



# KPMG offers independent report on prelims

## KPMG in the UK | Investor Insights

December 2019



**Preliminary announcements trigger investment decisions and share price movements, but the full story in the annual report (and independent auditor's report) is often only made available to the market some time later.**

**One of the themes we hear consistently through our engagement with institutional investors is that the value of the annual report – and the auditor's report contained within it – is significantly diminished if it is published some time after the preliminary results announcement. While the annual report contains much that may be relevant, the stock market has already reacted and moved on.**

Although not required, the majority of listed companies in the UK (82% of the FTSE 350) publish a results announcement (via a prelim) ahead of their annual report.

The Companies Act requires companies with equity listed on the Main Market to make their annual report available on a website "as soon as reasonably practicable".

### Highlights

- Annual reports are often issued well after the stock market has already reacted to preliminary results.
- Investors tell us that they want more information from the auditor earlier.
- KPMG is responding by offering UK listed companies the option of an independent report on prelims based on audited financial statements.
- We continue to encourage listed companies to consider their investors' needs and minimise the delay between authorisation and publication of their annual reports.



**"We are now offering companies the option to request that KPMG provides an independent report on their prelim."**

In practice – among those FTSE 350 companies issuing a prelim – the 'audited prelim' (i.e. preliminary results based on audited financial statements) is released up to 76 days before the full annual report, with a median of 21 days.

That is frustrating for institutional investors that tell us that they want the auditor's findings earlier – including information on key audit matters (KAMs) – preferably at the same time as the prelim.

### How is KPMG responding?

We are encouraging the companies we audit to consider their investors' needs and minimise the delay between authorisation and publication of their annual reports.

62 companies in the FTSE 350 – including 17 companies we audit – already publish their annual report on the day their results are announced. Technology makes this ever more achievable; however, some companies cannot avoid delay completely due to the size and complexity of their annual reports, which inherently may take longer to publish than a prelim.

So, to help provide more timely information about our audits to investors, we are now offering companies the option to request that KPMG provides an independent report on their prelim (if the prelim is based on audited financial statements). This option is available to companies with equity listed either on the Main Market or on AIM.

This independent report can be published by the company together with the preliminary announcement, including extracts of our unpublished auditor's report that are valued by investors, including:

- disclosures about KAMs that we considered as part of the audit;
- indications of whether the level of audit significance associated with the current year KAMs has changed;
- KPMG's [graduated audit findings](#), if the company has elected to adopt these; and
- the overall level of materiality applied in conducting the audit.

We are encouraging UK-listed companies audited by KPMG in the UK that publish an audited preliminary to engage us to provide an independent report.

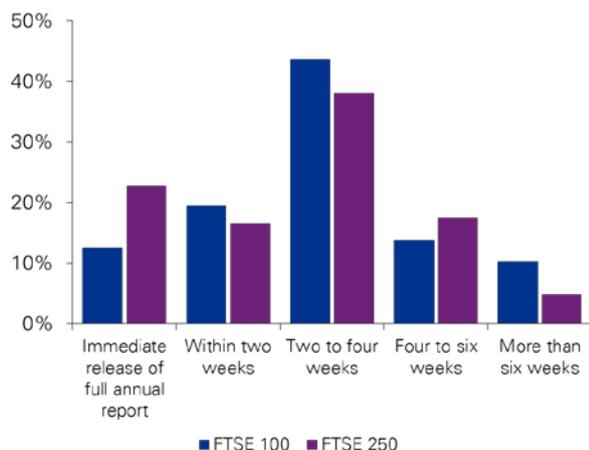
We continue to encourage listed companies to consider their investors' needs and minimise the delay between authorisation and publication of their annual reports. We hope that investors will support companies in their efforts to speed up the publication of their annual reports and/or take up our offer of an independent report on prelims.

## How long do investors typically have to wait for the auditor's report?<sup>(1)</sup>

Of the companies in the FTSE 350, 82% issue preliminary announcements. The majority of those companies (87%) issue 'audited prelims'. The remaining 18% that do not issue preliminary results announce their audited results and issue the annual report on the same day.

A majority of FTSE 350 companies have a gap of more than two weeks between their preliminary results announcement and their annual report.

### FTSE 350 companies: Delay between audited prelim and annual report



Based on the most recent reports, FTSE 100 companies that publish audited prelims issue their annual reports an average (median) of 21 days after their preliminary results. For FTSE 250 companies, the corresponding figure is 22 days.

Eleven FTSE 100 companies released their annual report on the same day as their full-year results statement – six of these are in the financial sector. 51 FTSE 250 companies simultaneously publish their results and annual report; 34 of these are investment trusts or investment managers.

Note: (1) We surveyed the release dates of preliminary announcements and full annual reports of the FTSE 350, for periods ending between 31 January 2018 and 28 February 2019.



## Audited prelims

Despite the name, an 'audited prelim' is not audited.

The phrase is commonly used to describe a preliminary announcement that is based on a set of financial statements on which an auditor's report has already been issued (and we've used the term above). However, the work an auditor does on the preliminary announcement itself is limited.

We will describe that work in our proposed report. Remember, the only document that's audited is the annual financial statements.

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Designed by CREATE | December 2019 | CRT121266A