial Reporting Standard 102.[7]

The financial reporting framework that has been applied in their preparation is applicable law, and United Kingdom Accounting Standards, including [Financial Reporting Standard 101 *Reduced Disclosure Framework*] [Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*] [Financial Reporting Standard 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*] (United Kingdom Generally Accepted Accounting Practice).

Modifications to the auditor's opinion

6. Where the auditor:

   - concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or
   - is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement,

   the auditor is required to modify their opinion in the auditor's report in accordance with ISA (UK) 705 (Revised June 2016).[8]

7. The Appendix of ISA (UK) 705 (Revised June 2016) contains illustrations of auditor's reports with modifications to the opinion. Whilst these auditor's reports have not been tailored for the UK, they illustrate the requirements of the ISA (UK) where the auditor is required to modify or disclaim their opinion.

8. The auditor also considers the impact of any modified opinion on the financial statements on the auditor's other reporting responsibilities (including those on which they are required to report by exception). For example, if the auditor has been unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement, and issues a qualified or disclaimer of opinion arising from that limitation, the auditor considers whether a modified conclusion should be expressed on whether adequate accounting records have been maintained.[9]

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[4] Financial Reporting Standard 105 *The Financial Reporting Standard applicable to the Micro-entities Regime* (FRS 105).

[5] Entities which prepare their annual financial statements in accordance with FRS 105 are not required by UK legislation to have an audit and it is anticipated that the entity will opt to have an audit only in rare circumstances. Further guidance on such matters is included in paragraph A36-1 and A36-2 of ISA (UK) 210 (Revised June 2016) *Agreeing the Terms of Audit Engagements*.

[6] Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

[7] Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (FRS 102).

[8] ISA (UK) 705 (Revised June 2016) *Modifications to the Opinion in the Independent Auditor's Report*.

[9] Similarly, paragraph A58-3 of ISA (UK) 700 (Revised June 2016) sets out the circumstances where a modified conclusion in respect of other reporting responsibilities (including those on which they are required to report by exception) leads to a modification of the auditor's opinion on the financial statements.

Opinion in respect of an additional financial reporting framework

9. The financial statements of some companies may be prepared in accordance with two financial reporting frameworks[10] (for example IFRSs as adopted by the European Union and IFRSs as issued by the IASB).

10. In such circumstances, each framework is considered separately when forming the auditor's opinion on the financial statements and the auditor's opinion refers to both frameworks.

11. These opinions may be expressed separately or in a single sentence. Appendix 6 illustrates where the opinion in respect of an additional financial reporting framework is expressed separately.

Going concern

12. ISA (UK) 570 (Revised June 2016)[11] sets out the reporting requirements in respect of going concern.

13. This Compendium includes illustrative examples for the two most common scenarios when reporting on going concern in an auditor's report as follows:

    - Where the going concern basis of accounting is appropriate and no material uncertainty has been identified (see paragraph 15); and
    - Where the going concern basis of accounting is appropriate and a material uncertainty has been identified and adequately disclosed in the financial statements (see paragraph 16).

14. For illustrative examples of auditor's reports with modified opinions relating to going concern, see the Appendix in ISA (UK) 570 (Revised June 2016). Whilst these auditor's reports have not been tailored for the UK, they illustrate the requirements of the ISA (UK) where the auditor is required to modify their opinion or report that a material uncertainty exists.

No material uncertainty identified

15. Where the auditor concludes that management's use of the going concern basis of accounting is appropriate in the circumstances and no material uncertainty has been identified, the auditor is required to report by exception on such matters.[12]

    - Appendices 1, 2, 3, 5 and 7B illustrate reporting by exception under the heading Conclusions Relating to Going Concern.
    - Appendices 6 and 7A provide alternative illustrations of these reporting requirements using an alternative heading.

Material uncertainty identified and adequately disclosed

16. Where the auditor concludes that a material uncertainty exists and management has appropriately disclosed that fact in the financial statements, the auditor is required to express an unmodified opinion and include a separate section under the heading "Material Uncertainty Related to Going Concern".[13]

    - Appendix 4 illustrates a Material Uncertainty Related to Going Concern section.

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[10] ISA (UK) 700 (Revised June 2016), paragraph A13.

[11] ISA (UK) 570 (Revised June 2016) *Going Concern*.

[12] ISA (UK) 570 (Revised June 2016), paragraph 21-2.

[13] ISA (UK) 570 (Revised June 2016), paragraph 22.

Emphasis of matter and other matter paragraphs

17. ISA (UK) 706 (Revised June 2016)[14] deals with additional communication in the auditor's report when the auditor considers it necessary to:

    - Draw users' attention to a matter or matters presented or disclosed in the financial statements that are of such importance that they are fundamental to users' understanding of the financial statements (known as an Emphasis of Matter); or
    - Draw users' attention to any matter or matters other than those presented or disclosed in the financial statements that are relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report (known as an Other Matter).

18. Appendix 3 illustrates the inclusion of an emphasis of matter paragraph.

19. Appendices 4, 5, 6, 7A and 7B illustrate the inclusion of an other matter paragraph.

Other information

20. For entities that are required to prepare other information, as described in ISA (UK) 720 (Revised June 2016),[15] the auditor is required to report in the auditor's report on that other information in accordance with the ISA (UK). Appendices 1 to 7B include illustrative examples of Other Information sections.

21. The auditor's opinion on the financial statements does not cover the other information, nor is the auditor required to obtain audit evidence beyond that required to form an opinion on the financial statements, except in the circumstances:

    - where the auditor is required to express an opinion, based on the work undertaken in the course of the audit, on the statutory other information[16] and state the nature of the work performed by the auditor; or
    - otherwise in accordance with law or regulation.

22. Where statutory other information is not prepared, the auditor is required to include a statement that the auditor's opinion on the financial statements does not cover the other information. Where the entity has prepared statutory other information, the statement is amended as follows:

Where statutory other information is not prepared	**Where statutory other information is prepared**
Other information Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.	**Other information** Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

[14] ISA (UK) 706 (Revised June 2016) *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

[15] ISA (UK) 720 (Revised June 2016) *The Auditor's Responsibilities Relating to Other Information*.

[16] Statutory other information is defined in ISA (UK) 720 (Revised June 2016), paragraph 12(d). Where required to be prepared, this would include the directors' report, the strategic report and the separate corporate governance statement.

Strategic report and directors' report

23. For entities which are required to prepare a directors' report or a strategic report,[17] the auditor is required to express an opinion on whether the information in the strategic report and the directors' report is consistent with the financial statements and whether those reports have been prepared in accordance with the applicable legal requirements.

24. The table below sets out the wording to be included in the auditor's report:

Where only a directors' report is prepared	**Where both a directors' report and a strategic report are prepared**
Opinions on other matters prescribed by the Companies Act 2006 In our opinion, based on the work undertaken in the course of the audit: • the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the directors' report has been prepared in accordance with applicable legal requirements.	**Opinions on other matters prescribed by the Companies Act 2006** In our opinion, based on the work undertaken in the course of the audit: • the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.
See: Appendix 1	*See: Appendices 2, 3, 4, 5, 6, 7A and 7B*

25. Where a directors' report or a strategic report is required to be prepared, the auditor is also required to state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, the auditor has identified any material misstatements in those reports as follows:

Where only a directors' report is prepared	**Where both a directors' report and a strategic report are prepared**
Matters on which we are required to report by exception In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.	**Matters on which we are required to report by exception** In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.
See: Appendix 1	*See: Appendices 2, 3, 4, 5, 6, 7A and 7B*

26. Where the directors of a company have taken advantage of the small companies exemptions in preparing the directors' report and to prepare a strategic report and in

[17] Section 496 if the Companies Act 2006 as amended by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 sets out this requirement.

the auditor's opinion they were not entitled to do so, the auditor is required[18] to state that fact in the auditor's report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • …; or • the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

27. Appendix 1 includes an example of the statement to include in the matters to report by exception in respect of this requirement.

Corporate governance statement

28. Publically traded companies are required to include a corporate governance statement in their annual report[19] either:

- As a specific section of the directors' report (DTR 7.2.1R); or
- In a separate report which is either;
  - published together with, and in the same manner as, its annual report (DTR 7.2.9(1)R); or
  - by means of a cross reference in its directors' report to where such document is publicly available on the company's website (DTR 7.2.9(2)R).

Corporate governance statement included as a separate report

29. If the corporate governance statement is not included in the directors' report, the Companies Act 2006 imposes specific reporting responsibilities on the auditor with respect to the corporate governance statement.[20]

30. Section 497A of the Companies Act 2006 requires the auditor to report on whether certain information included in the corporate governance statement is consistent with the financial statements and has been prepared in accordance with applicable legal requirements, whether certain of the rules in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules) have been complied with and whether the auditor has identified any material misstatements in this information.

31. The table below sets out illustrative wording to be included in the auditor's report in such circumstances:

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit: • the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency

[18] Subsection (5)(b) of Section 498 of The Companies Act 2006 sets out this requirement.

[19] The requirements relating to the content of the corporate governance statement are set out in Section 7.2 of the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority.

[20] Guidance on the auditor's responsibilities in respect of the corporate governance statement is set out more fully in Bulletin 2009/4 *Developments in Corporate Governance Affecting the Responsibilities of Auditors of UK Companies*.

> Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
>
> - information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.
>
> **Matters on which we are required to report by exception**
>
> In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in:
>
> - the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

32. Where the company is required to prepare a corporate governance statement, Section 498A of the Companies Act 2006 also requires the auditor to report on whether or not the company has prepared such a statement. In such cases, the auditor includes the following statement in the auditor's report:

> **Matters on which we are required to report by exception**
>
> We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
>
> - …; or
> - a corporate governance statement has not been prepared by the company.

Corporate governance statement is included in the directors' report or incorporated in the directors' report by cross reference

33. Where the corporate governance statement is included in the directors' report or incorporated in the directors' report by cross-reference, the reporting required by Sections 497A and 498A, and described in paragraphs 30 and 32, do not apply.

UK Corporate Governance Code reporting

34. For entities that are required, and those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code the auditor also addresses specific elements of the other information in the auditor's report in accordance with paragraphs 22-3 and 22-4 of ISA (UK) 720 (Revised June 2016). These statements are included in Appendices 6 and 7A.

Reporting where the auditor has identified a material misstatement of the other information

35. Where the auditor concludes that there is an uncorrected material misstatement of the other information, the auditor is required to include a statement in the auditor's report that describes the material misstatement. ISA (UK) 720 (Revised June 2016) Appendix 2 includes such a statement in Illustrations 5, 6 and 7. Whilst these auditor's reports have not been tailored for the UK, they illustrate the requirements of the ISA (UK) where there is an uncorrected material misstatement of the other information.

36. Where the auditor concludes that there is an uncorrected material misstatement of the statutory other information, in addition to including the statement noted by paragraph 35, the auditor also considers the reporting implications for the specific opinions, conclusions or statements required by ISAs (UK), law or regulation.

37. The table below sets out example wording that the auditor includes in the auditor's report when a material misstatement of the other information, arising from an

inconsistency between the other information and the financial statements, has been identified:

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. As described in the Basis for qualified opinion on other matters prescribed by the Companies Act 2006 section of our report we have concluded that a material misstatement of the other information exists.

***

Qualified opinion on other matters prescribed by the Companies Act 2006

Except for the matter described in the Basis for qualified opinion on other matters prescribed by the Companies Act 2006 section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Basis for qualified opinion on other matters prescribed by the Companies Act 2006

Based on the work undertaken in the course of the audit, the information given in the [*describe location*] of the [strategic / directors'] report is not consistent with the financial statements.

[*Description of material misstatement of statutory other information*]

***

Matters on which we are required to report by exception

Except for the material misstatement described in the Basis for qualified opinion on other matters prescribed by the Companies Act 2006 section of our report, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Location of the description of the auditor's responsibilities for the audit of the financial statements

38. ISA (UK) 700 (Revised June 2016)[21] permits the description of the auditor's responsibilities for the audit of the financial statements to be included either:

- Within the body of the auditor's report;
- Within an appendix to the auditor's report, in which case the auditor's report includes a reference to the location of the appendix; or
- By a specific reference within the auditor's report to the location of such a description on a website of an appropriate authority.[22]

39. In the illustrative auditor's reports these alternatives are shown as follows:

- Appendix 2 illustrates where the responsibilities are located within the body of the auditor's report.
- Appendix 6 illustrates where the responsibilities are located within an appendix to the auditor's report.
- Appendices 1, 3, 4, 5, 7A and 7B illustrate where a reference is included in the auditor's report to an appropriate website with a description of the responsibilities.

40. Further descriptions of the auditor's responsibilities are required to be included (either in the auditor's report, in an appendix or by cross-reference) when they are relevant to the circumstances of the particular audit as follows:

(a) When the financial statements are prepared in accordance with a fair presentation framework, the description of the auditor's responsibilities includes the responsibility to evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. As noted in paragraph 5, the applicable financial reporting frameworks in the UK are either IFRSs as adopted by the EU or UK GAAP, both of which are fair presentation frameworks, hence this paragraph is usually required for audits of financial statements in the UK.

(b) When ISA (UK) 600 (Revised June 2016)[23] applies the following paragraph is included in the description of the auditor's responsibilities for the audit of the financial statements:

> **Auditor's responsibilities for the audit of the financial statements**
>
> We also:
>
> - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the [consolidated] financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Appendices 2 and 6 include such a description of the auditor's responsibilities in a group audit engagement.

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21 ISA (UK) 700 (Revised June 2016), paragraph 41.

22 The website reference is www.frc.org.uk/auditorsresponsibilities.

23 ISA (UK) 600 (Revised June 2016) *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*.

(c) When the entity is listed[24] the following statement should be included in the auditor's report:

> **Auditor's responsibilities for the audit of the financial statements**
>
> We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Appendix 6 illustrates such a description.

(d) When key audit matters are communicated in accordance with ISA (UK) 701[25] the following statement is included in the auditor's report:

> **Auditor's responsibilities for the audit of the financial statements**
>
> From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Appendix 6 illustrates such a description.

Directors' remuneration report

41. Quoted companies[26] are required to prepare a directors' remuneration report[27] and the auditor has to report on certain aspects of that Report. Companies should describe clearly within the directors' remuneration report which disclosures have been audited.

42. Section 497 of the Companies Act 2006 requires the auditor to report to the company's members on whether the auditable part of the directors' remuneration report has been properly prepared in accordance with the Act. The auditor includes the following wording in the auditor's report:

> **Opinion on other matters prescribed by the Companies Act 2006**
>
> In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

43. Section 498 of the Companies Act 2006 also requires the auditor to report on whether the auditable part of the directors' remuneration report is not in agreement with the accounting records and returns. The following underlined text is inserted into the matters on which the auditor is required to report by exception as follows:

[24] "Listed entity" is defined in paragraph 7(g) of ISA (UK) 220 (Revised June 2016) *Quality Control for an Audit of Financial Statements*.

[25] ISA (UK) 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

[26] The definition of ''quoted company'' for the purposes of the directors' remuneration report is set out in Sections 385(1) and 385(2) of the Companies Act 2006. The definition of a quoted company differs from that of a publicly traded company. A publicly traded company may not necessarily meet the definition of a quoted company and a non-publicly traded company may be a quoted company.

[27] Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) sets out the information in the directors' remuneration report that is subject to audit.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • …; or • the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

44. Appendices 5, 6 and 7B illustrate the reporting requirements relating to the directors' remuneration report.

Auditor's reports where consolidated financial statements are prepared

Omitting the parent company profit and loss account

45. Section 408 of the Companies Act 2006 allows a company that prepares group accounts to omit the parent company's profit and loss account from the company's financial statements provided that:

- the parent company's balance sheet shows the parent company's profit or loss for the financial year determined in accordance with the Companies Act 2006; and
- it is disclosed in the parent company's financial statements that the exemption applies.

46. The table below illustrates the difference in the wording that is required to be inserted where the Section 408 exemption has been taken in respect of the parent company's own profit and loss account and where it has not been taken.

Where Section 408 exemption taken	**Where Section 408 exemption not taken**
Opinion We have audited the financial statements of [*name*] for the year ended [*date*] which comprise [*specify the titles of the primary statements*] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. In our opinion: • the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at [*date*] and of the group's [profit / loss] for the year then ended; • the group financial statements have been properly prepared in	**Opinion** We have audited the financial statements of [*name*] for the year ended [*date*] which comprise [*specify the titles of the primary statements*] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. In our opinion the financial statements: • give a true and fair view of the state of the group's and of the parent company's affairs as at [*date*] and of the group's and the parent company's [profit / loss] for the year then ended; • have been properly prepared in accordance with IFRSs as adopted by the European Union; and

accordance with IFRSs as adopted by the European Union; • the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and • the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.	• have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Alternative presentation options of the financial statements of a group

47. Group and parent company financial statements may be prepared in accordance with different financial reporting frameworks (for example IFRSs as adopted by the EU used for the group financial statements and UK GAAP used for the parent company financial statements).

48. Where the financial statements of the group and the parent company are presented in accordance with different financial reporting frameworks the financial statements might be presented separately within the annual report and in such circumstances separate auditor's reports might be provided.[28]

49. Where separate auditor's reports are provided on the group and parent company financial statements, the requirements of ISA (UK) 701 still apply to each separate auditor's report. Therefore, key audit matters and other audit planning and scoping matters are required to be communicated in respect of both the group and the parent company audits. The auditor may be able to avoid unnecessary duplication in respect of the auditor's reporting responsibilities by incorporating into the auditor's report by cross-reference the location of where such information can be accessed, so long as that cross-referenced material is readily accessible. However, there is certain information required by law or regulation that must be included in the auditor's report to which the financial statements relate.[29]

50. Appendices 2, 4 and 6 illustrate an auditor's reports where the report on the group financial statements and the report on the parent company financial statements are presented as a single auditor's report.

51. Appendix 7 illustrates auditor's reports where the group and the parent company financial statements are presented separately. In such cases, the auditor might provide separate auditor's reports on the group financial statements (see Appendix 7A) and on the parent company financial statements (see Appendix 7B).

52. Where separate auditor's reports are provided on the group and parent company financial statements the illustrative examples assume that:

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

[29] ISA (UK) 701, paragraph A33-5.

- The auditor’s responsibilities with respect to the corporate governance statement are reported on in the auditor’s report on the group financial statements;
- The auditor’s responsibilities with respect to the UK Corporate Governance Code are reported on in the auditor’s report on the group financial statements; and
- The directors’ remuneration report is reported on in the auditor’s report on the parent company financial statements.

However, other approaches may be adopted.

Appendices

- Appendix 1—Non-publicly traded company preparing financial statements under the small companies regime
- Appendix 2—Non-publicly traded company preparing group and parent company financial statements under UK GAAP
- Appendix 3—Publicly traded AIM listed company preparing financial statements under IFRSs with an emphasis of matter paragraph
- Appendix 4—Unlisted public interest entity preparing financial statements under UK GAAP with a material uncertainty related to going concern
- Appendix 5—Publicly traded standard listed company preparing group financial statements under IFRSs and parent company financial statements under UK GAAP
- Appendix 6—Publicly traded premium listed company preparing group and parent company financial statements under IFRSs
- Appendix 7A—Publicly traded premium listed company preparing group financial statements under IFRSs (reported on separately from the parent company financial statements)
- Appendix 7B—Publicly traded premium listed company preparing parent company financial statements under UK GAAP (reported on separately from the group financial statements)

Appendix 1—Non-publicly traded company preparing financial statements under the small companies regime

- Company qualifies as a small company and is not a public interest entity
- Financial statements are prepared in accordance with FRSs 100 and 102 (UK GAAP)
- Directors take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report
- Company does not prepare group financial statements or ISA (UK) 600 (Revised June 2016) does not otherwise apply
- Description of the auditor's responsibilities for the audit of the financial statements is included by reference to the location of such a description included on the FRC's website
- Auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (UK) 701

Independent auditor's report to the members of [XYZ Limited]

Opinion

We have audited the financial statements of [XYZ Limited] (the 'company') for the year ended [*date*] which comprise [*specify the titles of the primary statements*][30] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard[, and the provisions available for small entities, in the circumstances set out in note [X][31] to the financial statements][32], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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30 The terms used to describe the primary financial statements should be the same as those used by the directors.

31 Delete the words in square brackets if the relief and exemptions for audits of small entities provided by the FRC's Ethical Standard are not utilised.

32 As described in paragraph A35-4 of ISA (UK) 700 (Revised June 2016), the FRC's Ethical Standard *Section 6 Provisions available for audits of small entities*, paragraph 6.15 requires disclosure in the auditor's report where the audit firm has taken advantage of an exemption provided in paragraphs 6.11, 6.12 or 6.13 of the Ethical Standard.

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report,[33] other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement [set out on page …], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using

[33] The term used to describe the annual report should be the same as that used by the directors.

the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [*website link*].[34] This description forms part of our auditor's report.

[*Signature*]

John Smith (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

[*Address*]

[*Date*]

[34] See paragraph 38 of this Compendium.

Appendix 2—Non-publicly traded company preparing group and parent company financial statements under UK GAAP

- Company either does not qualify as a small company or qualifies as a small company but chooses not to prepare its financial statements under the small companies regime
- Company is not a public-interest entity
- Financial statements are prepared in accordance with FRSs 100 and 102 (UK GAAP)
- Company prepares group financial statements
- Section 408 exemption taken for parent company's own profit and loss account
- Description of the auditor's responsibilities for the audit of the financial statements is included within the body of the auditor's report
- Auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (UK) 701

Independent auditor's report to the members of [XYZ Limited]

Opinion

We have audited the financial statements of [XYZ Limited] (the 'parent company') and its subsidiaries (the 'group') for the year ended [*date*] which comprise [*specify the titles of the primary statements*][35] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the

[35] The terms used to describe the primary financial statements should be the same as those used by the directors.

going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report,[36] other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement [set out on page …], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

[36] The term used to describe the annual report should be the same as that used by the directors.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.[37]

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[*Signature*]

John Smith (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

[*Address*]

[*Date*]

[37] This bullet point is only required where the company prepares group financial statements or ISA (UK) 600 (Revised June 2016) otherwise applies.

Appendix 3—Publicly traded AIM listed company preparing financial statements under IFRSs with an emphasis of matter paragraph

- Company is an AIM-listed company, an unquoted company and not a public-interest entity
- Financial statements are prepared in accordance with IFRSs as adopted by the EU
- Company does not prepare group financial statements or ISA (UK) 600 (Revised June 2016) does not otherwise apply
- Description of the auditor's responsibilities for the audit of the financial statements is included by reference to the location of such a description included on the FRC's website
- Emphasis of matter paragraph is included in the auditor's report as in the auditor's judgment, the matter is of such importance that it is fundamental to users' understanding of the financial statements

Independent auditor's report to the members of [XYZ Limited]

Opinion

We have audited the financial statements of [XYZ Limited] (the 'company') for the year ended [*date*] which comprise [*specify the titles of the primary statements*][38] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities,[39] and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis

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[38] The terms used to describe the primary financial statements should be the same as those used by the directors.

[39] The auditor uses "as applied to SME listed entities" where the relief and exemptions for audits of SME listed entities provided by the FRC's Ethical Standard are utilised. See paragraph A35-3 of ISA (UK) 700 (Revised June 2016).

of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter[40]

We draw attention to note [X] of the financial statements, which describes [*brief summary of the matter*]. Our opinion is not modified in this respect.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[*Description of each key audit matter in accordance with ISA (UK) 701.*]

Our application of materiality

[*Explanation of how the auditor applied the concept of materiality in planning and performing the audit. This is required to include the threshold used by the auditor as being materiality for the financial statements as a whole but may include other relevant disclosures.*[41]]

An overview of the scope of our audit

[*Overview of the scope of the audit, including an explanation of how the scope addressed each key audit matter and was influenced by the auditor's application of materiality.*]

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report,[42] other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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[40] As noted in paragraph A16 of ISA (UK) 706 (Revised June 2016), an emphasis of matter paragraph may be presented either directly before or after the key audit matters section based on the auditor's judgment as to the relative significance of the information included in the emphasis of matter paragraph.

[41] ISA (UK) 701, paragraph A59-1 includes other disclosures relevant to an explanation of how the auditor applied the context of materiality in planning and performing the audit.

[42] The term used to describe the annual report should be the same as that used by the directors.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement [set out on page …], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [*website link*].[43] This description forms part of our auditor's report.

[*Signature*]

John Smith (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

[*Address*]

[*Date*]

[43] See paragraph 38 of this Compendium.

Appendix 4—Unlisted public interest entity preparing financial statements under UK GAAP with a material uncertainty related to going concern

- Company is a public interest entity
- Financial statements are prepared in accordance with FRSs 100 and 102 (UK GAAP)
- Company does not prepare group financial statements or ISA (UK) 600 (Revised June 2016) does not otherwise apply
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. The disclosure of the material uncertainty in the financial statements is adequate.
- Description of the auditor's responsibilities for the audit of the financial statements is included by reference to the location of such a description included on the FRC's website

Independent auditor's report to the members of [XYZ Limited]

Opinion

We have audited the financial statements of [XYZ Limited] (the 'company') for the year ended [*date*] which comprise [*specify the titles of the primary statements*][44] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note [X] in the financial statements, which indicates that [*brief description of events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern*]. As stated in note [X], these events or conditions, along with the other matters as set forth in note [X], indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

[44] The terms used to describe the primary financial statements should be the same as those used by the directors.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[*Description of each key audit matter in accordance with ISA (UK) 701.*]

Our application of materiality

[*Explanation of how the auditor applied the concept of materiality in planning and performing the audit. This is required to include the threshold used by the auditor as being materiality for the financial statements as a whole but may include other relevant disclosures.*[45]]

An overview of the scope of our audit

[*Overview of the scope of the audit, including an explanation of how the scope addressed each key audit matter and was influenced by the auditor's application of materiality.*]

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report,[46] other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or

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45 ISA (UK) 701, paragraph A59-1 includes other disclosures relevant to an explanation of how the auditor applied the context of materiality in planning and performing the audit.

46 The term used to describe the annual report should be the same as that used by the directors.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement [set out on page …], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

[*Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.*]

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [*website link*].[47] This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by [*state by whom or which body the auditor(s) was appointed*] on [*date*]. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is [X] years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

[*Indicate any services, in addition to the audit, which were provided by the firm to the company that have not been disclosed in the financial statements or elsewhere in the annual report.*]

Our audit opinion is consistent with the additional report to the audit committee.

[*Signature*]

John Smith (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

[*Address*]

[*Date*]

[47] See paragraph 38 of this Compendium.

Appendix 5—Publicly traded standard listed company preparing group financial statements under IFRSs and parent company financial statements under UK GAAP

- Company is a standard listed company, a quoted company and a public-interest entity
- Company prepares group financial statements under IFRSs as adopted by the EU and parent company financial statements under UK GAAP (FRSs 100 and 101)
- Section 408 exemption taken in respect of parent company's own profit and loss account
- Corporate governance statement is incorporated into the directors' report either directly or by incorporation by reference
- Description of the auditor's responsibilities for the audit of the financial statements is included by reference to the location of such a description included on the FRC's website

Independent auditor's report to the members of [XYZ Plc]

Opinion

We have audited the financial statements of [XYZ Limited] (the 'parent company') and its subsidiaries (the 'group') for the year ended [*date*] which comprise [*specify the titles of the primary statements*][48] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

[48] The terms used to describe the primary financial statements should be the same as those used by the directors.

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[*Description of each key audit matter in accordance with ISA (UK) 701.*]

Our application of materiality

[*Explanation of how the auditor applied the concept of materiality in planning and performing the group and parent company audit. This is required to include the threshold used by the auditor as being materiality for the group and parent company financial statements as a whole but may include other relevant disclosures.* [49]]

An overview of the scope of our audit

[*Overview of the scope of the group and parent company audit, including an explanation of how the scope addressed each key audit matter and was influenced by the auditor's application of materiality.*]

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report,[50] other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

[49] ISA (UK) 701, paragraph A59-1 includes other disclosures relevant to an explanation of how the auditor applied the context of materiality in planning and performing the audit.

[50] The term used to describe the annual report should be the same as that used by the directors.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement [set out on page …], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

[*Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.*]

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [*website link*].[51] This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by [*state by whom or which body the auditor was appointed*] on [*date*] to audit the financial statements for the period ending [*date*]. Our total uninterrupted period of engagement is [X] years, covering the periods ending [*date*] to [*date*].

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

[*Indicate any services, in addition to the audit, which were provided by the firm to the group that have not been disclosed in the financial statements or elsewhere in the annual report.*]

Our audit opinion is consistent with the additional report to the audit committee.

[*Signature*]

John Smith (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

[*Address*]

[*Date*]

[51] See paragraph 38 of this Compendium.

Appendix 6—Publicly traded premium listed company preparing group and parent company financial statements under IFRSs

- Company is a premium listed company, a quoted company and a public interest entity
- Financial statements are prepared in accordance with IFRSs as adopted by the EU and are also prepared in accordance with IFRSs as issued by the IAASB
- Company prepares group financial statements
- Section 408 exemption not taken in respect of parent company's own profit and loss account
- Corporate governance statement not incorporated into the strategic report or the directors' report, either directly or by incorporation by cross-reference
- Description of the auditor's responsibilities for the audit of the financial statements is included within an appendix to the auditor's report

Independent auditor's report to the members of [XYZ Plc]

Opinion

We have audited the financial statements of [XYZ Plc] (the 'parent company') and its subsidiaries (the 'group') for the year ended [*date*] which comprise [*specify the titles of the primary statements*][52] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

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

Separate opinion in relation to IFRSs as issued by the IASB

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

In our opinion the group financial statements give a true and fair view of the consolidated financial position of the group as at [*date*] and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

[52] The terms used to describe the primary financial statements should be the same as those used by the directors.

- the disclosures in the annual report[53] [set out on page …] that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation [set out on page …] in the annual report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement [set out on page …] in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation [set out on page …] in the annual report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[*Description of each key audit matter in accordance with ISA (UK) 701.*]

Our application of materiality

[*Explanation of how the auditor applied the concept of materiality in planning and performing the group and parent company audit. This is required to include the threshold used by the auditor as being materiality for the group and parent company financial statements as a whole but may include other relevant disclosures.*[54]]

An overview of the scope of our audit

[*Overview of the scope of the group and parent company audit, including an explanation of how the scope addressed each key audit matter and was influenced by the auditor's application of materiality.*]

[*Explanation as to what extent the audit was* considered *capable of detecting irregularities, including fraud.*]

Other information

The other information comprises the information included in the annual report [set out on pages …][,including [*specify the titles of the other information*][set out on pages …]], other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

[53] The term used to describe the annual report should be the same as that used by the directors.

[54] ISA (UK) 701, paragraph A59-1 includes other disclosures relevant to an explanation of how the auditor applied the context of materiality in planning and performing the audit.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable [set out on page …] –** [the statement given / the explanation as to why the annual report does not include a statement] by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting [set out on page …] –** [the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee / the explanation as to why the annual report does not include a section describing the work of the audit committee is materially inconsistent with our knowledge obtained in the audit]; or
- **Directors' statement of compliance with the UK Corporate Governance Code [set out on page …] –** the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement [set out on page …], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in appendix [X] of this auditor's report. This description, which is located at [*indicate page number of other specific reference to the location of the description*], forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by [*state by whom or which body the auditor was appointed*] on [*date*] to audit the financial statements for the year ending [*date*] and subsequent financial periods. The period of total uninterrupted engagement is [X] years, covering the years ending [*date*] to [*date*].

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

[*Indicate any services, in addition to the audit, which were provided by the firm to the group that have not been disclosed in the financial statements or elsewhere in the annual report.*]

Our audit opinion is consistent with the additional report to the audit committee.

[*Signature*]

John Smith (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

[*Address*]

[*Date*]

Appendix: Auditor's responsibilities for the audit of the financial statements

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.[55]

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.[56]

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.[57]

[55] This bullet point is only required where the entity prepares group financial statements or ISA (UK) 600 (Revised June 2016) otherwise applies. See paragraph 40(b) of this Compendium.

[56] This bullet point is only required where the entity is a listed entity. See paragraph 40(c) of this Compendium.

[57] This bullet point is only required where the auditor is required, or has otherwise decided, to communicate key audit matters in accordance with ISA (UK) 701. See paragraph 40(d) of this Compendium.

Appendix 7A—Publicly traded premium listed company preparing group financial statements under IFRSs (reported on separately from the parent company financial statements)

- Company is a premium listed company, a quoted company and a public interest entity
- Company prepares group financial statements
- Corporate governance statement incorporated into the directors' report, either directly or by incorporation by cross-reference and reported on in the auditor's report on the group financial statements
- UK Corporate Governance Code reported on in the auditor's report on the group financial statements
- Directors' Remuneration Report reported on in the auditor's report on the parent company financial statements
- Description of the auditor's responsibilities for the audit of the financial statements is included by reference to the location of such a description included on the FRC's website

Independent auditor's report to the members of [XYZ Plc]

Opinion

We have audited the group financial statements of [XYZ Plc] for the year ended [*date*] which comprise [*specify the titles of the primary statements*][58] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the group financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the group financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report[59] that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the

58 The terms used to describe the primary financial statements should be the same as those used by the directors.

59 The term used to describe the annual report should be the same as that used by the directors.

financial statements and the directors' identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[*Description of each key audit matter in accordance with ISA (UK) 701.*]

Our application of materiality

[*Explanation of how the auditor applied the concept of materiality in planning and performing the group audit. This is required to include the threshold used by the auditor as being materiality for the group financial statements as a whole but may include other relevant disclosures.*[60]]

An overview of the scope of our audit

[*Overview of the scope of the group audit, including an explanation of how the scope addressed each key audit matter and was influenced by the auditor's application of materiality.*]

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the group financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable –** [the statement given / the explanation as to why the annual report does not include a statement] by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting –** [the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee / the explanation as to why the annual report does not include a section describing the work of the audit committee is materially inconsistent with our knowledge obtained in the audit]; or

[60] ISA (UK) 701, paragraph A59-1 includes other disclosures relevant to an explanation of how the auditor applied the context of materiality in planning and performing the audit.

- **Directors' statement of compliance with the UK Corporate Governance Code –** the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the group financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement [set out on page …], the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the group financial statements

Our objectives are to obtain reasonable assurance about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these group financial statements.

[*Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.*]

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [*website link*].[61] This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by [*state by whom or which body the auditor was appointed*] on [*date*]. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is [X] years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group and we remain independent of the group in conducting our audit.

[*Indicate any services, in addition to the audit, which were provided by the firm to the group that have not been disclosed in the financial statements or elsewhere in the annual report*.]

Our audit opinion is consistent with the additional report to the audit committee.

We have reported separately on the parent company financial statements of [XYZ Plc] for the year ended [*date*]. [That report includes details of the parent company key audit matters; how we applied the concept of materiality in planning and

[61] See paragraph 38 of this Compendium.

performing our audit; and an overview of the scope of our audit.[62]] [That report includes a statement on a material uncertainty related to going concern.] [That report includes an emphasis of matter.] [The opinion in that report is [qualified / an adverse opinion / a disclaimer of opinion].]

[*Signature*]
John Smith (Senior Statutory Auditor)
For and on behalf of ABC LLP, Statutory Auditor
[*Address*]
[*Date*]

[62] See paragraph 49 of this Compendium.

Appendix 7B—Publicly traded premium listed company preparing parent company financial statements under UK GAAP (reported on separately from the group financial statements)

- Company is a premium listed company, a quoted company and a public-interest entity
- Company prepares group financial statements
- Corporate governance statement incorporated into the directors' report, either directly or by incorporation by cross-reference and reported on in the auditor's report on the group financial statements
- UK Corporate Governance Code reported on in the auditor's report on the group financial statements
- Directors' remuneration report reported on in the auditor's report on the parent company financial statements
- Description of the auditor's responsibilities for the audit of the financial statements is included by reference to the location of such a description included on the FRC's website

Independent auditor's report to the members of [XYZ Plc]

Opinion

We have audited the parent company financial statements of [XYZ Plc] for the year ended [*date*] which comprise [*specify the titles of the primary statements*][63] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at [*date*] [and of its [profit/loss] for the year then ended];[64]
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the parent company financial statements section of our report. We are independent of the parent company in accordance with the ethical requirements that are relevant to our audit of the parent company financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matter in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to in relation to:

- the directors' statement in the parent company financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the parent company financial statements and the directors' identification of any material uncertainties to the parent company's ability to continue to do so over a period of at least twelve months from the date

[63] The terms used to describe the primary financial statements should be the same as those used by the directors.

[64] The words "and of its profit (or loss) for the year then ended" are included only where Section 408 exemption is not taken in respect of the parent company's own profit and loss account.

of approval of the parent company financial statements.

Key audit matters[65]

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[*Description of each key audit matter in accordance with ISA (UK) 701.*]

Our application of materiality[66]

[*Explanation of how the auditor applied the concept of materiality in planning and performing the parent company audit. This is required to include the threshold used by the auditor as being materiality for the parent company financial statements as a whole but may include other relevant disclosures.* [67]]

An overview of the scope of our audit[68]

[*Overview of the scope of the parent company audit, including an explanation of how the scope addressed each key audit matter and was influenced by the auditor's application of materiality for the parent company financial statements as a whole.*]

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report,[69] other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the parent company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the parent company financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the parent company financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified

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[65] Key audit matters that relate solely to the parent company must be included within the auditor's report on the parent company financial statements for public interest entities and cannot be cross-referred to the auditor's report on the group financial statements.

[66] As noted in paragraph 49 of this Compendium, the explanation of how the auditor applied the concept of materiality in planning and performing the parent company audit may be presented either in the auditor's report on the parent company financial statements or separately identified in the auditor's report on the group financial statements via a cross-reference from the Other Matter paragraph.

[67] ISA (UK) 701, paragraph A59-1 includes other disclosures relevant to an explanation of how the auditor applied the context of materiality in planning and performing the audit.

[68] As noted in paragraph 49 of this Compendium, the overview of the scope of the parent company audit may be presented either in the auditor's report on the parent company financial statements or separately identified in the auditor's report on the group financial statements via a cross-reference from the Other Matter paragraph.

[69] The term used to describe the annual report should be the same as that used by the directors.

material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement [set out on page …], the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

[*Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.*]

A further description of our responsibilities for the audit of the parent company financial statements is located on the Financial Reporting Council's website at: [*website link*].[70] This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by [*state by whom or which body the auditor was appointed*] on [*date*]. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is [X] years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the parent company and its controlled undertakings and we remain independent of the parent company and its controlled undertakings in conducting our audit.

[*Indicate any services, in addition to the audit, which were provided by the firm to the parent company and its controlled undertaking(s) that have not been disclosed in the financial statements or elsewhere in the annual report.*]

Our audit opinion is consistent with the additional report to the audit committee.

We have reported separately on the group financial statements of [XYZ Plc] for the year ended [*date*]. [That report includes details of the group key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit.[71]] [That report includes a statement on a material uncertainty related to going concern.] [That report includes an emphasis of matter.] [The opinion in that report is [qualified / an adverse opinion / a disclaimer of opinion].]

[*Signature*]

John Smith (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

[*Address*]

[*Date*]

[70] See paragraph 38 of this Compendium.

[71] See paragraph 49 of this Compendium.

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