



Informe sobre Criterios en relación con la Información Financiera Pro-forma

DIRECCIÓN GENERAL DE MERCADOS

DEPARTAMENTO DE INFORMES FINANCIEROS Y CORPORATIVOS

FEBRERO DE 2012

El Comité Ejecutivo de la Comisión Nacional del Mercado de Valores, en su sesión celebrada el día 9 de febrero de 2012, adoptó el acuerdo de publicar un informe sobre criterios en relación con la información financiera pro-forma que, de conformidad con la normativa vigente, deba ser publicada por las entidades cotizadas o por aquellas que están en un proceso de admisión a cotización de sus valores a efectos informativos.

INDICE DEL INFORME

	Página
Objetivo y alcance del trabajo	4
Regulación vigente	4
Criterios recomendados	8
Anexo	

Objetivo y alcance del trabajo

El objetivo de este documento es establecer una serie de criterios para elaborar la información financiera pro-forma que, de conformidad con la normativa vigente, deba ser publicada por las entidades cotizadas o por aquellas que están en un proceso de admisión a cotización de sus valores a efectos informativos.

La información financiera pro-forma tiene la finalidad de reflejar la situación hipotética que se deriva de combinaciones de negocios (fusiones, adquisiciones, etc.) y otras operaciones corporativas de reestructuración de grupos empresariales.

En este sentido, cabe mencionar que el IAASB (International Auditing and Assurance Standards Board) ha publicado, el pasado 20 de diciembre de 2011, la ISAE (International Standard on Assurance Engagements) 3420, que será de aplicación para informes especiales del auditor sobre información financiera pro-forma con fecha igual o posterior al 31 de marzo de 2013.

La ISAE 3420 es la norma que regula los informes especiales de “assurance (aseguramiento)” que emite el auditor sobre si la información financiera pro-forma ha sido compilada por la entidad, en todos sus aspectos materiales, de conformidad con los criterios establecidos por una organización reconocida con capacidad para emitir normativa aplicable.

Los criterios que se incluyen en este documento no se refieren a las hipótesis y ajustes que se utilizan para elaborar la información financiera pro-forma, ni tampoco al contenido de las notas explicativas, o de otra información adicional que se pudiera incluir en ellos.

Regulación vigente

La normativa actual relativa a la información financiera pro-forma y al informe especial del auditor sobre dicha información se puede resumir a través de los siguientes aspectos:

Circunstancias que motivan la elaboración de información financiera pro-forma

(i) Reglamento (CE) nº 809/2004: en el apartado (9) de su preámbulo se establece que:

“La información financiera pro-forma es necesaria en caso de un cambio bruto significativo en la situación de un emisor a causa de una operación determinada, por ejemplo, una variación superior al 25% en relación con uno o varios indicadores del volumen de negocio del emisor, con excepción de las situaciones en que se requiere contabilizar la fusión.”

(ii) Reglamento (CE) nº 211/2007: se matizan las circunstancias en las que puede llegar a ser necesaria la información pro-forma, mencionando dos situaciones:

- Cuando el emisor de un valor posea un historial financiero complejo.

Se considera que las entidades con un historial financiero complejo son aquellas para las que la descripción completa de su actividad necesita de la información financiera de otra u otras sociedades, y ofrece una serie de ejemplos: (i) una sociedad holding de reciente constitución; (ii) una adquisición importante que no ha sido incorporada a los estados financieros; (iii) una sociedad procedente de una escisión empresarial, etc.

- Cuando haya adquirido un compromiso financiero importante.

Se considera que un compromiso financiero importante es todo acuerdo vinculante para realizar una adquisición o cesión, que no se haya llevado a término en la fecha de registro de folleto.

(iii) Por su parte, la CNMV puede requerir la elaboración de información financiera pro-forma en los siguientes casos:

- Ofertas Públicas y admisiones a negociación de acciones para las que sea obligatoria la publicación de un Folleto Informativo, de acuerdo con los artículos 26 y 30.bis de la Ley 24/1988 de 28 de julio.
- Operaciones de fusión de dos compañías: estas operaciones no suelen requerir la publicación de un Folleto Informativo³, pero la información pro-forma se incluye dentro de la documentación que se pone a disposición de los accionistas con carácter previo a la celebración de la Junta General que votará la aprobación de dicha fusión. Esta información se publica como hecho relevante.
- Otras operaciones a las que sea de aplicación lo previsto en los mencionados Reglamentos.

Modelo de información financiera pro-forma

En cuanto al modelo a utilizar hay que atender al Reglamento (CE) N^o 809/2004 que establece, de manera resumida, los siguientes apartados:

- (a) Descripción de la operación.
- (b) Fuentes de información utilizadas.
- (c) Hipótesis utilizadas.
- (d) Descripción de los ajustes efectuados.
- (e) Balance y cuenta de pérdidas y ganancias en formato columnas y que incluyan: (i) información financiera histórica no ajustada; (ii) ajustes pro-forma; e (iii) información financiera pro-forma resultante.

³ De acuerdo con los arts 26 y 41 del Real Decreto 1310/2005: "1. La obligación de publicar un Folleto no se aplicará a la admisión a negociación de los siguientes tipos de valores ...:

....d) Los valores, ofrecidos, asignados o que vayan a ser asignados en relación con una **fusión**, siempre que se facilite un documento que contenga información que la CNMV considere equivalente a la del Folleto, teniendo en cuenta los requisitos de la normativa comunitaria"

- (f) Informe de un auditor declarando que: (i) se ha compilado correctamente la información pro-forma sobre la base declarada; y (ii) la base sobre la cual se prepara es coherente con las políticas contables del emisor.

Fechas de referencia para la información financiera pro-forma:

Las fechas de referencia que las Recomendaciones de ESMA mencionan para elaborar la información financiera pro-forma son las siguientes: (i) periodo financiero actual; (ii) periodo financiero concluido más recientemente; y (iii) periodo de información intermedia más reciente para el que se ha publicado, se publicará o se publica en el mismo documento información relevante no ajustada.

Cabe recordar que el grupo de trabajo de folletos de ESMA publicó, el 28 de mayo de 2007, un documento aclaratorio⁴ de algunos de los conceptos expuestos anteriormente y se pusieron de manifiesto las diferentes prácticas que se estaban dando entre los países miembros en cuanto a las fechas de referencia, principalmente de las cuentas de pérdidas y ganancias.

En concreto, se apreciaría un “cambio bruto significativo” a partir de los siguientes criterios:

- Si la variación en el negocio de un emisor, como resultado de una operación, es superior al 25%, al menos, en alguno de los indicadores de tamaño del emisor, como son: activos totales, ingresos ó beneficios o pérdidas.
- El emisor puede utilizar otros indicadores, cuando los anteriormente mencionados presenten anomalías o sean inadecuados.
- Los indicadores de tamaño estarán referidos a cifras de los últimos o los próximos estados financieros anuales publicados.

Además, en junio de 2011, ESMA publicó el documento “Frequently Asked Questions” (ESMA 2011-85) para responder a ciertas dudas relativas a los folletos informativos, donde se indican las fechas que deben ser utilizadas para elaborar la información financiera pro-forma. En concreto, la cuenta de pérdidas y ganancias pro-forma asumirá que la operación, evento o transacción corporativa que motiva su elaboración se ha producido el primer día del período contable que haya sido considerado y el balance pro-forma asumirá que se ha producido en la fecha del balance presentado.

El informe especial del auditor sobre la información financiera pro-forma: ISAE 3420

El 20 de diciembre de 2011 se ha publicado la norma definitiva, que se adjunta como anexo al presente documento. Para facilitar su conocimiento, se incluye a continuación un breve resu-

⁴ 7- CESR (actualmente ESMA) Prospectus Contact Group meetings 25 April 2007. Summary of Conclusions. Ref. CESR/: 07-344

men de dicha norma y se asume que su contenido será aplicado por los auditores que emitan informes especiales del auditor sobre la información financiera pro-forma que se elaboren a partir del 31 de marzo de 2013.

Los principales aspectos que recoge dicha norma son los siguientes:

- El propósito de la información financiera pro-forma es únicamente reflejar el impacto de la operación, evento o transacción corporativa, en la información financiera histórica de la entidad cotizada, registrándola en una fecha anterior a la que tuvo lugar, y que se ha elegido para mostrar su relevancia.
- La conclusión del auditor no se refiere a la información financiera pro-forma o a las fuentes de información, sino al proceso para compilar la información de la información financiera pro-forma que se incluyen en los folletos.
- El auditor concluirá que la compilación de la información financiera pro-forma se ha realizado adecuadamente cuando, en todos los aspectos materiales, el proceso haya sido aplicado por la entidad cotizada de conformidad con los criterios de compilación pertinentes.
- Los criterios contables subyacentes en la información financiera pro-forma son los que aplica el emisor para elaborar sus cuentas anuales consolidadas y/o individuales, según proceda. Por tanto, los ajustes a la información financiera histórica deben mostrar el impacto de la operación, evento o transacción corporativa, y el resto de ajustes que permitan la consistencia de la información financiera pro-forma con los criterios y políticas contables que utiliza el emisor.
- El proceso para compilar la información financiera pro-forma supone: (i) identificar las fuentes de la información financiera no ajustada; (ii) hacer los ajustes pro-forma para conseguir el propósito perseguido; y (iii) presentar la información financiera pro-forma con sus desgloses.
- Los ajustes a la información financiera pro-forma incluyen también la información financiera del negocio que ha sido o va a ser adquirido, o, ha sido o va ser vendido, en la medida en que está información se va a utilizar en el proceso de compilación de la información financiera pro-forma.
- La información financiera pro-forma debe venir identificada como tal para distinguirla de la histórica o de otro tipo de información financiera y debe ilustrar con claridad la operación, evento o transacción corporativa de manera que no suponga información engañosa.
- El informe del auditor sobre la información financiera pro-forma podría tener párrafos de énfasis, limitaciones al alcance o salvedades cuantificadas (modified opinión). No obstante,

te, un informe con limitaciones al alcance o con salvedades podría no ser aceptado en algunas jurisdicciones.

- La información financiera pro-forma debería presentarse en formato “columnar” de la siguiente forma: (i) información financiera histórica; (ii) ajustes pro-forma; (iii) información financiera pro-forma. Además, contendrá notas explicativas.
- Normalmente, las fuentes de información históricas serán los estados financieros anuales publicados o los estados financieros intermedios.
- El responsable de proporcionar la información es la entidad cotizada a través de sus administradores y el auditor es responsable de emitir su informe especial sobre la información financiera pro-forma.
- Si las fuentes de la información del pro-forma no están auditadas o revisadas el auditor tendrá que adoptar procedimientos alternativos para obtener mayor credibilidad sobre tales fuentes. Además, tendrá en cuenta si los estados financieros del ejercicio precedente están o no auditados o revisados.
- Algunos desgloses pertinentes de la información financiera pro-forma son: (i) naturaleza y propósito de la información financiera pro-forma; (ii) si el origen de la información (la fuente) está auditada o revisada y si está publicada; (iii) una descripción y explicación de cada ajuste pro-forma; (iv) una mención a los criterios y principios contables aplicados; y (v) que la información financiera pro-forma no representa la actual situación financiera, de resultados y de flujos de caja de la entidad cotizada.

Criterios aplicables

A continuación se incluyen los criterios que deberían ser utilizados por el emisor y tenidos en cuenta por el auditor en relación con la elaboración de información financiera pro-forma:

1. La información financiera pro-forma debe elaborarse de conformidad con lo establecido por el Reglamento 809/2004, la recomendación de ESMA para la implantación consistente de la citada regulación (CESR/05-054b), así como teniendo en cuenta las aclaraciones contenidas en el documento ESMA/2011/85.
2. Sin perjuicio de que la ISAE 3420 “Assurance Reports on the Process to Compile Pro-forma Financial Information Included in a Prospectus”, se aplicará a los informes que se elaboren con fecha igual o posterior al 31 de marzo de 2013, la CNMV cree conveniente que sea el marco normativo de referencia para el trabajo del auditor para aquellos estados pro forma que se presenten desde la publicación de este informe. Se adjunta como anexo a los presentes criterios el texto íntegro de dicha normativa.

3. La conclusión del auditor no se refiere a la información financiera pro-forma o a las fuentes de información, sino al proceso para compilar la información financiera pro-forma. El auditor concluirá que la compilación de la información financiera pro-forma se ha realizado adecuadamente cuando, en todos los aspectos materiales, el proceso haya sido aplicado por la entidad de conformidad con los criterios de compilación pertinentes.
4. Salvo en circunstancias excepcionales, no se admitirán informes especiales sobre información financiera pro-forma que contengan una conclusión adversa, denegada con salvedades o limitaciones al alcance.
5. La información financiera pro-forma deberá cumplir, los siguientes requisitos:
 - (a) Se deben identificar las fuentes de información empleadas y si han sido auditadas o revisadas por algún auditor, especificando esta circunstancia en las notas explicativas, incluyendo la identificación del auditor, la fecha del informe y el tipo de opinión.
 - (b) Cuando para elaborar la información financiera pro-forma se utilicen como fuente de información los estados financieros anuales de una entidad, éstos deberán estar auditados, excepto que concurren circunstancias especiales que lo impidan y que deberán ser debidamente justificadas en las notas explicativas.
 - (c) Cuando para elaborar la información financiera pro-forma se utilicen como fuente de información los estados financieros intermedios de una entidad, éstos deberán haber sido objeto de una revisión limitada, excepto que concurren circunstancias especiales que lo impidan y que deberán ser debidamente justificadas en las notas explicativas.
 - (d) Si las fuentes de información están auditadas, la opinión del auditor no debería contener salvedades. No obstante, si la información utilizada como fuente tuviera alguna salvedad que pudiera afectar de manera significativa a la información financiera pro-forma, se realizarán, salvo que resulte impracticable, los ajustes que procedan en el proceso de recopilación y homogenización de la información financiera pro-forma, con el fin de eliminar sus efectos.
 - (e) Los Administradores de la entidad que elabora la información financiera pro-forma serán los responsables de su preparación y contenido. Se identificará la fecha de la preparación y los administradores que no están conformes indicarán la causa.
 - (f) Si una entidad de forma voluntaria pretende publicar información financiera pro-forma, ésta deberá atender en su totalidad a lo establecido en los presentes criterios recomendados.

- (g) Para elaborar la cuenta de pérdidas y ganancias pro-forma se aplicará como hipótesis que la operación, evento o transacción corporativa que la motiva se ha producido al inicio del ejercicio contable que haya sido considerado y en el caso del balance pro-forma se asumirá que la operación ha ocurrido en la fecha del balance presentado.
- (h) El balance pro-forma se referirá a la fecha de cierre del periodo presentado en el folleto más próximo, y no debería ser anterior al cierre contable del ejercicio anual precedente al que se realizó la operación, evento o transacción corporativa, excepto que ésta se haya producido en los tres primeros meses del año, en cuyo caso se admitirá un balance pro-forma anterior al cierre del último ejercicio anual.
- (i) La cuenta de pérdidas y ganancias pro-forma deberá cubrir un ejercicio económico completo, excepto que, por causa justificada, pudiera estar referida a un periodo menor que, en todo caso, no será inferior a 6 meses. La fecha del balance pro-forma y la del cierre del periodo comprendido por la cuenta de pérdidas y ganancias pro-forma serán coincidentes.
- (j) La información financiera pro-forma deberá referirse al último período intermedio para el cual se incluya información financiera en el documento de registro y/o al último ejercicio anual.

Los criterios anteriores se aplicarán para la elaboración de información financiera pro-forma, aunque no se haya producido la operación, evento o transacción corporativa, siempre que exista un acuerdo vinculante de las partes involucradas.

Anexo: Norma ISAE 3420, Assurance Reports on the Process to Compile
Pro Forma Financial Information Included in a Prospectus

International Standard on Assurance Engagements

**ISAE 3420, Assurance Engagements
to Report on the Compilation of Pro
Forma Financial Information Included
in a Prospectus**

International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

This International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, was prepared by the International Auditing and Assurance Standards Board (IAASB). The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance.

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The structures and processes that support the operations of the IAASB are facilitated by IFAC. The mission of IFAC is to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.

This publication may be downloaded free-of-charge from the IFAC website: <http://www.ifac.org>. The approved text is published in the English language.

The mission of IFAC is to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.

Copyright © December 2011 by the International Federation of Accountants (IFAC). All rights reserved. Permission is granted to make copies of this work provided that such copies are for use in academic classrooms or for personal use and are not sold or disseminated and provided that each copy bears the following credit line: "*Copyright © December 2011 by the International Federation of Accountants (IFAC). All rights reserved. Used with permission of IFAC. Contact permissions@ifac.org for permission to reproduce, store or transmit this document.*" Otherwise, written permission from IFAC is required to reproduce, store or transmit, or to make other similar uses of, this document, except as permitted by law.

ISBN: 978-1-60815-102-8

INTERNATIONAL STANDARD ON ASSURANCE ENGAGEMENTS 3420
ASSURANCE ENGAGEMENTS TO REPORT ON THE COMPILATION
OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A
PROSPECTUS

(Effective for assurance reports dated on or after March 31, 2013)

CONTENTS

	Paragraph
Introduction	
Scope of this ISAE	1–8
Effective Date	9
Objectives	10
Definitions	11
Requirements	
ISAE 3000	12
Engagement Acceptance	13
Planning and Performing the Engagement	14–27
Written Representations	28
Forming the Opinion	29–30
Form of Opinion	31–34
Preparing the Assurance Report	35
Application and Other Explanatory Material	
Scope of this ISAE	A1
Purpose of Pro Forma Financial Information Included in a Prospectus	A2–A3
Compilation of Pro Forma Financial Information	A4–A5
Nature of Reasonable Assurance Engagement	A6
Definitions	A7–A9
Engagement Acceptance	A10–A12
Planning and Performing the Engagement	A13–A44
Written Representations	A45
Forming the Opinion	A46–A50
Preparing the Assurance Report	A51–A57
Appendix: Illustrative Practitioner’s Report with an Unmodified Opinion	

International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, should be read in conjunction with the *Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*.

Introduction

Scope of this ISAE

1. This International Standard on Assurance Engagements (ISAE) deals with reasonable assurance engagements undertaken by a practitioner¹ to report on the responsible party's² compilation of pro forma financial information included in a prospectus. The ISAE applies where:
 - Such reporting is required by securities law or the regulation of the securities exchange (“relevant law or regulation”) in the jurisdiction in which the prospectus is to be issued; or
 - This reporting is generally accepted practice in such jurisdiction. (Ref: Para. A1)

Nature of the Practitioner’s Responsibility

2. In an engagement performed under this ISAE, the practitioner has no responsibility to compile the pro forma financial information for the entity; such responsibility rests with the responsible party. The practitioner’s sole responsibility is to report on whether the pro forma financial information has been compiled, in all material respects, by the responsible party on the basis of the applicable criteria.
3. This ISAE does not deal with non-assurance engagements in which the practitioner is engaged by the entity to compile its historical financial statements.

Purpose of Pro Forma Financial Information Included in a Prospectus

4. The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. This is achieved by applying pro forma adjustments to the unadjusted financial information. Pro forma financial information does not represent the entity’s actual financial position, financial performance, or cash flows. (Ref: Para. A2–A3)

Compilation of Pro Forma Financial Information

5. The compilation of pro forma financial information involves the responsible party gathering, classifying, summarizing and presenting financial information that illustrates the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at the selected date. Steps involved in this process include:

¹ The term “practitioner” is described in ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, paragraph 1.

² The *International Framework for Assurance Engagements* (the Assurance Framework), paragraphs 25–26, describes the meaning of the term “responsible party.”

- Identifying the source of the unadjusted financial information to be used in compiling the pro forma financial information, and extracting the unadjusted financial information from that source; (Ref: Para. A4–A5)
- Making pro forma adjustments to the unadjusted financial information for the purpose for which the pro forma financial information is presented; and
- Presenting the resulting pro forma financial information with accompanying disclosures.

Nature of Reasonable Assurance Engagement

6. A reasonable assurance engagement to report on the compilation of pro forma financial information involves performing the procedures set out in this ISAE to assess whether the applicable criteria used by the responsible party in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether: (Ref: Para. A6)
 - The related pro forma adjustments give appropriate effect to those criteria; and
 - The resulting pro forma column (see paragraph 11(c)) reflects the proper application of those adjustments to the unadjusted financial information.

It also involves evaluating the overall presentation of the pro forma financial information. The engagement, however, does not involve the practitioner updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, or performing an audit or review of the financial information used in compiling the pro forma financial information.

Relationship with Other Professional Pronouncements

7. The performance of assurance engagements other than audits or reviews of historical financial information requires the practitioner to comply with ISAE 3000.³ ISAE 3000 includes requirements in relation to such topics as engagement acceptance, planning, evidence, and documentation that apply to all assurance engagements, including engagements in accordance with this ISAE. This ISAE expands on how ISAE 3000 is to be applied in a reasonable assurance engagement to report on the compilation of pro forma financial information included in a prospectus. The *International Framework for Assurance Engagements* (Assurance Framework), which defines and describes the elements and objectives of an assurance engagement, provides context for understanding this ISAE and ISAE 3000.
8. Compliance with ISAE 3000 requires, among other things, that the practitioner:
 - Comply with the independence and other requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (IESBA Code); and

³ ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

- Implement quality control procedures that are applicable to the individual engagement.⁴

Effective Date

9. This ISAE is effective for assurance reports dated on or after March 31, 2013.

Objectives

10. The objectives of the practitioner are:
 - (a) To obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, by the responsible party on the basis of the applicable criteria; and
 - (b) To report in accordance with the practitioner's findings.

Definitions

11. For purposes of this ISAE, the following terms have the meanings attributed below:
 - (a) Applicable criteria – The criteria used by the responsible party when compiling the pro forma financial information. Criteria may be established by an authorized or recognized standard-setting organization or by law or regulation. Where established criteria do not exist, they will be developed by the responsible party. (Ref: Para. A7–A9)
 - (b) Pro forma adjustments – In relation to unadjusted financial information, these include:
 - (i) Adjustments to unadjusted financial information that illustrate the impact of a significant event or transaction (“event” or “transaction”) as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration; and
 - (ii) Adjustments to unadjusted financial information that are necessary for the pro forma financial information to be compiled on a basis consistent with the applicable financial reporting framework of the reporting entity (“entity”) and its accounting policies under that framework. (Ref: Para. A15–A16)

Pro forma adjustments include the relevant financial information of a business that has been, or is to be, acquired (“acquiree”), or a business that has been, or is to be, divested (“divestee”), to the extent that such information is used in compiling the pro forma financial information (“acquiree or divestee financial information”).

⁴ ISAE 3000, paragraphs 4 and 6

- (c) Pro forma financial information – Financial information shown together with adjustments to illustrate the impact of an event or transaction on unadjusted financial information as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. In this ISAE, it is presumed that pro forma financial information is presented in columnar format consisting of (a) the unadjusted financial information; (b) the pro forma adjustments; and (c) the resulting pro forma column. (Ref: Para. A2)
- (d) Prospectus – A document issued pursuant to legal or regulatory requirements relating to the entity’s securities on which it is intended that a third party should make an investment decision.
- (e) Published financial information – Financial information of the entity or of an acquiree or a divestee that is made available publicly.
- (f) Unadjusted financial information – Financial information of the entity to which pro forma adjustments are applied by the responsible party. (Ref: Para. A4–A5)

Requirements

ISAE 3000

12. The practitioner shall not represent compliance with this ISAE unless the practitioner has complied with the requirements of both this ISAE and ISAE 3000.

Engagement Acceptance

13. Before agreeing to accept an engagement to report on whether pro forma financial information included in a prospectus has been compiled, in all material respects, on the basis of the applicable criteria, the practitioner shall:
 - (a) Determine that the practitioner has the capabilities and competence to perform the engagement; (Ref: Para. A10)
 - (b) On the basis of a preliminary knowledge of the engagement circumstances and discussion with the responsible party, determine that the applicable criteria are suitable and that it is unlikely that the pro forma financial information will be misleading for the purpose for which it is intended;
 - (c) Evaluate the wording of the opinion prescribed by the relevant law or regulation, if any, to determine that the practitioner will likely be able to express the opinion so prescribed based on performing the procedures specified in this ISAE; (Ref: Para. A54–A56)
 - (d) Where the sources from which the unadjusted financial information and any acquiree or divestee financial information have been extracted have been audited or reviewed and a modified audit opinion or review conclusion has been expressed, or the report contains an Emphasis of Matter paragraph, consider whether or not the relevant law or regulation permits the use of, or reference in the practitioner’s report to, the modified audit opinion or review conclusion or the report containing the Emphasis of Matter paragraph with respect to such sources;
 - (e) If the entity’s historical financial information has never been audited or reviewed, consider whether the practitioner can obtain a sufficient understanding of the entity and

its accounting and financial reporting practices to perform the engagement; (Ref: Para. A31)

- (f) If the event or transaction includes an acquisition and the acquiree's historical financial information has never been audited or reviewed, consider whether the practitioner can obtain a sufficient understanding of the acquiree and its accounting and financial reporting practices to perform the engagement; and
- (g) Obtain the agreement of the responsible party that it acknowledges and understands its responsibility for: (Ref: Para. A11–A12)
 - (i) Adequately disclosing and describing the applicable criteria to the intended users if these are not publicly available;
 - (ii) Compiling the pro forma financial information on the basis of the applicable criteria; and
 - (iii) Providing the practitioner with:
 - a. Access to all information (including, when needed for purposes of the engagement, information of the acquiree(s) in a business combination), such as records, documentation and other material, relevant to evaluating whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria;
 - b. Additional information that the practitioner may request from the responsible party for the purpose of the engagement;
 - c. Access to those within the entity and the entity's advisors from whom the practitioner determines it necessary to obtain evidence relating to evaluating whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria; and
 - d. When needed for purposes of the engagement, access to appropriate individuals within the acquiree(s) in a business combination.

Planning and Performing the Engagement

Assessing the Suitability of the Applicable Criteria

14. The practitioner shall assess whether the applicable criteria are suitable, as required by ISAE 3000,⁵ and in particular shall determine that they include, at a minimum, that:
 - (a) The unadjusted financial information be extracted from an appropriate source; (Ref: Para. A4–A5, A27)
 - (b) The pro forma adjustments be:
 - (i) Directly attributable to the event or transaction; (Ref: Para. A13)
 - (ii) Factually supportable; and (Ref: Para. A14)
 - (iii) Consistent with the entity's applicable financial reporting framework and its accounting policies under that framework; and (Ref: Para. A15–A16)

⁵ ISAE 3000, paragraph 19

- (c) Appropriate presentation be made and disclosures be provided to enable the intended users to understand the information conveyed. (Ref: Para. A2–A3, A42)
15. In addition, the practitioner shall assess whether the applicable criteria are:
- (a) Consistent, and do not conflict, with relevant law or regulation; and
 - (b) Unlikely to result in pro forma financial information that is misleading.

Materiality

16. When planning and performing the engagement, the practitioner shall consider materiality with respect to evaluating whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria. (Ref: Para. A17–A18)

Obtaining an Understanding of How the Responsible Party Has Compiled the Pro Forma Financial Information and Other Engagement Circumstances

17. The practitioner shall obtain an understanding of: (Ref: Para. A19)
- (a) The event or transaction in respect of which the pro forma financial information is being compiled;
 - (b) How the responsible party has compiled the pro forma financial information; (Ref: Para. A20–A21)
 - (c) The nature of the entity and any acquiree or divestee, including: (Ref: Para. A22–A23)
 - (i) Their operations;
 - (ii) Their assets and liabilities; and
 - (iii) The way they are structured and how they are financed;
 - (d) Relevant industry, legal and regulatory, and other external factors pertaining to the entity and any acquiree or divestee; and (Ref: Para. A24–A26)
 - (e) The applicable financial reporting framework and the accounting and financial reporting practices of the entity and of any acquiree or divestee, including their selection and application of accounting policies.

Obtaining Evidence about the Appropriateness of the Source from Which the Unadjusted Financial Information Has Been Extracted

18. The practitioner shall determine whether the responsible party has extracted the unadjusted financial information from an appropriate source. (Ref: Para. A27–A28)
19. If there is no audit or review report on the source from which the unadjusted financial information has been extracted, the practitioner shall perform procedures to be satisfied that the source is appropriate. (Ref: Para. A29–A31)
20. The practitioner shall determine whether the responsible party has appropriately extracted the unadjusted financial information from the source.

Obtaining Evidence about the Appropriateness of the Pro Forma Adjustments

21. In evaluating whether the pro forma adjustments are appropriate, the practitioner shall determine whether the responsible party has identified the pro forma adjustments necessary to illustrate the impact of the event or transaction at the date or for the period of the illustration. (Ref: Para. A32)
22. In determining whether the pro forma adjustments are in accordance with the applicable criteria, the practitioner shall determine whether they are:
 - (a) Directly attributable to the event or transaction; (Ref: Para. A13)
 - (b) Factually supportable. If acquiree or divestee financial information is included in the pro forma adjustments and there is no audit or review report on the source from which such financial information has been extracted, the practitioner shall perform procedures to be satisfied that the financial information is factually supportable; and (Ref: Para. A14, A33–A38)
 - (c) Consistent with the entity’s applicable financial reporting framework and its accounting policies under that framework. (Ref: Para. A15-A16)

Modified Audit Opinion or Review Conclusion, or Emphasis of Matter Paragraph, with Respect to the Source from Which the Unadjusted Financial Information Has Been Extracted or the Source from Which the Acquiree or Divestee Financial Information Has Been Extracted

23. A modified audit opinion or review conclusion may have been expressed with respect to either the source from which the unadjusted financial information has been extracted or the source from which the acquiree or divestee financial information has been extracted, or a report containing an Emphasis of Matter paragraph may have been issued with respect to such source. In such circumstances, if the relevant law or regulation does not prohibit the use of such a source, the practitioner shall evaluate:
 - (a) The potential consequence on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria; (Ref: Para. A39)
 - (b) What further appropriate action to take; and (Ref: Para. A40)
 - (c) Whether there is any effect on the practitioner’s ability to report in accordance with the terms of the engagement, including any effect on the practitioner’s report.

Source from Which the Unadjusted Financial Information Has Been Extracted or Pro Forma Adjustments Not Appropriate

24. If, on the basis of the procedures performed, the practitioner identifies that the responsible party has:
 - (a) Used an inappropriate source from which to extract the unadjusted financial information; or
 - (b) Omitted a pro forma adjustment that should be included, applied a pro forma adjustment that is not in accordance with the applicable criteria or otherwise inappropriately applied a pro forma adjustment,

the practitioner shall discuss the matter with the responsible party. If the practitioner is unable to agree with the responsible party as to how the matter should be resolved, the practitioner shall evaluate what further action to take. (Ref: Para. A40)

Obtaining Evidence about the Calculations within the Pro Forma Financial Information

25. The practitioner shall determine whether the calculations within the pro forma financial information are arithmetically accurate.

Evaluating the Presentation of the Pro Forma Financial Information

26. The practitioner shall evaluate the presentation of the pro forma financial information. This shall include consideration of:
 - (a) The overall presentation and structure of the pro forma financial information, including whether it is clearly labeled to distinguish it from historical or other financial information; (Ref: Para. A2–A3)
 - (b) Whether the pro forma financial information and related explanatory notes illustrate the impact of the event or transaction in a manner that is not misleading; (Ref: Para. A41)
 - (c) Whether appropriate disclosures are provided with the pro forma financial information to enable the intended users to understand the information conveyed; and (Ref: Para. A42)
 - (d) Whether the practitioner has become aware of any significant events subsequent to the date of the source from which the unadjusted financial information has been extracted that may require reference to, or disclosure in, the pro forma financial information. (Ref: Para. A43)
27. The practitioner shall read the other information included in the prospectus containing the pro forma financial information to identify material inconsistencies, if any, with the pro forma financial information. If, on reading the other information, the practitioner identifies a material inconsistency or becomes aware of a material misstatement of fact in that other information, the practitioner shall discuss the matter with the responsible party. If correction of the matter is necessary and the responsible party refuses to do so, the practitioner shall take further appropriate action. (Ref: Para. A44)

Written Representations

28. The practitioner shall request written representations from the responsible party that:
 - (a) In compiling the pro forma financial information, the responsible party has identified all appropriate pro forma adjustments necessary to illustrate the impact of the event or transaction at the date or for the period of the illustration; and (Ref: Para. A45)
 - (b) The pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria.

Forming the Opinion

29. The practitioner shall form an opinion on whether the pro forma financial information has been compiled, in all material respects, by the responsible party on the basis of the applicable criteria. (Ref: Para. A46–A48)
30. In order to form that opinion, the practitioner shall conclude whether the practitioner has obtained sufficient appropriate evidence about whether the compilation of the pro forma financial information is free from material omissions, or inappropriate use or application of a pro forma adjustment. That conclusion shall include an evaluation of whether the responsible party has adequately disclosed and described the applicable criteria to the extent that these are not publicly available. (Ref: Para. A49–A50)

Form of Opinion

Unmodified Opinion

31. The practitioner shall express an unmodified opinion when the practitioner concludes that the pro forma financial information has been compiled, in all material respects, by the responsible party on the basis of the applicable criteria.

Modified Opinion

32. In many jurisdictions, the relevant law or regulation precludes publication of a prospectus that contains a modified opinion with regard to whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria. Where this is the case and the practitioner concludes that a modified opinion is nevertheless appropriate in accordance with ISAE 3000, the practitioner shall discuss the matter with the responsible party. If the responsible party does not agree to make the necessary changes, the practitioner shall:
 - (a) Withhold the report;
 - (b) Withdraw from the engagement; or
 - (c) Consider seeking legal advice.
33. In some jurisdictions, the relevant law or regulation may not preclude publication of a prospectus that contains a modified opinion with regard to whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria. In such jurisdictions, if the practitioner determines that a modified opinion is appropriate in accordance with ISAE 3000, the practitioner shall apply the requirements in ISAE 3000⁶ regarding modified opinions.

Emphasis of Matter Paragraph

34. In some circumstances, the practitioner may consider it necessary to draw users' attention to a matter presented or disclosed in the pro forma financial information or the accompanying explanatory notes. This would be the case when, in the practitioner's opinion, the matter is of such importance that it is fundamental to users' understanding of whether the pro forma financial information has been compiled, in all material respects,

⁶ ISAE 3000, paragraphs 51–52

on the basis of the applicable criteria. In such circumstances, the practitioner shall include an Emphasis of Matter paragraph in the practitioner's report provided that the practitioner has obtained sufficient appropriate evidence that the matter does not affect whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria. Such a paragraph shall refer only to information presented or disclosed in the pro forma financial information or the accompanying explanatory notes.

Preparing the Assurance Report

35. The practitioner's report shall include the following basic elements: (Ref: Para. A57)
- (a) A title that clearly indicates that the report is an independent assurance report; (Ref: Para. A51)
 - (b) An addressee(s), as agreed in the terms of engagement; (Ref: Para. A52)
 - (c) Introductory paragraphs that identify: (Ref: Para. A53)
 - (i) The pro forma financial information;
 - (ii) The source from which the unadjusted financial information has been extracted, and whether or not an audit or review report on such a source has been published;
 - (iii) The period covered by, or the date of, the pro forma financial information; and
 - (iv) A reference to the applicable criteria on the basis of which the responsible party has performed the compilation of the pro forma financial information, and the source of the criteria;
 - (d) A statement that the responsible party is responsible for compiling the pro forma financial information on the basis of the applicable criteria;
 - (e) A description of the practitioner's responsibilities, including statements that:
 - (i) The practitioner's responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the responsible party on the basis of the applicable criteria;
 - (ii) For purposes of this engagement, the practitioner is not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor has the practitioner, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information; and
 - (iii) The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, the practitioner does not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented;
 - (f) A statement that the engagement was performed in accordance with ISAE 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial*

Information Included in a Prospectus, which requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the responsible party has compiled, in all material respects, the pro forma financial information on the basis of the applicable criteria;

- (g) Statements that:
- (i) A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the responsible party in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:
 - The related pro forma adjustments give appropriate effect to those criteria; and
 - The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information;
 - (ii) The procedures selected depend on the practitioner’s judgment, having regard to the practitioner’s understanding of the nature of the entity, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances; and
 - (iii) The engagement also involves evaluating the overall presentation of the pro forma financial information;
- (h) Unless otherwise required by law or regulation, the practitioner’s opinion using one of the following phrases, which are regarded as being equivalent: (Ref: Para. A54–A56)
- (i) The pro forma financial information has been compiled, in all material respects, on the basis of the [*applicable criteria*]; or
 - (ii) The pro forma financial information has been properly compiled on the basis stated;
- (i) The practitioner’s signature;
 - (j) The date of the report; and
 - (k) The location in the jurisdiction where the practitioner practices.

Application and Other Explanatory Material

Scope of this ISAE (Ref: Para. 1)

- A1. This standard does not deal with circumstances where pro forma financial information is provided as part of the entity’s financial statements pursuant to the requirements of an applicable financial reporting framework.

Purpose of Pro Forma Financial Information Included in a Prospectus (Ref: Para. 4, 11(c), 14(c), 26(a))

- A2. Pro forma financial information is accompanied by related explanatory notes that often disclose the matters set out in paragraph A42.
- A3. Different presentations of pro forma financial information may be included in the prospectus depending on the nature of the event or transaction and how the responsible party intends to illustrate the impact of such event or transaction on the unadjusted financial information of the entity. For example, the entity may acquire a number of businesses prior to an initial public offering. In such circumstances, the responsible party may choose to present a pro forma net asset statement to illustrate the impact of the acquisitions on the entity's financial position and key ratios such as debt to equity as if the acquired businesses had been combined with the entity at an earlier date. The responsible party may also choose to present a pro forma income statement to illustrate what the results of operations might have been for the period ended on that date. In such cases, the nature of the pro forma financial information may be described by titles such as "Statement of Pro Forma Net Assets as at December 31, 20X1" and "Pro Forma Income Statement for the Year Ended December 31, 20X1."

Compilation of Pro Forma Financial Information

Unadjusted Financial Information (Ref: Para. 5, 11(f), 14(a))

- A4. In many cases, the source from which the unadjusted financial information has been extracted will be published financial information such as annual or interim financial statements.
- A5. Depending on how the responsible party chooses to illustrate the impact of the event or transaction, the unadjusted financial information may comprise either:
- One or more single financial statements, such as a statement of financial position and a statement of comprehensive income; or
 - Financial information that is appropriately condensed from a complete set of financial statements, for example, a statement of net assets.

Nature of Reasonable Assurance Engagement (Ref: Para. 6)

- A6. In this ISAE, describing the pro forma financial information as being "properly compiled" means that the pro forma financial information has been compiled, in all material respects, by the responsible party on the basis of the applicable criteria.

Definitions

Applicable Criteria (Ref: Para. 11(a))

- A7. Where established criteria for compiling the pro forma financial information do not exist, the responsible party will have developed the criteria based on, for example, practice in a particular industry or the criteria of a jurisdiction that has developed established criteria, and disclosed that fact.

- A8. The applicable criteria for compiling the pro forma financial information will be suitable in the circumstances if they meet the benchmarks set out in paragraph 14.
- A9. Accompanying explanatory notes may include some additional detail about the criteria to describe how they illustrate the effects of the particular event or transaction. This may include, for example:
- The date at which the event is assumed to have occurred or the transaction been undertaken.
 - The approach used for allocating income, overheads, assets and liabilities between relevant businesses in a divestment.

Engagement Acceptance

Capabilities and Competence to Perform the Engagement (Ref: Para. 13(a))

- A10. The IESBA Code requires the practitioner to maintain appropriate professional knowledge and skill, including an awareness and understanding of relevant technical, professional and business developments, in order to provide competent professional service.⁷ In the context of this requirement of the IESBA Code, relevant capabilities and competence to perform the engagement also include matters such as the following:
- Knowledge and experience of the industry in which the entity operates;
 - An understanding of the relevant securities laws and regulations and related developments;
 - An understanding of the listing requirements of the relevant securities exchange and of capital market transactions such as mergers, acquisitions and securities offerings;
 - Familiarity with the process of preparing a prospectus and listing securities on the securities exchange; and
 - Knowledge of the financial reporting frameworks used in the preparation of the sources from which the unadjusted financial information and, if applicable, the acquiree's financial information have been extracted.

The Responsible Party's Responsibilities (Ref: Para. 13(g))

- A11. An engagement in accordance with this ISAE is conducted on the premise that the responsible party has acknowledged and understands that it has the responsibilities set out in paragraph 13(g). In some jurisdictions, such responsibilities may be specified in the relevant law or regulation. In others, there may be little or no legal or regulatory definition of such responsibilities. An assurance engagement to report on whether pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria is based on the assumption that:
- (a) The practitioner's role does not involve taking responsibility for compiling such information; and

⁷ IESBA Code, paragraphs 130.1–130.3

- (b) The practitioner has a reasonable expectation of obtaining the information necessary for the engagement.

Accordingly, this premise is fundamental to the conduct of the engagement. To avoid misunderstanding, agreement is reached with the responsible party that it acknowledges and understands that it has such responsibilities as part of agreeing and recording the terms of the engagement as required by ISAE 3000.⁸

- A12. If law or regulation prescribes in sufficient detail the terms of the engagement, the practitioner need only record the fact that such law or regulation applies and that the responsible party acknowledges and understands its responsibilities as set out in paragraph 13(g).

Planning and Performing the Engagement

Assessing the Suitability of the Applicable Criteria

Directly Attributable Adjustments (Ref: Para. 14(b)(i), 22(a))

- A13. It is necessary that the pro forma adjustments be directly attributable to the event or transaction to avoid the pro forma financial information reflecting matters that do not arise solely as a result of the event or that are not an integral part of the transaction. Directly attributable adjustments exclude those that relate to future events or are dependent on actions to be taken once the transaction has been completed, even if such actions are key to the entity entering into the transaction (for example, closing of redundant production sites after an acquisition).

Factually Supportable Adjustments (Ref: Para. 14(b)(ii), 22(b))

- A14. It is also necessary that the pro forma adjustments be factually supportable in order to provide a reliable basis for the pro forma financial information. Factually supportable adjustments are capable of objective determination. Sources of factual support for the pro forma adjustments include, for example:
- Purchase and sale agreements.
 - Financing documents for the event or transaction, such as debt agreements.
 - Independent valuation reports.
 - Other documents relating to the event or transaction.
 - Published financial statements.
 - Other financial information disclosed in the prospectus.
 - Relevant legal or regulatory actions, such as in the area of taxation.
 - Employment agreements.
 - Actions of those charged with governance.

⁸ ISAE 3000, paragraph 10

Adjustments Consistent with the Entity's Applicable Financial Reporting Framework and Its Accounting Policies under that Framework (Ref: Para. 11(b)(ii), 14(b)(iii), 22(c))

- A15. For the pro forma financial information to be meaningful, it is necessary that the pro forma adjustments be consistent with the entity's applicable financial reporting framework and its accounting policies under that framework. In the context of a business combination, for example, compiling the pro forma financial information on the basis of the applicable criteria involves consideration of such matters as:
- Whether differences exist between the acquiree's accounting policies and those of the entity; and
 - Whether accounting policies for transactions undertaken by the acquiree that the entity has not previously entered into are policies that the entity would have adopted for such transactions under its applicable financial reporting framework, taking into account the entity's particular circumstances.
- A16. Consideration of the appropriateness of the entity's accounting policies may also be necessary in some circumstances. For example, as part of the event or transaction, the entity may propose to issue complex financial instruments for the first time. If this is the case, it may be necessary to consider:
- Whether the responsible party has selected appropriate accounting policies to be used in accounting for such financial instruments under its applicable financial reporting framework; and
 - Whether it has appropriately applied such policies in compiling the pro forma financial information.

Materiality (Ref: Para. 16)

- A17. Materiality with regard to whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria does not depend on a single quantitative measure. Instead, it depends on the size and nature of the omission or inappropriate application of an element of the compilation as described in paragraph A18, whether or not intentional. Judgment about these aspects of size and nature will, in turn, depend on such matters as:
- The context of the event or transaction;
 - The purpose for which the pro forma financial information is being compiled; and
 - The related engagement circumstances.

The determining factor could be the size or the nature of the matter, or a combination of both.

- A18. The risk of the pro forma financial information not being considered compiled, in all material respects, on the basis of the applicable criteria may arise when there is evidence of, for example:
- Use of an inappropriate source from which to extract the unadjusted financial information.

- Incorrect extraction of the unadjusted financial information from an appropriate source.
- In relation to adjustments, the misapplication of accounting policies or the failure of the adjustments to be consistent with the entity's accounting policies.
- Failure to make an adjustment required by the applicable criteria.
- Making an adjustment that is not in accordance with the applicable criteria.
- A mathematical or clerical mistake in the calculations within the pro forma financial information.
- Inadequate, incorrect or omitted disclosures.

Obtaining an Understanding of How the Responsible Party Has Compiled the Pro Forma Financial Information and Other Engagement Circumstances (Ref: Para. 17)

A19. The practitioner may obtain this understanding through a combination of procedures such as:

- Inquiring of the responsible party and other entity personnel involved in compiling the pro forma financial information.
- Inquiring of other appropriate parties such as those charged with governance and the entity's advisors.
- Reading relevant supporting documentation such as contracts or agreements.
- Reading minutes of meetings of those charged with governance.

How the Responsible Party Has Compiled the Pro Forma Financial Information (Ref: Para. 17(b))

A20. The practitioner may obtain an understanding of how the responsible party has compiled the pro forma financial information by considering, for example:

- The source from which the unadjusted financial information has been extracted.
- The steps taken by the responsible party to:
 - Extract the unadjusted financial information from the source.
 - Identify the appropriate pro forma adjustments, for example, how the responsible party has obtained acquiree financial information in compiling the pro forma financial information.
- The responsible party's competence in compiling pro forma financial information.
- The nature and extent of oversight by the responsible party of other entity personnel involved in compiling the pro forma financial information.
- The responsible party's approach to identifying appropriate disclosures to support the pro forma financial information.

A21. In a business combination or divestment, areas that may give rise to complexity in the compilation of the pro forma financial information include allocations of income, overheads, and assets and liabilities among or between the relevant businesses. Accordingly, it is important that the practitioner understand the responsible party's approach and criteria

for such allocations and that the explanatory notes accompanying the pro forma financial information disclose these matters.

Nature of the Entity and Any Acquiree or Divestee (Ref: Para. 17(c))

- A22. An acquiree may be an incorporated entity or a separately identifiable unincorporated operation within another entity such as a division, branch or line of business. A divestee may be an incorporated entity such as a subsidiary or joint venture, or a separately identifiable unincorporated operation within the entity such as a division, branch or line of business.
- A23. The practitioner may have all or part of the required understanding of the entity and any acquiree or divestee, and their respective environments, if the practitioner has audited or reviewed their financial information.

Relevant Industry, Legal and Regulatory, and Other External Factors (Ref: Para. 17(d))

- A24. Relevant industry factors include industry conditions such as the competitive environment, supplier and customer relationships, and technological developments. Examples of matters the practitioner may consider include:
- The market and competition, including demand, capacity, and price competition.
 - Common business practices within the industry.
 - Cyclical or seasonal activity.
 - Product technology relating to the entity's products.
- A25. Relevant legal and regulatory factors include the legal and regulatory environment. This encompasses, among other matters, the applicable financial reporting framework in accordance with which the entity or, if applicable, the acquiree prepares its periodic financial information, and the legal and political environment. Examples of matters the practitioner may consider include:
- Industry-specific accounting practices.
 - Legal and regulatory framework for a regulated industry.
 - Legislation and regulation that significantly affect the entity's or, if applicable, the acquiree's or divestee's operations, including direct supervisory activities.
 - Taxation.
 - Government policies currently affecting the conduct of the entity's or, if applicable, the acquiree's or divestee's business, such as monetary policies (including foreign exchange controls), fiscal policies, financial incentives (for example, government aid programs), and tariffs or trade restrictions policies.
 - Environmental requirements affecting the entity's or acquiree's or divestee's industry and business.
- A26. Examples of other external factors affecting the entity and, if applicable, the acquiree or divestee that the practitioner may consider include the general economic conditions, interest rates and availability of financing, and inflation or currency revaluation.

Obtaining Evidence about the Appropriateness of the Source from Which the Unadjusted Financial Information Has Been Extracted

Relevant Factors to Consider (Ref: Para. 14(a), 18)

- A27. Factors that affect the appropriateness of the source from which the unadjusted financial information has been extracted include whether there is an audit or review report on the source and whether the source:
- Is permitted or specifically prescribed by the relevant law or regulation, is permitted by the relevant securities exchange with which the prospectus is to be filed, or is used as such under normal market custom and practice.
 - Is clearly identifiable.
 - Represents a reasonable starting point for compiling the pro forma financial information in the context of the event or transaction, including whether it is consistent with the entity's accounting policies and is at an appropriate date or covers an appropriate period.
- A28. An audit or review report on the source from which the unadjusted financial information has been extracted may have been issued by another practitioner. In this situation, the need by the practitioner reporting under this ISAE for an understanding of the entity and its accounting and financial reporting practices pursuant to the requirements of paragraphs 17(c) and (e), and to be satisfied that the source from which the unadjusted financial information has been extracted is appropriate, is not diminished.

No Audit or Review Report on the Source from Which the Unadjusted Financial Information Has Been Extracted (Ref: Para. 19)

- A29. When there is no audit or review report on the source from which the unadjusted financial information has been extracted, it is necessary for the practitioner to perform procedures in relation to the appropriateness of that source. Factors that may affect the nature and extent of these procedures include, for example:
- Whether the practitioner has previously audited or reviewed the entity's historical financial information, and the practitioner's knowledge of the entity from such engagement.
 - How recently the entity's historical financial information was audited or reviewed.
 - Whether the entity's financial information is subject to periodic review by the practitioner, for example, for purposes of meeting regulatory filing requirements.
- A30. The entity's financial statements for the period immediately preceding that of the source from which the unadjusted financial information has been extracted are likely to have been audited or reviewed, even if the source from which the unadjusted financial information has been extracted itself is not. For example, the source from which the unadjusted financial information has been extracted may be interim financial statements that have not been audited or reviewed whereas the entity's financial statements for the immediately preceding financial year may have been audited. In such a case, procedures that the practitioner may perform, having regard to the factors in paragraph A29, in relation to the appropriateness of the source from which the unadjusted financial information has been extracted include:

- Inquiring of the responsible party about:
 - The process by which the source has been prepared and the reliability of the underlying accounting records to which the source is agreed or reconciled.
 - Whether all transactions have been recorded.
 - Whether the source has been prepared in accordance with the entity's accounting policies.
 - Whether there have been any changes in accounting policies from the most recent audited or reviewed period and, if so, how such changes have been dealt with.
 - Its assessment of the risk that the source may be materially misstated as a result of fraud.
 - The effect of changes in the entity's business activities and operations.
- If the practitioner has audited or reviewed the immediately preceding annual or interim financial information, considering the findings of such audit or review and whether these might indicate any issues with the preparation of the source from which the unadjusted financial information has been extracted.
- Corroborating the information provided by the responsible party in response to the practitioner's inquiries when the responses appear inconsistent with the practitioner's understanding of the entity or the engagement circumstances.
- Comparing the source with the corresponding prior period financial information and, as applicable, the immediately preceding annual or interim financial information, and discussing significant changes with the responsible party.

Historical financial information of the entity never audited or reviewed (Ref: Para. 13(e))

- A31. Other than in the case of an entity formed for purposes of the transaction and which has never had any trading activity, it is unlikely that relevant law or regulation will permit an entity to issue a prospectus if its historical financial information has never been audited or reviewed.

Obtaining Evidence about the Appropriateness of the Pro Forma Adjustments

Identification of Appropriate Pro Forma Adjustments (Ref: Para. 21)

- A32. Informed by the practitioner's understanding of how the responsible party has compiled the pro forma financial information and other engagement circumstances, the practitioner may obtain evidence regarding whether the responsible party has appropriately identified the necessary pro forma adjustments through a combination of procedures such as:
- Evaluating the reasonableness of the responsible party's approach to identifying the appropriate pro forma adjustments, for example, the method used in identifying appropriate allocations of income, overheads, assets and liabilities among the relevant businesses.
 - Inquiring of relevant parties within an acquiree regarding the approach to extracting the acquiree financial information.

- Evaluating specific aspects of the relevant contracts, agreements or other documents.
- Inquiring of the entity's advisors regarding specific aspects of the event or transaction and related contracts and agreements that are relevant to the identification of appropriate adjustments.
- Evaluating relevant analyses and worksheets prepared by the responsible party and other entity personnel involved in compiling the pro forma financial information.
- Obtaining evidence of the responsible party's oversight of other entity personnel involved in compiling the pro forma financial information.
- Performing analytical procedures.

Factual Support for Any Acquiree or Divestee Financial Information Included in the Pro Forma Adjustments (Ref: Para. 22(b))

Divestee financial information

- A33. In the case of a divestment, the divestee's financial information will be derived from the source from which the unadjusted financial information has been extracted, which will often be audited or reviewed. The source from which the unadjusted financial information has been extracted will therefore provide the basis for the practitioner to determine whether there is factual support for the divestee financial information. In such a case, matters to consider include, for example, whether income and expenses attributable to the divestee that are recorded at the consolidated level have been appropriately reflected in the pro forma adjustments.
- A34. Where the source from which the unadjusted financial information has been extracted has not been audited or reviewed, the practitioner may refer to the guidance in paragraphs A29–A30 in determining whether the divestee financial information is factually supportable.

Acquiree financial information

- A35. The source from which the acquiree financial information has been extracted may have been audited or reviewed. Where the source from which the acquiree financial information has been extracted has been audited or reviewed by the practitioner, the acquiree financial information will, subject to any implications arising from the circumstances addressed in paragraph 23, be factually supportable.
- A36. The source from which the acquiree financial information has been extracted may have been audited or reviewed by another practitioner. In this situation, the need by the practitioner reporting under this ISAE for an understanding of the acquiree and its accounting and financial reporting practices pursuant to the requirements of paragraphs 17(c) and (e), and to be satisfied that the acquiree financial information is factually supportable, is not diminished.
- A37. When the source from which the acquiree financial information has been extracted has not been audited or reviewed, it is necessary for the practitioner to perform procedures in relation to the appropriateness of that source. Factors that may affect the nature and extent of these procedures include, for example:

- Whether the practitioner has previously audited or reviewed the acquiree's historical financial information, and the practitioner's knowledge of the acquiree from such engagement.
- How recently the acquiree's historical financial information was audited or reviewed.
- Whether the acquiree's financial information is subject to periodic review by the practitioner, for example, for purposes of meeting regulatory filing requirements.

A38. The acquiree's financial statements for the period immediately preceding that of the source from which the acquiree financial information has been extracted often will have been audited or reviewed, even if the source from which the acquiree financial information has been extracted itself is not. In such a case, procedures that the practitioner may perform, having regard to the factors in paragraph A37, in relation to whether the acquiree financial information is factually supportable include:

- Inquiring of the acquiree's management about:
 - The process by which the source from which the acquiree financial information has been extracted has been prepared and the reliability of the underlying accounting records to which the source is agreed or reconciled.
 - Whether all transactions have been recorded.
 - Whether the source from which the acquiree financial information has been extracted has been prepared in accordance with the acquiree's accounting policies.
 - Whether there have been any changes in accounting policies from the most recent audited or reviewed period and, if so, how such changes have been dealt with.
 - Its assessment of the risk that the source from which the acquiree financial information has been extracted may be materially misstated as a result of fraud.
 - The effect of changes in the acquiree's business activities and operations.
- If the practitioner has audited or reviewed the immediately preceding annual or interim financial information, considering the findings of such audit or review and whether these might indicate any issues with the preparation of the source from which the acquiree financial information has been extracted.
- Corroborating the information provided by the acquiree's management in response to the practitioner's inquiries when the responses appear inconsistent with the practitioner's understanding of the acquiree or the engagement circumstances.
- Comparing the source from which the acquiree financial information has been extracted with the corresponding prior period financial information and, as applicable, the immediately preceding annual or interim financial information, and discussing significant changes with the acquiree's management.

Modified Audit Opinion or Review Conclusion, or Emphasis of Matter Paragraph, with Respect to the Source from Which the Unadjusted Financial Information Has Been Extracted or the Source from Which the Acquiree or Divestee Financial Information Has Been Extracted

Potential Consequence (Ref: Para. 23(a))

A39. Not all modified audit opinions, review conclusions or Emphasis of Matter paragraphs with respect to either the source from which the unadjusted financial information has been extracted or the source from which the acquiree or divestee financial information has been extracted may necessarily affect whether the pro forma financial information can be compiled, in all material respects, on the basis of the applicable criteria. For example, a qualified audit opinion may have been expressed on the entity's financial statements because of the non-disclosure of remuneration for those charged with governance as required by the applicable financial reporting framework. If this is the case and these financial statements are used as the source from which the unadjusted financial information has been extracted, such qualification may have no consequence on whether pro forma net asset and income statements can be compiled, in all material respects, on the basis of the applicable criteria.

Further Appropriate Action (Ref: Para. 23(b), 24)

A40. Further appropriate action that the practitioner may take includes, for example:

- In relation to the requirement in paragraph 23(b):
 - Discussing the matter with the responsible party.
 - Where possible under relevant law or regulation, making a reference in the practitioner's report to the modified audit opinion, review conclusion, or the Emphasis of Matter paragraph, if, in the practitioner's professional judgment, the matter is of sufficient relevance and importance to users' understanding of the pro forma financial information.
- In relation to the requirement in paragraph 24, where possible under relevant law or regulation, modifying the practitioner's opinion.
- Where possible under relevant law or regulation, withholding the report or withdrawing from the engagement.
- Seeking legal advice.

Evaluating the Presentation of the Pro Forma Financial Information

Avoiding Association with Misleading Financial Information (Ref: Para. 26(b))

A41. The IESBA Code requires that a practitioner not knowingly be associated with reports, returns, communications or other information that the practitioner believes:⁹

- (a) Contain a materially false or misleading statement;
- (b) Contain statements or information furnished recklessly; or

⁹ IESBA Code, paragraph 110.2

- (c) Omit or obscure information required to be included where such omission or obscurity would be misleading.

Disclosures Accompanying the Pro Forma Financial Information (Ref: Para. 14(c), 26(c))

A42. Appropriate disclosures may include matters such as:

- The nature and purpose of the pro forma financial information, including the nature of the event or transaction, and the date at which such event is assumed to have occurred or transaction been undertaken;
- The source from which the unadjusted financial information has been extracted, and whether or not an audit or review report on such a source has been published;
- The pro forma adjustments, including a description and explanation of each adjustment. This includes, in the case of acquiree or divestee financial information, the source from which such information has been extracted and whether or not an audit or review report on such a source has been published;
- If not publicly available, a description of the applicable criteria on the basis of which the pro forma financial information has been compiled; and
- A statement to the effect that the pro forma financial information has been compiled for illustrative purposes only and that, because of its nature, it does not represent the entity's actual financial position, financial performance, or cash flows.

Relevant law or regulation may require these or other specific disclosures.

Consideration of Significant Subsequent Events (Ref: Para. 26(d))

A43. As the practitioner is not reporting on the source from which the unadjusted financial information has been extracted, there is no requirement for the practitioner to perform procedures to identify events after the date of the source that require adjustment of, or disclosure in, such source. Nevertheless, it is necessary for the practitioner to consider whether any significant events subsequent to the date of the source from which the unadjusted financial information has been extracted have come to the practitioner's attention that may require reference to, or disclosure in, the explanatory notes to the pro forma financial information to avoid the latter being misleading. Such consideration is based on performing the procedures under this ISAE or the practitioner's knowledge of the entity and the engagement circumstances. For example, after the date of the source from which the unadjusted financial information has been extracted, the entity may have entered into a capital transaction involving the conversion of its convertible debt into equity, non-disclosure of which could result in the pro forma financial information being misleading.

Material Inconsistency with Other Information (Ref: Para. 27)

A44. Further appropriate action that the practitioner may take if the responsible party refuses to revise the pro forma financial information or the other information as appropriate includes, for example:

- Where possible under relevant law or regulation:

- Describing the material inconsistency in the practitioner’s report.
- Modifying the practitioner’s opinion.
- Withholding the report or withdrawing from the engagement.
- Seeking legal advice.

Written Representations (Ref: Para. 28(a))

A45. In some circumstances, the types of transactions involved may require the responsible party to select accounting policies for the pro forma adjustments that the entity has not previously had to articulate because it had no relevant transactions. In such a case, the practitioner may request the responsible party to expand the written representations to include confirmation that the selected accounting policies constitute the entity’s adopted policies for such types of transactions.

Forming the Opinion

Assurance on Further Matters Required by the Relevant Law or Regulation (Ref: Para. 29)

A46. Relevant law or regulation may require the practitioner to express an opinion on matters other than whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria. In some of these circumstances, it may not be necessary for the practitioner to perform additional procedures. For example, the relevant law or regulation may require the practitioner to express an opinion about whether the basis on which the responsible party has compiled the pro forma financial information is consistent with the entity’s accounting policies. Compliance with the requirements in paragraphs 18 and 22(c) of this ISAE provides a basis for expressing such an opinion.

A47. In other circumstances, the practitioner may need to perform additional procedures. The nature and extent of such additional procedures will vary with the nature of the other matters on which the relevant law or regulation requires the practitioner to express an opinion.

Statement of the Practitioner’s Responsibility for the Report

A48. The relevant law or regulation may require the practitioner to include in the practitioner’s report an explicit statement asserting or confirming the practitioner’s responsibility for the report. The inclusion of such an additional legal or regulatory statement in the practitioner’s report is not incompatible with the requirements of this ISAE.

Disclosure of the Applicable Criteria (Ref: Para. 30)

A49. The responsible party need not repeat in the explanatory notes accompanying the pro forma financial information any criteria that are prescribed by the relevant law or regulation, or promulgated by an authorized or recognized standard-setting organization. Such criteria will be publicly available as part of the reporting regime and are therefore implicit in the responsible party’s compilation of the pro forma financial information.

- A50. Where the responsible party has developed any specific criteria, it is necessary that those criteria be disclosed so that users may obtain a proper understanding of how the pro forma financial information has been compiled by the responsible party.

Preparing the Assurance Report

Title (Ref: Para. 35(a))

- A51. A title indicating that the report is the report of an independent practitioner, for example, “Independent Practitioner’s Assurance Report on the Compilation of Pro Forma Financial Information Included in a Prospectus,” affirms that the practitioner has met all of the relevant ethical requirements regarding independence as required by ISAE 3000.¹⁰ This distinguishes the report of the independent practitioner from reports issued by others.

Addressee(s) (Ref: Para. 35(b))

- A52. The relevant law or regulation may specify the addressee(s) of the report. Alternatively, the practitioner may agree with the entity who the addressee(s) will be as part of the terms of the engagement.

Introductory Paragraphs (Ref: Para. 35(c))

- A53. As the pro forma financial information will be included in a prospectus that contains other information, the practitioner may consider, if the form of presentation allows, including a reference that identifies the section where the pro forma financial information is presented. This helps readers identify the pro forma financial information to which the practitioner’s report relates.

Opinion (Ref: Para. 13(c), 35(h))

- A54. Whether the phrase “pro forma financial information has been compiled, in all material respects, on the basis of the [*applicable criteria*],” or the phrase “pro forma financial information has been properly compiled on the basis stated” is used to express the opinion in any particular jurisdiction is determined by the law or regulation governing reporting on pro forma financial information in that jurisdiction, or by generally accepted practice in that jurisdiction.
- A55. The relevant law or regulation in some jurisdictions may prescribe the wording of the practitioner’s opinion in terms other than those specified above. Where this is the case, it may be necessary for the practitioner to exercise judgment to determine whether performing the procedures set out in this ISAE would enable the practitioner to express the opinion in the wording prescribed by law or regulation, or whether further procedures would be necessary.
- A56. When the practitioner concludes that performing the procedures set out in this ISAE would be sufficient to enable the practitioner to express the opinion in the wording prescribed by law or regulation, it may be appropriate to regard that wording as being equivalent to the two alternative wordings of the opinion specified in this ISAE.

¹⁰ ISAE 3000, paragraph 4

Illustrative Report (Ref: Para. 35)

A57. A practitioner's report with an unmodified opinion is set out in the Appendix.

Appendix

(Ref: Para. A57)

Illustrative Practitioner's Report with an Unmodified Opinion**INDEPENDENT PRACTITIONER'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS**

[Appropriate Addressee(s)]

Report on the Compilation of Pro Forma Financial Information Included in a Prospectus

We have completed our assurance engagement to report on the compilation of pro forma financial information of ABC Company by *[the responsible party]*. The pro forma financial information consists of [the pro forma net asset statement as at [date]], [the pro forma income statement for the period ended [date]], [the pro forma cash flow statement for the period ended [date],] and related notes [as set out on pages xx–xx of the prospectus issued by the company]. The applicable criteria on the basis of which *[the responsible party]* has compiled the pro forma financial information are [specified in [Securities Regulation XX] and described in [Note X]]/[described in [Note X]].

The pro forma financial information has been compiled by *[the responsible party]* to illustrate the impact of the [event or transaction] [set out in Note X] on the [company's financial position as at *specify date*] [and] [the company's/its financial performance [and cash flows] for the period ended *specify date*] as if the [event or transaction] had taken place at [*specify date*] [and *specify date* respectively]. As part of this process, information about the company's [financial position], [financial performance] [and cash flows] has been extracted by *[the responsible party]* from the company's financial statements [for the period ended [date]], on which [[an audit]/[a review] report]/[no audit or review report] has been published.¹¹

[The Responsible Party's] Responsibility for the Pro Forma Financial Information

[The responsible party] is responsible for compiling the pro forma financial information on the basis of the [*applicable criteria*].

Practitioner's Responsibilities

Our responsibility is to express an opinion [, as required by [Securities Regulation XX],] about whether the pro forma financial information has been compiled, in all material respects, by *[the responsible party]* on the basis of the [*applicable criteria*].

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether *[the responsible party]* has compiled, in all material respects, the pro forma financial information on the basis of the [*applicable criteria*].

¹¹ Where the audit or review report has been modified, reference may be made to where the modification has been described in the prospectus.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at [*specify date*] would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by [*the responsible party*] in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, [the pro forma financial information has been compiled, in all material respects, on the basis of the [*applicable criteria*]]/[the pro forma financial information has been properly compiled on the basis stated].

Report on Other Legal or Regulatory Requirements

[Relevant law or regulation may require the practitioner to express an opinion on other matters (see paragraphs A46–A47). The form and content of this section of the practitioner's report will vary with the nature of such other reporting responsibilities.]

[Practitioner's signature]

[Date of the practitioner's report]

[Practitioner's address]



545 Fifth Avenue, 14th Floor, New York, NY 10017

T +1 (212) 286-9344 F +1(212) 286-9570

www.ifac.org