



The South African Institute of Chartered Accountants

# Guide on Reporting on Financial Information contained in Interim, Preliminary, Provisional and Abridged Reports

**Issued March 2004**

Every effort is made to ensure that the advice given in this guide is correct. Nevertheless that advice is given purely as guidance to members of SAICA to assist them with particular problems relating to the subject matter of the guide and SAICA will have no responsibility to any person for any claim of any nature whatsoever which may arise out of or relate to the contents of this guide.

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ISBN 0-86983-395-2

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# **PREFACE**

This Guide has been prepared by The South African Institute of Chartered Accountants (SAICA) primarily to provide guidance to members on the reports required by the JSE Securities Exchange South Africa Listings Requirements in relation to financial information contained in interim, preliminary, provisional and abridged reports.

Although Audit and Accounting Guides do not have the authority of statements of South African Auditing Standards or South African Statements of Generally Accepted Accounting Practice, in the event of significant deviation from the guidance given, and should the actions of a member or associate be questioned, the member or associate may be required to demonstrate that such deviation was justified.

## **Introduction**

- .01 This guide provides guidance on the reports required by the JSE Securities Exchange South Africa (JSE) Listings Requirements (the Listing Requirements) in relation to financial information contained in interim, preliminary, provisional and abridged reports. SAAS 800, The Auditor's Report on Special Purpose Audit Engagements provides guidance on reporting on components of financial position, results of operations and cash flows.
- .02 "Summarised financial statements" are defined in SAAS 110, Glossary of Terms as financial statements that may be prepared by an entity summarising its audited financial statements for the purpose of informing user groups interested in the highlights of the entity's financial position and the results of its operations. Paragraph .24 of SAAS 800, The Auditor's Report on Special Purpose Audit Engagements states that summarised financial statements may not be described as fairly presenting, in all material respects, as they do not contain all the information required by the financial reporting framework. Accordingly, summarised financial statements are described as being consistent, in all material respects, with the financial statements from which they were derived.
- .03 "Condensed financial statements" is a term used by AC 127, Interim Financial Reporting that refers to the minimum information that should be presented when an entity prepares an interim report that does not contain a full set of financial statements. Condensed financial statements are described as being fairly presented, in all material respects, in accordance with the South African Statement of Generally Accepted Accounting Practice on Interim Financial Reporting.
- .04 An interim report is a financial report containing either:
- a complete set of financial statements for an interim period (as described in AC 101, Presentation of Financial Statements), or
  - a set of condensed or summarised financial statements for an interim period (as described in AC 127, Interim Financial Reporting).
- .05 A preliminary report is a financial report containing either a set of condensed or summarised financial statements. A preliminary report is issued when a company voluntarily publishes annual financial information before being required to do so, i.e. where a company intends to publish its annual financial statements within three months of its financial year-end.
- .06 A provisional report is a financial report containing either a set of condensed or summarised financial statements. A provisional report is issued by a company not later than the end of the third month after its financial year-end if it has not distributed annual financial statements to all shareholders within that period.
- .07 An abridged report is a financial report containing a set of summarised financial statements. An abridged report is issued by a company when the annual financial statements are issued, unless a preliminary report was issued and the information contained therein did not change.

## **Requirements for review of unaudited financial information contained in interim, preliminary or provisional reports**

- .08 Section 3.18(b) of the Listings Requirements requires unaudited interim reports to be reviewed by the company's auditor if the auditor's report on the company's latest annual financial statements was modified. Section 3.18(h) of the Listings Requirements furthermore requires that where a financial period covers more than 12 months, the interim report issued for the second six month period must be reviewed.

- .09 Section 3.22 of the Listings Requirements requires preliminary reports to be reviewed by the company's auditor if they are not audited.
- .10 Section 3.16 of the Listings Requirements requires provisional reports to be reviewed by the company's auditor if they are not audited.

**Requirements for preparing financial information contained in interim, preliminary, provisional and abridged reports**

- .11 Section 8.57 of the Listings Requirements requires that interim and provisional reports comply with the statutory requirements for these reports, and that they be prepared in accordance with, and contain the information required by AC 127, Interim Financial Reporting. Section 8.58 lists the supplementary information which should also be included in interim, preliminary, provisional and abridged reports. This supplementary financial information should also be audited or reviewed by the company's auditor as appropriate.
- .12 Section 8.60 of the Listings Requirements requires that if an interim, preliminary, provisional or abridged report has been audited or reviewed by the company's auditor, this fact and the name of the auditor shall be stated in such published report. Although the report of the auditor need not be included in the published report, if such report is modified, details of the nature of such modification shall be stated therein. If the report of the auditor is not included in the published report, it shall state that the report of the auditor is available for inspection at the company's registered office. If such report has not been audited or reviewed by the company's auditor, an appropriate negative statement must appear in such published report.

**Requirements for publication of information**

- .13 The appendix to Section 11 of the Listings Requirements states that interim and provisional financial statements must be distributed to shareholders and must be published in the press as well as on SENS. Preliminary and abridged financial statements do not have to be distributed to shareholders or published in the press, but they must be published on SENS.
- .14 Preliminary financial statements published on SENS should comply with the same requirements as provisional financial statements, as set out in the Listings Requirements. This includes requirements that the preliminary financial statements comply with Schedule IV to the Companies Act, the disclosure requirements of sections of the Listings Requirements and AC127 - Interim financial statements. Further, the preliminary financial statements should be reviewed or audited by the auditor as described for provisional financial statements above.
- .15 When an issuer elects to publish its preliminary or abridged financial statements in the press, issuers are encouraged to publish the entire content of the preliminary or abridged financial statements as published on SENS. Where the full preliminary or abridged financial statements as published on SENS have not been reproduced in a publication in the press, the publication must state that the full report is available on SENS. Such a publication will be regarded as an extract from the preliminary or abridged financial statements.
- .16 The auditor's report should not be included when extracts of preliminary or abridged financial statements are voluntarily published in the press. Where an issuer intends to publish an extract of the preliminary financial statements in the press, the directors are responsible for both the content and the preparation thereof. Extracts published in the press can never meet the minimum requirements of fair presentation as set out in AC 127, Interim Financial Reporting. Accordingly such extracts should not refer to the auditors, the audit opinion, or use terminology such as audited or reviewed.

**Where summarised financial statements contained in an interim, preliminary, provisional or abridged report are referred to as “audited”**

- .17 In terms of paragraphs .21 – .25 of SAAS 800, The Auditor’s Report on Special Purpose Audit Engagements the auditor may not express an audit opinion on a summarised set of financial statements unless the auditor has expressed an opinion on the comprehensive financial statements from which the summarised financial statements were derived.
- .18 The auditor may only express an audit opinion on the summarised financial statements contained in an interim, preliminary, provisional or abridged report when the comprehensive financial statements have been completed and have been approved by the board of directors and the auditor has expressed an opinion on the comprehensive financial statements. The auditor will in such cases, issue an audit report on the comprehensive financial statements as well as an audit report on the summarised financial statements contained in the interim, preliminary, provisional or abridged report. Illustrative audit reports on summarised financial statements contained in interim, preliminary, provisional and abridged reports are contained in Appendix II.
- .19 If the summarised financial statements contained in interim, preliminary, provisional or abridged reports are to be described as “audited”, and the auditors’ report will not be included in the published report, the published interim, preliminary, provisional or abridged report shall state:
- the fact that the comprehensive financial statements, from which the summarised financial statements, contained in the interim, preliminary, provisional or abridged report, are derived, have been audited,
  - the name of the auditors, and
  - that the auditor’s opinions on the comprehensive financial statements and the summarised financial statements are available for inspection at the company’s registered office.
- .20 The following wording is recommended when the annual/interim financial statements have been audited and an unmodified opinion has been expressed: “[Name of Registered Accountant and Auditor] unmodified audit reports on the ... 20XX annual/interim financial statements and the summarised financial statements contained herein are available for inspection at the company’s registered office.”

**Where financial information contained in an interim, preliminary or provisional report is referred to as “reviewed”**

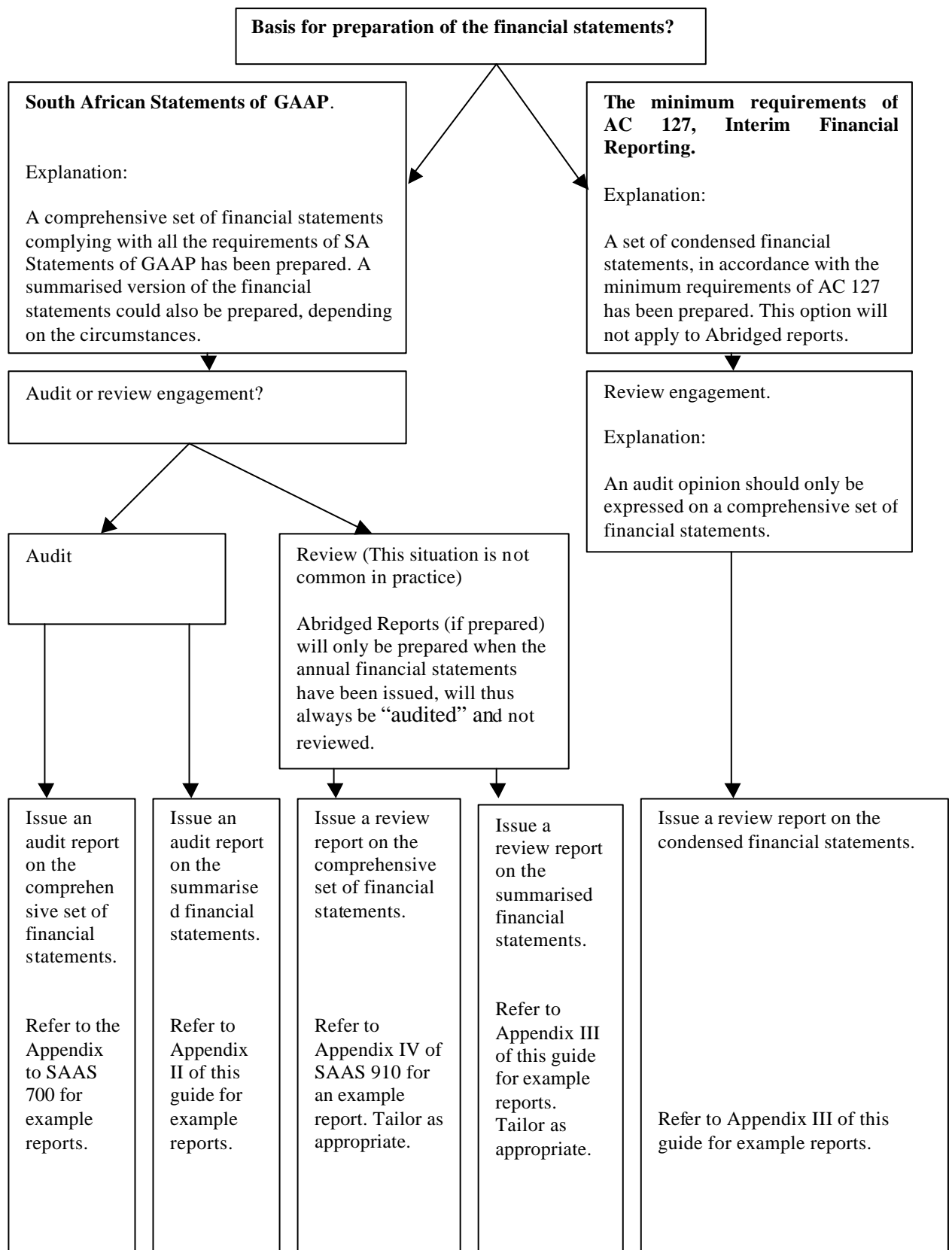
- .21 If at the release of an interim, preliminary or provisional report the comprehensive financial statements have not been completed and approved by the board of directors and an audit opinion has not been expressed thereon the auditor may only express a review opinion on the condensed financial statements contained therein once the board of directors have approved the interim, preliminary or provisional report and the necessary review procedures have been performed in accordance with SAAS 910, Engagements to Review Financial Statements. Where, however, an audit is being conducted at the time of undertaking a review engagement the majority of the procedures required for the review may already have been completed as part of the audit.
- .22 If the condensed financial statements contained in interim, preliminary or provisional reports are to be described as “reviewed” the published interim, preliminary or provisional report shall state:
- the fact that the condensed financial statements have been reviewed,
  - the name of the auditors, and

- that the auditor's opinion is available for inspection at the company's registered office.
- .23 The following wording is recommended when the condensed financial statements have been reviewed and an unmodified opinion has been expressed: "[Name of Registered Accountant and Auditor] unmodified review report on the condensed financial statements contained in this [interim report/preliminary report/provisional report] is available for inspection at the company's registered office."
- .24 The review engagement will constitute a separate engagement from the engagement to perform the audit and accordingly an engagement letter should be issued in this regard.
- .25 The appendices to SAAS 910, Engagements to Review Financial Statements contain examples of engagement letters and review procedures which the auditor may consider when conducting a review of condensed financial statements contained in interim, preliminary or provisional reports.
- .26 Illustrative review reports for condensed financial statements contained in interim, preliminary or provisional reports are contained in Appendix III.
- .27 The principles contained in this guide are to be adapted as necessary to other entities not listed on the JSE.



## APPENDIX I

### Guidance on the report(s) to be issued by the auditor of the company regarding interim, provisional, preliminary or abridged financial statements



## **APPENDIX II**

### **Illustrative audit report on summarised financial statements contained in an interim report where the audit report on the interim financial statements is unqualified**

#### **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ....**

The summarised interim financial statements of ... set out in pages ... to ... have been derived from the interim financial statements, prepared in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa, of the company for the six months ended ... 20XX. We have audited the interim financial statements in accordance with statements of South African Auditing Standards. In our report dated ... 20XX, we expressed an unqualified opinion on the interim financial statements from which the summarised interim financial statements were derived.

#### **Audit opinion**

In our opinion, the accompanying summarised interim financial statements are consistent, in all material respects, with the interim financial statements from which they were derived and are prepared in accordance with the South African Statement of Generally Accepted Accounting Practice on Interim Financial Reporting and the requirements of the Companies Act in South Africa.

For a better understanding of the scope of our audit and the company's financial position, the results of its operations and cash flows for the period, the summarised interim financial statements should be read in conjunction with our report and the interim financial statements from which the summarised interim financial statements were derived.

Name  
Registered Accountant and Auditor  
Chartered Accountant (SA)  
Address  
Date

**Illustrative audit report on summarised financial statements contained in a preliminary or abridged report where the audit report on the annual financial statements is unqualified**

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ...**

The summarised preliminary/abridged financial statements of ..... set out in pages ... to ... have been derived from the annual financial statements, prepared in accordance with South African Statements of Generally Accepted Accounting Practice, of the company for the year ended ..... 20XX. We have audited the annual financial statements in accordance with statements of South African Auditing Standards. In our report dated ..... 20XX, we expressed an unqualified opinion on the annual financial statements from which the summarised preliminary/abridged financial statements were derived.

**Audit opinion**

In our opinion, the accompanying summarised preliminary/abridged financial statements are consistent, in all material respects, with the annual financial statements from which they were derived and are prepared in accordance with the presentation and disclosure requirements of the South African Statement of Generally Accepted Accounting Practice on Interim Financial Reporting.

For a better understanding of the scope of our audit and the company's financial position, the results of its operations and cash flows for the period, the summarised preliminary/abridged financial statements should be read in conjunction with our audit report included in the annual financial statements from which the summarised preliminary/abridged financial statements were derived.

Name  
Registered Accountant and Auditor  
Chartered Accountant (SA)  
Address  
Date

**Illustrative audit report on summarised financial statements contained in a provisional report where the audit report on the annual financial statements is unqualified**

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ...**

The summarised provisional financial statements of ..... set out in pages ... to ... have been derived from the annual financial statements, prepared in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa, of the company for the year ended ..... 20XX. We have audited the annual financial statements in accordance with statements of South African Auditing Standards. In our report dated ..... 20XX, we expressed an unqualified opinion on the annual financial statements from which the summarised provisional financial statements were derived.

**Audit opinion**

In our opinion, the accompanying summarised provisional financial statements are consistent, in all material respects, with the annual financial statements from which they were derived and are prepared in accordance with the presentation and disclosure requirements of the South African Statement of Generally Accepted Accounting Practice on Interim Financial Reporting and the requirements of the Companies Act in South Africa.

For a better understanding of the scope of our audit and the company's financial position, the results of its operations and cash flows for the period, the summarised provisional financial statements should be read in conjunction with our audit report included in the annual financial statements from which the summarised provisional financial statements were derived.

Name  
Registered Accountant and Auditor  
Chartered Accountant (SA)  
Address  
Date

**Illustrative audit report on summarised financial statements contained in a provisional report where the audit report on the annual financial statements is qualified**

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF .....**

The summarised provisional financial statements of ..... set out on pages ... to ... have been derived from the annual financial statements, prepared in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa, of the company for the year ended ..... 20XX. We have audited the annual financial statements in accordance with statements of South African Auditing Standards. In our report dated ..... 20XX we expressed an opinion that the financial statements, from which the summarised provisional financial statements were derived, were fairly presented, in all material respects, except that inventory had been overstated by .....<sup>1</sup>

**Audit opinion**

In our opinion, the accompanying summarised provisional financial statements are consistent, in all material respects, with the annual financial statements from which they were derived and on which we expressed a qualified opinion and are prepared in accordance with the presentation and disclosure requirements of the South African Statement of Generally Accepted Accounting Practice on Interim Financial Reporting and the requirements of the Companies Act in South Africa.

For a better understanding of the scope of our audit and the company's financial position, the results of its operations and cash flows for the period, the summarised provisional financial statements should be read in conjunction with our audit report included in the annual financial statements from which the summarised provisional financial statements were derived.

Name  
Registered Accountant and Auditor  
Chartered Accountant (SA)  
Address  
Date

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<sup>1</sup> The auditor considers repeating the full text of the modification in the audit report on the summarised financial statements.

## **APPENDIX III**

### **Illustrative review report on condensed financial statements contained in an interim report**

#### **REVIEW REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF .....**

We have reviewed the accompanying condensed consolidated balance sheet of .....and its subsidiaries at ..... 20XX, and the related condensed consolidated statements of income and cash flows for the six months then ended. The condensed consolidated interim financial statements are the responsibility of the company's directors. Our responsibility is to issue a report on the condensed consolidated interim financial statements based on our review.

#### **Scope**

We conducted our review in accordance with the statement of South African Auditing Standards applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance that the condensed consolidated interim financial statements are free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

#### **Review opinion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not fairly presented, in all material respects, in accordance with the South African Statement of Generally Accepted Accounting Practice applicable to Interim Financial Reporting and the Companies Act in South Africa.

Name

Registered Accountant and Auditor

Chartered Accountant (SA)

Address

Date

## **Illustrative review report on condensed financial statements contained in a preliminary report**

### **REVIEW REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ...**

We have reviewed the accompanying condensed consolidated preliminary balance sheet of ... and its subsidiaries at ... 20XX, and the related condensed consolidated statements of income and cash flows for the year then ended. The condensed consolidated preliminary financial statements are the responsibility of the company's directors. Our responsibility is to issue a report on the condensed consolidated preliminary financial statements based on our review.

#### **Scope**

We conducted our review in accordance with the statement of South African Auditing Standards applicable to review engagements. This standard requires that we plan and perform a review to obtain moderate assurance that the condensed consolidated preliminary financial statements are free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

#### **Review opinion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated preliminary financial statements are not fairly presented, in all material respects, in accordance with:

- the recognition and measurement requirements of South African Statements of Generally Accepted Accounting Practice, and
- the presentation and disclosure requirements of the South African Statement of Generally Accepted Accounting Practice on Interim Financial Reporting.

Name

Registered Accountant and Auditor

Chartered Accountant (SA)

Address

Date

## **Illustrative review report on condensed financial statements contained in a provisional report**

### **REVIEW REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ...**

We have reviewed the accompanying condensed consolidated provisional balance sheet of ... and its subsidiaries at ... 20XX, and the related condensed consolidated provisional statements of income and cash flows for the year then ended. The condensed consolidated provisional financial statements are the responsibility of the company's directors. Our responsibility is to issue a report on the condensed consolidated provisional financial statements based on our review.

#### **Scope**

We conducted our review in accordance with the statement of South African Auditing Standards applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance that the condensed consolidated provisional financial statements are free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

#### **Review opinion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated provisional financial statements are not fairly presented, in all material respects, in accordance with:

- the recognition and measurement requirements of South African Statements of Generally Accepted Accounting Practice,
- the presentation and disclosure requirements of the South African Statement of Generally Accepted Accounting Practice on Interim Financial Reporting, and
- the requirements of the Companies Act in South Africa.

Name

Registered Accountant and Auditor

Chartered Accountant (SA)

Address

Date

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