

Comfort Letters and Due Diligence Meetings

This Audit Guidance Statement (AGS) 11, *Comfort Letters and Due Diligence Meetings* is based on Hong Kong Standard on Investment Circular Reporting Engagements 400, *Comfort Letters and Due Diligence Meetings* issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), adapted by the Institute of Singapore Chartered Accountants (ISCA) to the Singapore context. ISCA gratefully acknowledges the permission given for the use of the material by the HKICPA which is the copyright owner.

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Singapore Financial Reporting Standards (International) give rise to conforming amendments in this AGS in November 2018.

COMFORT LETTERS AND DUE DILIGENCE MEETINGS

CONTENTS

	Paragraph
Definitions	
Introduction and Scope	1-11
Comfort Letters	12-58
Due Diligence Meetings	59-65
Cross-Border and International Offerings	66
Effective Date	67
Appendix 1: Example Arrangement Letter Relating to the Issuance of a Comfort Letter and Taking Part in Due Diligence Meetings	
Appendix 2: Example Comfort Letter	
Appendix 3: Example Bring-down Letter	
Appendix 4: Example Issuer's Representation Letter on Subsequent Changes	
Appendix 5: Examples of Questions Commonly Asked in Due Diligence Meetings and Comments on the Reporting Auditor's Response	

Audit Guidance Statement (AGS) 11, "Comfort Letters and Due Diligence Meetings" should be read in the context of the Preface to the Singapore Standards on Quality Control, Auditing, Review, Other Assurance, and Related Services.
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Comfort Letters and Due Diligence Meetings

Definitions

The definitions used in this Statement are:

- a. *Bring-down letter:* *An abbreviated letter updating the procedures described in a previously issued comfort letter.*
- b. *Investment circular:* *A document (including a prospectus, offering memorandum, circular to shareholders or similar document, issued by an issuer pursuant to the Listing Rules) relating to listed or unlisted securities on which it is intended that a third party would make an investment decision.*
- c. *Issuer:* *An issuer is any company or other legal person, real estate investment trusts (“REITS”) and business trusts, any of whose equity or debt securities are the subject of an application for listing or some of whose equity or debt securities are already listed.*
- d. *Listing Rules:* *The Mainboard rules and the Catalist rules contained in the Listing Manual of the Singapore Exchange Limited as from time to time amended, modified or supplemented.*
- e. *Reporting auditor:* *A certified public accountant engaged to prepare public reports and letters for inclusion in, or private letters in connection with, an investment circular. Where the context requires, this term includes auditors where they are carrying out a role in connection with an investment circular, other than that of reporting as auditors on financial statements.*
- f. *Securities:* *Including but not limited to equity securities and debt securities as defined by the Listing Rules.*
- g. *SFA:* *Securities and Futures Act (Chapter 289).*
- h. *“SGX” or the “Exchange”:* *Singapore Exchange Limited.*
- i. *Issue Manager:* *An entity appointed under the Listing Rules by an issuer to sponsor and manage its application for listing on the Mainboard of the Exchange.*
- j. *Sponsor:* *An entity appointed under the Listing Rules by an issuer to sponsor its application for listing on Catalist.*
- k. *ABS:* *Association of Banks in Singapore.*

Introduction and Scope

1. **Reporting auditors issuing a comfort letter or taking part in a due diligence or verification meeting for an offering of securities in Singapore should follow the guidance of this Statement. Reporting auditors should also comply with the requirements of the “Code of Professional Conduct and Ethics” (Code) issued by the Accounting and Corporate Regulatory Authority (ACRA).**

This Statement is intended to provide guidance to reporting auditors in the context of an offering of securities in Singapore, where issue managers, sponsors, managers and/or underwriters do not require and have not requested reporting auditors to provide limited assurance on subsequent changes in specified financial statement items from the end of the period for which relevant financial statements have been subject to an audit or a review in accordance with Singapore Standards on Auditing or Singapore Standards on Review Engagements.

2. In connection with the issuance of an investment circular by an issuer, reporting auditors may be requested by issue managers, sponsors, managers and/or underwriters to perform procedures to provide comfort in respect of the integrity of certain information disclosed in the investment circular, or to comment on changes in selected financial statement items subsequent to the latest period reported on in the reporting auditors' report. Ordinarily, reporting auditors are engaged by the issuer to issue a reporting auditors' report to be included in the investment circular. For debt issues, typically historical reports that had been previously issued are included in the investment circular. This Statement focuses on the issuance of a comfort letter and the participation in a due diligence or verification meeting in these circumstances. Less frequently, these procedures may also be requested by issue managers, sponsors, managers and/or underwriters in relation to other investment circulars prepared by issuers that are already listed. This Statement also applies to such letters and due diligence or verification meetings.
3. In certain circumstances, reporting auditors may be engaged by issue managers, sponsors, managers and/or underwriters; and/or issuers to undertake a separate engagement to perform procedures other than those described in paragraph 2 above and which are outside the scope of a comfort letter as described by this Statement and illustrated in Appendix 2.
4. A due diligence investigation will be undertaken by issue managers, sponsors, managers and/or underwriters to enable them to fulfil their obligations under the Listing Rules and/or the guidelines recommended by the International Capital Markets Association. It is not usually practical for issue managers, sponsors, managers and/or underwriters to carry out such an investigation entirely by themselves, and so they will often ask for professional assistance to provide them with comfort in certain areas outside of the historical financial information. Such assistance may be provided by reporting auditors in the form of a comfort letter and/or agreeing to answer questions at a due diligence or verification meeting. Although the reporting auditors may provide such assistance, the responsibility for the completeness and accuracy of the investment circular, and its compliance with regulatory requirements remains that of the directors of the issuer. There is no SFA requirement or Listing Rules requirement for reporting auditors to provide a comfort letter covered by this Statement to issue managers, sponsors, managers and/or underwriters.
5. In providing a comfort letter and/or formulating a response to questions asked by issue managers, sponsors, managers and/or underwriters, reporting auditors should bear in mind four principles underlying this Statement:
 - a. Only the issue managers, sponsors, managers and/or underwriters can determine what is sufficient for a reasonable due diligence investigation in connection with their obligations under the Listing Rules.

- b. The issue managers, sponsors, managers and/or underwriters may wish to rely on any written or oral statement made by reporting auditors to add credibility to the subject matter of the statement; accordingly, any statement needs to be appropriately supported. Issue managers, sponsors, managers and/or underwriters should neither act nor refrain from acting on the basis of oral statements made by reporting auditors unless and until they are confirmed in writing by the reporting auditors. In the absence of such written confirmation, the reporting auditors shall have no liability in contract or in tort (including negligence) for such oral statements, other than for an oral statement known to be false or misleading when made and made with intent to deceive by the reporting auditors.
 - c. In order to make a statement that is appropriately supported, reporting auditors need to possess adequate knowledge of the subject matter, and to act with due care and an objective state of mind.
 - d. Reporting auditors can properly make a statement only if there is suitable evidence as a basis for reporting on the subject matter.
6. By providing a comfort letter or participating in a due diligence or verification meeting, reporting auditors lend credibility to the information on which their comments are made. Hence it is important that the procedures to be undertaken relate only to matters to which their professional competence is relevant, and are performed in accordance with this Statement.
7. The scope of work in an engagement under this Statement encompasses procedures in respect of selected financial information and in respect of subsequent changes in historical financial information included in the investment circular. This work should be planned and performed in accordance with this Statement and with reference to the principles in other relevant standards issued by the Institute of Singapore Chartered Accountants ("ISCA"). In respect of selected financial and non-financial information, the reporting auditors report the procedures carried out and the findings obtained. Accordingly, in planning and performing this work the reporting auditors should refer to the principles in Singapore Standard on Related Services ("SSRS") 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information".
8. Only issue managers, sponsors, managers and/or underwriters can determine the information on which comfort is required and the procedures that will provide the required degree of comfort on that information. Consequently, it is important for reporting auditors, the issuer's management; and issue managers, sponsors, managers and/or underwriters to reach an early understanding and agreement as to the requirements of the issue managers, sponsors, managers and/or underwriters, and the procedures the reporting auditors can properly perform. While responsibility for determining the appropriateness and sufficiency of the procedures required for the purposes of the issue managers, sponsors, managers and/or underwriters rests with them, reporting auditors have a professional responsibility not to be associated with information that they believe, or have reason to believe, is false or misleading.
9. Reporting auditors, when issuing a comfort letter under this Statement may not issue any additional letters or reports under any other standard to issue managers, sponsors, managers and/or underwriters that contain procedures expressly prohibited by this Statement.
10. As explained in paragraphs 2 and 4 above, this Statement relates principally to an arrangement among the issuer; the issue managers, sponsors, managers and/or underwriters; and the reporting auditors in connection with the due diligence responsibilities of the issue managers, sponsors, managers and/or underwriters under the Listing Rules. In certain circumstances, for example for large public offerings, reporting auditors may be requested to include other parties connected with the investment circular as addressees to the comfort letter. The comfort letter will be provided solely in the context of the due diligence procedures undertaken or procured to be undertaken by the addressees.

11. Independent auditors should also follow the guidance in this Statement when requested to issue a comfort letter or take part in a due diligence or verification meeting with persons fulfilling a similar role to issue managers, sponsors, managers and/or underwriters in connection with an offering of debt securities, collective investment schemes authorised by the Monetary Authority of Singapore (MAS) (such as real estate investment trusts or REITs) and business trusts registered by MAS; and made pursuant to an investment circular. For an offering of debt securities in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (“Regulation S”), an example arrangement letter is included in example 2 of Appendix 1 and an example comfort letter for a Regulation S debt offering is included in example 2 of Appendix 2 to this Statement. The example bring down letter in Appendix 3 may also be used, suitably modified with respect to terms such as “issue managers”, “sponsors”, “managers” and/or “underwriters” and “prospectus” and details of the offering.

Comfort Letters

Purpose of a Comfort Letter

12. A Comfort Letter and the Other Assistance is provided to the Issuer for its information only, and to the issue managers, sponsors, managers and/or underwriters (the “Addressees”) solely in the context of the due diligence procedures being undertaken or procured to be undertaken by the Addressees in connection with the offering or sale of the securities [in Singapore pursuant to the Prospectus/outside of the United States under Regulation S pursuant to the Offering Memorandum], for the purpose of establishing or seeking to establish any defence in such context (“Due Diligence Defence”) that the Addressees may wish to advance in any actual or potential court or arbitration proceedings, any investigation, hearing or other proceedings by any regulatory body, or any claim or dispute in respect of the [Prospectus/Offering Memorandum] or otherwise in connection with the Issue. Accordingly, the Comfort Letter will be addressed to the Addressees for that purpose and neither the Comfort Letter nor the Other Assistance may be relied on by the Addressees for any other purpose.
13. Each Addressee will confirm that it is aware of the due diligence [guidance included in the [Securities and Futures Act (Chapter 289), the listing rules of SGX, the ABS Debt Capital Market Practice Guidelines and/or the ABS IPO Due Diligence Guidelines]/obligations in connection with the Issue for which the guidance [issued by [name of framework/organization, e.g., the International Capital Market Association]] will be followed], and that in connection with the Issue, a due diligence investigation is being conducted for the purposes of complying with such [guidance/obligations].

Agreeing the Terms of the Engagement

14. **In accordance with the principles in SSA 210 “Agreeing the Terms of Audit Engagements”, reporting auditors when entering into an arrangement with the issuer; and the issue managers, sponsors, managers and/or underwriters to issue a comfort letter should agree the terms of the arrangement with the issuer; and issue managers, sponsors, managers and/or underwriters. The terms of the arrangement should be recorded in writing.**
15. The terms of the arrangement to issue a comfort letter are recorded in an arrangement letter among the issuer; the issue managers, sponsors, managers and/or underwriters; and the reporting auditors. The arrangement letter documents and confirms the reporting auditors’ acceptance of the arrangement, and the scope and nature of the procedures to be performed. It also documents the responsibilities of the issuer; and issue managers, sponsors, managers and/or underwriters, and the extent of the reporting auditors’ responsibilities to them. The issuer; issue managers, sponsors, managers and/or underwriters being signatories to the letter, also confirm their acceptance of the terms and procedures described therein. The arrangement letter may also include other parties with due diligence obligations as addressees, as indicated in the example arrangement letter included in Appendix 1 to this Statement.

16. **In any discussion of procedures, reporting auditors should not indicate in any manner that any representations will be provided regarding the sufficiency of the procedures for the purposes of the issue managers, sponsors, managers and/or underwriters.**
17. Typically, reporting auditors are asked to apply procedures to selected items of a financial nature included in the investment circular and to report the results or factual findings. Such procedures may be applied to, for example, changes in selected financial statement items subsequent to the date of the historical financial information (“subsequent changes”), and specific items of financial or other information included in the investment circular.
18. Reporting auditors may suggest a meeting with management and issue managers, sponsors, managers and/or underwriters; or consultation by telephone or other means, to discuss and agree the detailed procedures to be followed in connection with the comfort letter. Only issue managers, sponsors, managers and/or underwriters can determine what is sufficient for their purposes, however, reporting auditors can advise issue managers, sponsors, managers and/or underwriters and management if, for any reason, it is not feasible to perform a requested procedure.
19. Reporting auditors will normally be willing to assist issue managers, sponsors, managers and/or underwriters, but the assistance reporting auditors can provide by way of comfort letters is subject to limitations. One limitation is that reporting auditors can properly report in their professional capacity only on matters to which their professional expertise is substantially relevant. Another limitation is that procedures such as those contemplated in a comfort letter provide reporting auditors with a basis for reporting no more than a list of procedures performed and the findings of those procedures. Such limited procedures may bring to the attention of the issue managers, sponsors, managers and/or underwriters significant matters affecting the financial information, but they do not provide assurance that issue managers, sponsors, managers and/or underwriters will learn of all information that they may wish to know. Because matters concerning the issuer’s operations and financial results are the responsibility of management and may not be within the expertise of reporting auditors, they are best communicated to issue managers, sponsors, managers and/or underwriters by management.
20. To ensure a mutual understanding of the procedures to be followed, it is desirable that reporting auditors, after discussing the comfort letter with management and issue managers, sponsors, managers and/or underwriters, furnish them with a draft of the letter they expect to be able to issue, clearly identified as a draft.
21. A comfort letter should be dated, and delivered to the issue managers, sponsors, managers and/or underwriters (or any such party who has accepted the terms and conditions of the arrangement letter) on the date of registration and/or date of pricing and such subsequent dates as may be agreed with the issue managers, sponsors, managers and/or underwriters (e.g. on the date of registration with the MAS, the pricing date, the closing date and over-allotment closing date) in line with international practice, with respect to certain matters disclosed in the investment circular. A comfort letter dated on the date of registration with the MAS or any other date may also refer to the investment circular dated as of the lodgement date. In all other instances reporting auditor should issue only comfort letters in its draft form on incomplete drafts of the investment circular.

Contents of a Comfort Letter

22. The detailed contents of a comfort letter will vary according to the nature of the information in the investment circular and the procedures agreed on by management; issue managers, sponsors, managers and/or underwriters; and reporting auditors.

23. **At a minimum, a comfort letter should contain the following matters:**
- a. **date (normally dated no earlier than the date of the report covering the financial statements included in the investment circular);**
 - b. **reporting auditors' address;**
 - c. **addressees (e.g., the issuer and issue managers, sponsors, managers and/or underwriters, as signatories to the arrangement letter);**
 - d. **identification of the purpose for which the procedures were performed;**
 - e. **a statement that the procedures performed were those agreed upon with the addressees in the arrangement letter;**
 - f. **a statement that the comfort letter is provided pursuant to the terms agreed upon with the addressees in the arrangement letter;**
 - g. **a statement that reporting auditors comply with the Code issued by ACRA;**
 - h. **a statement that the engagement was performed in accordance with the Singapore Standard on Related Services, SSRS 4400 when reporting factual findings on agreed-upon procedures;**
 - i. **identification of specific financial or non-financial information to which the procedures have been applied;**
 - j. **a description of the procedures performed and the results or factual findings, including sufficient details of errors and exceptions found;**
 - k. **when reporting factual findings on agreed-upon-procedures, a statement that the procedures performed do not constitute an audit or a review and, as such, no assurance is expressed;**
 - l. **a statement that the comfort letter relates only to the elements, accounts, items or financial and non-financial information specified and that it does not extend to the entity's financial statements taken as a whole;**
 - m. **a statement that had the reporting auditors performed additional procedures, an audit or a review, other matters might have come to light that would have been reported;**
 - n. **a statement that the letter is restricted to the addressees of the letter and is to be used only in connection with the stated purpose of the letter; and**
 - o. **reporting auditors' signature.**
24. Issue managers, sponsors, managers and/or underwriters may request reporting auditors to provide a letter reporting the updating of the procedures described in a previously issued comfort letter. This is commonly referred to as a "bring-down" letter. Such a letter should normally be issued at or shortly before each closing date. If more than one letter is requested, it will be necessary to carry out the procedures and enquiries as of the cut-off date for each letter. Comments contained in an earlier letter may, where appropriate, be incorporated by reference in a subsequent letter.
25. An example of a comfort letter and a bring-down letter is included in Appendix 2 and Appendix 3 to this Statement.

26. **Reporting auditors should have obtained knowledge of the internal controls, policies and procedures before reporting on:**
- a. **selected financial information;**
 - b. **non-financial information derived from accounting records; or**
 - c. **subsequent changes.**
27. Reporting auditors may be requested by issue managers, sponsors, managers and/or underwriters to perform procedures and report in the comfort letter on the above kind of information. Reporting auditors report on any such matters only after having obtained knowledge of the issuer's internal controls, policies and procedures as they relate to the preparation of the historical financial information or interim financial information. Knowledge of the issuer's internal controls includes knowledge of the control environment and control systems. Reporting auditors who have reported on an issuer's historical financial information ordinarily should have acquired sufficient knowledge of the issuer's internal controls, policies and procedures as they relate to the preparation of the historical financial information, and may have acquired such knowledge with respect to interim financial information. Reporting auditors who have performed a review in accordance with Singapore Standard on Review Engagement (SSRE) 2400 "Engagements to Review Financial Statements" or SSRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ordinarily should have acquired such knowledge with respect to the period(s) encompassed by the review. When reporting auditors have not acquired sufficient knowledge of the issuer's internal controls, policies and procedures, additional procedures are performed to obtain the knowledge that is considered necessary to carry out the engagement.
28. It would be inappropriate for reporting auditors to add credibility to information relating to a period without knowledge of the issuer's internal controls, policies and procedures. Reporting auditors should give comfort with respect to periods not covered by an assurance engagement, only after having obtained or updated knowledge of internal controls, policies and procedures for the periods.

Financial and Non-financial Information

29. **When reporting auditors provide a comfort letter reporting procedures performed with respect to specific items of financial or quantitative non-financial information in the investment circular:**
- a. **the comfort letter should:**
 - i. **specifically identify the information;**
 - ii. **describe in detail the procedures performed at the request of issue managers, sponsors, managers and/or underwriters; and**
 - iii. **describe the results of applying the procedures;**
 - b. **the comfort letter should state that:**
 - i. **the information has not been the subject of an audit or review engagement performed in accordance with Singapore Standards on Auditing or Singapore Standards on Review Engagements;**
 - ii. **reporting auditors make no representation regarding any matter of legal interpretation;**

- iii. **reporting auditors make no representation about the adequacy of the procedures followed for the purposes of the issue managers, sponsors, managers and/or underwriters;**
 - iv. **reporting auditors make no representations about the adequacy or completeness of the disclosure; and**
 - v. **the procedures would not necessarily disclose material misstatements or omissions or matters of significance with respect to the comments made; and**
 - c. **the comfort letter should avoid the use of terms of uncertain meaning (such as general review, limited review, reconcile, test or check) unless the procedures contemplated by these terms are described in the letter.**
30. When reporting auditors perform procedures with respect to specific items of financial or non-financial information in the investment circular, it is important that the comfort letter be worded so as to minimise the possibility of misinterpretation.
31. To avoid ambiguity, it is important that the specific information commented on in the comfort letter be identified by reference to specific captions, tables, page numbers, paragraphs, or sentences. This information may be presented in any one of several ways. Descriptions of the procedures followed and the results obtained may be stated individually for each item of specific information commented on. Alternatively, if the procedures and findings are adequately described, some or all of the descriptions may be grouped or summarised, as long as the applicability of the descriptions to items in the investment circular is clear and the descriptions do not imply that the reporting auditors assume responsibility for the adequacy of the procedures. It may also be appropriate to present a matrix, listing the information and procedures applied to the specific items. Reporting auditors may also choose to identify procedures performed using specific symbols, and identify items to which those procedures have been applied directly on a copy of the applicable pages of the investment circular, which are attached to the comfort letter.
- 32. Reporting auditors should report on financial information contained in the investment circular only when:**
- a. **it has been obtained from the issuer's historical financial information, financial statements or accounting records that are subject to the issuer's internal controls, policies and procedures;**
 - b. **it has been derived directly from such historical financial information, financial statements or accounting records by analysis or computation (for example, percentages or financial ratios); or**
 - c. **it has been the subject of a separate assurance engagement performed in accordance with Singapore Standards on Auditing, Singapore Standards on Review Engagements or Singapore Standards on Assurance Engagements.**
33. Reporting auditors can agree to report on a procedure such as comparing information contained in an investment circular to a schedule prepared by management, but only if the information in the schedule has been derived from accounting records subject to the issuer's internal controls, policies and procedures of which reporting auditors have knowledge. While responsibility for determining the appropriateness and sufficiency of the procedures required for the purposes of the issue managers, sponsors, managers and/or underwriters rests with them, reporting auditors have a professional responsibility not to be associated with information that they believe, or have reason to believe, is false or misleading.

34. Reporting auditors would generally not be in a position to comment on matters primarily involving the exercise of management's business judgment. For example, the causes of changes between periods in gross profit ratios or net income may not necessarily be within the reporting auditors' knowledge and expertise. It would be appropriate for reporting auditors to comment on management's explanation of such changes only if they have obtained the necessary information by performing a separate assurance engagement in accordance with Singapore Standards on Auditing, Singapore Standards on Review Engagements or Singapore Standards on Assurance Engagements.
35. Reporting auditors should not comment on the appropriateness of allocations made to derive segment information, since the reporting auditors' report would typically encompass that information. In some cases, reporting auditors may be requested to make a statement as to the acceptability of methods of analysis or allocation used in deriving figures not reported in the segment disclosures in the historical financial information. Whether reporting auditors may properly comment on the methodology applied will depend on the extent to which such allocation is made in, or can be derived directly by analysis or computation from, the issuer's accounting records. In any event, such comments, if made, should make clear that such allocations are to a substantial extent arbitrary, that the method of allocation used is not the only acceptable one, and that other acceptable methods of allocation might produce substantially different results.

Further Guidance Relating to Non-financial Information

36. **Reporting auditors should comment only on matters to which their professional competence is relevant.**
37. Reporting auditors may be asked to comment on a wide variety of non-financial information, ranging from information taken directly from the historical financial information to information which has no connection with the accounting records of the issuer.
38. Reporting auditors should not comment on information subject to legal interpretation, such as beneficial share ownership or contracts, or on matters such as engineering data or mineral reserves.
39. Any procedures reporting auditors agree to perform on non-financial information would be such as to add a measure of credibility to the information being commented on. Reporting auditors should not comment on matters merely because they happen to be present and are capable of reading, counting, measuring, or performing other functions that might be applicable. For reporting auditors to comment in the comfort letter on the performance of such mechanical functions on non-financial information can only add a degree of comfort which is unwarranted and may prove to be misleading.
40. Except as indicated in the next sentence, the reporting auditors should comment only with respect to information (a) that is expressed in dollars (or percentages derived from such dollar amounts) and that has been obtained from accounting records that are subject to the issuer's controls over financial reporting or (b) that has been derived directly from such accounting records by analysis or computation.
41. **Reporting auditors should comment on quantitative information other than financial information only when:**
 - a. **it has been obtained from accounting records that are subject to internal controls, policies and procedures of which reporting auditors have knowledge; or**
 - b. **it has been the subject of a separate assurance engagement performed in accordance with Singapore Standards on Assurance Engagements.**

Subsequent Changes

42. **For the change period, the reporting auditors' comments should be solely based on the limited procedures actually performed with respect to that period and that fact should be made clear in the comfort letter.**
43. Frequently, reporting auditors are requested to comment on subsequent changes in items in the historical financial information. These changes, which should be restricted to components reported in the historical financial information, may include, for example, changes in share capital, increases in long-term debt, or increases or decreases in other specified financial statement items during a period (the "change period") beginning subsequent to the date and period of the historical financial information, and ending at the cut-off date (being the date to which certain procedures described in the letter are to relate, for example a date three business days before the date of the letter). Reporting auditors may also be requested to address such matters as subsequent changes in the amount of net current assets or net assets, net sales, and the total and per-share amounts of both profit before taxation and net profit. The comments on subsequent changes should be limited to reporting changes in amounts, and should avoid addressing the reasons for such changes.
44. There may be internal financial statements such as management accounts available for one or more accounting periods following the date of the historical financial information. As a basis for commenting on subsequent changes, reporting auditors should read any such available internal financial statements (including comparative period amounts), and enquire of management as to whether such statements are prepared, in all material respects, on a basis consistent with that of the historical financial information reported on by the reporting auditors in the investment circular.
45. For both the period(s) covered by the available internal financial statements referred to in paragraph 44, and for the period between the date of the historical financial information and the cut-off date, the reporting auditors' procedures with respect to such changes should include reading minutes of meetings of shareholders, directors, and various committees and making inquiries of management relating to the whole of the change period.
46. Usually there will be a period immediately preceding the cut-off date for which complete accounting information is not yet available. Reporting auditors should consider whether it is appropriate to provide comfort with respect to changes, increases or decreases that may have occurred during this period. Frequently it would be possible for the officials consulted to explain the changes in some items (for example, long-term debt and share capital), but not others (for example, revenues and net income). It would be inappropriate for reporting auditors to give comfort if the officials consulted were unable to respond fully to inquiries about changes that may have occurred.
47. Usually a change in an accounting policy made during the change period should be disclosed in the historical financial information. If such disclosure is not made in the historical financial information, reporting auditors should describe the change in the comfort letter.
48. **In order that comments on subsequent changes be unambiguous and their determination be within the reporting auditors' expertise, reporting auditors should not refer to "adverse changes" or "material adverse changes", or make similar general statements about developments during the change period.**
49. Reporting auditors are sometimes asked to state in the comfort letter that there have been "no adverse changes" or "no material adverse changes", or to make similar general statements about developments during the change period. In order to avoid subjective determinations that are susceptible of misinterpretation, it is important that reporting auditors do not agree to provide such a comment in the comfort letter.

50. **When it has come to the reporting auditors' attention that a change, increase or decrease in a financial statement item on which the reporting auditors have been asked to comment has occurred during the change period, all such instances of increase or decrease in the requested items are to be stated in the comfort letter.**
51. **Alternatively, when agreed between the parties, if the change, increase or decrease, actual or contemplated, is disclosed in the investment circular, the phrase "except for changes, increases or decreases that the investment circular discloses have occurred or may occur" can be included in the letter. When using this alternative presentation, if the amount of the change, increase or decrease is not disclosed in the investment circular, reporting auditors should note the amount of such change, increase or decrease in the comfort letter.**
52. In the context of a comfort letter, an increase (or a decrease) occurs when the amount of a financial statement item at the cut-off date or for the change period (as if financial statements had been prepared at that date and for that period) is more (or less) than the amount of the same item at a specified earlier date or for a specified earlier period.
53. The change period for which reporting auditors provide comfort ends on the cut-off date and ordinarily begins, for balance sheet items, immediately after the date of the last balance sheet in the historical financial information and, for income statement items, immediately after the latest period for which such items are presented in the document.
54. The comparison relates to the entire period and not to portions of that period. For example, a decrease during one part of the period may be offset by an equal or larger increase in another part of the period; however, because there was no decrease for the period as a whole, the comfort letter should not report the decrease occurring during one part of the period.
55. The arrangement letter usually specifies the dates as of which, and periods for which, data at the cut-off date and data for the change period are to be compared. For balance sheet items, the comparison date is normally that of the latest balance sheet included in the historical financial information (that is, immediately prior to the beginning of the change period). For income statement items, the comparison period or periods should ordinarily be the corresponding period of the preceding year, but might be instead or might include in addition any period of corresponding length chosen by issue managers, sponsors, managers and/or underwriters.
56. Whether or not specified in the arrangement letter, the date and period used in comparison should be identified in the comfort letter in both draft and final form so that there is no misunderstanding about the matters being compared and so that issue managers, sponsors, managers and/or underwriters can determine whether the comparison date and period are suitable for their purposes.
57. **Reporting auditors should obtain written representations from management with respect to changes subsequent to the date of the historical financial information.**
58. An illustration of the representations from management is included in Appendix 4 to this Statement.

Due Diligence Meetings

59. As part of their due diligence investigation, issue managers, sponsors, managers and/or underwriters frequently request one or more meetings ("due diligence or verification meeting") with the issuer, reporting auditors, and legal counsel, at which the respective parties are requested to respond to specific questions raised by the issue managers, sponsors, managers and/or underwriters. A due diligence or verification meeting provides issue managers, sponsors, managers and/or underwriters with an opportunity to obtain information required to fulfil their responsibilities. The questions asked may relate to the business of the issuer, information contained in the investment circular, the nature of the engagement undertaken by the reporting auditors, financial reporting, corporate governance, and other matters of interest to the issue

managers, sponsors, managers and/or underwriters.

- 60. Before attending a due diligence or verification meeting with issue managers, sponsors, managers and/or underwriters, reporting auditors should establish an understanding and agreement with the issuer's management and issue managers, sponsors, managers and/or underwriters as to the terms of the engagement. The terms of the engagement should be recorded in writing.**
61. Matters to be agreed on might include management's consent to the reporting auditors' participation, management's undertaking to be represented in the due diligence or verification meeting, and a waiver of normal confidentiality requirements, clearly specifying any limits on the reporting auditors' freedom to speak openly to the issue managers, sponsors, managers and/or underwriters. For example, it should be established whether or not reporting auditors are free to discuss any management letters or internal control letters issued previously.
62. Reporting auditors should normally request, and issue managers, sponsors, managers and/or underwriters may agree to provide in advance of the meeting, a list of the questions addressed to reporting auditors. Reporting auditors may wish to meet with the issuer's management to discuss the intended responses.
- 63. In a due diligence or verification meeting, the reporting auditors' comments should be confined to matters properly relating to the engagement, including but not limited to:**
- a. the nature and duration of the engagement as reporting auditors;**
 - b. the reporting auditors' professional standing and experience;**
 - c. the scope of the reporting engagements and other professional work in connection with the investment circular;**
 - d. the reporting auditors' report and other published reports issued by reporting auditors;**
 - e. the reporting auditors' relationship with the issuer's management, directors and audit committee or equivalent;**
 - f. the reporting auditors' ability to deliver reports, consents, comfort letters and any other letters or reports in connection with the investment circular; and**
 - g. new developments in accounting, or pending accounting changes which have had or may have in future an effect on the issuer's financial statements.**
64. Reporting auditors should confine comments in the meeting to matters properly relating to the engagement as reporting auditors and to work undertaken in connection with the investment circular. It is essential that comments be restricted to those that reporting auditors should be prepared to put in writing, and such a communication could be made only if it met the requirements in this Statement. Reporting auditors should not comment on matters primarily involving discussion and analysis of the results of operations and financial position of the issuer, unless this is the subject of a separate assurance engagement performed by the reporting auditors. Reporting auditors should generally decline to answer questions such as questions about the aggressiveness of the issuer's accounting policies or income tax practice, or questions as to the adequacy of the issuer's insurance coverage (except in relation to the fairness of presentation of the historical financial information), or questions on forward-looking statements or on a business plan. Any questions on such matters are properly addressed to the issuer's management, and should be responded to by management.
65. Further guidance as to the manner in which reporting auditors might respond to requests in a due diligence or verification meeting is provided in Appendix 5 to this Statement.

Cross-Border and International Offerings

66. When all or part of a securities offering for equity or debt is made overseas, reporting auditors may be requested to perform procedures and provide a separate comfort letter for the purposes of such offerings. In circumstances where there are no relevant standards governing the provision of a comfort letter in the overseas jurisdiction in which the offer is being made, reporting auditors may refer to this Statement in establishing the scope of work to be performed and the form and content of the comfort letter to the issue managers, sponsors, managers and/or underwriters (or persons fulfilling a similar role to issue managers, sponsors, managers and/or underwriters in the relevant jurisdiction). A commonly encountered example of this is in the case of an international offering in conjunction with a Singapore public offering. In addition to providing a comfort letter under this Statement for the purposes of the Singapore public offering, the reporting auditors are typically requested to provide a separate comfort letter in respect of certain portions of the international offering. In such circumstances, with no requirement to follow any relevant jurisdictional standards, the reporting auditors may refer to this Statement for the purposes of their comfort letter and due diligence or verification meetings in relation to the relevant international tranche¹ (excluding any tranche to be offered in the United States, which will typically be covered by a comfort letter in the style of U.S. Auditing Standard AU 634²); thereby aligning standards for both the Singapore and relevant international portions of the offering.³

Effective Date

67. This Statement is effective for engagements where the engagement letter for the appointment as reporting auditors is dated on or after 1 September 2016. Earlier application is permitted.

¹ For example, to be offered in reliance on Regulation S under the U.S. Securities Act of 1933, as amended.

² For example, to be offered in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended.

³ In the context of paragraph 66, it is noted that comfort letters issued in connection with U.S. S.E.C. registered offerings of securities are normally issued following the guidance in U.S. Auditing Standard AU 634.

Example Arrangement Letter Relating to the Issuance of a Comfort Letter and Taking Part in Due Diligence or Verification Meetings

This arrangement letter has been developed in consultation with stakeholders. The contents of the arrangement letter will vary according to the nature of the information in the investment circular, and the procedures agreed between reporting auditors; issue managers, sponsors, managers and/or underwriters; and the issuer.

The examples below refer to an “arrangement letter” which is the terminology more commonly adopted to describe an engagement letter issued in respect to a comfort letter and the taking part in due diligence or verification meetings. They do not cover terms and conditions that relate to the issuer and reporting auditors only in connection with the engagement, (for example fee arrangements) which would typically be covered by a separate engagement letter between the issuer and the reporting auditors.

Reporting auditors would seek their own advice as to the form of contract they wish to adopt, for example, if reporting auditors wish to include statements in the arrangement letter:

- a. limiting their liability in respect of the engagement at the amount of the agreed fee for the engagement multiplied by (number) (X), for example; or*
- b. dealing with their own responsibility in the event that material information is withheld, concealed, or misrepresented.*

As further explained in paragraph 66 of this Statement, where there is also an international offering not covered by relevant jurisdictional standards, reporting auditors shall refer to the requirements of AGS 11. In practice for such cases, separate comfort letters will often be issued for the international and Singapore public offerings (due to, for example, different cut-off dates being applied for each). Separate arrangement letters may also be prepared, or alternatively, where for example the same addressees are applicable for both offerings, a combined letter covering both offerings may be issued. The example arrangement letters below illustrate the following situations: Example 1: a Public Offering in Singapore/an International Offering in reliance on Regulation S (“Regulation S”), and Example 2 illustrates a letter with respect to a Debt Offering in reliance on Regulation S.

Example 1 – Public Offering in Singapore/International Offering in reliance on Regulation S

(letterhead of reporting auditors)

[Date]

To: The Directors, XYZ Limited

[Issue Managers Limited/Sponsors Limited/Lead Manager Limited]

[Other Named Addressees and each of the Singapore/other international underwriters as defined in the Singapore/International Underwriting Agreement dated [•] (the "Singapore Underwriters"/"International Underwriters") that is an Addressee (as defined in Paragraph 3 below)⁴]

Dear Sirs,

Comfort Letter and Other Assistance Relating to the [Proposed Listing of XYZ Limited/Proposed International Offering of the Ordinary Shares of XYZ Limited] (the "Issuer") [on the [Main Board/Catalist] of The Singapore Exchange Limited (the "Singapore Exchange")/in reliance on Regulation S under the U.S Securities Act of 1933, as amended (the "Securities Act")]

Introduction

1. This arrangement letter sets out the scope and limitations of the work to be performed by us, being the reporting auditors of the Issuer, in connection with the issuance of a comfort letter in respect of the above transaction, namely the proposed [issue in Singapore of [•]/international offering outside of the United States of America in reliance on Regulation S under the Securities Act (the "Regulation S Offering") of [•]] (the "Issue") which will involve the preparation by the Issuer, and for which the Issuer will be solely responsible, [of a prospectus in accordance with the [Securities and Futures Act (Chapter 289) and the listing rules of the Singapore Exchange (the "SGX")] (the "Prospectus")/of an offering memorandum, that may be delivered to investors and utilised by them as a basis for their investment decisions (the "Offering Memorandum")]. This arrangement letter is written in the context of the respective roles of the directors of the Issuer, [Issue Managers Limited (the "Issue Manager")/Sponsors Limited (the "Sponsor")/Lead Manager Limited (the "Lead Manager")] and the other Addressees (as defined below) and ourselves, in relation to the Issue. This arrangement letter does not apply to, and shall have no effect on, the rights and obligations of the Issuer, the Addressees or us in relation to the proposed [international offering proposed to be conducted (the "International Offering")] simultaneously with the Issue in Singapore, including any offering in the United States or elsewhere in the world or in connection with any actual or potential proceedings or disputes under U.S. federal or state securities laws relating to the International Offering/public offering in Singapore, or any offering in the United States proposed to be conducted simultaneously with the Regulation S Offering].

⁴ Named addressees of the arrangement letter and the comfort letter might include the sponsors, global coordinators, bookrunners, lead managers or other managing underwriters. These parties typically enter into the arrangement letter on behalf of the other underwriters of the Singapore public/Regulation S offering. It should not be necessary to name such other underwriters in the arrangement letter, since the prospectus/offering memorandum and the Singapore/international underwriting agreement will clearly identify them. In certain circumstances, it may be appropriate to address a comfort letter to other parties, in which case such parties would also be appropriate parties to the arrangement letter. Typically, the sponsors and the lead and/or managing underwriters (however named in the underwriting agreement), would be the named addressees of the comfort letter.

2. The services we will provide in connection with the Issue (the “Services”) will comprise:
 - provision of a comfort letter and where applicable, additional or updated comfort letter(s) (addressed to the directors of the Issuer and the Addressees) in connection with the [Prospectus/Offering Memorandum] (the “Comfort Letter”) [on the date of registration of the investment circular with the Monetary Authority of Singapore (the “MAS”), the pricing, closing and over-allotment option closing dates of the proposed issue in connection with the investment circular], and
 - having meetings and discussions with the Addressees and their professional advisers and responding orally or otherwise to questions raised by them in connection with their due diligence regarding the Issue and the [Prospectus/Offering Memorandum] (the “Other Assistance”).

Addressees

3. This arrangement letter is addressed to [the Issue Manager(s), the Sponsor(s), the Global Coordinator(s) and the Lead Manager(s)] (the “Named Addressees”), and to each of the [Singapore/other International] Underwriters (as defined in the Prospectus/Offering Memorandum) which has agreed (or after the date of this arrangement letter agrees) to participate in the Issue and which has, or prior to the issue of the Comfort Letter will have agreed to be bound by the terms of this arrangement letter, either by having validly authorised one or more of the signatories of this arrangement letter to enter into this arrangement letter on its behalf or validly ratified the entry into this arrangement letter on its behalf. The addressees of this arrangement letter (other than the Issuer) are collectively referred to herein as the “Addressees”. By signing and accepting the terms of this arrangement letter, each Named Addressee confirms that it will use reasonable endeavours to obtain prima facie authority from each of the [Singapore/other International] Underwriters authorising it to enter into this arrangement letter on the relevant underwriter’s behalf. However, no Named Addressee makes any representation as to whether such prima facie authority actually confers the necessary authority.

Comfort Letter

4. The Comfort Letter and the Other Assistance will be provided to the Issuer for its information only, and to the Addressees solely in the context of the due diligence procedures being undertaken or procured to be undertaken by the Addressees in connection with the offering or sale of the securities [in Singapore pursuant to the Prospectus/outside of the United States under Regulation S pursuant to the Offering Memorandum], for the purpose of establishing or seeking to establish any defence in such context (“Due Diligence Defence”) that the Addressees may wish to advance in any actual or potential court or arbitration proceedings, any investigation, hearing or other proceedings by any regulatory body, or any claim or dispute in respect of the [Prospectus/Offering Memorandum] or otherwise in connection with the Issue. Accordingly, the Comfort Letter will be addressed to the Addressees for that purpose and neither the Comfort Letter nor the Other Assistance may be relied on by the Addressees for any other purpose. The Addressees are requesting the Comfort Letter in connection with the Issue as one of a number of procedures that the Addressees may use to establish the investigation that they have conducted.
5. Each Named Addressee confirms that it is aware of the due diligence [guidance included in the [Securities and Futures Act (Chapter 289), the listing rules of SGX, the ABS Debt Capital Market Practice Guidelines and/or the ABS IPO Due Diligence Guidelines]/obligations in connection with the Issue for which the guidance [issued by [name of framework/organization, e.g., the International Capital Market Association]] will be followed], and that in connection with the Issue, a due diligence investigation is being conducted for the purposes of complying with such [guidance/obligations].
6. For the avoidance of doubt and subject to the limitations or exclusions which are contained in or referred to in Paragraphs 7, 8, 24 and 29 of this arrangement letter, nothing in this arrangement letter shall preclude any Addressee from obtaining compensation from us in respect of any liability that it may incur to an investor arising out of the Issue or the contents of the [Prospectus/Offering Memorandum] to the extent that such liability arises because the

work undertaken pursuant to this arrangement letter or the Comfort Letter was undertaken negligently, in bad faith or as a result of our fraud or wilful default, it being understood that the foregoing is without prejudice to any defence of contributory negligence that may be available to us.

7. The Comfort Letter issued pursuant to this arrangement letter will be provided in accordance with Singapore Standards on Related Services and/or Singapore Standards on Assurance Engagements and Audit Guidance Statement 11 "Comfort Letters and Due Diligence Meetings" issued by the Institute of Singapore Chartered Accountants ("ISCA") and will not have been provided in accordance with any other professional standards, including but not limited to those of the American Institute of Certified Public Accountants. [Accordingly, the Comfort Letter should not be relied upon in connection with any obligations or responsibilities that the Addressees may have under any legislation, regulations and/or rule of law other than those of Singapore and, in the event of any such use in any jurisdiction other than Singapore, we accept no responsibility in this regard.]
8. Our work and findings shall not in any way constitute advice or recommendations (and we accept no liability in relation to any advice or recommendations) regarding any commercial decisions associated with the Issue, including, in particular, but without limitation, any which may be taken by any Addressee (or any person connected to any Addressee) in the capacity of investor or in providing investment advice to their clients.
9. The Comfort Letter will be provided solely for the Addressees' private information and should not be used for any purpose other than as set out in Paragraph 4. The Comfort Letter may not be referred to in any other document (except that references may be made to its existence in (i) contracts among any of the Issuer, the Addressees and ourselves and (ii) any communications in relation to the Issue among any of the Issuer, the Addressees, [the underwriters of the International Offering and ourselves/the Issue Managers, Sponsors of the Singapore Public Offering, the International Underwriters and ourselves]), nor made available to any other party (except that copies may be included in bibles of transaction documents memorialising the Issue).
10. Nothing in Paragraphs 4, 7 or 9 shall prevent the Addressees from disclosing this arrangement letter and the Comfort Letter to the Addressees' professional advisers or as may be required by law, regulation or court order or the rules or requirements of a regulatory body or stock exchange whose requirements the Addressees are complying with, and/or referring to and/or producing the Comfort Letter for any of the purposes set out in Paragraph 4. Except as permitted in the immediately preceding sentence, the Addressees shall first obtain our prior written consent for disclosure of the Comfort Letter to third parties.
11. Other than to those who have, or before the Comfort Letter is issued shall have, validly accepted this arrangement letter, we will not accept any responsibility to any party to whom the Comfort Letter is shown or into whose hands it may come.

Work and Procedures

12. Our work will be conducted in accordance with Singapore Standards on Related Services and Singapore Standards on Assurance Engagements issued by ISCA. Specifically, our work will enable us to report factual findings in relation to selected financial information and subsequent changes to historical financial information included in the [Prospectus/Offering Memorandum]. In other jurisdictions, standards and practices relevant to reporting auditors may be different and may not provide for reporting in the manner contemplated herein. Accordingly, the Comfort Letter should not be relied on as if it had been provided in accordance with the standards and practice of any professional body in any other jurisdiction.
13. Except as specifically stated in our comfort letter we have not performed an audit or review in respect of any financial information relating to the Issuer for any period subsequent to [date of last reported balance sheet] in accordance with Singapore Standards on Auditing ("SSAs") or Singapore Standards on Review Engagements ("SSREs") issued by ISCA. The procedures we will use to perform the work set out in this arrangement letter including those in relation to subsequent changes will not constitute an audit or review made in accordance with SSAs or SSREs issued by ISCA. Furthermore, they will not necessarily reveal matters of significance with respect to any material misstatement of the information referred to below.

14. We will only carry out those procedures expressly provided for in the Comfort Letter. Accordingly, we make no representations as to the sufficiency for the Addressees' purposes of the procedures provided for in the Comfort Letter and, therefore, our responsibility shall be limited to performing the work agreed upon in this arrangement letter and/or recorded in the Comfort Letter with due skill, care and attention. If we were to perform additional procedures or if we were to conduct an audit or review on the financial information of the Issuer in accordance with SSAs or SSREs issued by ISCA, other matters might be reported to the Addressees in the Comfort Letter. The procedures to be performed by us in connection with the Comfort Letter should not be taken to supplant additional inquiries or procedures that may be appropriate in the performance of the Addressees' role under the proposed Issue.
15. In relation to the contents of the [Prospectus/Offering Memorandum], we will address ourselves solely to such financial and other information in the [Prospectus/Offering Memorandum] as is identified in the Comfort Letter and we will make no representations as to the adequacy of disclosure in the [Prospectus/Offering Memorandum] or as to whether any material facts have been omitted by the Issuer. Further, we make no representations regarding any questions of legal interpretation.
16. The procedures that we plan to conduct have been determined by the Named Addressees and agreed by the parties to this arrangement letter, and will be recorded in the Comfort Letter. In carrying out our work pursuant to this arrangement letter, we will rely on the accuracy and completeness of certain information and explanations provided to us during the course of our work and will further request the directors of the Issuer to provide us with written representations concerning the accuracy and completeness of certain information and explanations provided to us for the purpose of our work. The Addressees will therefore understand that the procedures to be carried out by us are not designed to, and are not likely to, reveal fraud, withholding, concealment or misrepresentation by the management of the Issuer or its subsidiaries (the Issuer and its subsidiaries are collectively referred to herein as "the Group"). Notwithstanding the preceding three sentences, if in carrying out the procedures agreed under this arrangement letter, and solely as a result of information provided to us which we are required to consider or do consider, we conclude that there has been fraud, withholding, concealment or misrepresentation (or otherwise we conclude that any such information contains an inconsistency which clearly indicates that there may have been such a fraud, withholding, concealment or misrepresentation), we will (and are hereby authorised by the Issuer to), as soon as practicable, notify the Issuer and the Named Addressees of this and discuss with them whether further procedures can be designed to seek to resolve the matter. Where such procedures are agreed between us, we will carry them out and amend the Comfort Letter accordingly.
17. Any opinions expressed on financial information outside the context of this arrangement letter were or are expressed solely in the context of the specific terms and conditions governing their preparation. In particular, the terms of this arrangement letter and any action pursuant to it shall be additional to and shall not detract from or change in any way any legal rights which any party to this arrangement letter may otherwise have acquired, whether in contract or in tort, in connection with our reporting on the historical financial information of the Issuer.
18. Save as may be expressly recorded in the Comfort Letter, we do not accept any responsibility for any other reports or letters beyond any responsibility that we owed to those to whom our reports or letters were addressed at the date of their issue.

Contents of the Comfort Letter

19. We will prepare and expect to issue the Comfort Letter addressed to the Issuer and the Addressees on the basis described above. Based upon our present understanding of the Addressees' requirements, we expect to be able to provide the Addressees with the Comfort Letter substantially in the form contained in the Appendix to this arrangement letter, setting out the procedures that we expect to carry out prior to issuing the Comfort Letter.⁵ Execution of this arrangement letter by the Named Addressees will constitute the Addressees' agreement to the scope and extent of such procedures.

⁵ Where a draft comfort letter is not appended, briefly explain the procedures to be performed.

20. We would be grateful if the Named Addressees would review the draft comfort letter that we expect to be able to provide the Addressees with and let us have any amendments the Named Addressees propose to the procedures as soon as possible, so that we can provide the Named Addressees with a revised draft for further consideration and approval.
21. Once an advanced draft of the [Prospectus/Offering Memorandum] is available and the Named Addressees have identified, and we have agreed, the detailed financial information whose extraction or calculation the Named Addressees require to be covered in the Comfort Letter, we will provide the Named Addressees with a further revised draft of the Comfort Letter for approval of its scope prior to finalisation. [We would expect to provide such a draft shortly before the draft Prospectus is first submitted to the Singapore Exchange.]
22. For the avoidance of doubt, we will not comment on, or otherwise give comfort in relation to, the Issuer's prospects or trading position or, save as expressly stated in the Comfort Letter, comment on or provide any opinion or other conclusion as to the current overall financial position of the Issuer.⁶

Drafts

23. During the course of the arrangement we may show drafts of, or report orally on, the Comfort Letter to the Named Addressees. In so far as any such draft or oral report is inconsistent with the subsequent final Comfort Letter, it will be deemed to be superseded by such final Comfort Letter.

Meetings

24. It will be necessary for us to receive copies of the draft [Prospectus/Offering Memorandum] as it is produced and it may be necessary for us to attend meetings (including, but not limited to, meetings with the Issuer and its directors and/or employees and the Addressees and their employees, advisers or agents) at which the [Prospectus/Offering Memorandum] is discussed and drafted or at which other related matters are discussed. We shall answer queries raised at such meetings on an informal basis but the Addressees should neither act nor refrain from acting on the basis of such informal answers unless and until they are confirmed in writing by us, whether in the final Comfort Letter or otherwise. In the absence of such written confirmation we shall have no liability to the Addressees in contract or in tort (including negligence) for our answers other than for an oral statement finally determined to have resulted from fraud or willful misconduct by the reporting auditors.⁷ Subject to the above, nothing in this paragraph shall prejudice the Addressees' ability to rely on a non-recourse basis (meaning without any liability on our part except for oral statements finally determined to have resulted from fraud or willful misconduct by the reporting auditors) on any comments we may provide orally, either in the context of establishing or seeking to establish any Due Diligence Defence in connection with any court, arbitral, regulatory or administrative proceedings or otherwise for the purposes of resolving either actual or potential proceedings, investigations, claims or disputes in respect of the [Prospectus/Offering Memorandum] or otherwise in connection with the Issue.
25. Unless otherwise specifically agreed between the Issuer, the Named Addressees and us, we are authorised by the Issuer to speak to the Addressees and other professional advisers advising on the proposed Issue. In connection with our work pursuant to this arrangement letter, we may release to the Addressees and such other professional advisers any information relating to the Issuer or the Issue, whether confidential or not, and whether obtained during the course of our work or otherwise, and shall not be liable to the Issuer for any use subsequently made of that information. Our partners and staff working on this arrangement shall not be required, expected or deemed to have knowledge of any information known to other partners or staff of our firm but which is not known to those on this arrangement. In addition we shall not be required to make use of or disclose to the Addressees any information which is confidential to another client of our firm.

⁶ If specific procedures and appropriate terms (e.g. as to timing) are agreed between all parties, the reporting auditors may undertake additional work in accordance with AGS 11.

⁷ If specific matters are discussed which the Addressees wish to be able to rely upon in accordance with this arrangement letter, the Issuer and the Named Addressees should arrange for them to be confirmed in writing by reporting auditors. If the reporting auditors are willing to confirm such matters in writing, further work and an extension of the terms of the arrangement are likely to be required.

Timetable

26. Our work will depend upon receiving without undue delay full co-operation from all relevant officials of the Issuer and the Group and their disclosure to us of all accounting records of the Group and all other records and related information (including certain representations) as well as underwriting agreements we may need for the purposes of our work. We will endeavour to carry out our work in accordance with a timetable to be agreed between all parties that will satisfy the requirements of the Issue. We intend to provide the Issuer and the Addressees with [(1) the Comfort Letter dated the date of registration of the Prospectus with the MAS, (2) an additional or updating Comfort Letter on the dates of pricing, closing of the issue, over-allotment option closing and such other date(s) as agreed with you/(1) the Comfort Letter dated the date of the Offering Memorandum relating to the Issue, (2) an additional or updating Comfort Letter on and dated the date of the closing of the Issue (to be delivered at closing of the Issue) and (3) where appropriate, an additional or updating Comfort Letter on and dated the over-allotment option closing date].⁸ In connection with the delivery of any new or updating Comfort Letter, we will bring down our work to an agreed cut-off date. We will discuss with the Named Addressees any difficulties we encounter with this arrangement or with meeting the timetable as soon as any problems arise.

Applicable Law and Jurisdiction

27. This arrangement letter and any comfort letter together with any matters (including claims, disputes or differences) arising from them, whether as a breach of contract, tort (including negligence) or otherwise shall be governed by, and construed in accordance with, Singapore law. The Courts of Singapore shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning the arrangement letter or any comfort letter and any matter arising from them whether as a result of breach of contract, tort (including negligence) or otherwise. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

Fees and Certain Other Matters

28. Details of our fees and proposed billing arrangements have been set out in a separate agreement with the Issuer, who will bear the sole responsibility for the payment thereof. Such agreement also sets out certain other matters in relation to the respective rights and responsibilities of the Issuer and us in connection with the services to be performed by us in connection with the issuance of the Comfort Letter.

Other Terms and Conditions

29. In no circumstances shall we be liable, other than in the event of our fraud, bad faith or wilful default, for any loss or damage, of whatsoever nature, arising from information material to our work being withheld or concealed from us or misrepresented to us by the directors, employees, or agents of the Issuer or any other person of whom we may make inquiries unless, if in carrying out the procedures agreed under this arrangement letter, and solely as a result of information provided to us which we are required to consider or do consider, we conclude that there has been fraud, withholding, concealment or misrepresentation (or otherwise we conclude that any such information contains an inconsistency which clearly indicates that there may have been such a fraud, withholding, concealment or misrepresentation), and we fail to notify the Issuer and the Named Addressees of such conclusion.
30. In the course of providing the Services we, [Auditors] Singapore, may, at our discretion, draw on the resource of other entities (whether or not incorporated) which carry on business under a name which includes all or part of the [Auditors] name or is otherwise within (or associated or connected with an entity) or is a correspondent firm of the worldwide network of [Auditors] ("other [Auditors] Firms") and their partners and employees as we deem appropriate, but provision of the Services will remain our responsibility alone.

⁸ In exceptional circumstances, it may also be appropriate to bring down the Comfort Letter to another date. Such arrangements should be discussed on a case-by-case basis.

31. The Addressees agree that the Addressees will not bring any claim (whether in contract, tort (including negligence) or otherwise) against any other [Auditors] Firm or its personnel in respect of the Services. Any partner or employee of any other [Auditors] Firm who deals with the Addressees in connection with the Services does so solely on our behalf and we are liable for their activities as if they were in all respects our partners or staff.
32. The Addressees will not bring any claim (whether in contract, tort (including negligence) or otherwise) arising out of or in connection with the Services against any of our employees personally, but this will not limit or exclude any liability we may have for their acts or omissions.
33. The provisions of paragraphs 30 to 32 of this arrangement letter have been stipulated expressly for the benefit of our employees, and other [Auditors] Firms and their partners and employees (together "Beneficiaries"). The Addressees agree that, each of the Beneficiaries has the right to rely on paragraphs 30 to 33 of this arrangement letter as if they were parties to this arrangement letter. Each of the other [Auditors] Firms which agrees to assist in the provision of the Services does so in reliance on the protections afforded to it by paragraphs 30 to 33 of this arrangement letter, the benefit of which we formally accept on its behalf.

Prohibition on Assignment

34. No party may assign any of its rights in relation to this arrangement letter without the prior written consent of the others against whom the rights may be asserted, save that any Addressee and we may assign any of such rights, or such rights may pass by operation of law, to any successor to all or part of its business without such consent, provided that notice is given to the other signatories to this arrangement letter prior to any step being taken to enforce any rights hereunder.
35. Other than as set out in paragraph 33 above, this arrangement letter shall not create or give rise to, nor shall it be intended to create or give rise to, any third party rights and no third party shall have any right to enforce or rely on any provision of this arrangement letter. For the avoidance of doubt, the Addressees are not regarded as third parties.

Termination

36. Any party to this arrangement letter may at any time terminate this arrangement letter for whatever reason upon written notice to the other parties. In the case of termination by us, notice to the Issuer and the Named Addressees shall be sufficient notice.
37. Termination of this arrangement letter shall be without prejudice to any accrued rights of the parties to this arrangement letter. The provisions of this arrangement letter which expressly or by implication are intended to survive its termination or expiry will survive and continue to bind each party to this arrangement letter.

Internet communication

38. In connection with the Services the parties to this arrangement letter may from time to time communicate with each other electronically. However, the electronic transmission of information cannot be guaranteed to be secure or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. Accordingly each party to this arrangement letter accepts the limitations of electronic communication, and will use reasonable procedures to check for the then most commonly known viruses before sending information electronically.

Miscellaneous

39. Other than as set out in paragraph 28 above, this arrangement letter and the Appendix to it constitute the entire agreement for the provision of the Services between us to the exclusion of any other express or implied terms, whether expressed orally or in writing, including any conditions, warranties and representations and shall supersede all previous proposals, understandings, contracts, letters of engagement, undertakings, agreements and correspondence regarding the Services. Save as provided in this arrangement letter, no change in the terms of our arrangement with respect to the Services will be effective unless agreed in writing and signed by all parties to this arrangement letter.
40. This arrangement letter may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed and delivered at least one counterpart. Each counterpart shall constitute an original of this arrangement letter, but all the counterparts shall together constitute one and the same instrument.
41. If any term or terms of this arrangement letter shall be held to be invalid, illegal or unenforceable, such term or terms shall be deemed not to form part of this arrangement letter without prejudice to the enforceability of the remaining terms of this arrangement letter, provided always that if any such deletion substantially affects or alters the commercial basis of this arrangement letter, the parties to this arrangement letter will negotiate in good faith to amend and modify them as may be necessary or desirable in the circumstances.
42. Please acknowledge acceptance of the terms of our arrangement by signing and returning the enclosed copy of this arrangement letter.
43. If the Issuer or the Addressees have any questions regarding this arrangement letter please do not hesitate to contact us.

Yours faithfully,

ABC & Co.
Public Accountants and
Chartered Accountants
Singapore
Date

Acknowledgement and Acceptance

We acknowledge receipt of this arrangement letter and agree with the terms of your arrangement set out therein:

—

Director
for and on behalf of
the board of XYZ Limited

—

Director
for and on behalf of
[Issue Managers Limited/Sponsors Limited/Lead
Manager Limited]/ [Named Addressee]
(on its own behalf and [on behalf of/as
representative of] each of the
[Singapore/other International] Underwriters)

Example 2 – Debt Offering in reliance on Regulation S

(letterhead of Independent reporting auditors)

[Date]

To: The Directors, XYZ Limited

Lead Manager Limited

[Other Named Addressees and each of the other joint lead managers as defined in the Subscription Agreement dated [•] (the "Joint Lead Managers") that is an Addressee (as defined in Paragraph 3 below)⁹

Dear Sirs,

Comfort Letter and Other Assistance Relating to the Proposed Offering of [x] (the "Notes") of XYZ Limited (the "Issuer") in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act")

Introduction

1. This arrangement letter sets out the scope and limitations of the work to be performed by us, in connection with the issuance of a comfort letter in respect of the above transaction, namely the proposed international offering outside of the United States of America in reliance on Regulation S under the Securities Act (the "Regulation S Offering") of the Notes (the "Issue") which will involve the preparation by the Issuer, and for which the Issuer will be solely responsible, of an offering circular, [in accordance with the Listing Rules of [relevant] Stock Exchange or other Listing Authority] (the "Offering Circular"). This arrangement letter is written in the context of the respective roles of the directors of the Issuer, Lead Manager Limited (the "Lead Manager") and the other Addressees (as defined below) and ourselves, in relation to the Issue. This arrangement letter does not apply to, and shall have no effect on, the rights and obligations of the Issuer, the Addressees or us in relation to any offering in the United States not otherwise pursuant to the Regulation S Offering.
2. The services we will provide in connection with the Issue (the "Services") will comprise:
 - provision of a comfort letter and where applicable, additional or updated comfort letter(s) (addressed to the directors of the Issuer and the Addressees) in connection with the Offering Circular (the "Comfort Letter"), and
 - having meetings and discussions with the Addressees and their professional advisers and responding orally or otherwise to questions raised by them in connection with their due diligence regarding the Issue and the Offering Circular (the "Other Assistance").

Addressees

3. This arrangement letter is addressed to [the Global Coordinator(s) and the Lead Manager(s)] (the "Named Addressees"), and to each of the other Joint Lead Managers (as defined in the Offering Circular) which has agreed (or after the date of this arrangement letter agrees) to participate in the Issue and which has, or prior to the issue of the Comfort Letter will

⁹ Named addressees of the arrangement letter and the comfort letter might include the global coordinators, bookrunners, lead managers or other underwriters. These parties typically enter into the arrangement letter on behalf of the other underwriters of the Regulation S offering. It should not be necessary to name such other underwriters in the arrangement letter, since the offering circular and the subscription agreement will clearly identify them. In certain circumstances, it may be appropriate to address a comfort letter to other parties, in which case such parties would also be appropriate parties to the arrangement letter. Typically, the lead and/or other underwriters (however named in the subscription agreement), would be the named addressees of the comfort letter.

have agreed to be bound by the terms of this arrangement letter, either by having validly authorised one or more of the signatories of this arrangement letter to enter into this arrangement letter on its behalf or validly ratified the entry into this arrangement letter on its behalf. The addressees of this arrangement letter (other than the Issuer) are collectively referred to herein as the "Addressees". By signing and accepting the terms of this arrangement letter, each Named Addressee confirms that it will use reasonable endeavours to obtain prima facie authority from each of the other Joint Lead Managers authorising it to enter into this arrangement letter as representative of the relevant underwriter. However, no Named Addressee makes any representation as to whether such prima facie authority actually confers the necessary authority.

Comfort Letter

4. The Comfort Letter and the Other Assistance will be provided to the Issuer for its information only, and to the Addressees solely in the context of the due diligence procedures being undertaken or procured to be undertaken by the Addressees in connection with the offering or sale of the securities outside of the United States under Regulation S pursuant to the Offering Circular, for the purpose of establishing or seeking to establish any defence in such context ("Due Diligence Defence") that the Addressees may wish to advance in any actual or potential court or arbitration proceedings, any investigation, hearing or other proceedings by any regulatory body, or any claim or dispute in respect of the Offering Circular or otherwise in connection with the Issue. Accordingly, the Comfort Letter will be addressed to the Addressees for that purpose and neither the Comfort Letter nor the Other Assistance may be relied on by the Addressees for any other purpose. The Addressees are requesting the Comfort Letter in connection with the Issue as one of a number of procedures that the Addressees may use to establish the investigation that they have conducted.
5. Each Named Addressee confirms that it is aware of guidance related to due diligence issued by *the International Capital Market Association*, which will be followed.
6. For the avoidance of doubt and subject to the limitations or exclusions which are contained in or referred to in Paragraphs 7, 8, 24 and 29 of this arrangement letter, nothing in this arrangement letter shall preclude any Addressee from obtaining compensation from us in respect of any liability that it may incur to an investor arising out of the Issue or the contents of the Offering Circular to the extent that such liability arises because the work undertaken pursuant to this arrangement letter or the Comfort Letter was undertaken negligently, in bad faith or as a result of our fraud or wilful default, it being understood that the foregoing is without prejudice to any defence of contributory negligence that may be available to us.
7. The Comfort Letter issued pursuant to this arrangement letter will be provided in accordance with Singapore Standards on Related Services and Singapore Standards on Assurance Engagements issued by the Institute of Singapore Chartered Accountants ("ISCA") and will not have been provided in accordance with any other professional standards, including but not limited to those of the American Institute of Certified Public Accountants.
8. Our work and findings shall not in any way constitute advice or recommendations (and we accept no liability in relation to any advice or recommendations) regarding any commercial decisions associated with the Issue, including, in particular, but without limitation, any which may be taken by any Addressee (or any person connected to any Addressee) in the capacity of investor or in providing investment advice to their clients.
9. The Comfort Letter will be provided solely for the Addressees' private information and should not be used for any purpose other than as set out in Paragraph 4. The Comfort Letter may not be referred to in any other document (except that references may be made to its existence in (i) contracts among any of the Issuer, the Addressees and ourselves and (ii) any communications in relation to the Issue among any of the Issuer, the Addressees, the Joint Lead Managers and ourselves), nor made available to any other party (except that copies may be included in bibles of transaction documents memorialising the Issue).
10. Nothing in Paragraphs 4, 7 or 9 shall prevent the Addressees from disclosing this arrangement letter and the Comfort Letter to the Addressees' professional advisers or as may be required by law, regulation or court order or the rules or requirements of a regulatory body or stock exchange whose requirements the Addressees are complying with, and/or referring to and/or producing

the Comfort Letter for any of the purposes set out in Paragraph 4. Except as permitted in the immediately preceding sentence, the Addressees shall first obtain our prior written consent for disclosure of the Comfort Letter to third parties.

11. Other than to those who have, or before the Comfort Letter is issued shall have, validly accepted this arrangement letter, we will not accept any responsibility to any party to whom the Comfort Letter is shown or into whose hands it may come.

Work and Procedures

12. Our work will be conducted in accordance with Singapore Standards on Related Services and/or Singapore Standards on Assurance Engagements and Audit Guidance Statement 11 "Comfort Letters and Due Diligence Meetings" issued by ISCA. Specifically, our work will enable us to report factual findings in relation to selected financial information and subsequent changes to historical financial information included in the Offering Circular. In other jurisdictions, standards and practices relevant to may be different and may not provide for reporting in the manner contemplated herein. Accordingly, the Comfort Letter should not be relied on as if it had been provided in accordance with the standards and practice of any professional body in any other jurisdiction.
13. Except as specifically stated in our comfort letter we have not performed an audit or review in respect of any financial information relating to the Issuer for any period subsequent to [date of last reported balance sheet] in accordance with Singapore Standards on Auditing ("SSAs") or Singapore Standards on Review Engagements ("SSREs") issued by ISCA. The procedures we will use to perform the work set out in this arrangement letter including those in relation to subsequent changes will not constitute an audit or review made in accordance with SSAs or SSREs issued by ISCA. Furthermore, they will not necessarily reveal matters of significance with respect to any material misstatement of the information referred to below.
14. We will only carry out those procedures expressly provided for in the Comfort Letter. Accordingly, we make no representations as to the sufficiency for the Addressees' purposes of the procedures provided for in the Comfort Letter and, therefore, our responsibility shall be limited to performing the work agreed upon in this arrangement letter and/or recorded in the Comfort Letter with due skill, care and attention. If we were to perform additional procedures or if we were to conduct an audit or review on the financial information of the Issuer in accordance with SSAs or SSREs issued by ISCA, other matters might be reported to the Addressees in the Comfort Letter. The procedures to be performed by us in connection with the Comfort Letter should not be taken to supplant additional inquiries or procedures that may be appropriate in the performance of the Addressees' role under the proposed Issue.
15. In relation to the contents of the Offering Circular, we will address ourselves solely to such financial and other information in the Offering Circular as is identified in the Comfort Letter and we will make no representations as to the adequacy of disclosure in the Offering Circular or as to whether any material facts have been omitted by the Issuer. Further, we make no representations regarding any questions of legal interpretation.
16. The procedures that we plan to conduct have been determined by the Named Addressees and agreed by the parties to this arrangement letter, and will be recorded in the Comfort Letter. In carrying out our work pursuant to this arrangement letter, we will rely on the accuracy and completeness of certain information and explanations provided to us during the course of our work and will further request the directors of the Issuer to provide us with written representations concerning the accuracy and completeness of certain information and explanations provided to us for the purpose of our work. The Addressees will therefore understand that the procedures to be carried out by us are not designed to, and are not likely to, reveal fraud, withholding, concealment or misrepresentation by the management of the Issuer or Issuer or its subsidiaries (the Issuer and its subsidiaries are collectively referred to herein as "the Group"). Notwithstanding the preceding three sentences, if in carrying out the procedures agreed under this arrangement letter, and solely as a result of information provided to us which we are required to consider or do consider, we conclude that there has been fraud, withholding, concealment or misrepresentation (or otherwise we conclude that any such information contains an inconsistency which clearly indicates that there may have been such a fraud, withholding, concealment or misrepresentation), we will (and are hereby authorised by the Issuer to), as soon

as practicable, notify the Issuer and the Named Addressees of this and discuss with them whether further procedures can be designed to seek to resolve the matter. Where such procedures are agreed between us, we will carry them out and amend the Comfort Letter accordingly.

17. Any opinions expressed on financial information outside the context of this arrangement letter were or are expressed solely in the context of the specific terms and conditions governing their preparation. In particular, the terms of this arrangement letter and any action pursuant to it shall be additional to and shall not detract from or change in any way any legal rights which any party to this arrangement letter may otherwise have acquired, whether in contract or in tort, in connection with our reporting on the historical financial information of the Issuer.
18. Save as may be expressly recorded in the Comfort Letter, we do not accept any responsibility for any other reports or letters beyond any responsibility that we owed to those to whom our reports or letters were addressed at the date of their issue.

Contents of the Comfort Letter

19. We will prepare and expect to issue the Comfort Letter addressed to the Issuer and the Addressees on the basis described above. Based upon our present understanding of the Addressees' requirements, we expect to be able to provide the Addressees with the Comfort Letter substantially in the form contained in the Appendix to this arrangement letter, setting out the procedures that we expect to carry out prior to issuing the Comfort Letter.¹⁰ Execution of this arrangement letter by the Named Addressees will constitute the Addressees' agreement to the scope and extent of such procedures.
20. We would be grateful if the Named Addressees would review the draft comfort letter that we expect to be able to provide the Addressees with and let us have any amendments the Named Addressees propose to the procedures as soon as possible, so that we can provide the Named Addressees with a revised draft for further consideration and approval.
21. Once an advanced draft of the Offering Circular is available and the Named Addressees have identified, and we have agreed, the detailed financial information whose extraction or calculation the Named Addressees require to be covered in the Comfort Letter, we will provide the Named Addressees with a further revised draft of the Comfort Letter for approval of its scope prior to finalisation.
22. For the avoidance of doubt, we will not comment on, or otherwise give comfort in relation to, the Issuer's prospects or trading position or, save as expressly stated in the Comfort Letter, comment on or provide any opinion or other conclusion as to the current overall financial position of the Issuer.¹¹

Drafts

23. During the course of the arrangement we may show drafts of, or report orally on, the Comfort Letter to the Named Addressees. In so far as any such draft or oral report is inconsistent with the subsequent final Comfort Letter, it will be deemed to be superseded by such final Comfort Letter.

Meetings

24. It will be necessary for us to receive copies of the draft Offering Circular as it is produced and it may be necessary for us to attend meetings (including, but not limited to, meetings with the Issuer and its directors and/or employees and the Addressees and their employees, advisers or agents) at which the Offering Circular is discussed and drafted or at which other related matters are discussed. We shall answer queries raised at such meetings on an informal basis but the Addressees should neither act nor refrain from acting on the basis of such informal answers unless and until they are confirmed in writing by us, whether in the final Comfort Letter or otherwise. In the absence of such written confirmation we shall have no liability to the Addressees in contract or in tort (including negligence) for our answers other than for an oral statement known to be false

¹⁰ Where a draft comfort letter is not appended, briefly explain the procedures to be performed.

¹¹ If specific procedures and appropriate terms (e.g. as to timing) are agreed between all parties, the independent auditors may undertake additional work in accordance with AGS 11.

or misleading when made and made with intent to deceive.¹² Subject to the above, nothing in this paragraph shall prejudice the Addressees' ability to rely on a non-recourse basis (meaning without any liability on our part except for oral statements known to be false or misleading when made and made with intent to deceive) on any comments we may provide orally, either in the context of establishing or seeking to establish any Due Diligence Defence in connection with any court, arbitral, regulatory or administrative proceedings or otherwise for the purposes of resolving either actual or potential proceedings, investigations, claims or disputes in respect of the Offering Circular or otherwise in connection with the Issue.

25. Unless otherwise specifically agreed between the Issuer, the Named Addressees and us, we are authorised by the Issuer to speak to the Addressees and other professional advisers advising on the proposed Issue. In connection with our work pursuant to this arrangement letter, we may release to the Addressees and such other professional advisers any information relating to the Issuer or the Issue, whether confidential or not, and whether obtained during the course of our work or otherwise, and shall not be liable to the Issuer for any use subsequently made of that information. Our partners and staff working on this arrangement shall not be required, expected or deemed to have knowledge of any information known to other partners or staff of our firm but which is not known to those on this arrangement. In addition we shall not be required to make use of or disclose to the Addressees any information which is confidential to another client of our firm.

Timetable

26. Our work will depend upon receiving without undue delay full co-operation from all relevant officials of the Issuer and the Group and their disclosure to us of all accounting records of the Group and all other records and related information (including certain representations) as well as underwriting agreements we may need for the purposes of our work. We will endeavour to carry out our work in accordance with a timetable to be agreed between all parties that will satisfy the requirements of the Issue. We intend to provide the Issuer and the Addressees with (1) the Comfort Letter dated the date of the Offering Circular relating to the Issue, (2) an additional or updating Comfort Letter on and dated the date of the closing of the Issue (to be delivered at closing of the Issue) and (3) where appropriate, an additional or updating Comfort Letter on and dated the over-allotment option closing date.¹³ In connection with the delivery of any new or updating Comfort Letter, we will bring down our work to an agreed cut-off date. We will discuss with the Named Addressees any difficulties we encounter with this arrangement or with meeting the timetable as soon as any problems arise.

Applicable Law and Jurisdiction

27. This arrangement letter and any comfort letter together with any matters (including claims, disputes or differences) arising from them, whether as a breach of contract, tort (including negligence) or otherwise shall be governed by, and construed in accordance with, Singapore law. The Courts of Singapore shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning the arrangement letter or any comfort letter and any matter arising from them whether as a result of breach of contract, tort (including negligence) or otherwise. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

Fees and Certain Other Matters

28. Details of our fees and proposed billing arrangements have been set out in a separate agreement with the Issuer, who will bear the sole responsibility for the payment thereof. Such agreement also sets out certain other matters in relation to the respective rights and responsibilities of the Issuer and us in connection with the services to be performed by us in connection with the issuance of the Comfort Letter.

¹² If specific matters are discussed which the Addressees wish to be able to rely upon in accordance with this arrangement letter, the Issuer and the Named Addressees should arrange for them to be confirmed in writing by the independent auditors. If the independent auditors are willing to confirm such matters in writing, further work and an extension of the terms of the arrangement are likely to be required.

¹³ In exceptional circumstances, it may also be appropriate to bring down the Comfort Letter to another date. Such arrangements should be discussed on a case-by-case basis.

Other Terms and Conditions

29. In no circumstances shall we be liable, other than in the event of our fraud, bad faith or wilful default, for any loss or damage, of whatsoever nature, arising from information material to our work being withheld or concealed from us or misrepresented to us by the directors, employees, or agents of the Issuer or any other person of whom we may make inquiries unless, if in carrying out the procedures agreed under this arrangement letter, and solely as a result of information provided to us which we are required to consider or do consider, we conclude that there has been fraud, withholding, concealment or misrepresentation (or otherwise we conclude that any such information contains an inconsistency which clearly indicates that there may have been such a fraud, withholding, concealment or misrepresentation), and we fail to notify the Issuer and the Named Addressees of such conclusion.
30. In the course of providing the Services we, [Auditors] Singapore, may, at our discretion, draw on the resource of other entities (whether or not incorporated) which carry on business under a name which includes all or part of the [Auditors] name or is otherwise within (or associated or connected with an entity) or is a correspondent firm of the worldwide network of [Auditors] ("other [Auditors] Firms") and their partners and employees as we deem appropriate, but provision of the Services will remain our responsibility alone.
31. The Addressees agree that the Addressees will not bring any claim (whether in contract, tort (including negligence) or otherwise) against any other [Auditors] Firm or its personnel in respect of the Services. Any partner or employee of any other [Auditors] Firm who deals with the Addressees in connection with the Services does so solely on our behalf and we are liable for their activities as if they were in all respects our partners or staff.
32. The Addressees will not bring any claim (whether in contract, tort (including negligence) or otherwise) arising out of or in connection with the Services against any of our employees personally, but this will not limit or exclude any liability we may have for their acts or omissions.
33. The provisions of paragraphs 30 to 32 of this arrangement letter have been stipulated expressly for the benefit of our employees, and other [Auditors] Firms and their partners and employees (together "Beneficiaries"). The Addressees agree that, each of the Beneficiaries has the right to rely on paragraphs 30 to 33 of this arrangement letter as if they were parties to this arrangement letter. Each of the other [Auditors] Firms which agrees to assist in the provision of the Services does so in reliance on the protections afforded to it by paragraphs 30 to 33 of this arrangement letter, the benefit of which we formally accept on its behalf.

Prohibition on Assignment

34. No party may assign any of its rights in relation to this arrangement letter without the prior written consent of the others against whom the rights may be asserted, save that any Addressee and we may assign any of such rights, or such rights may pass by operation of law, to any successor to all or part of its business without such consent, provided that notice is given to the other signatories to this arrangement letter prior to any step being taken to enforce any rights hereunder.
35. Other than as set out in paragraph 33 above, this arrangement letter shall not create or give rise to, nor shall it be intended to create or give rise to, any third party rights and no third party shall have any right to enforce or rely on any provision of this arrangement letter. For the avoidance of doubt, the Addressees are not regarded as third parties.

Termination

36. Any party to this arrangement letter may at any time terminate this arrangement letter for whatever reason upon written notice to the other parties. In the case of termination by us, notice to the Issuer and the Named Addressees shall be sufficient notice.
37. Termination of this arrangement letter shall be without prejudice to any accrued rights of the parties to this arrangement letter. The provisions of this arrangement letter which expressly or by implication are intended to survive its termination or expiry will survive and continue to bind each party to this arrangement letter.

Internet communication

38. In connection with the Services the parties to this arrangement letter may from time to time communicate with each other electronically. However, the electronic transmission of information cannot be guaranteed to be secure or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. Accordingly each party to this arrangement letter accepts the limitations of electronic communication, and will use reasonable procedures to check for the then most commonly known viruses before sending information electronically.

Miscellaneous

39. Other than as set out in paragraph 28 above, this arrangement letter and the Appendix to it constitute the entire agreement for the provision of the Services between us to the exclusion of any other express or implied terms, whether expressed orally or in writing, including any conditions, warranties and representations and shall supersede all previous proposals, understandings, contracts, letters of engagement, undertakings, agreements and correspondence regarding the Services. Save as provided in this arrangement letter, no change in the terms of our arrangement with respect to the Services will be effective unless agreed in writing and signed by all parties to this arrangement letter.
40. This arrangement letter may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed and delivered at least one counterpart. Each counterpart shall constitute an original of this arrangement letter, but all the counterparts shall together constitute one and the same instrument.
41. If any term or terms of this arrangement letter shall be held to be invalid, illegal or unenforceable, such term or terms shall be deemed not to form part of this arrangement letter without prejudice to the enforceability of the remaining terms of this arrangement letter, provided always that if any such deletion substantially affects or alters the commercial basis of this arrangement letter, the parties to this arrangement letter will negotiate in good faith to amend and modify them as may be necessary or desirable in the circumstances.
42. Please acknowledge acceptance of the terms of our arrangement by signing and returning the enclosed copy of this arrangement letter.
43. If the Issuer or the Addressees have any questions regarding this arrangement letter please do not hesitate to contact us.

Yours faithfully,

ABC & Co.
Public Accountants and
Chartered Accountants
Singapore
Date

Acknowledgement and Acceptance

We acknowledge receipt of this arrangement letter and agree with the terms of your arrangement set out therein:

—

Director
for and on behalf of
the board of XYZ Limited

—

Director
for and on behalf of
Lead Manager Limited/ [Named Addressee]
(on its own behalf and as representative
of each of the other Joint Lead Managers)

Example Comfort Letter

The following example comfort letters are provided for illustrative purposes only. They are intended to be used only as a guide to the possible form and content of a comfort letter that reporting auditors may wish to provide, and are not intended to suggest standard wording to be used in any particular set of circumstances. The contents of the comfort letter will vary according to the nature of the information in the investment circular, and the procedures agreed between reporting auditors; issue managers, sponsors, managers and/or underwriters; and the issuer. When preparing a comfort letter, reporting auditors will need to ensure that the letter meets the requirements of this Statement.

As further explained in paragraph 66 of this Statement, where there is an international equity or debt offering not covered by relevant jurisdictional standards, reporting auditors refer to the requirements of AGS 11. In practice, due for example, to different cut-off dates being applied to the procedures in respect of subsequent changes for the respective international and Singapore public offerings, it will often be the case that for practical purposes more than one comfort letter is issued for certain transactions. Example 1 illustrates a letter with respect to the Singapore public offering. Where a separate comfort letter is issued for the international offering the text below should be tailored as appropriate. In general, other than for certain specific textural differences reflecting for example, the terminology often used for an international offering and different cut-off dates, it is not expected that there would be significant differences between the comfort letters. Example 2 illustrates a letter with respect to a Debt Offering in reliance on Regulation S.

Example 1 – Equity Offering

(letterhead of reporting auditors)

Date

To: The Directors, XYZ Limited

Issue Managers Limited/Sponsors Limited

[Other Named Addressees and each of the Singapore underwriters as defined in the Singapore Underwriting Agreement dated [•] (the "Singapore Underwriters") that is an Addressee]¹⁴

Dear Sirs,

Proposed Listing of XYZ Limited on the [Main Board/Catalist] of The Singapore Exchange Limited (the "Singapore Exchange")

This letter is written to you pursuant to the terms agreed between us in our arrangement letter dated [date] ("Arrangement Letter"). Our engagement to prepare this letter has been performed in accordance with Singapore Standards on Related Services and/or Singapore Standards on Assurance Engagements and Audit Guidance Statement 11 "Comfort Letters and Due Diligence Meetings" issued by the Institute of Singapore Chartered Accountants ("ISCA").

This letter does not apply to, and shall have no effect on, the rights and obligations of the Issuer, the Addressees or us in relation to the proposed [international offering proposed to be conducted (the "International Offering") simultaneously with the Issue in Singapore, including any offering in the United States or elsewhere in the world or in connection with any actual or potential proceedings or disputes under U.S. federal or state securities laws relating to the International Offering/public offering in Singapore, or any offering in the United States proposed to be conducted simultaneously with the Regulation S Offering].

We confirm that we are independent in accordance with the requirements of the Code of Professional Conduct and Ethics issued by the Accounting and Corporate Regulatory Authority (ACRA).

Selected Financial Information

For the purposes of this letter, we have read the items that you have identified as indicated on the attached copy of the prospectus of XYZ Limited (the Company) by the symbols explained below and confirm that the relevant items have been accurately extracted or derived from their respective sources or have been correctly calculated as follows:

- # Compared to the historical financial information of the Company and its subsidiaries (the Group) for the years ended 31 December 20X2, 20X3 and 20X4 as set out on pages [] to [] of the prospectus, as applicable, and found them to be in agreement.
- ^ Compared to and found to be in agreement with the applicable summary schedules which the management of the Company has represented were derived from the accounting records.¹⁵
- π Recomputed the percentages/ratios etc. and found them to be arithmetically accurate.

We make no representations regarding questions of legal interpretation or regarding the sufficiency of the aforementioned procedures; also, such procedures do not constitute an audit, review or assurance engagement performed in accordance with Singapore Standards on Auditing, Singapore Standards on

¹⁴ Refer to Example 1, footnote 5, in Appendix 1 to this Statement

¹⁵ In appropriate circumstances, the following language may be added: "We traced the amount shown on the summary schedule prepared by the Company to the accounting records and found such amount to be in agreement."

Review Engagements and Singapore Standards on Assurance Engagements issued by ISCA, and therefore would not necessarily reveal any material misstatement of the amounts or percentages listed above. Had we performed additional procedures, an audit or a review, other matters might have come to light that would have been reported. Further, we have addressed ourselves solely to the foregoing data in the prospectus and we make no representations regarding the adequacy of disclosures or regarding whether any material facts have been omitted.

Changes in Financial Position

For the purpose of this letter, we have performed the following limited procedures:

- (1) We have:
 - (a) read the minutes of meetings of shareholders and the board of directors of the Company and its subsidiaries held since 31 December 20X4, as set out in minute books at 14 May 20X5 (the "cut off date"), which the directors have advised us are complete; and
 - (b) read the unaudited management accounts of the Company/Group for the 4 months ended 30 April 20X5 (the "April 20X5 management accounts") (which the directors have advised us are the most recent management accounts available) and the corresponding unaudited management accounts for the previous year (the "April 20X4 management accounts").

Our objective in reading the documents referred to in paragraphs (a) and (b) above is to identify those matters which in our view might prima facie be expected to impact the figures and ratios set out in paragraph (3) below.

- (2) We have made inquiries of certain officials of the Company with responsibility for financial and accounting matters (the "persons responsible for financial and accounting matters") as to whether:
 - (a) those matters identified by us in the course of the work undertaken pursuant to paragraph (1) above have been reflected in the April 20X5 management accounts upon which the amounts and ratios referred to in paragraph (3) below are based; and
 - (b) the April 20X5 management accounts have been prepared and presented on a basis consistent with the accounting policies normally adopted by the Group and applied in preparing the historical financial information.
- (3) We have compared the amounts prepared by management of the Company, relating to turnover, profit before taxation, net interest expense, depreciation of fixed assets, issued share capital, borrowings due after more than one year ("long-term debt"), net current assets, total current assets and total current liabilities, to the April 20X5 management accounts, April 20X4 management accounts or the historical financial information as appropriate and found them to be in agreement. We have recomputed the ratios set out in the schedule on the bases set out therein and found them to be arithmetically accurate.
- (4) The procedures described above do not constitute an audit [or review] in accordance with Singapore Standards on Auditing ("SSAs") [or Singapore Standards on Review Engagements ("SSREs")] issued by ISCA. Nor do they provide any assurance that the April 20X5 management accounts have been prepared on a basis consistent with the April 20X4 management accounts, that such management accounts have been prepared in a reliable manner or that either have been prepared on a basis consistent with the historical financial information. Consequently, our procedures would not necessarily reveal matters of significance with respect to the comments made in the following paragraphs and we make no representations as to the sufficiency for your purposes of any such procedures.

- (5) Solely on the basis of the foregoing procedures we noted and draw your attention to the following findings:
- (a) at 30 April 20X5, issued share capital of the Group decreased by [] compared with the corresponding figures in the 31 December 20X4 audited financial statements;
 - (b) at 30 April 20X5, long-term debt or total current liabilities of the Group increased by [] compared with the corresponding figures in the 31 December 20X4 audited financial statements;
 - (c) in the period from 1 January 20X5 to 30 April 20X5 there was a decrease in profit on ordinary activities before taxation of [] compared to the corresponding period in the preceding year as shown in the April 20X4 management accounts;
 - (d) in the period from 1 January 20X5 to 30 April 20X5 there was an increase in [net interest expense, depreciation of fixed assets] of [] as compared to the corresponding period in the preceding year as shown in the April 20X4 management accounts.
 - (e) [Insert changes, if any, identified in the basis of preparing or presenting the accounts reviewed or, if there are none, state this.]
- (6) Since the directors have advised us that no management accounts have been prepared up to any date subsequent to 30 April 20X5, the procedures carried out by us with respect to changes in financial statement items¹⁶ after 30 April 20X5 have of necessity been even more limited than those carried out for the period up to that date. Up to the cut-off date, we have made inquiries of the persons responsible for financial and accounting matters as to:
- (a) whether there has been any decrease in issued share capital or increase in long term debt of the Group at the cut off date as compared with the amounts shown in the historical financial information; and
- (7) The persons responsible for financial and accounting matters confirmed that [except in all instances for increases or decreases shown in the Appendix* to this letter] [except in all instances of increases or decreases that the investment circular discloses have occurred or may occur], they were not aware of any such increase in long-term debt or decrease in issued share capital. On the basis of the responses to these inquiries and our reading of the minutes as described in paragraph (1) above, [except for all instances of increases or decreases shown in the Appendix* to this letter] [except for all instances for increases or decreases that the prospectus discloses have occurred or may occur], we did not find any increase in long-term debt or decrease in issued share capital.
- (8) We have not performed an audit [or review] of any historical financial information of the Company or the Group as of any date or for any period subsequent to 31 December 20X4 in accordance with SSAs [or SSREs] issued by ISCA. Therefore we are unable to and do not express any opinion on the financial position, results of operations or cash flows as of any date or for any period subsequent to 31 December 20X4.

General

- (9) Any opinions expressed on financial information outside the context of the Arrangement Letter were or are expressed solely in the context of the specific terms and conditions governing their preparation. In particular, the terms of the Arrangement Letter and any action pursuant to it shall be additional to and shall not detract from or change in any way any legal rights which any party to this letter may otherwise have acquired, whether in contract or in tort, in connection with our audits of the financial statements of the Issuer [and the Guarantor]. Save as may be

¹⁶ Reporting auditors should consider the guidance in paragraph 46 in determining the appropriateness of which specific line items to provide comfort.

expressly recorded in this letter, we do not accept any responsibility for any other reports or letters beyond any responsibility that we owed to those to whom our reports or letters were addressed at the date of their issue.

- (10) This letter should not be relied on as if it had been provided in accordance with the standards and practice of any professional body in any jurisdiction other than Singapore Standards on Related Services and/or Singapore Standards on Assurance Engagements and Audit Guidance Statement 11 "Comfort Letters and Due Diligence Meetings" issued by ISCA.
- (11) Our work did not extend to the period from the cut off date to the date of this letter.
- (12) This comfort letter may only be relied upon in respect of the matters to which it refers and as of its date. In relying upon this comfort letter, you agree (save as otherwise expressly agreed in the Arrangement Letter) that we have no responsibility to and we will not perform any work subsequent to the date of this comfort letter nor to consider, monitor, communicate or report any events or circumstances which may occur or may come to light subsequent to the date of this letter.
- (13) This letter is not issued in accordance with the provisions of the US Public Company Accounting Oversight Board nor the US American Institute of Certified Public Accountants, Statement on Auditing Standards No 72, "Letters for Underwriters and Certain Other Requesting Parties", as that standard is not required for such letters issued under Singapore auditing standards. This letter is not intended to be relied on in the United States and we accept no responsibility for any use that you may make of it in the United States. Subject always to the previous sentence, it may be disclosed, referred to and/or produced as provided for in paragraph [10] of the Arrangement Letter.

This letter is solely for your information and to assist the Addressees in conducting and commenting on their due diligence investigation of the affairs of the Group, in relation to the Securities and Futures Act (the "SFA") and in connection with the issue of new shares covered by the investment circular and except as permitted in the Arrangement Letter, it is not to be used, circulated, quoted, or otherwise referred to for any other purpose, nor is to be filed with or referred to in whole or in part in the prospectus or any other document.

Yours faithfully,

ABC & Co.
Public Accountants and
Chartered Accountants
Singapore
Date

Example 2 – Debt Offering in reliance on Regulation S

(letterhead of independent reporting auditors)

Date

To: The Directors, XYZ Limited

Lead Manager Limited

[Other Named Addressees and each of the joint lead managers as defined in the Subscription Agreement dated [•] (the "Joint Lead Managers") that is an Addressee]¹⁷

Dear Sirs,

Proposed Issue (the "Issue") of [x] (the "Notes") by XYZ Limited (the "Company")

This letter is written to you pursuant to the terms agreed between us in our arrangement letter dated [date] ("Arrangement Letter"). Our engagement to prepare this letter has been performed in accordance with Singapore Standards on Related Services and/or Singapore Standards on Assurance Engagements and Audit Guidance Statement 11 "Comfort Letters and Due Diligence Meetings" issued by the Institute of Singapore Chartered Accountants ("ISCA").

This arrangement letter does not apply to, and shall have no effect on, the rights and obligations of the Issuer, the Addressees or us in relation to any offering in the United States not otherwise pursuant to the Regulation S Offering.

We confirm that we are independent in accordance with the requirements of the Code of Professional Conduct and Ethics issued by the Accounting and Corporate Regulatory Authority (ACRA).

Selected Financial Information

For the purposes of this letter, we have read the items that you have identified as indicated on the attached copy of the Offering Circular of the Company by the symbols explained below and confirm that the relevant items have been accurately extracted or derived from their respective sources or have been correctly calculated as follows:

- # Compared to the financial statements of the Company and its subsidiaries (the "Group") for the years ended 31 December 20X2, 20X3 and 20X4 as set out on pages [] to [] of the Offering Circular, as applicable, and found them to be in agreement.
- ^ Compared to and found to be in agreement with the applicable summary schedules which the management of the Company has represented were derived from the accounting records.¹⁸
- π Recomputed the percentages/ratios etc. and found them to be arithmetically accurate.

We make no representations regarding questions of legal interpretation or regarding the sufficiency of the aforementioned procedures; also, such procedures do not constitute an audit, review or assurance engagement performed in accordance with Singapore Standards on Auditing, Singapore Standards on Review Engagements, Singapore Standards on Assurance Engagements issued by ISCA, and therefore would not necessarily reveal any material misstatement of the amounts or percentages listed above. Had we performed additional procedures, an audit or a review, other matters might have come to light that would have been reported. Further, we have addressed ourselves solely to the foregoing data in the Offering Circular and we make no representations regarding the adequacy of disclosures or

¹⁷ Refer to Example 1, footnote 5, in Appendix 1 to this Statement

¹⁸ In appropriate circumstances, the following language may be added: "We traced the amount shown on the summary schedule prepared by the Company to the accounting records and found such amount to be in agreement."

regarding whether any material facts have been omitted.

Changes in Financial Position

For the purpose of this letter, we have performed the following limited procedures:

- (1) We have:
 - (a) read the minutes of meetings of shareholders and the board of directors of the Company and its subsidiaries held since 31 December 20X4, as set out in minute books at 14 May 20X5 (the "cut off date"), which the directors have advised us are complete; and
 - (b) read the unaudited consolidated management accounts for the 4 months ended 30 April 20X5 (the "April 20X5 management accounts") (which the directors have advised us are the most recent management accounts available) and the corresponding unaudited consolidated management accounts for the previous year (the "April 20X4 management accounts").

Our objective in reading the documents referred to in paragraphs (a) and (b) above is to identify those matters which in our view might prima facie be expected to impact the figures and ratios set out in paragraph (3) below.

- (2) We have made inquiries of certain officials of the Company with responsibility for financial and accounting matters (the "persons responsible for financial and accounting matters") as to whether:
 - (a) those matters identified by us in the course of the work undertaken pursuant to paragraph (1) above have been reflected in the April 20X5 management accounts upon which the amounts and ratios referred to in paragraph (3) below are based; and
 - (b) the April 20X5 management accounts have been prepared and presented on a basis consistent with the accounting policies normally adopted by the Group and applied in preparing the [31 December 20X4] audited accounts.
- (3) We have compared the amounts prepared by management of the Company, relating to turnover, profit before taxation, net interest expense, depreciation of fixed assets, issued share capital, borrowings due after more than one year ("long-term debt"), net current assets, total current assets and total current liabilities, to the April 20X5 management accounts, April 20X4 management accounts or the [31 December 20X4] audited accounts as appropriate and found them to be in agreement. We have recomputed the ratios set out in the schedule on the bases set out therein and found them to be arithmetically accurate.
- (4) The procedures described above do not constitute an audit [or review] in accordance with Singapore Standards on Auditing ("SSAs") [or Singapore Standards on Review Engagements ("SSREs")] issued by ISCA. Nor do they provide any assurance that the April 20X5 management accounts have been prepared on a basis consistent with the April 20X4 management accounts, that such management accounts have been prepared in a reliable manner or that either have been prepared on a basis consistent with the [31 December 20X4] audited accounts. Consequently, our procedures would not necessarily reveal matters of significance with respect to the comments made in the following paragraphs and we make no representations as to the sufficiency for your purposes of any such procedures.

- (5) Solely on the basis of the foregoing procedures we noted and draw your attention to the following findings:
- (a) at 30 April 20X5, issued share capital of the Group decreased by [] compared with the corresponding figures in the 31 December 20X4 audited financial statements;
 - (b) at 30 April 20X5, long-term debt or total current liabilities of the Group increased by [] compared with the corresponding figures in the 31 December 20X4 audited financial statements;
 - (c) in the period from 1 January 20X5 to 30 April 20X5 there was a decrease in profit on ordinary activities before taxation of [] compared to the corresponding period in the preceding year as shown in the April 20X4 management accounts;
 - (d) in the period from 1 January 20X5 to 30 April 20X5 there was an increase in [net interest expense, depreciation of fixed assets] of [] as compared to the corresponding period in the preceding year as shown in the April 20X4 management accounts.
 - (e) [Insert changes, if any, identified in the basis of preparing or presenting the accounts reviewed or, if there are none, state this.]
- (6) Since the directors have advised us that no management accounts have been prepared up to any date subsequent to 30 April 20X5, the procedures carried out by us with respect to changes in financial statement items¹⁹ after 30 April 20X5 have of necessity been even more limited than those carried out for the period up to that date. Up to the cut-off date, we have made inquiries of the persons responsible for financial and accounting matters as to:
- (a) whether there has been any decrease in issued share capital or increase in long term debt of the Group at the cut off date as compared with the amounts shown in the [31 December 20X4] audited accounts; and
- (7) The persons responsible for financial and accounting matters confirmed that [except in all instances for increases or decreases shown in the Appendix* to this letter] [except in all instances of increases or decreases that the Offering Circular discloses have occurred or may occur], they were not aware of any such increase in long-term debt or decrease in issued share capital. On the basis of the responses to these inquiries and our reading of the minutes as described in paragraph (1) above, [except for all instances of increases or decreases shown in the Appendix* to this letter] [except for all instances for increases or decreases that the Offering Circular discloses have occurred or may occur], we did not find any increase in long-term debt or decrease in issued share capital.
- (8) We have not performed an audit [or review] of any historical financial information of the Company or the Group as of any date or for any period subsequent to 31 December 20X4 in accordance with SSAs [or SSREs] issued by ISCA. Therefore we are unable to and do not express any opinion on the financial position, results of operations or cash flows as of any date or for any period subsequent to 31 December 20X4.

¹⁹ Independent auditors should consider the guidance in paragraph 46 in determining the appropriateness of which specific line items to provide comfort.

General

- (9) Any opinions expressed on financial information outside the context of the Arrangement Letter were or are expressed solely in the context of the specific terms and conditions governing their preparation. In particular, the terms of the Arrangement Letter and any action pursuant to it shall be additional to and shall not detract from or change in any way any legal rights which any party to this letter may otherwise have acquired, whether in contract or in tort, in connection with our audits of the financial statements of the Issuer [and the Guarantor]. Save as may be expressly recorded in this letter, we do not accept any responsibility for any other reports or letters beyond any responsibility that we owed to those to whom our reports or letters were addressed at the date of their issue.
- (10) This letter should not be relied on as if it had been provided in accordance with the standards and practice of any professional body in any jurisdiction other than the Singapore Standards on Related Services and/or Singapore Standards on Assurance Engagements and the Audit Guidance Statement 11 “Comfort Letters and Due Diligence Meetings” issued by ISCA.
- (11) Our work did not extend to the period from the cut off date to the date of this letter.
- (12) This comfort letter may only be relied upon in respect of the matters to which it refers and as of its date. In relying upon this comfort letter, you agree (save as otherwise expressly agreed in the Arrangement Letter) that we have no responsibility to and we will not perform any work subsequent to the date of this comfort letter nor to consider, monitor, communicate or report any events or circumstances which may occur or may come to light subsequent to the date of this letter.
- (13) This letter is not issued in accordance with the provisions of the US Public Company Accounting Oversight Board nor the US American Institute of Certified Public Accountants, Statement on Auditing Standards No 72, “Letters for Underwriters and Certain Other Requesting Parties”, as that standard is not required for such letters issued under Singapore auditing standards. This letter is not intended to be relied on in the United States and we accept no responsibility for any use that you may make of it in the United States. Subject always to the previous sentence, it may be disclosed, referred to and/or produced as provided for in paragraph [10] of the Arrangement Letter.

This letter is solely for your information and to assist the Addressees in conducting and commenting on their due diligence investigation of the affairs of the Group in connection with the Issue covered by the Offering Circular and except as permitted in the Arrangement Letter, it is not to be used, circulated, quoted, or otherwise referred to for any other purpose, nor is to be filed with or referred to in whole or in part in the Offering Circular or any other document.

Yours faithfully,

ABC & Co.
Public Accountants and
Chartered Accountants
Singapore
Date

Example Bring-down Letter

The following example bring-down letter is provided for illustrative purposes only. It is intended to be used only as a guide to the possible form and content of a bring-down letter that reporting auditors may wish to provide, and is not intended to suggest standard wording to be used in any particular set of circumstances. The contents of the bring-down letter will vary according to the nature of the information in the investment circular, and the procedures agreed between reporting auditors; issue managers, sponsors, managers and/or underwriters; and the issuer. When preparing a bring-down letter, reporting auditors will need to ensure that the letter meets the requirements of this Statement.

The example below illustrates a bring-down letter with respect to a Singapore offering. As further explained on page 15, due to, for example, different cut-off dates being applied, a separate bring-down letter may be required for an international offering.

Date

To: The Directors, XYZ Limited

Issue Managers Limited/Sponsors Limited

[Other Named Addressees as applicable Addressees and each of the Singapore underwriters as defined in the Singapore Underwriting Agreement dated [•] (the "Singapore Underwriters") that is an Addressee]²⁰

Dear Sirs:

We refer to our letter of [date of previous comfort letter] relating to the prospectus of XYZ Limited (the "Company") dated [date] prepared in connection with the public offering of [description of security] of XYZ Limited. We reaffirm as of the date hereof (and as though made on the date hereof) all statements made in that letter except that, for purposes of this letter:

1. the reading of minutes described in item 1(a) of that letter has been carried out through 12 June 20X5 (the new cut-off date);
2. the references to the unaudited management accounts for the 4 months ended 30 April 20X5 and April 20X4, in items 1(b), 2, and 3 and paragraph 4 of that letter are changed to the unaudited management accounts for the 5 months ended 31 May 20X5 and May 20X4 respectively. The Directors of the Company have advised us that no such financial statements as of any date or for any period subsequent to 31 May 20X5 were available;
3. the references to 30 April 20X5, the period from 1 January 20X5 to 30 April 20X5 and April 20X4 in item 5 of that letter are changed to 31 May 20X5, the period from 1 January 20X5 to 31 May 20X5 and May 20X4 respectively; and
4. the references to 30 April 20X5 and the cut-off date in item 6 of that letter are changed to 31 May 20X5, and the new cut-off date respectively.

[Or where no management accounts have been prepared since those referred to in the Comfort Letter, item 2 is replaced as follows and items 3 and 4 deleted:

2. the inquiries covered in item 6 of that letter have been carried out to the new cut-off date.]

²⁰ Refer to Appendix 1

5. Our work did not extend to the period from 13 June 20X5 to [the closing date] inclusive.

This letter is solely for your information and to assist the Addressees in conducting and commenting on their due diligence investigation of the affairs of the Group in connection with the issue of new shares covered by the investment circular and except as permitted in the Arrangement Letter it is not to be used, circulated, quoted, or otherwise referred to for any other purpose, nor is to be filed, with or referred to in whole or in part in the investment circular or any other document.

Yours faithfully,

ABC & Co
Public Accountants and
Chartered Accountants
Singapore
Date

Example Issuer's Representation Letter

The following example representation letter is provided for illustrative purposes only. It is intended to be used only as a guide to the possible form and content of a representation letter, and is not intended to suggest standard wording to be used in any particular set of circumstances.

Example 1 illustrates a representation letter on subsequent changes.

Example 1 – Issuer’s Representation Letter on Subsequent Changes

Where a comfort letter/bring-down letter is provided on subsequent changes, the Issuer’s representations in respect to matters covered in that letter should also be obtained.

(letterhead of the Issuer)

Date

To [Name of reporting auditors]

Dear Sirs

Proposed Listing of XYZ Limited on the [Main Board/Catalist] of The Singapore Exchange Limited (the “Singapore Exchange”)

In connection with the proposed listing of XYZ Limited, we confirm to the best of our knowledge and belief that during the period from 31 December 20X4 to date, no events have occurred which have a material effect on the historical financial information or which should be disclosed in order to keep those information from being misleading^{21,22}.

With respect to the unaudited management accounts as at 30 April 20X5 and 20X4 and for the four-month periods ended 30 April 20X5 and 20X4, we confirm to the best of our knowledge and belief that:

- a. such management accounts were prepared in accordance with accounting policies and practices consistent in all material respects with those followed in the preparation of the historical financial information contained in the Investment Circular except as set forth in the Investment Circular;
- b. such management accounts present fairly the information purported to be shown thereby;
- c. no material adjustment of such management accounts is required and no adjustments other than those necessary for fair presentation of the results for those periods have been reflected therein.

Also to the best of our knowledge and belief, except in all instances for changes that the Investment Circular discloses have occurred or may occur:

- d. at 14 May 20X5 there has been no decrease in the issued share capital, net current assets or total current assets or increase in long-term debt or total current liabilities of the Group, as compared with amounts shown in the 31 December 20X4 balance sheet of the historical financial information;
- e. for the period 1 January 20X5 to 14 May 20X5 there has been no decrease, as compared with the corresponding period in the preceding year, in turnover, profit before taxation or increase in net interest expense or depreciation of fixed assets.

²¹ Any exception should be spelled out in the letter

²² Where the reporting auditors perform a review of interim financial information in order to provide negative assurance on subsequent changes, representations in respect of the interim financial information are also obtained. These representations are not illustrated in this example letter.

Further, we confirm that:

- f. no audited financial statements of the Group are available as at any date or for any period subsequent to 31 December 20X4, and no management accounts are available as at any date or for any period subsequent to 30 April 20X5;
- g. the minutes of all meetings of the shareholders and the board of directors are entered up to 14 May 20X5 in the minute books, and no such meetings have been held since that date.

Yours faithfully

For and on behalf of XYZ Limited

[name]
Managing Director

[name]
Finance Director

Examples of Questions Commonly Asked in Due Diligence or Verification Meetings and Comments on the Reporting Auditor's Response

The following examples are to be read in conjunction with paragraphs 59 – 64 of AGS 11.

Usually, the reporting auditor's response to questions asked by the issue manager, sponsor, manager and/or underwriter in a due diligence or verification meeting can be brief. The comments on the questions cited below are more detailed than the responses that would usually be required, and are intended as general guidance about matters the reporting auditor would normally consider in determining a response. The comments are not intended as illustrations of the answer that would be appropriate in every situation.

- A. Questions the reporting auditor is usually able to answer (A1-A13)
- B. Questions to which the reporting auditor is unable to respond in the terms in which they are asked (B1-B5)
- C. Questions properly addressed to management (C1-C3)

A. Questions the reporting auditor is usually able to answer (A1-A13)

Following are a number of questions to which the reporting auditor is usually able to respond, with comments as to the response that might be appropriate.

Question A1 How long have you (or your firm) been the reporting auditor (or auditor) of the issuer?

Response considerations This question demands a factual answer.

Question A2 Describe the nature and scope of your examination of the issuer's historical financial information included in the investment circular. Were any limitations imposed upon the scope of your examination by management of the issuer or others?

Response considerations The reporting auditor would make it clear that the examination covered only the historical financial information for the dates and periods referred to in the auditor's report.

The scope of an examination is set out in the auditor's report:

- An examination is conducted in accordance with [Singapore Standard on Auditing 200 (SSA 200)], which requires that the reporting auditor plan and perform the examination to obtain reasonable assurance whether the historical financial information is free of material misstatement.
- An examination includes examining, on a test basis, evidence supporting the amounts and disclosures in the historical financial information.
- An examination also includes assessing the accounting policies used and significant estimates made by management.

In the normal case, the scope of the examination would enable the reporting auditor to express an opinion without reservation on the historical financial information. If there was any limitation imposed on the scope of the examination, the matter would be dealt with in the auditor's report.

The reporting auditor might be willing to describe the examination procedures performed on certain financial information elements in forming an opinion on the historical financial information as a whole; however, the reporting auditor would make it clear that no assurance is provided on these specific items beyond that

conveyed by the historical financial information.

Question A3 **Management has provided us with a list of pending litigation, commitments, contingent liabilities, guarantees, and any indebtedness or other off-balance sheet items (a list would be provided to the reporting auditor). In the course of your examination, did you discuss with management or otherwise identify any other items of the same type not included on this list that exceed (an amount provided by the issue manager, sponsor, manager and/or underwriter)?**

Response considerations The reporting auditor could reply that, based on the procedures performed, including discussions with management, no other items of the types mentioned were identified, or discuss any such items that were so identified. The reporting auditor may wish to point out that reporting auditors must rely to a large extent on management, and sometimes on legal counsel, in identifying outstanding contingencies.

If the reporting auditor wishes to ensure that the issue manager, sponsor, manager and/or underwriter understand the procedures reporting auditors apply to contingencies, commitments and other such items, the procedures that are performed in gathering evidence to determine whether any such contingent items require accrual or disclosure in the historical financial information could be outlined, such as:

- review of the issuer's written summary of known and threatened claims;
- discussion with management of contingencies, commitments, and other obligations;
- discussion with the issuer's general counsel of all litigation and threatened litigation of which the issuer is aware, including litigation and claims or threatened claims covered by insurance;
- search for unrecorded liabilities by a review of disbursements subsequent to period-end and open invoices;
- receipt of written confirmation of obligations from third parties such as banks and lenders;
- receipt of written representations from management;
- review of events which have occurred between the date of the historical financial information and the date of the auditor's report; and
- review of accounting treatment and disclosure in the historical financial information.

Question A4 **Management has informed us that it does not plan to change any of the significant accounting policies as set forth in note 1 to the historical financial information of the issuer. Has management informed you, or had any discussions with you, regarding any change in the accounting policies?**

Response considerations The reporting auditor may properly respond to these questions. If the reporting auditor is aware of any recent or pending changes in accounting standards or regulatory requirements that would make a change in the issuer's accounting policies necessary or desirable in the future, attention would be drawn to such recommendations or requirements.

Question A5 **Management has informed us that it does not plan to have any material potential write-downs in the current year. Has management informed you, or had any discussions with you, regarding any potential write-downs in connection with the examination of historical financial information?**

Response considerations The reporting auditor may wish to convey to the issue manager, sponsor, manager and/or underwriter that reporting auditors and management usually have an ongoing dialogue with respect to potential future issues, and may choose to identify some of the accounting matters on which discussions have taken place.

The reporting auditor may also wish to refer the issue manager, sponsor, manager and/or underwriter to any measurement uncertainty disclosures in the historical financial information, in particular any disclosures regarding historical financial information items where there is a reasonable possibility that the recognized amount of the historical financial information item could change by a material amount in the near term.

Question A6 **Management has informed us that it is not aware of any facts that would give rise to any unusual items appearing in the issuer's historical financial information. Has management informed you, or had any discussions with you, regarding any such items?**

Response considerations The reporting auditor can answer this question without difficulty. However, unusual items do not have a precise meaning in accounting terms. To avoid misunderstanding, it is therefore important that the issue manager, sponsor, manager and/or underwriter define what is meant by "unusual" items.

Question A7 **How often do you meet with the issuer's audit committee or board of directors, and what are the procedures at and nature of such meetings?**

Response considerations The reporting auditor would describe the frequency of meetings with the audit committee and, if applicable, the board of directors.

Meetings with the audit committee would generally encompass a review and approval by the committee of the reporting auditor's examination plan and discussion of accounting and financial presentation issues. The committee would generally meet to review the historical financial information and recommend its approval by the board of directors. The reporting auditor would indicate whether meetings of the committee were held at the request of the committee or the reporting auditor.

Meetings with the board are likely to be less common, and would generally be related to a special assignment undertaken by the reporting auditor, such as delivering a special report, or discussing financing alternatives.

Question A8 **Do you have full and open access to all materials which you consider necessary to enable you to perform your examination?**

Response considerations It would be expected that the reporting auditor would have full and open access to all necessary materials.

Question A9 **Discuss your relationship with the issuer's management. Have you had any disagreements with management that have not been resolved to your satisfaction?**

Response considerations Generally the reporting auditor would be in a position to state that management was cooperative, and provided all of the information and explanations that the reporting auditor required. The reporting auditor may choose to point out that in the course of normal communications with the issuer, the reporting auditor frequently meets with management to discuss emerging accounting issues, and has always been able to resolve the issues with senior management satisfactorily. Otherwise, the reporting auditor would have included a reservation in the auditor's report.

Question A10 **Have there been any significant weaknesses in internal control that you have identified during the course of your examination of the historical financial information that were communicated to the audit committee or management committee that, to the best of your knowledge, have not been acted upon by management?**

Response considerations The reporting auditor would state whether or not significant weaknesses in internal control have been reported to the issuer, and might identify the areas of weakness. In the course of the engagement related to the investment circular, the reporting auditor will have updated knowledge of the internal controls, and may be in a position to comment on changes that have been effected since the time when the weaknesses were reported. However, the question of management's actions would properly be addressed to, and answered by, management. The reporting auditor is not normally in a position to comment on the effectiveness of any action that has been taken by management to address the internal control weaknesses that have been reported.

In responding to this question, the reporting auditor may also wish to outline the limited nature of the review of internal controls in connection with the examination of the historical financial information, to ensure that there is no misunderstanding by the issue manager, sponsor, manager and/or underwriter of the nature and extent of the reporting auditor's review of internal controls and the type of weakness that the reporting auditor would consider to be "significant".

Question A11 Other than as disclosed in the investment circular, are you aware of any related party transactions involving the issuer that require disclosure in the historical financial information under SFRS(I)s?

Response considerations The reporting auditor will likely be able to answer this question in the negative, but should be concerned about any possible related party transactions subsequent to the most recent balance sheet date that would require financial statement disclosure in the track record period.

If the reporting auditor wishes to be sure that the issue manager, sponsor, manager and/or underwriter understand the procedures reporting auditors apply to identify significant related party transactions, the procedures applied may be outlined, such as the following:

- preparation of a list of directors, officers and related entities, to be consulted by audit staff when they are reviewing the issuer's transactions;
- receipt of written representations from management regarding related party transactions; and
- review of material contracts entered into during the track record period.

The reporting auditor may also wish to highlight to the issue manager, sponsor, manager and/or underwriter that it is ultimately management's responsibility to identify related party transactions.

Question A12 Please discuss the most significant areas of audit risk you have encountered in respect of the issuer and how you gained comfort in these areas.

Response considerations The reporting auditor might identify the most critical audit areas and issues discussed with the audit committee in the years and periods covered by the historical financial information. However, it is important that the reporting auditor explains that the assessment of audit risk is concerned with the fairness of presentation of the historical financial information in accordance with generally accepted accounting principles, and should not be taken to provide comfort on individual elements within the historical financial information, or on the absence of other significant business risks which, because of their nature, were not considered by the reporting auditor to constitute areas of significant audit risk.

Question A13 Is there anything of which you are aware that would inhibit your delivery, in accordance with relevant standards, and the terms of your engagement, of an unqualified report on the historical financial information, consent letters, and the comfort letter to the issue manager, sponsor, manager and/or underwriter?

Response considerations The reporting auditor would be careful to explain any development (such as a delay in the issuer's providing necessary information, or an unresolved problem regarding disclosure in the investment circular) which might delay the completion of the reporting auditor's work.

B. Questions to which the reporting auditor is unable to respond in the terms in which they are asked (B1-B5)

The issue manager, sponsor, manager and/or underwriter may ask questions to which the reporting auditor is unable to respond in the terms in which they are asked. In such circumstances, the reporting auditor may wish to respond by explaining the reasons why he or she is unable to provide the information requested. Some examples of these types of questions, together with a commentary on how the reporting auditor might respond to the question, are set out below.

Question B1 Based on your reading of the investment circular, do you have any reason to believe that it is not fairly presented? (Or, Are you aware of any other matters that should be disclosed in the investment circular? Or, Are there any other questions that we should have asked in completing our due diligence investigation?)

Response considerations There is no accepted standard by which the reporting auditor can judge whether an investment circular is fairly presented. Professional standards require that the reporting auditors read the investment circular with a view to assessing the overall impression given by the document, having regard to the purposes for which it has been prepared, as well as considering whether there are any inconsistencies between his or her report and the information in the rest of the document.

These procedures would not necessarily disclose material misstatements or omissions in the information included in the investment circular. Accordingly, except for the historical financial information included in the investment circular, the reporting auditor is not in a position to make any representations as to completeness or adequacy of disclosures in the investment circular.

The issue manager, sponsor, manager and/or underwriter apply many other considerations in forming an opinion as to what constitutes a fair presentation, but the reporting auditor has no way of knowing what would be of interest to the issue manager, sponsor, manager and/or underwriter. As well, a great deal of the information in an investment circular (and, perhaps, significant omissions) is outside of the knowledge of the reporting auditor.

Question B2 Are you aware of any matters that may directly or indirectly affect the value of the securities offered under the investment circular?

Response considerations The reporting auditor is not competent to express a view as to matters that may affect the value of securities. This subject is within the province of a securities dealer such as an underwriter.

Question B3 Are provisions for losses (e.g., bad debts, inventory obsolescence) adequate?

Response considerations An examination is designed to assess the presentation of the historical financial information as a whole, and not to provide assurance on individual financial information items. The reporting auditor determines materiality by reference to the historical financial information taken as a whole. The only appropriate answer to the question is that the reporting auditor would not have given an opinion without reservation if in the reporting auditor's opinion the historical financial information did not give a true and fair view. The reporting auditor may be willing to describe the examination procedures performed in order to conclude on the adequacy of loss provisions in the context of the examination of the historical financial information as a whole.

Question B4 **Are the accounting policies and methods used by the issuer appropriate? Please comment on the general fairness (adequacy) of the issuer's accounting policies and the presentation of its historical financial information. Are these accounting policies consistent with the majority of enterprises in the same business as the issuer? Would you describe the financial reporting policies of the issuer as conservative/liberal relative to other companies in the industry?**

Response considerations Assuming that the reporting auditor has expressed an opinion without reservation on the issuer's historical financial information, it would ordinarily be possible to confirm that the accounting policies and methods used by the issuer are appropriate.

The reporting auditor would advise the issue manager, sponsor, manager and/or underwriter that management has the responsibility for the accurate recording of transactions and the preparation of historical financial information in accordance with generally accepted accounting principles. This responsibility includes the selection and application of accounting policies. An examination of the historical financial information does not relieve management of its responsibilities. The reporting auditor may make suggestions as to the form or content of the historical financial information, and ensure that the accounting principles and policies are in accordance with generally accepted accounting principles; however, the reporting auditor is not required to assess the preferability of an accounting principle or method when acceptable alternatives exist. The reporting auditor would also consider discussing the alternative accounting policies available under generally accepted accounting principles, generally, and in the issuer's industry.

From time to time, the reporting auditor may discuss with the audit committee the quality of various accounting policies, and express a view as to the relative merits of differing methods. The reporting auditor may wish to refer to these discussions. However, in dealing with a third party such as an issue manager, sponsor, manager and/or underwriter, the reporting auditor would be very cautious about answering any question about the relative conservatism of the issuer's accounting policies, as any answer is likely to be based on the reporting auditor's personal experience, and not on any generally accepted criteria.

Question B5 **What was the extent of your involvement in the preparation of the historical financial information and the other financial information in the investment circular?**

Response considerations The responsibility for the preparation of historical financial information, and also of investment circulars, rests with management of the entity. It is the reporting auditor's responsibility to perform an examination of the historical financial information prepared by management.

C. Questions properly addressed to management (C1-C3)

The issue manager, sponsor, manager and/or underwriter may ask questions that are properly addressed to management, rather than the reporting auditor.

Question C1 **Is the historical financial information for the periods contained in the investment circular of the issuer accurate in all material respects?**

Response considerations The reporting auditor would remind the issue manager, sponsor, manager and/or underwriter that the historical financial information is the responsibility of the issuer's management and that this question is best answered by management. The reporting auditor would explain that the responsibility as reporting auditor is to express an opinion on the historical financial information based on an examination. As noted in the auditor's report, it is the reporting auditor's opinion that the historical financial information included in the investment circular gives a true and fair view of the financial position of the company as at (dates) and the

results of its operations and its cash flows for the years then ended.

Question C2 What is the reason for the increase / decrease in (certain historical financial information items) in 20X5 as compared to 20X4?

Response considerations

The reporting auditor's responsibility is to form an opinion as to whether the historical financial information gives a true and fair view. A change in the recorded amount of an asset, liability, revenue or expense item from period to period is normally the result of numerous transactions. Management has the responsibility of operating the business, has first-hand knowledge of these transactions, and is in a position to analyse changes. Therefore, any questions as to the reasons for a change in a historical financial information item would be addressed to management, and responded to by management. The reporting auditor could comment on management's response only if a separate assurance engagement was carried out on the matters in question.

Question C3 Please provide us with an assessment (comment on the adequacy) of the Company's internal control systems. Are you satisfied that internal controls are in place to prepare adequate financial information? Have you relied upon internal controls in performing your examination?

Response considerations

The reporting auditor would advise the issue manager, sponsor, manager and/or underwriter that this question can only be answered by the issuer's management, because responsibility for ensuring the adequacy of internal control is part of the issuer's management's overall responsibility.

The reporting auditor may respond by stating that management's internal control objectives go beyond financial information objectives. Internal controls relevant to the examination comprise those policies and procedures established and maintained by management that relate to specific financial information assertions.

The reporting auditor would explain that a reporting auditor has a responsibility to obtain a sufficient understanding of internal control to plan the examination. This understanding includes knowledge about the design of policies and procedures and whether they have been implemented, but does not extend to evaluating the operating effectiveness of these policies and procedures. The reporting auditor only evaluates, and tests, those internal controls on which it is planned to rely on during the examination. Accordingly, an opinion in an auditor's report provides no assurance as to the efficiency or effectiveness with which operations, including internal controls, have been conducted.

The reporting auditor may then wish to discuss the approach adopted in performing the examination including reliance on internal controls. The reporting auditor may also wish to point out that these controls would not normally include all of the controls over the preparation of the historical financial information; accordingly, the reporting auditor is not in a position to provide any assurance regarding such controls.

Notwithstanding this, the reporting auditor would consider informing the issue manager, sponsor, manager and/or underwriter as to any significant weaknesses in the issuer's internal control structure which were reported to management.