



ICAEW
Corporate Finance Faculty
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1 August 2013

Dear Sirs

Response to the ICAEW Status Report titled "Pro Forma Financial Information, Status Report on Updating Guidance for Directors, May 2013, Financing Change Initiative"

We are pleased to have the opportunity to contribute to the pre-consultation and comment on the Status Report. We are supportive of the need to update the ICAEW Technical Release, "TECH 18/98, *Pro forma financial information, Guidance for preparers under the Listing Rules*", given the evolution of market practice, the Listing Rules and the Prospectus Directive Regulation, since its release in 1998.

We note that the Working Group intends to provide commentary, and where appropriate develop guidance for preparers that reflects market practice and will aim to produce guidance that provides clarity on practice in the London market. We welcome this approach and would like the Working Group to take advantage of this opportunity and seek to address the following in the exposure draft:

- 1) *Pro forma income statement*: There are often cases where Class 1 circulars or documents including cross border offerings include a Pro Forma income statement in addition to the Pro Forma statement of net assets. We believe the exposure draft should include detailed guidance on the preparation of pro forma income statements. This could also include guidance on the treatment of a "purchase price allocation" exercise in a Class 1 acquisition circular by reference to the requirements in IFRS;
- 2) *Pro forma regulatory ratios for financial services companies*: Given the evolution of regulatory requirements, including focus on key regulatory ratios, the Working Group should consider including guidance on the approach to be taken for these ratios, especially where issuances are taking place in order to comply with regulatory requirements. Further consideration could also be given to the treatment of other non-GAAP measures, where similar principles could be applied;
- 3) *Misleading information*: We agree that the concept of "misleading information" continues to remain an important concept in the context of pro forma financial information. However, we believe the exposure draft should set out factors the Directors should consider when preparing the pro forma financial information to assist preparers in determining whether or not it contains misleading information; and
- 4) *Treatment of multiple transactions*: We believe that the exposure draft should include guidance on instances where multiple transactions have taken place between the date of the unadjusted financial information and publication of the Class 1 circular or Prospectus and the

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approaches that can be taken (ie. inclusion in the pro forma financial information table vs. narrative disclosure).

We agree that there are often challenges in applying the “factually supportable” concept and welcome the Working Group’s efforts in providing guidance on this aspect.

Should you wish to discuss our response, please contact Kevin Desmond by email at kevin.desmond@uk.pwc.com or Anthony McKay at anthony.f.mckay@uk.pwc.com.

Yours faithfully

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP