

SAMPLE REPRESENTATION LETTER
Adapted to the ISA-ES 580
UPDATED ACCORDING TO REVISED ISA

(Client's letterhead)

Dear XYZ AUDITORS

(Name and address of auditors, ... of 20.....)

(The date must be as close to but never later than the date of the audit report, and never earlier than the drafting date of the annual accounts)

Dear Sirs:

In connection with the audit you are conducting of our Entity's annual accounts ¹ for the year ended on *(day, month and year)*², we hereby declare that to the best of our knowledge:

1. The members of the entity's governing body are responsible for preparing the annual accounts and the management report, as stipulated by law in terms of format and deadlines, as established in the terms of the audit engagement letter dated
2. The annual accounts were obtained from the Entity's accounting records, which reflect all transactions and all assets and liabilities in order to present fairly, in all material aspects, the Entity's equity, financial position and results of its operations and cash flows *(where applicable)* for the year then ended in accordance with the regulatory financial reporting framework applicable to the Entity and internal control that we deem necessary for the preparation of the annual accounts free from material misstatements due to fraud or error.
3. We have not limited your access to any accounting records, contracts, agreements or other documentation and/or information that has been requested from us and that is relevant to the recording, valuation, presentation and classification of the assets, liabilities and transactions in the annual accounts; we have also informed you of any communications received from *(state the names*

¹ The term "Annual Accounts" should be replaced with the appropriate term ("Balance Sheet", "Financial Statements", abbreviated, consolidated, etc.) when the audit refers to other financial information. Likewise, in the rest of this letter, references to operating results and/or cash flows should be eliminated when they are not applicable (for example, when auditing a balance sheet abbreviated annual accounts and there is no cash flow statement included).

² This letter refers to the audit of one year's annual accounts. If the opinion refers to more than one financial year or to an interim period, it must be adjusted accordingly.



of the regulatory or supervisory bodies for the Entity's sector of activity); and we have facilitated access to all persons within the Entity from whom you have deemed it necessary to obtain audit evidence.

4. We have provided the minutes of all governing body meetings, general shareholders' meetings and (add other relevant committees) for the period between the beginning of the year under audit and the date of the audit, a list of which, prepared by the secretary of the governing body, is enclosed herewith. Furthermore, we would also like to inform you of the conclusions reached at the following meetings for which the minutes have not yet been prepared:

<u>Date</u>	<u>Body</u>	<u>Issues Addressed/Conclusions</u>
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5. (Adapt according to the customer's specific circumstances regarding the application of the going concern principle)

We are responsible for assessing the Entity's ability to continue as a going concern, and for disclosing issues related to the going concern, if any.

In our opinion, the application of the going concern principle in the preparation of annual accounts is appropriate. Likewise, we confirm that the Entity does not have plans to take any decision that could significantly alter the value of the assets and liabilities recognised in the annual accounts or their classification, which could have an effect on equity.

(If there are causative and mitigating factors, include more specific statements such as the following):

The annual accounts contain all relevant information regarding the Entity's ability to continue as a going concern, including a description of the significant circumstances and events giving rise to business continuity concerns, mitigating factors and the Entity's plans in this regard. Moreover, we confirm that the Entity has plans to take the actions needed to continue as a going concern, and that it has the capacity to do so. We confirm that the enclosed annex contains the relevant future action plans for the Entity to continue as a going concern.

6. (In the event of uncorrected errors or omissions in the report)

We confirm that you have informed us that during of your work you have detected the existence of uncorrected errors in the annual accounts for the 20xx financial year and (where applicable) and the omissions of the information identified below. We have determined that the impact of such errors or omissions, either individually or in aggregate, is immaterial to the annual accounts as a whole and for this reason have not corrected them³.

The detail of uncorrected errors and omissions is as follows:

³ The summary of the immaterial adjustments can be included as an annex to the representation letter rather than in the body of the letter itself.

- (Detail the errors, including quantification and impact on the annual accounts)
- (Detail information omissions)

7. (If there are reservations in the audit report, add "Except for the reservations included in your audit report ..."), we are not aware of the existence and do not suspect the existence of significant errors or omissions affecting the annual accounts. We confirm that the figures and information for the previous year, which are presented for comparative purposes in the financial statements for fiscal year 20xx, coincide with those approved at the General Shareholders' Meeting.

(If any errors affecting the comparative figures were made in this financial year)

We confirm that, in accordance with Recording and Measurement Standard 22 of the General Chart of Accounts, we have restated the figures for financial year 20xx-1, which are presented for comparative purposes along with the 20xx annual accounts, in order to include the effect of (*indicate whether it is a correction of an error or a change in accounting policy*), disclosed in the report in according to the provisions of the GCC.

8. (If there is a reservation in this regard, add "Except as indicated in the auditor's opinion"), we believe that we have complied with all contractual and legal terms which could have a significant effect on the annual accounts in the event of a non-compliance.

9. We are not aware of any non-compliance or possible non-compliance with legal regulations or other provisions applicable to the Entity (vis-à-vis the environment, labour, data protection, etc.), the effects of which must be considered in the annual accounts or which could serve as the basis for accounting for losses or estimating contingencies. In this regard, we confirm that we are not aware of the existence of any contingency for non-compliance, litigation or claim arising as a result of any violation of existing regulations in this regard, which could result in a significant financial penalty. We also confirm that there are no existing claims or lawsuits and that neither our lawyers nor our tax advisors have notified us of any that are likely to be brought against us for which provisions should be made as contingencies for possible losses in the annual accounts. The only lawyers and tax advisors who deal with the Entity's legal matters are:

- (...)
- (...)

10. We are responsible for the design, implementation and maintenance of the Entity's internal control and accounting systems to prevent and detect material misstatements due to fraud or error. To that end, we have shared with you the results of our assessment of the risk that the annual accounts may contain a material misstatement due to fraud. In this regard, we confirm that we have no knowledge of the existence and do not suspect the existence of material misstatements due to fraud involving members of the Entity's management staff or employees who have actively intervened in the internal control and accounting systems. We have not detected any material errors due to fraud involving other Entity employees that could have a material effect on the annual accounts.

11. The only commitments, contingencies and liabilities at the closing date are those reflected in the annual accounts. Likewise, where applicable, we have included information that we have considered to be pertinent on the nature and business purpose of any business agreements not included in the balance sheet, as well as their possible financial impact.

12. From the closing date of the annual accounts until the date of this letter, no event has occurred, and no aspects have been arisen that are not already reflected in the annual accounts and that could have a significant effect on them.

13. The Entity did not have, nor does it currently have any ongoing dismissals or any need or plans for future dismissals that would involve significant severance payments under current legislation that are not already reflected in the annual accounts. It is therefore not necessary to make any additional provisions for this item.

14. The Entity is the rightful owner of all recorded assets, which are free of liens and mortgages, except as indicated in the annual accounts.

15. There are no current non-financial assets recognised for amounts in excess of their net realizable or recoverable value.

16. The balances in property, plant and equipment accounts do not reflect assets that may have been derecognised or that are no longer in use, except as indicated in the report.

17. Financial assets are not derecognised unless the significant risks and benefits inherent to ownership are transferred or unless the Entity no longer retains control over them.

18. Assets and groups of assets are assessed for impairment at the appropriate level and the related impairment losses, if any, are recognised. The annual accounts reflect all the adjustments required in accordance with the recording and measurement rules at 31 December 20XX.

19. *(If there are any elements of an asset that are likely to be impaired, include an explicit statement to the effect that it is not necessary to recognise any impairment).*

We confirm that we have evaluated the impairment indicators for (list the corresponding asset items) and that the analysis did not reveal evidence of impairment.

20. *(If the Entity engaged the services of an expert to determine the fair value of any equity item).*

After evaluating the capacity and competence of these experts to determine the amounts and disclosures in the financial statements and accounting records, we agree with the results obtained by (*expert's name*) and the measurement of (*indicate*). We confirm that we have not instructed the independent experts in any way regarding the values to be determined, nor have we taken any other actions that might have skewed the results of their work, nor are we aware of any other matters that might have influenced on the experts' objectivity.

21. Regarding the accounting estimates, the determination of fair value and the disclosures related to certain assets, liabilities and specific equity items, such as [*describe*], we believe that:



- i. The valuation methods, data and assumptions used by management to determine fair values are appropriate considering the regulatory framework and they were consistently applied.
- ii. The disclosures relative to accounting estimates and the determination of fair value included in the annual accounts are complete and adequate according to the financial reporting framework applicable to the Entity.
- iii. There were no events after 31 December 20XX that would require adjustments to the estimates made, the determination of fair value or the disclosures in the annual accounts.

22. It is anticipated that all current asset items can be used in the ordinary course of business or disposed of or recovered for at least the amount shown on the balance sheet, for which adequate impairment has been recognised.

23. *(If the Entity has assets held for sale or discontinued operations at the closing date)* In relation to [specify], we confirm that Entity management has the intention and ability to sell such [asset/business], the disposal of which is expected to materialise within twelve months from the financial year closing date. The annual accounts include all the information and disclosures required by the accounting regulations applicable to non-current assets held for sale, which for these purposes have been measured at the lower of carrying value or fair value less the cost of sales, in accordance with the related recording and measurement standards.

24. The physical inventory was carried out with adequate supervision and inventory records were adjusted accordingly.

25. The Entity did not and does not have operations with financial institutions that impose restrictions of any kind on the use of cash balances or other financial assets or liabilities, except as described in the report.

26. Regarding the Entity's tax and fiscal situation, we declare that:

- a. Adequate provisions were made for local, national and international tax liabilities. In addition, we do not anticipate that the amount of any additional assessments will materially exceed the existing provisions earmarked for this purpose in the annual accounts as a result of future audits of the financial years open to Tax Audit.
- b. We have provided you with the tax opinions issued by independent tax experts to support any tax positions open to interpretation.
- c. Deferred tax assets are only recognised to the extent that future recovery is probable.
- d. The tax strategies considered in evaluating the recovery of deferred tax assets are prudent and reasonable and they will be implemented.
- e. We have provided you with all underlying documentation supporting the methods used to calculate transfer prices for transactions with related entities, which we consider to be correct.

27. All balances and transactions with group companies, joint ventures and associates, including those controlled by the same decision-making unit, and other related parties are properly recorded accounted and disclosed in the notes to the annual accounts, and no other transactions have been carried out with individuals or legal entities related to the Entity. All transactions are recorded at market prices and there is an adequate system for documenting them.

28. The transactions with entities that are residents of tax havens were as follows *(or, alternatively: The Entity had no operations with entities that are residents of tax havens)*:

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29. The Entity has no pension commitments or similar employee benefit commitments that may result in future obligations other than those indicated in the annual accounts.

30. The Entity has carried out all transactions with third parties independently, under normal market conditions on an arm's length basis.

31. The Management report *(for listed companies add the clause, "which includes the corporate governance report as a separate section")* contains all information about the Entity required under current legislation.

32. There are no issues that must be included in environmental information that has not already been addressed in the annual accounts; the same applies to greenhouse gas emission allowances. The Entity does not have a direct and significant impact on the environment and complies with all applicable environmental protection and improvement regulations.

33. Information on the nature and level of risk arising from financial instruments has been appropriately disclosed in the notes to the financial statements. For each type of risk, information is provided on the exposure to the risk and how it occurs, including a description of the Entity's risk management objectives, policies and procedures and the methods used to measure them, as well as quantitative information on risk exposure and concentration.

34. The following concepts are adequately disclosed in the notes to the financial statements:

- a) The judgements and estimates made by the management in the process of evaluating and applying accounting policies; and
- b) Key assumptions about the future, as well as other relevant information about the estimation of uncertainties at year-end, provided that they could reveal the existence of significant risk of material changes in the value of assets or liabilities.

35. We confirm that the Entity only offsets and therefore shows a net amount in the annual accounts for financial assets and financial liabilities and current and deferred taxes if at the time the Entity has



an enforceable right to offset the recognised amount and intends to settle the net amount or to realise the asset and settle the liability simultaneously.

36. We have provided you with all contracts, agreements and information relating to the assessments conducted to define the existence of control, significant influence or joint control of investments and joint ventures.

37. *(For companies that are part of a business group, as this term is defined in Article 42 of the Commerce Code, including Subordinate Groups or Special Purpose Entity Groups that file Consolidated annual accounts where the Entity is not the dominant entity):*

The Entity belongs to the.... group (*name of the Group and corporate name and address of the parent entity*) which files its consolidated annual accounts with the Commercial Registry of ... (*location or address*).

or

The Entity is part of the group (*name of the Group and corporate name and address of the parent entity*) and as far as we know, as of 31 December 20XX, the parent entity is not obliged to prepare consolidated annual accounts under article 42 of the Commerce Code due to the circumstances indicated in the report. (*Adapt the paragraph to other cases*);

38. *(For companies that are part of a business group, as this term is defined in Article 42 of the Commerce Code, including Subordinate Groups or Special Purpose Entity Groups that file consolidated annual accounts where the Entity is the dominant entity)*

The Entity belongs to the.... group (*name of the Group*) which files its consolidated annual accounts with the Commercial Registry of ... (*location or address*).

or

The Entity is part of the group (*name of the Group*) and as far as we know, as of 31 December 20XX, the Entity is not obliged for preparing consolidated annual accounts under article 42 of the Commerce Code due to the circumstances indicated in the report. (*Adapt the paragraph to other cases*);

39. Using the agreements and contracts in force as of the date of this letter, we have evaluated the existence of a decision-making unit, as defined in section 13 of the standards for Preparing Annual Accounts in the Spanish National Chart of Accounts, to include the necessary disclosures in the annual accounts.

40. *(For entities controlled by the same decision-making unit where the Entity is not the major asset)*

The Entity belongs to a group of companies domiciled in Spain which are controlled by the same decision-making unit (*name of the decision-making unit*) whose major asset entity is (*name of the*



group's most important asset), which files its annual accounts with the Commercial Registry of (location or domicile);

(For entities controlled by the same decision-making unit where the entity is the major asset)

We declare that the Entity is the major asset of the group of companies domiciled in Spain controlled by the same decision-making unit for the reason described in the annual accounts. Also included is a description of the companies' subject to the same decision-making unit and the aggregate amount of their assets, liabilities, net worth, revenue and results.

(If the Entity does not pertain to a decision-making unit)

Please be advised that the Entity does not pertain to a group of entities domiciled in Spain subject to the same decision-making unit.

41. The enclosed annual accounts include the required information in relation to:

a) Salaries, allowances and compensation of any kind accrued during the financial year by senior management and members of the governing body, for any reason whatsoever, as well as severance payments, share-based payments and the amount of any advances or loans extended to them. Also included is information on pension and life insurance premium obligations for former and current members of the governing body and senior management.

In this regard, you are hereby informed that the people/staff that are considered members of "senior management" by our entity are as follows:

For example:

- CEOMr./Ms.....
- Managing Director.....Mr./Ms

b) The report contains information on direct or indirect conflicts of interest between the directors' interests and those of the Entity (*if no conflicts*: "The directors have not reported any direct or indirect conflicts of interest with the Entity, as required in article 229 of the Capital Companies Act);

c) The fees paid to our auditors for auditing and other verification services. Also detailed are the total fees charged for tax advisory services, other verification services and other services rendered by member companies of the auditor's network.

(d) The average number of employees during the year expressed by category, as well as the gender breakdown of employees at the end of the year, by category and level.

42. *(For companies that have issued securities that trade on a regulated market of any Member State of the European Union and that file Individual Annual Accounts only).*



You are hereby informed about the main variations that would have originated in the Entity's net equity and income statement in the annual accounts if the international financial reporting standards approved by the European Union Regulations had been applied would be as follows: *(indicate the valuation criteria applied for each variation indicated below)*:

(.....)

43. The information on deferred payments to suppliers in commercial transactions, as established in the Resolution of the Accounting and Auditing Institute dated 29 December 2010, is included in the financial statements. This information considers the amendment included in Article 33 of Law 11/2013 of 26 July on measures to support entrepreneurs and stimulate growth and job creation *(only for non-abbreviated annual accounts or SMEs)*.

44. We have provided you with all documentation that we intend to publish along with the annual accounts, which is limited to the Management Report *(adapt, if necessary, according to the scope of ISA-ES 720 R)*.

Member of the Board of Directors

Director of Finance and Administration

CNyP y Departamento Técnico
REA Auditores del CGEE