



MALAYSIAN INSTITUTE
OF ACCOUNTANTS
ACCOUNTANTS: MANAGERS OF VALUE

Recommended Practice Guide
RPG 10
August 2011

Recommended Practice Guide 10

Guidance on the Role of
Reporting Accountant in a
Due Diligence Working Group

RECOMMENDED PRACTICE GUIDE 10

Guidance on the Role of Reporting Accountant in a Due Diligence Working Group

Foreword

The Council of The Malaysian Institute of Accountants has approved this Recommended Practice Guide (RPG) for issuance to members for guidance.

This Recommended Practice Guide is issued to provide clarification on certain aspects regarding the participation by Reporting Accountants (RA) in Due Diligence Working Groups established in connection with submissions to the Securities Commission, Circular to Shareholders and offering documents such as Prospectuses. It also provides guidance on the manner in which the RA expresses the terms of participation and reports on the RA's work, and specifically also addresses the issuance of comfort letters.

The guidance is jointly developed by The Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

Projects are under way to provide guidance on the Investment Reporting Standards.

RECOMMENDED PRACTICE GUIDE 10

GUIDANCE ON THE ROLE OF REPORTING
ACCOUNTANT IN A DUE DILIGENCE WORKING GROUP

CONTENTS

	Page
1. Introduction	2
2. Objective of Due Diligence	3 - 4
3. Comfort Letter	5 - 6
4. Due Diligence Planning Memorandum	6
5. Due Diligence Working Group Meetings and Verification Notes	7 - 8
6. Expressions in Comfort Letters	8 - 9
7. Effective Date	9
8. Definitions	10
9. Abbreviations	11
10. Illustrations - Letter of Engagement (Annexure I)	12 - 15
- Comfort Letter (Annexure II)	16 - 17

1.0 INTRODUCTION

- 1.1 This Recommended Practice Guide (RPG) is issued to provide clarification on certain aspects regarding the participation by Reporting Accountants (RA) in Due Diligence Working Groups (DDWGs) established in connection with submissions to the Securities Commission, circulars to shareholders, and offering documents such as Prospectuses, and the manner in which the RA expresses the RA's terms of participation and reports on the RA's work.
- 1.2 The Securities Commission (SC) requires an applicant for listing/submission of corporate proposals to appoint a person acceptable to the SC to act as principal adviser (PA) to the issuer. The responsibilities of the principal adviser are set out in the relevant SC guidelines.
- 1.3 Section 214 of the Capital Market and Services Act 2007 (CMSA) requires that any information submitted to the SC in relation to a proposal pursuant to Section 212 shall be information:
- (a) which is not false or misleading; or
 - (b) in which there is no material omission

The obligation to submit truthful and complete information is imposed primarily upon:

- (i) an applicant of the proposal and the directors, secretaries and officers of the applicant and its subsidiaries; and
- (ii) a financial adviser or an expert.

These persons shall also not engage in, aid or abet conduct that they know to be misleading or deceptive, or is likely to mislead or deceive the SC.

- 1.4 Reporting accountants may be required to provide comfort in respect of the reliability of certain financial information disclosed in the documents prepared for submission of proposals to the SC, circulars to shareholders and offering documents. This guidance also focuses on the issuance of comfort letters and the participation in due diligence working groups under these circumstances.
- 1.5 In certain circumstances, the RA may be engaged by the issuer or the PA to undertake a separate engagement to perform procedures other than as described in this guidance. This guidance does not extend to such other engagements, and the RA would perform such other engagements in accordance with applicable professional standards.

2.0 OBJECTIVE OF DUE DILIGENCE

- 2.1 The objective of a due diligence process as described in paragraph 1.3 above is to:
- (a) ensure compliance with the provisions of Section 214 of the CMSA;
 - (b) ensure on behalf of an applicant that the submission to the SC, circular to shareholders and offering document meet the legal standards governing it, that it contains all the relevant material information which is known to the applicant, its officers, the financial advisers, the experts and any other person involved in preparing the submission to the SC, or which can be discovered by any of them making reasonable enquiries.
- 2.2 This guidance addresses the role of the RA pursuant to the RA's engagement by the issuer. There may be other various reports which are required of the RA, which may be beyond the role of the RA. In such instances, the RA would have separate engagement letters with the appropriate engaging parties in respect of those other roles, and would render separate reports. The scope and other matters relating to such other engagements are not addressed in this guidance.

The RA should accept (or continue where applicable) a reporting engagement only if, on the basis of a preliminary knowledge of the engagement circumstances, nothing comes to the attention of the RA to indicate that the requirements of relevant ethical standards and guidance issued by the professional bodies of which the RA is a member, will not be satisfied. The RA should accept (or continue where applicable) a reporting engagement only if:

- (a) the scope of the engagement is expected to be sufficient to support the required report;
- (b) the RA expects to be able to carry out the procedures required; and
- (c) those persons who are to perform the engagement collectively possess the necessary professional competencies.

2.3 The DDWG's terms of reference

- 2.3.1 The DDWG is to ensure that:
- (a) the submission to the SC, circular to shareholders and offering document do not contain any material statements which are false or misleading;
 - (b) there are no material omissions from the submission to the SC, circular to shareholders and offering document;
 - (c) there is evidence, wherever possible, to verify all statements in the submission to the SC, circular to shareholders and offering document, and their completeness providing reasonable grounds for belief in the accuracy of all actual statements in the submission to the SC; and
 - (d) no misleading or deceptive conduct is involved and that all statements in the submission to the SC, circular to shareholders and offering document are appropriately verified and qualified so as not to mislead.

2.3.2 The membership of a DDWG shall, at the minimum, comprise the PA, senior representatives of the applicant/issuer (including at least one director of the applicant/issuer) and such advisers/experts as are appropriate in the relevant corporate proposal. The advisers to the applicant may include experts such as merchant banks, law firms, or accounting firms, who would be appointed to undertake due diligence investigations in their particular field of expertise respectively for the applicant if the circumstances so require.

2.3.3 Each member of the DDWG who is appropriately qualified in the relevant area will be allocated specific responsibilities, by reference to a Due Diligence Checklist, if one is used, in connection with the conduct of the due diligence process. That person will be charged with reporting the findings to the DDWG.

2.4 **Role of the DDWG**

2.4.1 The role of the DDWG is as follows:

- (a) to be informed by the principal adviser (PA) on the scope of the due diligence;
- (b) to ensure the implementation of the due diligence process and procedures;
- (c) to ensure that the due diligence process is satisfactorily documented; and
- (d) to receive and consider progress reports.

2.5 It is the primary responsibility of the principal adviser (PA) to ensure that the information contained in a corporate proposal has no material omission, is accurate and consistent. The RA can participate as a member of such DDWGs, to provide comfort on matters that the RA is capable of and has the expertise for. Typically, these areas are in respect of financial information such as the type expressed in financial statements, drawn from accounting records, or derived from such financial statements or accounting records. This “comfort” is normally provided in the form of a comfort letter. The RA may also be engaged to perform other services, including the review of financial statements or pro forma statements, etc. The RA would render the appropriate report in those circumstances. Unless otherwise engaged in a separate engagement to perform a comprehensive review of the system of internal control, the RA should not give any general assurance as to the system of internal control of the issuer.

3.0 COMFORT LETTER

- 3.1 In providing a comfort letter, the RA would have to bear in mind four principles underlying this guidance:
- (a) Only the PA can determine what is sufficient for a reasonable due diligence in connection with the PA's obligations under the SC's Equity Guidelines.
 - (b) The PA may rely on statements made by the RA to add credibility to the subject matter of the statement; accordingly, any such statement needs to be appropriately supported.
 - (c) In order to make a statement that would be appropriately supported, the RA needs to possess adequate knowledge of the subject matter, and to act with due care and an objective state of mind.
 - (d) The RA can properly make such a statement only if there is suitable evidence as a basis for reporting factual findings on the subject matter.
- 3.2 The RA can give comfort on financial information only when it has been obtained from the issuer's accounting records that are subject to the issuer's internal controls, policies and procedures; it has been derived directly from such accounting records by analysis or computation (for example, percentages or financial ratios); or it has been the subject of a separate assurance engagement performed in accordance with appropriate auditing or assurance standards.
- 3.3 In carrying out an engagement under this RPG, the RA should apply the principles in ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. Accordingly, the RA reports the procedures carried out and the findings obtained, but does not in this process provide either positive or negative assurance.
- 3.4 In accordance with the principles in ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*, the RA when engaged to issue a comfort letter should agree the terms of the engagement with the issuer. The terms of the engagement should be recorded in writing. (Please refer to Annexure I of this RPG.)
- 3.5 The detailed contents of a comfort letter will vary according to the nature of the information in the submission and other documents and the procedures agreed on by the issuer and the RA.
- 3.6 At a minimum, a comfort letter should contain the following matters:
- (a) date;
 - (b) the RA's address;
 - (c) addressee (i.e. the issuer as signatories to the engagement 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 addressee, as specified in the engagement letter;

- (f) a statement that the engagement was performed in accordance with ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*;
- (g) identification of specific information to which the procedures have been applied;
- (h) a description of the specific procedures performed and the factual findings, including sufficient details of errors and exceptions found;
- (i) a statement that the procedures performed do not constitute an assurance engagement and, as such, no assurance is expressed;
- (j) a statement that the letter is restricted to the addressee of the letter and is to be used only in connection with the stated purpose of the letter; and
- (k) the RA's signature.

3.7 An example of a comfort letter is included in Annexure II to this RPG.

3.8 The RA is expected to read the submission documents where the comfort letter has been included, or referred to. When the RA believes that the information is inconsistent with the comfort letter, the RA should not allow the comfort letter to be included, or referred to in the documents until the RA is satisfied that the documents have been appropriately amended.

3.9 If, in the period between the date of the comfort letter and the completion date of the transaction, the RA becomes aware of events and other matters which, had they occurred and been known at the date of the letter, might have caused it to issue a different letter, the RA should discuss the implications arising with those responsible for the submission to the SC, circular to shareholders, or offering documents, and take additional action as appropriate.

4.0 DUE DILIGENCE PLANNING MEMORANDUM (DDPM)

4.1 In accordance with professional standards, the RA's engagement as a member of a DDWG is on the basis of an engagement letter. The RA may be requested to sign a Due Diligence Planning Memorandum (DDPM) together with other parties such as the PA, legal counsel, valuers, etc. However, because the RA's engagement should be conducted on the basis of the RA's engagement letter, and in order to not have multiple sets of engagement terms and the attendant risks of either duplication or omission, the RA should not further sign the DDPM.

4.2 However, because RAs are part of the DDWG, working arrangements in such circumstances frequently anticipate that the RA should be 'covered' in the DDPM. Therefore, the RA may accommodate the following arrangements:

- (a) excerpt as an appendix to the DDPM the scope of the RA's work from the RA's engagement letter; and
- (b) on the DDPM, initial or affix the RA's identification together with a cross reference to the scope set out in the aforementioned appendix to the DDPM.

5.0 DDWG MEETINGS AND VERIFICATION NOTES

5.1 In a DDWG meeting, the RA's comments should be in relation to matters properly relating to the RA's engagement, such as:

- (a) the nature and duration of the engagement as RA;
- (b) the RA's professional standing and experience;
- (c) the scope of the reporting engagements and other professional work in connection with the submission document;
- (d) the accountants' report and other published reports issued by the RA;
- (e) the RA's relationship with the issuer's management, directors and audit committee or equivalent;
- (f) the RA's ability to deliver reports, consents, comfort letters and any other letters or reports in connection with the submission document;
- (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; and
- (h) inform/advise the PA of all material, misleading or inaccurate information within the RA's knowledge or which the RA discovers/uncovers in the course of the RA's work.

It is not the role of the RA to comment on information subject to other expertise and disciplines such as legal interpretations, beneficial share ownership or contracts, or on matters such as engineering data. The RA should only attend DDWG meetings directly relevant to the RA's scope of engagement and should refrain from commenting on subject matter outside the RA's area of expertise.

5.2 It is customary that the PA prepares the minutes of the due diligence meeting and the DDWG's final verification notes, or arranges for their preparation.

5.3 Professional standards dictate the conduct of the RA in relation to communicating the results of the RA's work, and require that the results of such work performed should be communicated in a clear form, effectively providing the reader with a clear message of the extent of assurance, if any, that the RA intends and is able to communicate, or that no assurance is expressed.

5.4 The levels of assurance described in professional standards are as follows:

- (a) a positive form, viz. "in our opinion [a defined subject matter] conforms in all material respects with [specified criteria]" -- this form of report conveys 'reasonable assurance' and is expressed in audit-level engagements; or
- (b) a negative or limited form, viz. "nothing has come to our attention that causes us to believe that [a defined subject matter] does not conform in all material respects with [specified criteria]."

- 5.5 Not all engagements or types of work the RA performs provide assurance, and when no assurance (whether reasonable or negative/limited) is intended, the RA may be able to report only on the basis of the factual results of procedures. Such procedures typically take the form of agreed-upon procedures or compilation procedures, and the RA should be alert to distinguish these, and accordingly also distinguish the manner in which these are reported on, from procedures that do provide assurance.
- 5.6 Professional standards also set out other requirements applicable to the manner in which the RA reports on work performed, for example, title, addressee, scope, subject matter, respective responsibilities, and summary of work performed, opinion/ conclusion/facts, date of report, address, etc.
- 5.7 In view of these requirements set out in professional standards, the RA does not sign 'verification notes' or 'minutes of verification meetings' in the form normally set out for the whole DDWG through minutes and verification notes.
- 5.8 Accordingly, the RA should report on the work performed in a separate 'comfort letter' or other assurance or related services report that meets these requirements. 'Verification notes' or 'minutes of verification meetings' may be stamped for identification where members of the DDWG would otherwise affix their signatures, and cross referenced to the comfort letter. A copy of the comfort letter may be appended to the notes or minutes as appropriate.
- 5.9 In accordance with the requirements of the Assurance Framework, prior to issuance of a comfort letter, the RA should obtain suitable written representations from appropriate officers responsible for the information.

6.0 EXPRESSIONS IN COMFORT LETTERS

- 6.1 When the RA has performed an audit on the financial statements, that audit is not synonymous with having performed an audit of a particular number in the financial statements. Accordingly, and unless the RA has also performed a separate audit engagement of the particular number, the RA would state, for example, "we have checked [identified number or detail] to the audited financial statements as at / for the year ended [xxx] on which we rendered our opinion on [date] and found the [number / detail] to be in agreement with that set out in those financial statements".
- 6.2 If the RA carried out a calculation check, the RA should state, for example, "we have checked the calculation of [detail, e.g. depreciation computation for the xx months ended xxx] and have found the calculation to be in accordance with the depreciation policy of the company stated in the audited financial statements for the year ended xxx)".

- 6.3 If the RA has performed specified procedures, those procedures must have relevance to the role of the RA. For example, “we have agreed the amount stated to have been collected, with the amount recorded in the [description of the record] for the month of xxx maintained by the company”.
- 6.4 It is not the RA’s responsibility to check calculations that have no relevance to the role of RA, e.g. calculations of extraction rates or agricultural produce or harvests. The RA does not assume such responsibility merely because the RA has access to those company records.
- 6.5 Management may be able to express the comfort desired when the RA are not able to do so, such as the circumstances described in 6.4 above.

7.0 EFFECTIVE DATE

- 7.1 This Guidance is effective for engagements where the engagement letter is dated on or after September 1, 2011.

DEFINITIONS

“an applicant” means any person referred to in subsection 212(1) of the CMSA and includes a person referred to under section 232(1) of the CMSA;

“corporate proposal” means any proposal submitted to the SC under Part VI of the CMSA and includes any offering document submitted, deposited or registered with the SC under Part VI of the CMSA;

“expert” has the same meaning as given in sections 212(1) and 216(1) of the CMSA;

“exchange” means a stock exchange established under subsection 8(2) of the Securities Industry Act 1983 or an exchange company;

“issue” means—

- (a) in relation to securities, to bring or cause to be brought into existence those securities; and
- (b) in relation to a notice, prospectus or other document, to circulate, distribute or disseminate such notice, prospectus or document;

“issuer” means—

- (a) in the case of shares or debentures, the corporation whose shares or debentures are being issued, offered for subscription or purchase or in respect of which an invitation to subscribe or purchase has been made;
- (b) in the case of units of a unit trust scheme or prescribed investment scheme, the management company;
- (c) in the case of any other securities, the person making available, issuing, offering for subscription or purchase, or making an invitation to subscribe for or purchase, such securities;

“officer”, in relation to a corporation, includes—

- (a) a director, a secretary, an executive officer or an employee of the corporation;
- (b) a receiver and manager, appointed under a power contained in any instrument, of any part of the undertaking or property of the corporation;
- (c) a liquidator of the corporation appointed in a voluntary winding up of the corporation;

but does not include a receiver who is not also a manager, a receiver and manager appointed by a Court and a liquidator appointed by a Court;

“principal adviser” means the principal adviser, i.e. the corporate finance adviser responsible for making submissions to the SC for corporate proposals;

“submission document” means a document, including a prospectus, circular to shareholders or similar document, issued by an issuer pursuant to the Securities Commission Equity Guidelines.

ABBREVIATIONS

“DDWG” – Due Diligence Working Group

“DDPM” – Due Diligence Planning Memorandum

“PA” – Principal Adviser

“RA” – Reporting Accountant

“SC” – Securities Commission

SAMPLE LETTER OF ENGAGEMENT

Date

The Board of Directors
MODEL BERHAD
[address]

DUE DILIGENCE WORKING GROUP – SUBMISSION TO THE SECURITIES COMMISSION IN CONNECTION WITH THE PROPOSED FLOTATION OF MODEL BERHAD (“the Company”) ON THE MAIN MARKET OF ZZZ EXCHANGE

This letter serves to confirm our understanding of the arrangements made with you with respect to our participation as a member of the Due Diligence Working Group (“DDWG”) for the purpose of the above exercise in connection with certain agreed-upon procedures you wish us to perform on certain financial information contained in the submission document to the Securities Commission (“Submission Documents”). Our participation as a member of the DDWG is also in connection with our work as Reporting Accountants in the preparation of the relevant Accountant’s Report and the review of profit and cash flow forecasts, and pro forma balance sheets for the purpose of the above exercise, the terms and acceptance of which were covered in a separate arrangement letter dated

1. Our Responsibilities

As a member of the DDWG, we will participate in the due diligence enquiries and deliberations as necessary in relation to areas within the scope of our engagement. We set out in the attached Appendix I, the terms of reference upon which we agree to participate in the DDWG.

The directors of the Company have also requested us to perform certain agreed-upon procedures on certain financial information identified by the Company from the Submission Documents. The results of our agreed-upon procedures performed will take the form of a Comfort Letter setting out the procedures we have performed, marked and identified to the copies of the relevant pages of the Submission Document, which pages will be appended to our letter. The letter will be, substantially in the form set out in Annexure II, to the extent that we, in our opinion, are able to do so.

The agreed-upon procedures as enumerated above will be performed in accordance with Approved Standards on Related Services in Malaysia applicable to agreed-upon procedures engagements. Because these procedures do not constitute an audit or review made in accordance with Approved Standards on Auditing in Malaysia, we will not express any assurance on the financial information. If we were to perform additional procedures or if we were to conduct an audit or review of the financial statements in accordance with Approved Standards on Auditing in Malaysia, other matters might come to our attention which we would report to you. Consequently, the procedures will not necessarily reveal any material misstatement of the information referred to above. In addition, we make no representations as to the sufficiency for your purposes of such procedures. Furthermore, we will address ourselves solely to the foregoing data as set out in the Submission Document and we will make no representations as to the adequacy of disclosure or as to whether any material facts have been omitted in the Submission Document.

SAMPLE LETTER OF ENGAGEMENT (CONT'D)

2. Directors' responsibilities and representations

We will require the full assistance from the directors, shareholders (if applicable), management and staff of the Company and the Company's other advisors (if applicable) in obtaining any information or data and providing explanations that we require to complete this engagement on a timely basis. In this respect, the directors of the Company will make arrangements for our complete access to the records and personnel of the Company.

We emphasise that our work will be based on information provided by the Company. Because of the importance of the information provided by the Company to our work, the Company agrees to release and indemnify, defend and hold harmless ABC & Co and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter attributable to any misrepresentations, errors or omissions in the information provided to us or misrepresentations by the management of the Company.

3. etc [to insert other terms and clauses in accordance with the respective firm's internal policies].

4. Limitation of Liability and Indemnity

[terms as agreed between RA and issuer]

5. Governing Law & Severability

These terms of business shall be governed by and construed in accordance with the laws of Malaysia and any dispute arising out of this engagement or these terms shall be subject to the exclusive jurisdiction of the Malaysian courts.

If any provision of this letter is determined by a court of competent jurisdiction to be in violation of any applicable law or otherwise invalid or unenforceable, the remaining provisions contained in this letter shall otherwise continue in full force and effect, and the rights and obligations of the parties shall be construed and enforced accordingly, preserving to the fullest permissible extent the intent and agreements of the parties set forth herein.

Yours faithfully,

ABC & Co

Acknowledgement and Acceptance

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

By

Date

For and on behalf of Model Berhad

SAMPLE LETTER OF ENGAGEMENT (CONT'D)

APPENDIX 1

DUE DILIGENCE WORKING GROUP

This appendix sets out the understanding upon which we agree to participate on the Due Diligence Working Groups ("DDWG").

1. The Company acknowledges its responsibility for exercising due diligence to ensure the completeness, timeliness, sufficiency and accuracy of all the documents, statements and information which it submits to the SC. We acknowledge our responsibility for exercising due diligence in the preparation of those reports and letters which are expressly issued in our name and with our consent.
2. The Company acknowledges that it has not separately engaged us to advise on the making of the application to the SC, the ZZZ Exchange, nor any other relevant authority, and in particular we have not been engaged to ensure that the submission to the SC, nor the Prospectus to be issued, meet the legal and regulatory standards imposed by the SC, ZZZ Exchange, or any other relevant authority, domestic or international.
3. We agree to participate in the DDWG on the basis that we do not accept responsibility for any matter falling within the terms of reference of each DDWG other than those matters which we have been expressly engaged to report on (which are more particularly set out in the respective engagement letters) and the Company agrees that it will not delegate any tasks nor assign any responsibility to us as reporting accountants other than those directly relating to the matters which we have been expressly engaged to report on. Accordingly, we shall not be responsible for any work, report, statement, information, opinion, decision, representation or approval (whether in writing or otherwise) made, presented, or otherwise provided by, or that falls within the area of expertise or scope of responsibility of other members of the DDWG.
4. We declare that we are required by professional ethics to be (and to be seen to be) an independent party with regard to the submission, and should not have any interest or involvement in the matters we are engaged to report on which might (or might be seen to) detract from our objectivity and independence. Accordingly we shall not participate in any decision making in the DDWG which is of an executive nature nor accept any responsibility for any executive decisions made by the DDWG, and in particular we do not accept responsibility for approving any document, statement or information issued in the name of the Company.

SAMPLE LETTER OF ENGAGEMENT (CONT'D)

APPENDIX 1

DUE DILIGENCE WORKING GROUP (CONT'D)

5. For the avoidance of doubt, we are not responsible for, and shall not be taken to have assumed responsibility in respect of the following:
 - (a) determining the scope of the due diligence in respect of the other members of the DDWG;
 - (b) ensuring the implementation of the due diligence process and procedures of the other members of the DDWG;
 - (c) ensuring the sufficiency and adequacy of the procedures, systems, methodologies or checklists adopted by the other members of the DDWG; or
 - (d) ensuring that the statements or information contained in the submission to the SC or Prospectus are not false or misleading, and without material omissions thereto, save and except to the extent such statements or information fall within the scope set out in our terms of engagement.
6. Any oral comments made in discussions regarding our reports are not intended to have any greater significance than explanations of matters contained in the comfort letter.
7. For the avoidance of doubt, nothing in the due diligence planning memorandum, DDWG minutes nor the verification notes shall be deemed to vary, amend or modify our scope of work set out herein unless we have specifically and mutually agreed in writing to such variation, amendment or modification.
8. Our participation in the deliberations of the DDWG is only to the extent that the subject matter of the discussions relate to those matters on which we have been engaged to report on. In general, we provide assurance, where appropriate, on the matters which we are engaged to report on in the form of opinions or conclusions in accordance with applicable Approved Standards on Related Services in Malaysia, and therefore we avoid using words such as "verified" and "confirmed" in relation to such assurances. In relation to matters which the DDWG is entitled to seek assurance from us, in general we will provide the assurance in the form and context as they appear in our formal reports or letters.

SAMPLE COMFORT LETTER

Private & Confidential

Date

The Board of Directors
Model Berhad
XX, Menara XX
55100 Kuala Lumpur

Dear Sirs,

COMFORT LETTER

DUE DILIGENCE WORKING GROUP – SUBMISSION TO THE SECURITIES COMMISSION IN CONNECTION WITH THE PROPOSED FLOTATION OF MODEL BERHAD (“the Company”) ON THE MAIN MARKET OF ZZZ EXCHANGE

1. We refer to our letter dated which states our terms of reference as a member of the Due Diligence Working Group for the purpose of the above exercise in connection with certain agreed upon procedures you wish us to perform on certain financial information contained in the submission document to the Securities Commission (“Submission Document”). Set out below is the report on our findings, stating the procedures that we have performed, marked and identified to the attached copies of the relevant pages of the Submission Document (Appendix 1). This letter should be read in conjunction with the terms of reference set out in our letter dated upon which we are agreeable to participate in the Due Diligence Working Group.
2. We have performed the procedures as indicated below with respect to the symbols explained relating to the financial information as contained in the document in the attached Appendix 1:
 - ◇ Compared the amount to the audited consolidated financial statements of the Company for the years ended 31 December, XXX and XXX, and found them to be in agreement.
 - ♣ Compared the amount to the consolidated profit forecast for the year ending xxx prepared by the Company and found them to be in agreement.
 - ⊕ Compared the amount to the pro forma consolidated balance sheets as at xxx prepared by the Company and found them to be in agreement.
 - ⊗ Recomputed the amount or percentage from the amounts appearing in the audited consolidated financial statements of the Company for each of the financial years ended xxx and found them to be correctly calculated.
 - ✓ Recomputed based on the description included in the footnote to the table and found them to be correctly calculated.

SAMPLE COMFORT LETTER (CONT'D)

3. The procedures as enumerated in paragraph 2 above have been performed in accordance with Approved Standards on Related Services in Malaysia applicable to agreed-upon procedures engagements. Because these procedures do not constitute an audit or review made in accordance with Approved Standards on Auditing in Malaysia, we do not express any assurance on the financial information as contained in Appendix 1. Had we performed additional procedures or had we performed an audit or review of the financial information in accordance with Approved Standards on Auditing in Malaysia, other matters might have come to our attention that would have been reported to you. Consequently, the procedures would not necessarily reveal any material misstatement of the information referred to above. In addition, we make no representations as to the sufficiency for your purposes of such procedures. Furthermore, we have addressed ourselves solely to the foregoing data as set out in the Submission Document and make no representations as to the adequacy of disclosure or as to whether any material facts have been omitted in the Submission Document.
4. The reference to audited financial statements of the Company is to financial statements audited by us for the financial years ended 31 December 20XX to 31 December 20XX and our reports relating thereto were dated X April 20XX, X March 20XX, X February 20XX, X April 20XX and X March 20XX respectively. Our audit comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on the financial statements taken as a whole. For none of the periods referred to therein nor any other period did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated in the attached Appendix 1 and, accordingly, we express no opinion thereon.
5. This letter is solely for your information and to assist you in conducting and documenting your due diligence in connection with the above exercise, and is not to be used, circulated, quoted or otherwise referred to for any other purposes, including but not limited to the purchase and sale of securities, nor is it to be filed with or referred to in whole or in part in any other document.

Yours faithfully,

ABC & Co
Chartered Accountants
Kuala Lumpur, Malaysia



**MALYSIAN INSTITUTE
OF ACCOUNTANTS**
ACCOUNTANTS: MANAGERS OF VALUE

PROUD HOST:



**World Congress
of Accountants 2010**

www.wcoa2010kualalumpur.com

Dewan Akauntan
No. 2, Jalan Tun Sambanthan 3
Brickfields, 50470 Kuala Lumpur
Malaysia

[phone] +603 2279 9200

[web] www.mia.org.my

[fax] +603 2273 1016

[email] technical@mia.org.my