ICAEW CORPORATE FINANCE FACULTY

PRO FORMA FINANCIAL INFORMATION

STATUS REPORT ON UPDATING GUIDANCE FOR DIRECTORS

MAY 2013

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ABOUT THE ICAEW CORPORATE FINANCE FACULTY

The Corporate Finance Faculty's professional network includes 6,000 members and more than 60 member organisations.

Its membership is drawn from major professional services groups, specialist advisory firms, companies, banks, private equity, venture capital, law firms, brokers, consultants, policy-makers and academic experts. More than 40 per cent of the faculty's membership is from beyond ICAEW.

The faculty is ICAEW's centre of professional excellence in corporate finance. It contributes to policy development and many consultations by international organisations, governments, regulators and other professional bodies.

The faculty's thought leadership initiative *Financing Change* seeks to advance the economic and social contribution of corporate finance activity by promoting better understanding of the value it can create as well as its role in improving efficiency and practice in capital markets.

The faculty provides a wide range of services, events and media to its members, including its magazine *Corporate Financier*.

The faculty initiated the development of the first international Corporate Finance qualification (including the 'CF' designation) for practitioners in 2005 and launched a Diploma in Corporate Finance with the CISI in 2012.

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1. EXECUTIVE SUMMARY

1. ICAEW Technical Release TECH 18/98 *Pro forma financial information, Guidance for preparers under the Listing Rules* has become out of date as the requirements for companies producing such information in a prospectus within the European Union are now set at European level. TECH 18/98 is reproduced in Appendix 1 and current requirements are reproduced in Appendix 2.

2. ICAEW has established, through its Corporate Finance Faculty, a Working Group of London-based practitioners to help review the need for new guidance to replace TECH 18/98. Assuming such a need existed, the Working Group would also help develop such guidance. Members of the Working Group are listed in Appendix 3.

3. During 2012 the Working Group contacted a range of market participants to identify areas of concern or risk relating to pro forma financial information and to discuss the need for up-to-date guidance.

4. This pre-consultation indicated that new guidance would serve a useful purpose and highlighted areas for review that would potentially require changes to the guidance in TECH 18/98. The Working Group has summarised matters that merit review and details are given in Section 3.

5. In due course the Working Group will publish for consultation an exposure draft of new guidance for preparers of pro forma financial information. This will be informed by any comments received in response to the invitation to contribute in Section 4.

2. BACKGROUND

6. In 1998, ICAEW published Technical Release TECH 18/98, *Pro forma financial information, Guidance for preparers under the Listing Rules*. The guidance discussed practical application of the relevant Listing Rules and provided commentary based on market practice to help directors, the preparers of pro forma financial information.

7. There have been a number of changes to regulation in the European Union (EU), which have had direct impact on the requirements relating to pro forma financial information in the United Kingdom. The Prospectus Directive was implemented in the UK from 1 July 2005 in the Prospectus Rules and in Part VI of the Financial Services and Markets Act 2000.

8. The Prospectus Directive is supported by the Prospectus Directive (PD) Regulation;[1] this sets out the detailed disclosure requirements for prospectuses. A prospectus may be required to be prepared either because securities are to be admitted to trading on an EU Regulated Market or a public offer of securities is being made. The PD Regulation applies to prospectuses relating to shares in companies and other transferable securities such as bonds or other forms of securitised debt.

9. Under the PD Regulation in the case of a significant gross change[2], a prospectus relating to an issue of equity securities must contain a description of how the transaction might have affected the assets and liabilities and earnings of the issuer, had the transaction been undertaken at the commencement of the period being reported on or at the date reported (Annex I, Item 20.2). Similar provisions apply to Class 1 circulars under the Financial Conduct Authority's (FCA's) Listing Rules.

10. The PD Regulation states that this requirement will normally be satisfied by the inclusion of pro forma financial information which complies with the requirements set out in Annex II of the PD Regulation, Pro forma financial information building block. Pro forma financial information must be accompanied by a report prepared by independent accountants or auditors. The relevant PD Regulation is reproduced in Appendix 2 to this Status Report.

11. The Prospectus Rules are relevant to entities applying for admission of their securities to trading on a regulated market in the United Kingdom, such as applicants to the Main Market of the London Stock Exchange, NYSE Euronext London and ISDX Main Board. The Prospectus Rules are also applicable to issuers offering securities to the public in the United Kingdom (unless an exemption applies).

12. For AIM and ISDX Growth Market, unless the admission document is also a prospectus, the PD Regulations in respect of pro forma financial information do not apply. However, pro forma financial information may be included voluntarily in admission documents (which are not also prospectuses) by applicants to such markets where there has been a significant event or transaction, the effect of which the applicant wishes to illustrate. In such cases there is no requirement for a report prepared by independent accountants or auditors.

[1] Commission Regulation No 809/2004.

[2] A significant gross change is defined in recital 9 of the PD Regulation as a variation of more than 25% relative to one or more indicators of the size of the issuer's business, in the situation of an issuer due to a particular transaction, with the exception of those situations where merger accounting is required.

13. TECH 18/98 deals with guidance to preparers of pro forma financial information and does not discuss the reporting obligations of a reporting accountant appointed to report publicly on pro forma financial information. In the UK, guidance, principles and procedures for a reporting accountant are currently provided in the Financial Reporting Council's Standard for Investment Reporting (SIR) 4000, *Investment Reporting Standards Applicable to Public Reporting Engagements on Pro Forma Financial Information* (July 2006). SIR 4000 includes an Annexure which indicates those parts of TECH 18/98 that are no longer applicable and those that continue to be relevant. The Annexure notes that it will cease to be applicable as and when ICAEW publishes the replacement for TECH 18/98.

14. In an international context, the International Auditing and Assurance Standards Board's pronouncement International Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* (December 2011) sets out guidance on reasonable assurance engagements undertaken by professional accountants to report on the compilation of pro forma financial information by entities for inclusion in their prospectuses.

15. Like TECH 18/98, the new guidance will not deal with the obligations of reporting accountants.

3. AREAS FOR REVIEW

The case for new guidance

16. TECH 18/98 is based on the London Stock Exchange Listing Rules that were extant when it was published. Since that date, the regulatory environment has undergone changes, most notably in 2005 with the implementation of the prospectus element of the European harmonisation programme.

17. The Working Group intends to provide commentary and, where appropriate, develop guidance for preparers that reflects market practice for relevant elements of the current regulatory requirements. The Working Group will take into account material published by the European Securities and Markets Authority (ESMA) in its publication *ESMA update of the CESR recommendations on the consistent implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive* (ESMA Recommendations). The Working Group will also be mindful of relevant material contained in ESMA's publication *Questions and Answers on prospectuses* (ESMA Q&A),[3] which promotes common supervisory approaches and practices in the application of the Prospectus Directive and its implementing measures.

18. The Working Group will aim to produce guidance that provides clarity on practice in the London market, drawing on the practical experience of its members.

Pro forma financial information to which the guidance will relate

19. It is intended that the guidance will relate to pro forma financial information as such a term is used in the PD Regulation and it is not the intention of the proposed guidance to create a new interpretation of pro forma financial information and its objective.

20. Criteria for preparers of pro forma financial information are contained in the PD Regulation within the building block in Annex II. The proposed guidance will aim to reflect practice in the market relating to the application of those criteria.

Scope of guidance

21. The proposed guidance will provide practical help for applying the PD Regulation to the preparation of pro forma financial information taking account of relevant ESMA Recommendations. The question of when or where pro forma financial information should be produced will not be explored in the proposed guidance; this is the role of ESMA.

22. However TECH 18/98 recognised that there was a range of events or transactions for which pro forma financial information might typically be presented, falling into the general categories of business combinations, divestments, and issues/reductions of debt or equity, and it is intended that the new guidance should similarly recognise this diversity of uses. The proposed guidance on pro forma financial information will deal with information required to be prepared in accordance with the PD Regulation. Nevertheless it may also be useful in situations where there are no regulatory requirements governing its preparation.

[3] In the 18th version of ESMA Q&A, this material is set out in questions 50 to 55 inclusive.

23. The PD Regulation requires a description of how the transaction might have affected the assets and liabilities and earnings of the issuer, had the transaction been undertaken at the commencement of the period being reported on or at the date reported. Accordingly, a narrative description is an acceptable option under the PD Regulation. In the experience of the Working Group a narrative description is the prevailing approach when dealing with earnings effects, while pro forma financial information is the normal approach when dealing with assets and liabilities effects.

24. It is intended that the guidance will reflect market practice and will, where appropriate, comment on situations where preparers elect not to, or are not able to, present meaningful pro forma financial information.

Net assets statements

25. In the experience of the Working Group, the most commonly encountered form of pro forma financial information in the United Kingdom relates to impacts on net assets. The guidance will aim to address a number of issues that arise in that context.

Income statements

26. In the experience of the Working Group, documents driven solely by UK requirements do not typically contain pro forma income statements and the effect on earnings is usually given by way of narrative description. The Working Group has observed that pro forma income statements are more prevalent where a document is prepared to meet other European or US requirements.

Adjustments

27. The Listing Rules in force in 1998 required that the reporting accountant reported that all appropriate adjustments had been made. The reporting requirements under the PD Regulation are very similar to those under the old Listing Rules although they do not include that particular requirement. The Working Group is of the view that this will not give rise to a significant change in the guidance on adjustments.

28. TECH 18/98 discussed issues including ones arising in relation to the potential use of fair value adjustments in pro forma financial information, and it is intended that the proposed guidance will build on the material in TECH 18/98. The Working Group will draw on its members' experience for current guidance on adjustments.

29. One of the criteria for adjustments is that they should be 'factually supportable'. ESMA has provided an interpretation of this. The Working Group's position is that what is set out in TECH 18/98, paragraph 49, which is repeated with minor modifications in the ESMA Recommendations, continues to represent a reasonable clarification of the concept. However, the Working Group is aware there are difficulties when applying this in practice and will be looking at these practical issues.

Misleading information

30. The Listing Rules which were in place when TECH 18/98 was prepared contained an explicit reminder that the pro forma financial information presented must not be misleading. This concept forms an important underpinning to the guidance set out in TECH 18/98. The PD Regulation does not repeat the explicit reminder. The Working Group however considers that it continues to remain an important concept in the context of pro forma financial information and proposes to retain it in the guidance.

4. CONDUCT OF PROJECT

31. ICAEW, through its Corporate Finance Faculty, has established a Working Group of London-based practitioners, whose members are listed in Appendix 3, to help review the need for new guidance to replace TECH 18/98 on preparing pro forma financial information. Assuming such a need existed, the Working Group would also help develop such guidance.

Pre-consultation with market participants

32. To help review the need for up-to-date guidance the Working Group identified market participants whose views would influence the decision to update TECH 18/98. In a series of meetings the Working Group consulted the parties listed below to identify challenges in meeting the requirements for preparing and presenting pro forma financial information:

- Association for Financial Markets in Europe
- Central Bank of Ireland
- City of London Law Society, Company Law Committee
- European Securities and Markets Authority (ESMA)
- the SIRs Committee of the FRC
- UK Listing Authority

33. Feedback from these meetings indicated that the current guidance filled a need for commentary for preparing pro forma financial information and served as a useful reminder to directors of their responsibilities. It was also evident that guidance on market practice is valuable in the area of adjustments and the judgements involved in these.

34. Based on these discussions the Working Group concluded that there was broad support for updating the guidance in TECH 18/98.

Developing updated guidance

35. The PD Regulation provides a legal framework and part of the update exercise would involve replacing the references to Listing Rules in TECH 18/98 with current references.

36. Changes in the regulatory regime since TECH 18/98 was published and evolution of market practice also mean that aspects of the existing guidance would need to be reviewed and new elements developed.

37. Consequently, the Working Group decided to announce its intention to update the guidance and explain the basis for the update. The Working Group would start to revise the guidance and update obsolete or superseded references while, at the same time, seeking further contributions to the areas it identified for review as a result of the pre-consultations.

38. Once the Working Group has completed its consideration of comments on the areas for review it will publish for consultation an exposure draft of new guidance for directors. This is likely to be in the autumn of 2013.

39. The structure of new guidance is expected to cover:

- Responsibilities of directors with reference to the regulatory requirements.
- Presentation of pro forma financial information and narrative descriptions.
- Adjustments.

Invitation to contribute

In due course the Working Group will publish for consultation an exposure draft of new guidance, the drafting of which will be informed by the results of the pre-consultation and, if any, comments received in response to this Status Report on:

1. the areas identified for review in Section 3;
2. other aspects of the guidance in TECH 18/98 which would benefit from review;
3. other adjustments for which guidance would be helpful; and
4. other matters that should be taken into account when developing the new guidance.

The Working Group would be particularly interested to hear views from companies.

Any comments will be taken into account if they are received by 2 August 2013 and may be sent by email as a Word file to katerina.joannou@icaew.com, or by post to:

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APPENDIX 1: TECHNICAL RELEASE TECH 18/98

The Institute of
Chartered Accountants
in England & Wales

Technical Release TECH 18/98

PRO FORMA FINANCIAL INFORMATION

GUIDANCE FOR PREPARERS UNDER THE LISTING RULES

SEPTEMBER 1998

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Introduction

1. The Institute of Chartered Accountants in England and Wales is publishing this Technical Release on a consultative basis to help directors prepare pro forma financial information for inclusion in documents subject to approval by the London or Irish Stock Exchanges prior to their issue. Such information is covered by Listing Rules 12.29 to 12.34 and 12.35A issued in September 1997. The Technical Release reproduces each of the relevant Listing Rules and provides commentary on its practical application based on consultation with interested parties.

2. Listing Rule 12.35 requires reporting accountants to report publicly on pro forma financial information. However, this guidance does not discuss how reporting accountants discharge their responsibilities under Listing Rule 12.35. The Auditing Practices Board will issue separate guidance on this matter.

3. This Technical Release does not cover pro forma financial information prepared for other purposes, for example information in investment circulars not subject to the Listing Rules or in annual financial statements.

4. The London and Irish Stock Exchanges have welcomed this initiative of the Institute of Chartered Accountants in England and Wales to develop guidance for directors in an important area of listed company reporting.

Invitation to comment

5. The Institute's Financial Reporting Committee will keep the Technical Release under continuing review and is keen to learn about practical issues in applying it so as to make any necessary improvements. Comments should be sent to the Head of Financial Reporting, The Institute of Chartered Accountants in England and Wales, Chartered Accountants' Hall, PO Box 433, Moorgate Place, London EC2P 2BJ. Such comments will be treated as being on the public record unless confidentiality is requested.

Why pro forma financial information is presented

6. The Listing Rules do not require a listed company (also referred to as an issuer) to present pro forma financial information. However, in the case of Super Class 1 acquisitions or disposals, as defined using the size tests in Chapter 10 of the Listing Rules, the related circulars almost invariably include a pro forma net asset statement to illustrate the effect of the related acquisition or disposal on the issuer's financial position.

7. Documents relating to other types of transactions may also contain pro forma financial information. The following are examples:

   (a) For an issue of capital on an initial public offering or a subsequent rights issue, open offer or placing, the purpose of pro forma financial information is often to illustrate the increase in earnings per share and the reduction in gearing and interest costs that result from the application of the proceeds of the issue in repaying debt.

   (b) Where a number of businesses are brought together prior to an initial public offering, the purpose of pro forma financial information may be to illustrate how selected aspects of performance might have been reported had the businesses been brought together at an earlier date.

   (c) On a repayment of capital through a scheme of arrangement or a share reorganisation and repurchase, the purpose of pro forma financial information is generally to illustrate an increase in gearing or a reduction in cash balances.

   (d) When a business is demerged, the purpose of pro forma financial information may be to illustrate the impact of the demerger on gearing or other balance sheet ratios.

Nature of information

Listing Rule 12.29

9. *"The pro forma financial information must provide investors with information about the impact of the transaction the subject of the document by illustrating how that transaction might have affected the financial information presented in the document, had the transaction been undertaken at the commencement of the period being reported on or, in the case of pro forma balance sheet or net asset statement, at the date reported on. The pro forma financial information presented must not be misleading, must assist investors in analysing future prospects of the issuer and must include all appropriate adjustments permitted by paragraph 12.34, of which the issuer is aware, necessary to give effect to the transaction as if the transaction had been undertaken at the commencement of the period being reported on or, in the case of a pro forma balance sheet or net asset statement, at the date reported on."*

10. A listed company prepares pro forma financial information for inclusion in a document relating to a transaction by:

    (a) presenting financial information that is included elsewhere in the document or that has been previously published; and

    (b) making adjustments to that information to illustrate how it might have been affected had the transaction covered by the document occurred at an earlier date.

11. Listing Rule 12.29 makes it clear that pro forma financial information is the result of adjusting information about the issuer at a specific date or for a particular period. Even though adjustments can be based on information at a different date or for a different period or relate to subsequent Super Class 1 transactions, the result is still described as pro forma financial information at the date or for the period covered by the unadjusted source information about the issuer. In addition, the process of deriving pro forma financial information is always characterised as one of adjusting information about the issuer. For example, even where several acquisitions are being reflected, the pro forma information is not the result of aggregating information about a number of businesses but of adjusting information about the issuer to reflect acquisitions.

Judging whether information is misleading

12. Listed company directors are responsible for presenting pro forma financial information that is not misleading. To enable them to judge whether pro forma information is misleading, directors of an issuer need to identify the purpose of that information. Paragraphs 23 and 24 discuss this fundamental precondition in further detail. In making their judgement, directors consider the pro forma financial information as a whole having regard to each of the following components of the information:

    (a) the introductory narrative explaining the purpose and nature of the pro forma information;

    (b) the statements, formats and captions selected for presentation;

    (c) the unadjusted information about the issuer and whether it is actual or forecast and audited or unaudited;

    (d) the adjustments;

    (e) the pro forma totals; and

    (f) the notes explaining sources of information, adjustments and the assumptions underlying the basis of preparation.

13. The requirement that pro forma financial information is not misleading does not imply that pro forma financial information can give a true picture of the effect of a transaction. Listing Rule 12.30 confirms this. Pro forma financial information does not purport to represent what the issuer's financial position or results would have been had the transaction occurred at the date assumed for the purpose of its preparation. Nor does it purport to show what the issuer's financial position or results will be once the transaction does occur. Pro forma financial information indicates instead how a transaction might affect the broad outline of the issuer's financial performance or position.

14. Historical and forecast information about financial performance and position is part of a range of information that investors use to consider the future prospects of an issuer. Pro forma financial information provides investors with illustrative information about the impact of proposed transactions on historical or forecast information and so may provide some assistance in their analysis of future prospects. In judging whether pro forma financial information is misleading, directors of an issuer should have regard, amongst other things, to the relevance of the information to any assessment of the issuer's future prospects. For example, they might consider whether it represents a suitable starting point for investors wishing to make adjustments to reflect possible post-transaction events and management actions.

15. Issuers should view the term "appropriate adjustments" in Listing Rule 12.29 in the context of the purpose for which they prepare pro forma financial information. The requirement to include all such adjustments emphasises the need to avoid cherry-picking. In judging whether information may be misleading, directors should ensure that overall the adjustments are not materially biased or one-sided. For example, where the purpose of pro forma information is to show the potential effect of an acquisition on asset backing and profitability, it would be inappropriate to include fixed assets in a net asset statement at their fair values without reflecting depreciation charges based on those values in any pro forma profit and loss account information. Similarly, it would be inappropriate to illustrate an identified cost saving without reflecting a potential related cost increase or revenue reduction. For example, where the proceeds of a share issue will be used to fund a debt repayment and this leads to a pro forma adjustment to reduce interest expense, the issuer should also reflect any related increase in its tax charge.

16. Issuers are required to include all appropriate adjustments of which they are aware. In satisfying this requirement, directors are not generally expected to make additional enquiries for the specific purpose of preparing the pro forma financial information. Consequently, pro forma information need only reflect adjustments of which the directors are aware as a result of satisfying both the demands of the Listing Rules in respect of other information in the document and their continuing obligations to disclose information likely to influence the decisions of investors. For example, it would be unusual to commission an asset valuation in the context of an acquisition solely in order to assist in applying FRS 7 *Fair values in acquisition accounting* when preparing pro forma financial information. If any related fair value adjustment was likely to be material, it should have been brought to the attention of investors elsewhere in the document.

17. The reference to all appropriate adjustments should also be read on the basis that the concept of materiality applies to the process of preparing pro forma financial information. Therefore, issuers need only reflect those adjustments which are likely to influence the decisions of investors. Indeed, by making adjustments for immaterial items, directors may give a false impression of the precision and reliability of the resulting pro forma information and detract from disclosures they make under Listing Rule 12.30 about the nature and limitations of the information. Nevertheless, issuers should bear in mind that the materiality of an item is determined not only by its size but also by the qualitative factors of its nature and circumstances.

Articulation

18. Pro forma financial information must give effect to a transaction as if the issuer had undertaken the transaction at the commencement of the period being reported on or, in the case of a pro forma balance sheet or net asset statement, at the date being reported on. These requirements mean that where pro forma financial information is presented both for a period and at a date it will not "articulate" in the way described in Chapter 6.10 of the Accounting Standards Board's draft *Statement of principles for financial reporting*. Financial statements exhibit articulation when different primary statements, such as the balance sheet and profit and loss account, reflect different aspects of the same transaction and are founded on the same judgements and methods of calculation. Because of the requirements of Listing Rule 12.29, this is not true of pro forma financial information.

19. As a consequence of this lack of articulation, a pro forma balance sheet or net asset statement does not reflect the cumulative impact of pro forma profit and loss account adjustments. By way of example, it is appropriate to assume for pro forma profit and loss account purposes that the proceeds of a share issue are received at the beginning of the period. The proceeds might then be applied to the repayment of debt so that interest costs are reduced. However, a pro forma balance sheet at the end of the period will not reflect the benefits of reduced interest costs since, in preparing the pro forma balance sheet, the issuer assumes that it only receives the proceeds at the balance sheet date. Nevertheless, where there is disclosure of the differing assumptions that underlie pro forma financial information, lack of articulation does not make such information misleading.

Presentation of Information

Listing Rule 12.30

20. *"The information must clearly state:*

    (a) the purpose for which it has been prepared;

    (b) that it is prepared for illustrative purposes only; and

    (c) that because of its nature, it may not give a true picture of the issuer's financial position or results."

21. The three disclosures required by Listing Rule 12.30 caution readers of pro forma financial information about the value of the information and the use to which it should be put.

22. Users of pro forma financial information cannot generally expect it to show a true picture of the issuer's financial position or results. Reasons for this include the following:

    (a) the actual transaction will take place at a date later than that at which it is included in the pro forma financial information and so subsequent trading and changes in the mix of assets and liabilities will not be reflected; and

    (b) if the issuer had undertaken a transaction at the beginning of the period, as is assumed for pro forma profit and cash flow purposes, then it might have taken different commercial decisions during the subsequent period. Such hypothetical decisions cannot be reflected in pro forma information or objectively determined for disclosure elsewhere in the document.

Identifying the purpose of the information

23. Disclosure of the purpose for which pro forma information is prepared is fundamental to its presentation. The generic purpose of pro forma financial information is to illustrate the effects of one or more transactions on certain unadjusted financial information or aspects of that information. It should therefore clearly identify the specific transactions and unadjusted financial information involved. As well as identifying the purpose of pro forma information in overall terms, for example to illustrate the effects of a share issue, directors should also make more specific references, for example to the effects on gearing and interest cover. Unless the directors of the issuer identify a specific purpose, it will not be apparent to investors why they have selected particular pro forma statements for presentation and why they have highlighted particular captions within those statements.

24. In principle, where financial information that gives a true and fair view is available for an issuer, the directors of the issuer could choose to illustrate the effect of a transaction on all that information. However, it would be highly unusual for directors to prepare complete pro forma information comprising a balance sheet, profit and loss account, statement of total recognised gains and losses, cash flow statement and supporting notes. This is because their purpose in presenting pro forma financial information rarely requires the presentation of more than the analysis of assets and liabilities shown on the face of the balance sheet, a summarised profit and loss account and earnings per share. The provision of additional pro forma information could actually frustrate the purpose of the information and give a false impression of its reliability. Directors should nonetheless consider whether the provision of additional pro forma information would serve a useful purpose and whether the selection of specific items for presentation could itself be misleading.

Listing Rule 12.31

25. *"The information must be presented in columnar form showing separately the unadjusted financial information, the pro forma adjustments and the pro forma financial information. The pro forma financial information must be prepared in a manner consistent with both the format and accounting policies adopted by the issuer in its financial statements and must identify:*

    (a) the basis upon which it is prepared; and

    (b) the source of each item of information and adjustment.

    Pro forma figures must be given no greater prominence in the document than audited figures."

26. An issuer should present pro forma financial information in columnar format. The first column shows unadjusted financial information for the issuer on which the effect of one or more transactions is illustrated. Subsequent columns should reflect adjustments for the effect of the transaction or transactions which are the subject of the document. The issuer may aggregate adjustments to simplify the presentation so long as there is sufficient note disclosure to explain clearly the components of each column and, where more than one transaction is involved, the separate effects of each transaction. The final column displays the resultant adjusted amounts.

Accounting policies

27. The Listing Rules require pro forma financial information to be presented in a manner consistent with both the format and accounting policies adopted by the issuer in its financial statements. This does not preclude simplification of the presentation where such simplification assists in a clear reading of the pro forma financial information and is consistent with the specific purpose of the pro forma information. In quantifying adjustments, the issuer should apply accounting policies on the same basis as the issuer would normally adopt in preparing its annual financial statements. However, the format and purpose of the pro forma financial information are likely to constrain the extent of the related disclosures.

Application of acquirer's policies on an acquisition

28. The requirement to apply the issuer's accounting policies in preparing pro forma financial information applies to adjustments made in respect of an acquisition target. This requirement will not normally cause any difficulties. Where there is an accountants' report on an acquisition target in a Super Class 1 circular, this will be prepared in accordance with the issuer's accounting policies. Where there is no accountants' report, the historical record of the target will also normally be presented under the policies of the issuer. However, under certain conditions, the Listing Rules permit the target's historical record to be presented under the policies of the entity to be acquired if a reconciliation to the policies of the issuer is also provided. The conditions are set out in Listing Rule 12.11. Although the Listing Rules do not prescribe the format of a reconciliation, it will need to include any amounts that are relevant to the presentation of pro forma information.

29. Difficulties in presenting pro forma financial information are more likely to arise in contested bids when the directors of a proposed acquisition, which is itself normally listed, choose not to recommend the issuer's offer to its shareholders. It will usually be difficult for an issuer with limited knowledge of how the target applies its accounting policies to be satisfied that a reconciliation reflects all material adjustments and that any resulting pro forma information is not misleading. In these circumstances, the issuer will need to consult the Stock Exchange.

New accounting standards

30. In general, pro forma financial information should be prepared in accordance with the policies adopted in the unadjusted financial information of the issuer at the relevant date or for the relevant period even where new accounting standards will apply subsequently. It is never appropriate for adjustments in pro forma financial information to reflect the retrospective impact of new financial reporting standards on previously published financial information. Nevertheless, when adoption of a new standard will not result in restatement of such unadjusted financial information and the new standard will need to

be applied to the transaction that is the subject of the pro forma information, issuers may calculate adjustments on the basis of the new standard. An issuer should make appropriate disclosure where it accounts for a transaction in pro forma financial information on a different basis from that which a new standard will require it to apply in its subsequent financial statements.

Acquisition accounting

31. It is essential that the directors of the issuer determine the accounting treatment adopted for any proposed business combination and that they disclose the treatment adopted in the notes to the pro forma financial information. Where acquisition accounting rather than merger accounting is to be adopted, such disclosure would also include the basis on which the pro forma financial information deals with goodwill.

32. Where the application of acquisition accounting results in the recognition of fair value adjustments and goodwill in a pro forma net asset statement or balance sheet, there will also be consequences for any pro forma profit and loss account or earnings information that the issuer presents. The adjustments in respect of the acquisition should be shown after allowing for the impact on depreciation or amortisation charges. Issuers should also disclose the relevant depreciation or amortisation policies and estimated economic lives.

Prominence of pro forma information

33. The requirement that pro forma figures must be given no greater prominence in the document than audited figures does not affect the preparation or presentation of the pro forma finance information itself. Its relevance is in ensuring that the pro forma financial information does not overshadow the actual historical information elsewhere in the document. This requirement is likely to be of particular relevance in considering the relative prominence of information presented in financial highlights and summaries extracted from sections of a document dealing with pro forma and audited information.

Listing Rule 12.32

34. *"Pro forma financial information may only be published in respect of:*

    (a) the current financial period;

    (b) the most recently completed financial period; and/or

    (c) the most recent interim period for which relevant unadjusted information has been or will be published or is being published in the same document;

    and, in the case of a pro forma balance sheet or net asset statement, as at the date on which such periods end or ended."

35. The reference to the current financial period in Listing Rule 12.32 permits a profit forecast to be used as the unadjusted basis of pro forma financial information. Also, in interpreting Listing Rule 12.32, a financial period is only regarded as completed when financial information for that period has been published.

36. The selection of the periods or dates used for presenting pro forma information depends on the situation under consideration and the specific purpose of the information. The Listing Rules allow the presentation of pro forma financial information for more than one period or at more than one date. Consequently, an issuer could present pro forma forecast information for the current year and pro forma historical information for the last completed period and the most recent interim period. In practice, however, it will be difficult to envisage situations where the presentation of pro forma net asset statements or balance sheets at more than one date will serve a useful purpose. The prohibition on presenting pro forma information for more than one completed period also prevents issuers from presenting a three year record on a pro forma basis.

Subsequent events

37. The period or the date of the unadjusted information relating to the issuer determines the period or date in respect of which pro forma information is published. This is true even where an issuer makes adjustments in respect of information drawn up for other periods or at other dates and subsequent transactions that are the subject of the document itself. As a general principle, no other adjustments are made in respect of subsequent events.

Unless a subsequent event qualifies as an adjusting event under SSAP 17 *Post balance sheet events* and is reflected in the unadjusted financial information of the issuer or an acquisition target, it should not be reflected in pro forma financial information.

38. If the directors of the issuer believe that pro forma financial information is misleading because it does not reflect significant non-adjusting post balance sheet events, they should consider whether disclosing the events in the notes to the pro forma financial information would prevent the information from being misleading. They should not expect to be able to make adjustments to the pro forma information itself to reflect such subsequent events, a practice that might raise concerns about cherry-picking. Nevertheless, as discussed further in paragraphs 70 and 71 below, the Stock Exchange may permit exceptions to ensure that information is not misleading, by allowing adjustments for transactions or capital issues that have been the subject of announcements or circulars under the Listing Rules.

39. It is recommended practice to draw attention to the approach taken with regard to subsequent events by making a disclosure in the notes to pro forma financial information to the effect that it does not take account of any trading or other transactions subsequent to the date of the accounts included in the pro forma information.

Acquisitions and accounting periods

40. Where pro forma profit and loss or cash flow information is presented for two or more entities or businesses, such as may be the case in a Super Class 1 acquisition, the unadjusted information about the issuer and the adjustments in respect of the other entity or entities should cover periods of the same length.

41. Whilst desirable, it is not normally necessary to use coterminous accounting periods when preparing pro forma profit and loss or cash flow information for two or more entities or businesses. For example, a listed company may be preparing a pro forma profit and loss account based on its latest 31 December year end results for inclusion in a circular for a Super Class 1 acquisition. If 12 month profit and loss account information is only available for the business to be acquired up to the preceding 30 June, that information could generally be used for the purpose of making an adjustment to derive a pro forma profit and loss account.

42. Even where businesses are seasonal, the use of non-coterminous accounting periods would not usually distort pro forma profit and loss and cash flow information so long as all the information covers a complete year. Nevertheless, where pro forma interim information is presented and seasonal factors are significant, co-terminous accounting periods may be required to prevent the information from being misleading.

43. Non-coterminous accounting periods may also be of concern when preparing pro forma net asset statements or balance sheets. An issuer needs to consider any significant seasonal variations. In the situation of a Super Class 1 acquisition it might not be appropriate to make adjustments to an acquirer's 31 December information using 30 June information for the acquired business if it is known that seasonal factors would make the financial position of the acquired business significantly different at 31 December.

Listing Rule 12.33

44. *"The unadjusted information must be derived from the most recent:*

    (a) audited published accounts, published interim or preliminary statement;

    (b) accountants' report or comparative table;

    (c) previously published pro forma financial information reported on in accordance with paragraph 12.35; or

    (d) published profit forecast or estimate."

45. This rule should be read in conjunction with the guidance on Listing Rule 12.32 in paragraph 36. It does not require the issuer to use information from the most recent source amongst those listed in Listing Rule 12.33 (a), (b), (c) and (d) but it does require the most recent information to be used once the issuer has chosen one or more of the options set out in Listing Rules 12.33. For example, where an issuer has published a profit forecast,

it can still present pro forma profit and loss account information based on its latest audited published accounts for its last completed period. Notwithstanding Listing Rule 12.33(a), an issuer may be allowed to present pro forma profit and cash flow information based on the most recent audited published accounts even if a more recent interim statement has been published. This would be possible where the presentation of pro forma financial information for a full year would better serve the stated purpose of the pro forma information.

Adjustments

Listing Rule 12.34

46. *"Any adjustments which are made to the information referred to in paragraph 12.33 in relation to any pro forma statement must be:*

    (a) clearly shown and explained;

    (b) directly attributable to the transaction concerned and not relating to future events or decisions;

    (c) factually supportable; and

    (d) in respect of a pro forma profit or cash flow statement, clearly identified as those adjustments which are expected to have a continuing effect on the issuer and those which are not."

47. It is important that issuers clearly show and explain adjustments so that investors can understand those adjustments. With this objective of transparency in mind, issuers should include notes to the pro forma financial information that set out:

    (a) any assumptions on which the adjustments are based;

    (b) the range of possible outcomes where there is significant uncertainty;

    (c) the sources of the amounts concerned; and

    (d) where relevant, how adjustments have been aggregated or allocated to financial statement captions.

48. The purpose of the requirement that adjustments are directly attributable to the transaction concerned is to prevent pro forma information reflecting matters that are not an integral part of the transaction which is the subject of the document. In particular, pro forma financial information should not include adjustments which are dependent on actions to be taken once the transaction has been completed, even where such actions are central to the issuer's purpose in entering into the transaction, e.g. eliminating duplicate facilities after an acquisition.

49. In order to provide assurance as to the reliability of pro forma financial information, adjustments must be supported by facts. The nature of the facts supporting an adjustment will vary accordingly to the circumstances. Nevertheless, facts are expected to be capable of some reasonable degree of objective determination. Support might typically be provided by published accounts, other financial information and valuations contained in the document, purchase and sale agreements and other agreements integral to the transaction covered by the document.

50. Directors of an issuer may be aware of the need to make an adjustment whilst lacking the appropriate factual support to satisfy Listing Rule 12.34. In these circumstances, they should bear in mind the stated purpose of the related pro forma information and consider whether disclosing the omission of the adjustment will be sufficient to prevent the pro forma information from being misleading. In such a case, the directors would normally consult the Stock Exchange. Where disclosure will not suffice, the directors should either make further efforts to obtain appropriate support or reconsider whether the proposed purpose of the pro forma financial information is realistic. Preparers of pro forma financial information should not lose sight of the fact that they are not obliged to publish pro forma financial information. This is particularly important where pro forma financial information may be misleading for reasons that are beyond the control of the preparer. As in other areas of financial reporting, there is sometimes a trade-off between the relevance and reliability of financial information. This may mean that an issuer does not report information that may be relevant because it is not sufficiently reliable.

Continuing effects

51. In respect of pro forma profit or cash flow statements, the Listing Rules require issuers to identify clearly those adjustments which are expected to have a continuing effect on the issuer and those which are not. An issuer is not permitted either:

    (a) to omit adjustments that are directly attributable to a transaction and factually supportable on the grounds that they do not have a continuing effect; or

    (b) to make adjustments to eliminate items solely on the grounds that they are considered not to have a continuing effect.

52. Ultimately, it is the responsibility of investors to make their own individual assessments of future earnings and cash flows. Consequently, it is recommended that an issuer interprets the requirement of paragraph 12.34(d) in line with the requirements of FRS 3 *Reporting financial performance* and FRS 1 revised *Cash flow statements* which cover appropriate disclosure of the results of continuing and discontinued operations and exceptional items. Items attributed to discontinued operations will not have a continuing effect and items identified as exceptional will generally be presumed not to have such an effect. An issuer should not explicitly describe other items as having or not having a continuing effect.

53. The following paragraphs describe the application of Listing Rule 12.34 to a number of items that are frequently considered for adjustment in pro forma financial information.

Tax and similar effects

54. The directors of an issuer should consider the tax effects of adjustments directly attributable to a transaction, along with other non-discretionary effects, such as any material impact on profit-related bonuses. In quantifying tax effects, directors should look at the incremental impact on tax liabilities and assets using the issuer's accounting policies for taxation rather than simply applying the issuer's overall effective tax rate.

Transaction costs

55. An adjustment should be made for costs directly attributable to a transaction that do not relate to future events or decisions and are factually supportable. Written estimates from advisers that are disclosed in total elsewhere in a document will normally provide sufficient factual support.

Debt repayment

56. The transaction that is the subject of a document is frequently an issue of securities that will be used to repay debt. The directors of the issuer generally wish to present pro forma financial information to illustrate the potential effect of such transactions on gearing, interest cover and earnings. Two questions that commonly arise in determining the relevant adjustments are:

    (a) how to allocate the proceeds of the issue to the repayment of different debt instruments when insufficient funds will be raised to repay all debt; and conversely

    (b) how to treat any excess of the amount raised over the debt shown in the unadjusted financial information of the issuer.

57. In addressing the first question, proceeds of the issue should be allocated to the repayment of debt instruments on the basis of commitments stated in the document or legal agreements existing at the date of the document which specify how the issuer will apply the proceeds. In rare circumstances where there are no stated commitments or legal agreements, the repayment of debt would not be directly attributable to the transaction that is the subject of the document. It would relate instead to future events or decisions and no consequential adjustment would be made to reduce debt balances or interest costs in the pro forma financial information.

58. Where the proceeds of an issue result in an increase in cash balances in a pro forma net asset statement or balance sheet, it is normally inappropriate to make an adjustment to pro forma profit and loss account or earnings information to reflect interest or other income that cash balances might generate. This is because where management has discretion over how to use positive cash balances, any adjustment for interest or other income on those balances would not satisfy the requirement of Listing Rule 12.34 that it be factually supportable and unrelated to future events or decisions.

Exceptions would only arise where an issuer was committed to invest funds in a particular way which meant that it could demonstrate that income would be earned and could quantify it. This could arise, for example, where a financial institution is raising funds to meet capital adequacy requirements. The directors of the issuer should draw investors' attention to the pro forma profit and loss account treatment of issue proceeds where they consider it to be of particular significance in helping investors understand the issuer's prospects.

Fair value adjustments

59. An issuer entering into a transaction accounted for as an acquisition will need, as a direct consequence of the transaction, to ascertain the fair values of the underlying assets and liabilities of the acquired business in accordance with FRS 7 *Fair values in acquisition accounting*. The principles on which FRS 7 is based essentially preclude making fair value adjustments that depend on future events or decisions. However, the extent of factual support for potential fair value adjustments will often be a key issue in determining whether an issuer can reflect them in pro forma financial information. Factual support may be provided through formal valuations which the directors commission or carry out either for commercial purposes or to satisfy Stock Exchange requirements in respect of the document.

60. To ensure that pro forma financial information is not misleading, directors should weigh the following factors when considering whether they need to record fair value adjustments:

    (a) the nature of the acquisition and its commercial justification (e.g. there is an expectation that asset-based deals would be more likely to require fair value adjustments than those involving significant amounts of goodwill);

    (b) the extent to which uncertainties regarding fair values are commercially addressed through warranties, indemnities or adjustments to the purchase consideration (e.g. the fair valuation of environmental liabilities or pension surpluses might not be significant for a pro forma net asset statement if any fair value adjustments are compensated by changes in the consideration paid by the issuer);

    (c) the stated purpose of the pro forma financial information and the consequential significance of any misallocation of the purchase consideration between, on the one hand, assets and liabilities that would be subject to a fair valuation exercise and, on the other hand, goodwill;

    (d) the likely materiality of fair value adjustments based upon the issuer's investment appraisal and acquisition due diligence; and

    (e) any other matters elsewhere in the document that have been brought to the attention of investors and which indicate that a fair value adjustment might be material.

61. Where directors judge that fair value adjustments are unlikely to be material in the context of the stated purpose of pro forma information, such adjustments are not necessary. For example, where a pro forma net asset statement is intended to illustrate the impact of an acquisition on gearing, as opposed to tangible net assets per share, than any misallocation of the purchase consideration between goodwill and a fair value adjustment on properties is unlikely to be significant. In such a case, the directors should make appropriate disclosure in the notes to the pro forma information. In other circumstances, directors may need to record fair value adjustments, supported, as appropriate, by note disclosure of their provisional nature and any related uncertainties and contingencies. Where initial estimates are subject to significant subsequent changes, directors will need to ensure that they make appropriate disclosure to investors.

Businesses being sold

62. Financial information on a business that is the subject of a Super Class 1 disposal is normally extracted from the table in the related circular that is required by the Listing Rules. However, where an issuer presents pro forma interim information, it is allowed to make adjustments based on interim accounts of the business to be disposed of, notwithstanding that these amounts will not have been separately disclosed in the disposal circular or separately published elsewhere. Information about a business to be disposed of is generally considered to be factually supportable in so for as it is comprised of amounts which have been incorporated in the unadjusted information previously published by the issuer.

Foreign currency translation

63. It may be necessary to translate adjustments into the reporting currency of the issuer. For a pro forma net asset statement or balance sheet, the rate applied would usually be the rate ruling at the date of the issuer's unadjusted balance sheet. For a pro forma profit and loss account or cash flow statement, the issuer would adopt its normal translation policy for subsidiaries. If the issuer uses an average rate, the rate applied for the purposes of making an adjustment would normally be calculated on the basis used by the issuer in preparing its unadjusted information for the relevant period.

Consideration in cash or shares

64. It may be necessary to make an assumption where there is choice as to the form in which consideration is received or paid. For example, in a public takeover, it may not be possible to determine in advance the extent to which a mixed cash and shares offer would be taken up in cash or shares. Consequently, an issuer will need to make an assumption as to the mix and state that assumption clearly. Any assumption that is made would be determined by the issuer in conjunction with its financial advisers and would need to represent an appropriate basis, given the stated purpose of the pro forma financial information. In some circumstances, it may be necessary to present an extension to the pro forma financial information to illustrate the effect of a different mix of consideration. This may be done either in a columnar presentation or in a note.

Contingent consideration

65. To the extent that consideration is payable or receivable in the future and is dependent on the outcome of future events, the issuer needs to make an appropriate assumption as to the most likely amount to be paid. This does not violate the Stock Exchange's prohibition on making adjustments relating to future events. The need to make a best estimate of the amount of contingent consideration that is payable or receivable is a direct consequence of an acquisition or disposal. The relevant future events determine how accurate such an accounting estimate turns out to be but do not determine whether an estimate needs to be made. Where initial estimates are subject to significant subsequent changes, directors will need to ensure that appropriate disclosure is made to investors.

66. It may appear prudent to assume that the maximum amount payable under an acquisition agreement will be paid or that the minimum amount receivable under a sale agreement will be received. However, the overriding requirement is to make an appropriate estimate, given the stated purpose of the pro forma financial information. In circumstances where the impact of paying or receiving additional consideration could be significant, it may be necessary to present an extension to the pro forma financial information illustrating the potential impact of such additional consideration. This may be done either in a columnar presentation or in a note. It is recommended that the notes to a pro forma net asset statement summarise the terms on which additional consideration is computed and any cap on that consideration.

Synergy benefits

67. It is often the case that acquisitions are justified in terms of the synergies to be obtained from bringing two businesses together, either through savings in costs or through enhanced cross-selling of products and services. Pro forma financial information should provide a common basis that investors can adjust to allow for estimated synergy benefits and other post-transaction events. It should not, however, be seen as indicating the issuer's post-transaction performance or financial position.

68. Synergies are normally dependent on the future actions of the management of the enlarged group after completion of the transaction. Consequently, synergies should not be the subject of adjustments made in deriving pro forma financial information, although it may be appropriate to indicate opportunities for synergy benefits elsewhere in the document. Nevertheless, it is consistent with this principle that pro forma profit forecasts might reflect synergy benefits accounted for in the post-acquisition period that affect the issuer of the target. Recognition of any such benefits will be subject to the Listing Rules in relation to directors' profit forecasts and, where applicable, the requirements of The Panel on Takeovers and Mergers.

Cost and revenue eliminations

69. When considering an initial public offering or the bringing together of two or more businesses on an acquisition, it is sometimes possible to identify past costs or revenues that will not occur in future financial periods under the terms of the transaction. For example, levels of remuneration paid prior to an acquisition or initial offering can be inconsistent with agreements entered into at the time of such transactions. Whilst it may be reasonable to consider eliminating such costs as an adjustment in a pro forma profit and loss account, they will often need to be offset against increases in other costs which the issuer will incur that are not capable of being factually supported. In such circumstances, issuers should disclose past costs or revenues which will not occur in future as exceptional items instead of eliminating them through pro forma adjustments.

Reflecting other small transactions

70. Issuers may wish to make adjustments to reflect other transactions which have taken place since the latest balance sheet date but which did not require a Stock Exchange document such as listing particulars or a Super Class 1 circular. These could be Class 2 acquisitions or disposals or small issues of capital.

71. As explained in paragraph 37, as a matter of general principle, issuers should not make adjustments for transactions which are not the subject of the document in which the pro forma financial information is presented. Nevertheless, the Stock Exchange will permit adjustments for other transactions or issues of capital that have led to announcements or circulars under the Listing Rules where this is necessary to ensure that pro forma information is not misleading. The requirement that the resulting information is not misleading precludes cherry-picking transactions for which adjustments are made.

Earnings per share

Listing Rule 12.35A

72. *"Where pro forma earnings per share information is given for a transaction which includes the issue of securities, the calculation should be based on the weighted average number of shares outstanding during the period, adjusted as if that issue had taken place at the beginning of the period."*

73. A note should disclose the basis of calculation of pro forma earnings per share information. In particular, the note should set out the amount of the earnings and the number of equity shares used in the calculation. As a consequence, it will also be necessary to present sufficient pro forma profit and loss account information to show the derivation of pro forma earnings.

74. Where the proceeds of an issue are applied to the repayment of debt but the proceeds exceed the debt outstanding for all or part of the period for which pro forma earnings per share is calculated, it is generally not appropriate to take account of interest which might have been earned on the excess. The reasons are the same as those given above in paragraph 58. The directors of the issuer should explain this aspect of the calculation of pro forma earnings per share in the notes to the pro forma financial information where they believe that it is of particular significance in helping investors understand the issuer's prospects.

APPENDIX 2: PROSPECTUS DIRECTIVE REGULATION, ESMA RECOMMENDATIONS AND UK LISTING RULES

Prospective Directive Regulation

Annex I Item 20.2 Pro forma financial information

In the case of a significant gross change, a description of how the transaction might have affected the assets and liabilities and earnings of the issuer, had the transaction been undertaken at the commencement of the period being reported on or at the date reported.

This requirement will normally be satisfied by the inclusion of pro forma financial information.

This pro forma financial information is to be presented as set out in Annex II and must include the information indicated therein.

Pro forma financial information must be accompanied by a report prepared by independent accountants or auditors.

Annex II Pro forma financial information building block

1. The pro forma information must include a description of the transaction, the businesses or entities involved and the period to which it refers, and must clearly state the following:
   - (a) the purpose to which it has been prepared;
   - (b) the fact that it has been prepared for illustrative purposes only;
   - (c) the fact that because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the company's actual financial position or results.

2. In order to present pro forma financial information, a balance sheet and profit and loss account, and accompanying explanatory notes, depending on the circumstances may be included.

3. Pro forma financial information must normally be presented in columnar format, composed of:
   - (a) the historical unadjusted information;
   - (b) the pro forma adjustments; and
   - (c) the resulting pro forma financial information in the final column.

   The sources of the pro forma financial information have to be stated and, if applicable, the financial statements of the acquired businesses or entities must be included in the prospectus.

4. The pro forma information must be prepared in a manner consistent with the accounting policies adopted by the issuer in its last or next financial statements and shall identify the following:
   - (a) the basis upon which it is prepared;
   - (b) the source of each item of information and adjustment.

5. Pro forma information may only be published in respect of
   - (a) the current financial period;
   - (b) the most recently completed financial period; and/or
   - (c) the most recent interim period for which relevant unadjusted information has been or will be published or is being published in the same document.

6. Pro forma adjustments related to the pro forma financial information must be:

   (a) clearly shown and explained;

   (b) directly attributable to the transaction;

   (c) factually supportable.

   In addition, in respect of a pro forma profit and loss or cash flow statement, they must be clearly identified as to those expected to have a continuing impact on the issuer and those which are not.

7. The report prepared by the independent accountants or auditors must state that in their opinion:

   (a) the pro forma financial information has been properly compiled on the basis stated;

   (b) that basis is consistent with the accounting policies of the issuer.

ESMA update of CESR recommendations on the consistent implementation of the Prospectus Directive (ESMA Recommendations)

Paragraphs 90-94 www.esma.europa.eu/page/prospectus

UK Listing Rules (January 2013)
Pro forma financial information in certain circulars

LR1.3.3R

If a listed company includes pro forma financial information in a class 1 circular, a related party circular or a circular relating to the purchase by the company of 25% or more its issued equity shares (excluding treasury shares), it must comply with the requirements for pro forma financial information set out in the PD Regulation.

APPENDIX 3: ICAEW PRO FORMA FINANCIAL INFORMATION WORKING GROUP MEMBERS

Robert Hodgkinson, Chairman	ICAEW
Anne Brisbin	PwC
David Cattermole	KPMG
John Chapman	Baker Tilly
Steve Hextall	Ernst & Young
Katerina Joannou	ICAEW
Sue Nyman	Grant Thornton
Chris Searle	BDO
Toby Tinniswood	Deloitte

APPENDIX 4: LIST OF ABBREVIATIONS

TECH 18/98	Technical Release TECH 18/98, *Pro Forma Financial Information, Guidance for preparers under the Listing Rules*
FCA	Financial Conduct Authority
ICAEW	Institute of Chartered Accountants in England and Wales
PD Regulation	Prospectus Directive Regulation (No 2004/809/EC)
SIR	Standard for Investment Reporting (published by the UK's Financial Reporting Council)

GAA
Global Accounting Alliance

ICAEW is a founder member of the Global Accounting Alliance, which represents around 785,000 of the world's leading professional accountants in over 165 countries around the globe, to promote quality services, share information and collaborate on important international issues.

ICAEW is a professional membership organisation, supporting over 140,000 chartered accountants around the world. Through our technical knowledge, skills and expertise, we provide insight and leadership to the global accountancy and finance profession.

Our members provide financial knowledge and guidance based on the highest professional, technical and ethical standards. We develop and support individuals, organisations and communities to help them achieve long-term, sustainable economic value.

Because of us, people can do business with confidence.

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