



Rufus Rottenburg  
Audit and Accounting Team  
Department for Business, Innovation and Skills  
Spur 2, 3<sup>rd</sup> Floor  
1 Victoria Street  
London  
SW1H 0ET  
United Kingdom

Unilever PLC  
Unilever House  
100 Victoria Embankment  
London EC4Y 0DY

T: +44 (0)20 7822 5252  
F: +44 (0)20 7822 5951/5898  
[www.unilever.com](http://www.unilever.com)

15 December 2011

Dear Mr Rottenburg

### **Audit exemptions and change of accounting framework**

We are grateful to have the opportunity to comment on the Department for Business, Innovation and Skills consultation in relation to audit exemptions and change of accounting framework.

We agree with the Department's proposal to allow an exemption from audit for qualifying subsidiaries. Furthermore, we feel that companies should be permitted to avail any additional exemptions in relation to preparation and filing of accounts for such subsidiaries. We feel that the proposals will benefit large corporates such as Unilever, allowing management to focus their efforts on more critical issues. Where necessary, companies may of course elect for voluntary preparation and audit of accounts.

Unilever has over 70 UK subsidiaries, more than 40 of which are non-dormant and hence require an audit. While we understand that some stakeholders may find the information contained within subsidiary accounts useful, it is not proportionate to the amount of management time and effort taken in the preparation and audit of these accounts.

Our more detailed answers to the specific questions which impact Unilever the most are attached to this letter. If you wish to discuss any of these views, please contact me in writing.

Yours sincerely

PB Balaji  
Group Chief Accountant

**Question 4**

**Do you agree with Option B to exempt qualifying non-dormant subsidiaries from mandatory audit of their accounts?**

**Question 5**

**Under Option C, what would be the effect of exempting qualifying non-dormant subsidiaries from mandatory preparation of accounts, mandatory filing of accounts and mandatory audit of accounts.**

*Response*

Unilever currently spends a significant amount of time and cost on the preparation and audit of subsidiary accounts. Whilst we appreciate the use of subsidiary accounts by some stakeholders, we consider that the cost and time taken in the preparation and audit of these accounts is imbalanced to the benefit which is gained by these stakeholders.

On this basis, we agree that qualifying non-dormant subsidiaries should be exempted from mandatory audit. We also feel that companies should be permitted to take advantage of additional exemptions in relation to the preparation and filing of accounts for such subsidiaries.

Companies could elect to voluntarily prepare accounts where required by key stakeholders and elect for voluntary audits where there is a benefit of doing so.

**Question 6**

**Do you agree that the Government should exempt qualifying dormant subsidiaries of whatever size from mandatory preparation, mandatory filing and mandatory audit of accounts? What difference would this make to your business and to the wider economy?**

*Response*

Dormant company accounts contain information which is of little use to anyone. The dormant status makes it clear that no activity has occurred, rendering the preparation of accounts pointless.

We therefore agree with the Government's proposal to exempt qualifying dormant subsidiaries from mandatory preparation, mandatory filing and mandatory audit of accounts.

**Questions 18, 19 and 20**

**In relation to the parent company guarantee.**

*Response*

We feel that the parent company guarantee will be an unnecessary administrative burden. However we appreciate the need to comply with Article 57. We also appreciate that providing a parent company guarantee is a practical step to provide stakeholders with a degree of comfort in the absence of audited accounts.

In this context, we agree with the Government's proposal that the guarantee should be "irrevocable and in respect of all debts in respect of that financial year. Until an audited set of accounts for the subsidiary is filed it will also be in respect of future debts incurred by the subsidiary".

We also agree that the guarantee should cover the debts of the subsidiary, and not the wider definition of "liabilities".