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**Standard on Assurance
Engagements ASAE 3XXX
*Comfort Letters for
Requesting Parties in
Connection with International
Offerings and Similar
International Transactions***

Issued by the **Auditing and Assurance Standards Board**

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Australian Government

Auditing and Assurance Standards Board

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This Standard on Assurance Engagements is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au.

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PREFACE

Reasons for Issuing Standard on Assurance Engagements ASAE 3XXX *Comfort Letters for Requesting Parties in Connection with International Offerings and Similar International Transactions*

The Auditing and Assurance Standards Board (AUASB) makes Auditing Standards under section 336 of the *Corporations Act 2001* and formulates auditing and assurance standards for other purposes.

The AUASB issues Standard on Assurance Engagement ASAE 3XXX *Comfort Letters for Requesting Parties in Connection with International Offerings and Similar International Transactions* pursuant to the requirements of the legislative provisions explained below.

The AUASB is an independent statutory board of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 227B of the ASIC Act, the AUASB may formulate Assurance Standards for purposes other than the corporations legislation.

This Standard on Assurance Engagements replaces Auditing Standard AUS 804 *The Audit of Prospective Financial Information* and Auditing Guidance Statement AGS 1062 *Reporting in Connection with Proposed Fundraisings*, which were withdrawn by the AUASB on [insert date].

Standard on Assurance Engagements ASAE 3XXX
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Main Features

This Standard on Assurance Engagements establishes requirements and provides application and other explanatory material for conducting an assurance engagement relating to the issuance by the auditor of comfort letters to requesting parties in connection with international offerings.

This Standard on Assurance Engagements:

- (a) establishes requirements to auditors performing engagements relating to the issuance by the auditor of a comfort letter to underwriters and other requesting parties undertaking international offerings and similar international transactions;
- (b) sets out the types of procedures that the auditor may perform in comfort letter engagements; and
- (c) sets out the types of information that may be included as part of the subject matter of the comfort letter engagement.

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates this Standard on Assurance Engagements ASAE 3XXX *Comfort Letters for Requesting Parties in Connection with International Offerings and Similar International Transactions* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*.

This Standard on Assurance Engagements is to be read in conjunction with ASA 100 *Preamble to AUASB Standards*, which sets out the intentions of the AUASB on how the Standards on Assurance Engagements are to be understood, interpreted and applied.

Dated _____

M H Kelsall
Chairman - AUASB

STANDARD ON ASSURANCE ENGAGEMENTS ASAE 3XXX

Comfort Letters for Requesting Parties in Connection with International Offerings and Similar International Transactions

Application

- 1 This Standard on Assurance Engagements applies to engagements where the auditor of an entity is requested to issue a comfort letter to an underwriter and other requesting parties in connection with international offerings and similar international transactions.

Operative Date

- 2 This Standard on Assurance Engagements (ASAE) is operative for engagements relating to the issuance of comfort letters by the auditors in connection with international offerings and similar international transactions that commence on or after [insert date].

Introduction

Scope

- 3 This ASAE deals with the responsibilities of the auditor of an entity in engagements where the auditor has been requested to issue a comfort letter by an underwriter and other requesting parties in connection with international offerings and similar international transactions.

International Offerings and Similar International Transactions Covered by this ASAE

International Public Offerings

- 4 Engagements involving the issuance of comfort letters are ordinarily undertaken by the auditor of an entity incorporated in Australia, which offers its equity or debt securities to the public in the international market. When the entity undertakes an international offering, it engages the services of an underwriter who assists in the listing of its securities on an international stock exchange. Such an international public offering (IPO) is ordinarily made through an offering document in the form of a prospectus.

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- 5 Law or regulation in many jurisdictions require those charged with governance of the entity undertaking the IPO and the underwriter to ensure that the prospectus contains adequate disclosures regarding the proposed offering, and that it does not contain misleading information. In view of this, the underwriter performs a due diligence investigation of the entity's affairs to comply with such an obligation. This investigation provides the underwriter with a due diligence defence that it has reasonable grounds to believe that the prospectus does not contain misleading information.
- 6 As part of its due diligence investigation, the underwriter ordinarily requests the auditor of the entity to perform certain procedures on selected information disclosed in the entity's prospectus and report results by way of issuing a comfort letter. The underwriter's request is ordinarily made through the entity, and the auditor's agreement to undertake the engagement is both with the underwriter and those charged with governance of the entity.
- 7 The comfort letter is not included in the offering document as it is a private report of the auditor to the underwriter, those charged with governance of the entity and other requesting parties.
- 8 An IPO may be made in a single overseas jurisdiction, or it may be a cross-border offering. This ASAE applies to both types of IPOs.

Similar International Transactions

- 9 In addition to IPOs, the auditor of an Australian entity may also be requested to issue a comfort letter in respect of similar international transactions, as follows:
- (a) Overseas private placements of equity or debt securities;
 - (b) Offerings of debt securities that are issued or backed by government entities in overseas jurisdictions; and
 - (c) Acquisition of, or merger with, another entity domiciled in an overseas jurisdiction, where there is an exchange of equity shares between the two entities.
- 10 The international transactions in paragraph 9(a) to (c) are ordinarily exempt from the registration requirements under the applicable laws and regulations of many overseas jurisdictions. This ASAE applies to comfort letter engagements in connection with the above international transactions regardless of whether or not they are

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exempt from the registration requirements of an overseas jurisdiction's applicable laws and regulations.

Domestic Offerings

- 11 The due diligence investigation process for equity and debt securities offerings undertaken solely in Australia ("domestic offerings") is different compared to many overseas jurisdictions. In Australia, the auditor does not ordinarily issue comfort letters in relation to domestic offerings. Instead, an assurance practitioner ordinarily performs a limited assurance engagement and issues an Investigating Accountant's Report (IAR) on financial information included in an offering document for a domestic offering. Notwithstanding this, this ASAE applies to engagements wherein the auditor has been requested to issue a comfort letter in connection with domestic offerings.

Relationship with the Standards of Other Jurisdictions

- 12 This ASAE acknowledges that overseas jurisdictions may have their own applicable standards for comfort letter engagements. In certain circumstances, the auditor may be requested to perform and report on the comfort letter engagement in accordance with the standard of the overseas jurisdiction where the international offering is being undertaken. For example, the auditor may need to undertake the engagement in accordance with the overseas jurisdiction's standard to comply with the legal or regulatory framework of such overseas jurisdiction. In these circumstances, the auditor needs to comply with the requirements in paragraphs ___ of this ASAE.

Objectives

- 13 The objectives of the auditor are:
- (a) in respect of the unaudited interim financial statements:
 - (i) to plan and review the unaudited interim financial statements in accordance with ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor*; and
 - (ii) to conclude in the comfort letter as to whether anything has come to the auditor's attention which causes the auditor to believe that material modifications should be made to the unaudited

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interim financial statements for them to be presented in conformity with the applicable financial reporting framework;

- (b) in respect of the selected financial information during the change period:
 - (i) to plan and perform the assurance procedures specified by the requesting parties; and
 - (ii) to report in the comfort letter as to whether anything has come to the auditor's attention which causes the auditor to believe that there are changes, increases or decreases in the selected financial information during the change period, as compared to the unaudited interim financial statements or the corresponding period in the preceding year;

and

- (c) in respect of other financial information:
 - (i) to plan and perform the assurance procedures specified by the requesting parties on other financial information; and
 - (ii) to report on factual findings in the comfort letter.

Definitions

- 14 For purposes of this ASAE, the following terms have the meanings attributed below:
- (a) Specified assurance procedures means assurance procedures carried out by the auditor in a comfort letter engagement, which specified by the requesting parties. The auditor does not determine whether the extent of the specified assurance procedures is sufficient for the purposes of the requesting parties in a comfort letter engagement.
 - (b) Assurance procedures means procedures conducted by the auditor to evaluate or measure a subject matter against an

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applicable criteria. Assurance procedures may include management enquiries and other substantive procedures.

- (c) Applicable criteria means the criteria used by the responsible party in the preparation of the financial information included in the offering document. The criteria used depends on the nature of the financial information.
- (d) Applicable financial reporting framework means the financial reporting framework adopted by management and, where appropriate, those charged with governance in the preparation of the offering document that is acceptable in view of the nature of the entity and the objective of the offering document or that is required by law or regulation. In Australia, applicable financial reporting frameworks that may be used in preparing such financial information are represented by the Australian Accounting Standards; as well as relevant law, such as the *Corporations Act 2001* or other relevant law that may be applicable to other entities.
- (e) Assurance engagement means an engagement in which the auditor expresses a conclusion designed to enhance the degree of confidence of the underwriter and other requesting parties (other than the responsible party) about the reliability of information disclosed in the offering document, which is the subject of the comfort letter and evaluated under a suitable criteria.
- (f) Assurance engagement risk means the risk that the auditor expresses an inappropriate conclusion when the financial information that is the subject matter of the comfort letter is materially misstated.
- (g) Auditor means the person or persons conducting the audit, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. The auditor may be an incoming or existing auditor.
- (h) Bring down comfort letter means a letter prepared by the auditor of the entity, subsequent to the issuance of an initial comfort letter, updating the procedures described in the previously issued comfort letter to a certain date, usually prior to the closing date of the offering. Its purpose is to state whether the original comfort letter remains valid at the date of the comfort letter.

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- (i) Change period means the period after the date of the most recent unaudited or unreviewed interim financial statements included in the offering document, and up to the date of the comfort letter procedures being concluded (also referred to as the subsequent period).
- (j) Comfort letter means a letter prepared by the auditor of an entity and issued to requesting parties (for example, the issuing entity who has previously appointed the auditor and an appointed underwriter) in respect of the results of certain procedures performed in connection with a securities offering detailed in an offering document. The comfort letter is typically issued prior to the offering's closing and settlement date. The issuance of the comfort letter is restricted to those parties that have agreed to the procedures to be performed by the auditor, since others, unaware of the reasons for the procedures, may misinterpret the results.
- (k) Comfort letter engagement means an engagement where the auditor issues a comfort letter to requesting parties in connection with international offerings or similar international transactions. In a comfort letter engagement, the requesting parties specify the procedures that the auditor performs and are responsible for determining their sufficiency for the purposes of the engagement.
- (l) Cross-border offering means an offering or listing of a security that occurs in a jurisdiction other than that in which the entity is domiciled, which may or may not occur concurrently in the entity's jurisdiction.
- (m) Domestic offering means an offering that occurs in Australia and covered by Australian laws.
- (n) Due diligence means the process of investigating the entity's affairs to determine and consider the significant risks, rewards, and issues relating to the entity's offering, carried out by the underwriter and other requesting parties before they make a decision regarding such an offering.
- (o) Due diligence defence means a defence that is available under a relevant law or regulation of a jurisdiction, to underwriters and entities, based on their reasonable investigation that the offering document relating to an

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international public offering does not have material omissions or contain misleading or deceptive information.

- (p) Entity means the entity undertaking the international offering and directly liable for the any material misstatements or omissions in the offering document.
- (q) Existing auditor means the current auditor of the entity who has already performed an audit or review of the entity's financial report, prior to being requested to provide a comfort letter.
- (r) Financial information means financial information that is the subject matter of the comfort letter, on which the auditor, under the terms of the comfort letter engagement, may express either a limited assurance conclusion, or report on factual findings based on the agreed-upon procedures. Financial information included in an offering document is ordinarily in the form of:
- (i) Historical financial information, which means information expressed in financial terms in relation to a particular entity derived primarily from that entity's accounting system about events occurring in past time periods or about conditions or circumstances at points in time in the past. Historical financial information may or may not be audited or reviewed. Examples of historical financial information incorporated in the offering document include:
- Audited or reviewed financial statements¹;
 - Unaudited interim financial statements that will reviewed as part of the comfort letter engagement; and

¹ The concepts and discussions on what constitutes financial statements relevant to an audit engagement are contained in ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph Aus 13.1, and may be helpful in determining the financial statements that may be the subject matter of a comfort letter engagement.

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- Selected financial information during the change period, for example, net current assets, net assets, total assets, net sales.
- (ii) Other financial information means financial information other than the financial information listed in paragraph 14(r)(i) of this ASAE, including forecast financial information and pro forma financial information.
- Forecast financial information means prospective financial information prepared on the basis of assumptions as to future events which the responsible party expects to take place, and the actions the responsible party expects to take as of the date when the financial information is prepared.
 - Pro forma financial information means financial information that is adjusted in accordance with the responsible party's basis of preparation and applicable criteria, to illustrate the effects of an event(s) or transaction(s) on that financial information; assuming that the event(s) or transaction(s) had occurred at an earlier date, a later date, or not at all, during the financial period used for the illustration.
- Pro forma financial information may be historical in nature (pro forma historical financial information) or a forecast in nature (pro forma forecast, which may be a mixture of historical and forecast).
- (s) Financial statements means a structured representation of historical financial information, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. Under the *Corporations Act 2001*, a complete set of financial statements is required to be prepared in accordance with the Australian Accounting Standards.

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- (t) Incoming auditor means an auditor who is newly appointed and has not performed an audit or review of a financial report of the entity prior to being requested to provide a comfort letter.
- (u) Inconsistency means information that contradicts the information that is the subject matter of the comfort letter engagement or the information contained in the audited financial statements included in the offering document.
- (v) International offering means making available the equity or debt securities of the entity to other parties in overseas jurisdictions, undertaken ordinarily through:
- (i) a sale of securities to the public under a prospectus;
 - (ii) an exempt offering (for example, a private placement of securities to a limited number of investors, or an ordering of government bonds); and
 - (iii) certain securities transactions covered by specific laws or regulations (for example, exchange of shares of stock in merger transactions).
- (w) Interim financial statements means financial statements for a period shorter than the entity's financial year.
- References to "unaudited interim financial statements" in this ASAE pertain to unaudited interim financial statements included in the offering document.
- (x) Limited assurance means the assurance obtained and provided by the auditor in an assurance engagement where the auditor's objective is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the assurance engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the auditor's conclusion. A limited assurance engagement is commonly referred to as a review.
- (y) Management means the person(s) with executive responsibility for the conduct of the whole entity's

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operations or individual business units. For some entities, in some jurisdictions, management includes some or all of those charged with governance, for example, executive members of a governance board, or an owner-manager.

- (z) Materiality means, in relation to financial information which is the subject matter of the auditor's comfort letter, the omission, misstatement or non-disclosure of such information has the potential to affect the recognition and/or measurement basis of the financial information included in the offering document; and consequently, the decision of the requesting parties regarding the offering.
- (aa) Misstatement of fact means information that is incorrectly stated or presented in the offering document. A material misstatement of fact may undermine the credibility of the offering document containing the auditor's audit report.
- (bb) Non-financial information means quantitative information other than financial information (for example, ratio of employees in the manufacturing department vs. total employees of the entity). Due to its nature, non-financial information does not ordinarily form part of the subject matter of the comfort letter engagement.
- (cc) Offering document means a document prepared by the responsible party relating to the entity's offering that contains details of the offering, information about the entity, its management and those charged with governance, financial statements, financial information and other information, as prescribed by law or regulation. It ordinarily comes in the form of a prospectus (for sale of securities), information circular (for an exchange of shares of stock) or an offering memorandum (for a private placement or other exempt offering).
- (dd) Other information means information (financial and non-financial) included in the offering document that does not form part of the subject matter of the comfort letter engagement.
- (ee) Prepared in accordance with the applicable financial reporting framework means the financial information included in the offering document has been prepared and

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presented by the responsible party on the basis consistent with the applicable financial reporting framework.

- (ff) Private placement means securities offered for sale or exchange to a limited number of investors in a particular jurisdiction, which are exempt by law or regulation from the requirement to use a prospectus document in the offer process. Instead, the securities may be offered through the preparation of an offering memorandum or similar document. A private placement is a form of an exempt offering.
- (gg) Prospectus means a document issued pursuant to legal or regulatory requirements of a jurisdiction relating to the entity's sale or issuance of securities, on which it is intended that investors should make a decision.
- (hh) Prospective financial information means financial information of a predictive character based on assumptions made by the responsible party about future events and on possible actions by the entity.
- (ii) Reasonable assurance means the assurance obtained and provided by the auditor in an assurance engagement where the auditor's objective is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the assurance engagement as the basis for a positive form of expression of the auditor's conclusion. Reasonable assurance means a high, but not absolute, level of assurance. A reasonable assurance engagement is commonly referred to as an audit.
- (jj) Representation letter means a letter prepared and provided by the requesting parties to the auditor confirming a variety of matters relating the engagement.
- (i) A representation letter from those charged with governance of the entity confirms their responsibility for:
- preparing the offering document, including the information included in such a document;

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- ensuring that the offering document does not contain misleading information; and
 - ensuring that they have provided all information and documentation requested by the auditor in performing the comfort letter engagement.
- (ii) A representation letter from the requesting parties confirms that they are responsible for conducting their due diligence investigation of the entity's affairs, and for determining the sufficiency of the procedures performed by the auditor in the comfort letter engagement.
- (kk) Responsible party means those charged with governance of the entity (ordinarily the Board of Directors), who are also responsible for the preparation of the public document and financial information included in it.
- (ll) Requesting party means the underwriter and/or other parties (for example, brokers or selling agents) who have requested the auditor to provide a comfort letter in respect of an international offering or similar international transaction.
- (mm) Securities means instruments that include shares in a body, debentures in a body, or interests in a registered managed investment scheme, but do not cover a derivative or a market traded option.
- (nn) Subsequent events means events occurring from the date of the auditor's audit report on audited financial statements up to the effective date of the offering document, and facts that become known to the auditor after the date of the audit report.
- (oo) Those charged with governance means the person(s) or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process. In international offerings, those charged with governance of the entity are responsible for the preparation of the offering document, including all the information disclosed in such a document.

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- (pp) Underwriter (also known as primary requesting party) means a financial intermediary in an offering of securities, acting as either an underwriter that purchases securities for resale to investors or an agent of the entity that offers securities for the account of the issuer or vendor. The underwriter may be either named in the prospectus (named underwriter) as one of the parties requesting the auditor to issue a comfort letter or not (other than named underwriter), such as a sales agent.

Requirements

Ethical Requirements

- 15 The auditor shall comply with the relevant ethical requirements in accordance with ASA 102.²

Quality Control

- 16 The auditor shall establish and maintain a system of quality control in accordance with ASQC1.³

Performing the Engagement in Accordance with the Standard of an Overseas Jurisdiction

- 17 In circumstances where the auditor has been requested to perform the comfort letter engagement in accordance with the standard of the overseas jurisdiction where the international offering is being made, the auditor shall accept such an engagement, conduct it and issue the comfort letter in accordance with such standard, provided that:
- (a) the auditor obtains sufficient knowledge of the overseas jurisdiction's standard;
 - (b) the underlying principles of such a standard are substantially consistent with this ASAE's underlying principles described in paragraph 21 of this ASAE; and
 - (c) the auditor complies with the relevant ethical requirements of ASA 102.

² See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

³ See ASQC1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.

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- 18 Where relevant to the engagement, the auditor shall include in the comfort letter that the engagement has been undertaken by the auditor:
- (a) to provide information to requesting parties in relation to an offering in an overseas jurisdiction; and
 - (b) in accordance with the overseas jurisdiction's standard that is substantially consistent with this ASAE in terms of its underlying principles.

Inability to Comply with this ASAE's Requirements

- 19 Where in rare and exceptional circumstances, factors outside the auditor's control prevent the auditor from complying with an essential procedure contained within a relevant requirement in this ASAE, the auditor shall:
- (a) if possible, perform appropriate alternative procedures; and
 - (b) document in the working papers:
 - (i) the circumstances surrounding the inability to comply;
 - (ii) the reasons for the inability to comply; and
 - (iii) justification of how alternative procedures achieve the objectives of the requirement.
- 20 When the auditor is unable to perform the appropriate alternative procedures, the auditor shall consider the implications on the auditor's ability to issue the comfort letter to the requesting parties.

Engagement Acceptance

Preconditions for the Engagement

- 21 The auditor shall take into account the following principles underlying this ASAE before accepting the engagement:
- (a) The requesting parties are solely responsible for determining the sufficiency of the procedures to be performed by the auditor in a comfort letter engagement.

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- (b) The requesting parties will likely rely on any statement made by the auditor in the comfort letter to add credibility to the subject matter of the statement. Therefore, any such statement needs to be appropriately supported.
 - (c) In order to make any statement in the comfort letter that is appropriately supported, the auditor needs to possess adequate knowledge of the subject matter.
 - (d) The auditor can properly make such a statement only if there are suitable criteria against which to evaluate the subject matter.
- 22 The auditor shall determine whether the following criteria have been met before accepting the engagement:
- (a) The auditor requested to provide the comfort letter is the auditor (existing or incoming) of the entity undertaking the international offering.
 - (i) The auditor shall provide a limited assurance conclusion on the unaudited interim financial statements, and report on any changes, increases or decreases in the selected financial information during the change period in the comfort letter, only when the auditor has performed an audit or review of the previous years' financial statements included in the offering document, and has issued an auditor's report on such financial statements.
 - (ii) The auditor shall provide a limited assurance conclusion on other financial information only when the auditor has performed an audit or review of the financial statements underlying the other financial information.
 - (b) The sole purpose of the auditor in undertaking the engagement is to assist the requesting parties in their due diligence investigation of the affairs of the entity relating to its international offering.
 - (c) The requesting parties understand their obligation under the applicable overseas jurisdiction's laws and regulations, including the fact that they are knowledgeable of the due diligence process relating to the international offering.

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- (d) Those charged with governance, being the responsible party, acknowledge, understand and accept their responsibility for:
- (i) preparing the offering document;
 - (ii) preparing and presenting the information in the offering document that is the subject matter of the auditor's comfort letter, including preparing and presenting the financial information in accordance with the applicable financial reporting framework (for historical financial information) or applicable criteria (for prospective financial information);
 - (iii) ensuring that the offering document contains adequate disclosures and does not include misleading information about the international offering;
 - (iv) providing and assisting the auditor with obtaining unrestricted access to:
 - all information, such as unaudited financial statements, minutes of meetings, other records and documentation relevant to the preparation and presentation of the information that is the subject matter of the auditor's comfort letter;
 - those within the entity, and third parties (for example, entity's legal counsel and other specialist service providers to the entity) from whom the auditor determines it necessary to obtain evidence;
 - a copy of the whole offering document, which will be provided to the auditor at a frequency agreed with those charged with governance; and
 - any additional information that the auditor may request of those charged

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with governance for the purpose of the engagement.

(e) The requesting parties:

(i) acknowledge, understand and accept their responsibility for:

- conducting the due diligence investigation of the affairs of the entity to provide them with reasonable grounds for believing that the offering document does not contain misleading information; and
- determining the nature and scope of the procedures that the auditor has to perform in the comfort letter engagement.

(ii) acknowledge, understand and agree that:

- the comfort letter will only be issued to requesting parties who are involved in the due diligence investigation of the entity undertaking an international offering;
- a comfort letter will not be issued to the requesting parties if they do not provide the auditor with a written representation required in paragraphs 44 and 45 of this ASAE;
- the requesting parties will not be able to use or place reliance on the comfort letter for purposes other than those for which it was requested by the requesting parties; and
- the auditor will only provide a limited assurance conclusion and/or report on factual findings regarding the information that is the subject matter of the comfort letter engagement.

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Agreeing on the Terms of the Engagement

- 23 The auditor shall agree the terms of the comfort letter engagement in writing with those charged with governance and the requesting parties.
- 24 The agreed terms of the comfort letter engagement shall include:
- (a) The nature, objective, scope and timing of the comfort letter engagement, including:
 - (i) the fact that the engagement is being conducted to assist the requesting parties in their due diligence investigation of the entity undertaking the international offering;
 - (ii) the nature and type of information (whether financial and/or non-financial) disclosed in the offering document that is the subject matter of the comfort letter, including the time period covered by the financial information;
 - (iii) the applicable reporting framework used by those charged with governance in preparing and presenting the financial information in the offering document;
 - (iv) a statement indicating that the auditor shall perform the engagement and report on the results in the comfort letter in accordance with this ASAE;
 - (b) the responsibilities of the auditor, including:
 - (i) the nature, scope and timing of the procedures to be performed by the auditor on each type of information that is the subject matter of the comfort letter;
 - (ii) the respective roles and responsibilities of each auditor, if there is more than one auditor involved in the engagement;
 - (iii) the issuance of a comfort letter which includes:

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- the auditor's limited assurance conclusion on the unaudited interim financial statements;
 - the auditor's statement as to whether anything has come to their attention relating to changes, increases or decreases in the selected financial information during the change period; and/or
 - report on factual findings on other information, depending on the circumstances of the engagement;
- (iv) the auditor's compliance with relevant ethical requirements, including independence⁴; and
- (v) if the auditor is an incoming auditor of the entity, a summary of additional procedures that the auditor shall perform, including obtaining understanding and sufficient knowledge of the entity, its environment and its internal control over financial reporting;
- (c) the specific responsibilities of those charged with governance of the entity, including:
- (i) those listed in paragraph 22(d) of this ASAE; and
 - (ii) providing the auditor with a representation letter at the completion of the engagement;
- (d) the responsibilities of the requesting parties, including those listed in paragraph 22(e) of this ASAE;
- (e) proposed content and format of the comfort letter, including whether the auditor shall provide a limited assurance conclusion and/or a report on factual findings;
- (f) consideration of any applicable laws and regulations of the jurisdiction where the international offering is being made;

⁴ See ASA 102.

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- (g) change period, as determined by the requesting parties;
- (h) specified assurance procedures to be performed by the auditor during the change period;
- (i) a statement indicating that the auditor is not responsible for:
 - (i) the preparation of the offering document, as well as preparation and presentation of the information in the offering document;
 - (ii) any compliance that all the requesting parties or third parties may place on the comfort letter other than for the purpose for which the engagement was contracted;
 - (iii) the sufficiency of the comfort letter procedures for the requesting parties' purposes;
- (j) restriction of the distribution of the comfort letter to the addressees in the letter;
- (k) confidentiality of information included in the comfort letter;
- (l) key engagement timelines; and
- (m) fees, and other such terms or conditions that the auditor determines are appropriate in the circumstances of the engagement.

Changes in the Terms of the Engagement

- 25 Where the requesting parties request the auditor to change any of the terms of the engagement before completion of the engagement, the auditor shall consider the appropriateness of the request and shall not agree to a change without reasonable justification.
- 26 When the auditor considers the request for a change in the terms of the engagement without reasonable justification, the auditor shall consider its implications on the performance of the engagement.

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- 27 Where the terms of the engagement are changed, the auditor shall agree to the new terms with the requesting parties and confirm them in writing.

Planning and Performing the Engagement

- 28 The auditor shall consider their understanding of the entity and its environment, including its internal control over financial reporting, previously gained from audits or reviews of the entity's financial reports when planning and performing the engagement.

Limited Assurance

- 29 If the auditor has been requested to provide a limited assurance conclusion on financial information included in the offering document, the auditor shall obtain an understanding of the financial information and relevant engagement circumstances, sufficient to:
- (a) identify and assess the risk of the financial information being materially misstated; and
 - (b) design and perform evidence gathering procedures.

Assurance Engagement Risk

- 30 The auditor shall consider assurance engagement risk when planning the engagement in order to reduce such a risk to an acceptable level, as appropriate in the circumstances of the engagement.

Materiality

- 31 The auditor shall consider materiality when planning and performing limited assurance procedures designed to provide the auditor with a basis to form a limited assurance conclusion on the financial information that is the subject matter of the comfort letter.

Specific Planning Consideration for an Incoming Auditor

- 32 The incoming auditor shall obtain an understanding of the entity and its environment, including its internal control over financial reporting, sufficient to plan and conduct the comfort letter engagement in accordance with this ASAE.

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Procedures and Evidence

- 33 The auditor shall obtain sufficient appropriate evidence on which to base the limited assurance conclusion, and/or to report on factual findings.

Unaudited Interim Financial Statements

- 34 If the auditor is requested to provide a limited assurance conclusion as to whether any material modifications need to be made on the unaudited interim financial statements for it to be presented in conformity with the applicable financial reporting framework, the auditor shall perform a review of such financial statements in accordance with ASRE 2410.

Change Period

- 35 When the auditor is requested to report on whether there have been changes, increases or decreases in the selected financial information during the change period, as compared to the unaudited interim financial statements or corresponding period in the preceding year, the auditor shall perform the assurance procedures specified by the requesting parties.

Financial Information Other than Financial Statements

- 36 The auditor shall perform limited assurance procedures and/or specified assurance procedures on financial information other than financial statements only when such information:
- (a) has been obtained from the entity's financial statements or accounting records that are subject to the entity's internal control over financial reporting; or
 - (b) has been derived directly from such financial statements or accounting records by analysis or computation; or

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- (c) has been the subject of a separate assurance engagement performed in accordance with applicable Australian Auditing and Assurance Standards.⁵

37 If the auditor is requested to provide a limited assurance conclusion on financial information other than financial statements, the auditor shall perform the procedures required in:

- (a) ASRE 2405⁶, in respect of a review of historical financial information other than a financial report, such as pro forma historical financial information; or
- (b) ASAE 3000⁷, in respect of a review of financial information other than historical financial information, such as forecast or pro forma forecast financial information.

38 If the auditor is requested to perform specified assurance procedures on financial information other than financial statements, the auditor shall perform such procedures specified by and agreed with the underwriter and other requesting parties.

Non-Financial Information

39 If the auditor has been requested to perform specified assurance procedures on non-financial information, the auditor shall perform the procedures and report factual findings on such financial information only when:

- (a) it has been obtained from accounting records that are subject to internal controls, policies and procedures of which the auditor has knowledge of; or
- (b) it has been the subject of a separate assurance engagement performed in accordance with the Australian Assurance Standards.⁸

⁵ The Australian Auditing and Assurance Standards comprise Auditing Standards (ASAs), Review Standards (ASREs) and Assurance Standards (ASAEs) issued by the Auditing and Assurance Standards Board (AUASB). The complete suite of these standards are found in the AUASB website at www.auasb.gov.au.

⁶ See ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*.

⁷ See ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

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Communications with Those Charged with Governance and Requesting Parties

40 The auditor shall establish the process for communicating with those charged with governance and requesting parties, including the form, timing and expected content of such communications.

Those Charged with Governance

41 The auditor shall communicate with those charged with governance the following matters, as soon as practicable:

- (a) When the auditor is conducting a review of the unaudited interim financial statements, and the auditor concludes that material modifications have to be made on such financial statements in order for them to be presented in accordance with the applicable financial reporting framework;
- (b) When the auditor is conducting limited assurance procedures on certain financial information, and the auditor concludes that a material adjustment is necessary to be made on such financial information in order for it to be presented in accordance with the applicable criteria;
- (c) Any significant findings relating to the engagement or difficulties encountered by the auditor in performing the engagement.

42 When, in the auditor's professional judgement, those charged with governance do not respond appropriately to the auditor's communication within a reasonable period, the auditor shall determine the implications on the auditors conclusions and/or report of factual findings in the comfort letter.

Written Representations

43 The auditor shall obtain written representations (either via the engagement letter or a separate representation letter) from those charged with governance regarding its acceptance of its responsibility for:

- (a) preparing the offering document, including the information (financial and non-financial) that is the subject matter of the comfort letter, particularly the unaudited or unreviewed

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financial statements that have been prepared in accordance with the applicable financial reporting framework;

- (b) selecting or developing, and applying the applicable criteria used in the preparation and presentation of the financial information (other than the unaudited or unreviewed financial statements) in the offering document, including the material assumptions used in the preparation of prospective financial information;
- (c) ensuring that the financial information (as described in paragraph __ (b) of this ASAE) has been properly prepared in accordance with the applicable criteria; and
- (d) providing the auditor with all relevant information and unrestricted access to all records, documentation, relevant parties and sources of information necessary for the completion of the engagement.

44 The auditor shall obtain a written representation (either via an arrangement letter, or a separate representation letter) from the requesting parties where they acknowledge their responsibility for conducting their due diligence investigation of the entity's affairs, and for determining the sufficiency of the procedures performed by the auditor.

45 The written representation (either via an arrangement letter, or a separate representation letter) shall include an acknowledgement from the requesting parties that their due diligence investigation is, or will be, substantially consistent with the due diligence process performed under the applicable laws or regulations of the overseas jurisdiction where the offering is being made.

Bring Down Comfort Letter

46 If the auditor is requested to issue a bring down comfort letter, the auditor shall update the procedures described in the original comfort letter in accordance with the requirements of this ASAE.

47 The auditor shall agree with the underwriter and other requesting parties a new change period for the bring down comfort letter, and document the agreement in an arrangement letter.

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Concluding on the Engagement

- 48 The auditor shall conclude on whether the evidence obtained enables them to express a limited assurance conclusion and/or report on factual findings.

Limited Assurance

- 49 The auditor shall form a conclusion based on the evidence obtained through the work performed as to whether anything has come to their attention which causes them to believe that there are material modifications which need to be made to the unaudited interim financial statements, for such financial statements to be in conformity with the applicable financial reporting framework.

Specified Assurance Procedures

- 50 The auditor shall not form a conclusion based on the evidence obtained through the specified assurance procedures performed, but shall provide a report on factual findings.

Reporting on the Engagement

- 51 The auditor shall provide a comfort letter, containing a clear expression of the auditor's limited assurance conclusion or a report on factual findings, relating to the information that is the subject matter of the comfort letter engagement.

Basic Elements of the Comfort Letter

- 52 The comfort letter shall include the following basic elements:
- (a) Date, which is the date when the comfort letter is issued.
 - (b) Addressees, such as the underwriter, those charged with governance, and other requesting parties.
 - (c) Introductory paragraph that:
 - (i) states that the comfort letter is being issued in accordance with the engagement terms agreed between the auditor and the requesting parties;
 - (ii) identifies the purpose for conducting the engagement; and

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- (iii) where applicable, includes statements that address the following matters:
- The auditor has audited or reviewed the financial statements included in the offering document in accordance with the Australian Auditing and Assurance Standards.
 - The requesting parties who do not have due diligence defence are:
 - knowledgeable in respect of the due diligence investigation that would be performed if the offering is being carried out in accordance with relevant laws and regulations of the overseas jurisdiction where the offering is undertaken; and
 - undertaking an investigation that is substantially similar to that which is performed by requesting parties with due diligence defence under the relevant laws and regulations of the overseas jurisdiction where the offering is undertaken.
- (d) Auditor's independence declaration, in accordance with relevant professional standards and applicable laws and regulations;
- (e) Identification of the information that is the subject matter of the comfort letter, including:
- (i) unaudited interim financial statements and the financial period(s) covered by such financial statements;
 - (ii) financial information other than the unaudited interim financial statements, such as pro forma historical and forecast financial information; and

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- (iii) where applicable, non-financial information;
- (f) A description of the procedures performed by the auditor, including:
 - (i) the review procedures performed on the unaudited interim financial statements (see paragraph ___ of this ASAE); and
 - (ii) the limited assurance procedures or specified assurance procedures performed on financial information other than the unaudited interim financial statements (such as pro forma historical and forecast financial information) and non-financial information (see paragraphs ___ of this ASAE).
- (g) A statement expressing that the procedures described in paragraph ___ (f)(i) of this ASAE were undertaken to form a conclusion as to whether anything has come to the auditor's attention which causes them to believe that there are material modifications that need to be made to the unaudited financial statements included in the offering document, for such financial statements to be in conformity with the applicable financial reporting framework.
- (h) Where applicable, a statement expressing that the limited assurance procedures described in paragraph ___ (f)(ii) of this ASAE were undertaken to form a limited assurance conclusion on the financial information other than the unaudited interim financial statements. Ordinarily, such a conclusion states as to whether anything has come to the auditor's attention which causes the auditor to believe that:
 - (i) the financial information is not prepared, in all material respects, in accordance with the applicable criteria (for historical financial information.); or
 - (ii) the assumptions established by those charged with governance do not provide a reasonable basis for the preparation of the financial information, and that the financial information is not prepared on the basis of such assumptions (for forecast financial information).

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- (i) A description of the specified assurance procedures performed on the selected financial information during the change period;
- (j) A statement as to whether anything has come to the auditor's attention regarding any changes, increases or decreases in the selected financial information during the change period as compared to the most recent unaudited interim financial statements, or the corresponding period in the preceding year;
 - (i) If there are changes, increases or decreases, actual or contemplated, and such are disclosed in the offering document, the auditor's conclusion in the comfort letter shall include "except for changes, increases or decreases that the offering document discloses have occurred or may occur".
 - (ii) The auditor shall state in the comfort letter the amount of the changes, increases or decreases in the selected financial information during the change period.
- (k) A detailed description of the specified assurance procedures performed and the factual findings, including sufficient details of exceptions found.
- (l) A statement that the specified assurance procedures performed do not constitute an audit or review and, as such, no assurance is expressed.
- (m) A statement that the auditor is not responsible for any reliance that the requesting parties (as named in the comfort letter) or any third parties may place on the comfort letter other than for the purpose for which it was issued;
- (n) A statement that the auditor is not responsible for the sufficiency of all the procedures performed by the auditor;
- (o) A statement that the comfort letter is restricted to the addressees of the letter and is to be used only in connection with the stated purpose of the letter.
- (p) A statement that the engagement was performed in accordance with this ASAE.

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Inclusion of the Auditor's Report on Audited Financial Report in the Offering Document

Auditor's Consent

- 53 The auditor shall consent in writing (via a separate consent letter) to the form and context in which the their audit or review reports are included in the offering document.
- 54 In circumstances where the auditor considers it inappropriate for their audit or review reports to be included in the offering document, the auditor shall:
- (a) not provide consent; and
 - (b) consider the implications to the issuance of the comfort letter.

Subsequent Events

- 55 In connection with giving consent, and where required under the applicable laws or regulations, or standards of the overseas jurisdiction, the auditor shall:
- (a) perform procedures on subsequent events⁸; and
 - (b) determine any implications such events may have on the auditor's audit report included in the offering document, and the comfort letter.
- 56 The auditor shall consider their audit risk assessment in determining the nature and extent of the subsequent events procedures.

Documentation

- 57 The auditor shall prepare documentation on a timely basis of all matters that provides sufficient appropriate evidence to support:
- (a) the limited assurance conclusion expressed in the comfort letter and/or the report on factual findings; and

⁸ See ASA 560 *Subsequent Events* for a discussion of subsequent events procedures on audit engagements, which may be helpful in determining the extent and nature of subsequent events procedures on comfort letter engagements.

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- (b) that the comfort letter engagement was performed in accordance with this ASAE.

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Application and Other Explanatory Material

Assurance Standards of Overseas Jurisdictions (Ref: Para. __)

- A1. This ASAE recognises that the assurance standards of certain overseas jurisdictions have significantly influenced the manner by which comfort letter engagements have been performed by auditors at the international level. In particular, this ASAE recognises that many of the key concepts and principles of these overseas assurance standards have been adopted by Australian auditors when performing comfort letter engagements. On this basis, this ASAE has been written with its underlying principles being substantially consistent with those of overseas assurance standards that have extensively influenced the conduct of comfort letter engagements at the international level.
- A2. Certain overseas jurisdictions use internationally accepted protocols. For example, the guidance issued by the International Capital Market Association (ICMA) is widely used in European jurisdictions.

Requesting Parties (Ref: Para. __)

- A3. In international private placements, or international offerings of debt securities issued or backed by government entities, the requesting party may be a financial intermediary, such as an investment bank acting as an agent in bringing together the seller and the buyer(s). In the case of an international acquisition or merger transaction, the buyer, the seller or both may be the requesting parties. In these international transactions, the auditor may be requested to issue a comfort letter in respect of certain information included in the offering document, which may be an information circular or an offering memorandum.
- A4. This ASAE recognises that the requesting parties in the international transactions described in paragraph A2 may not have the due diligence defence set out in many overseas laws and regulations. This ASAE permits the auditor to issue a comfort letter to such requesting parties only if they provide the auditor with the representation letter that complies with the requirements of this ASAE.

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Underlying Principles of this ASAE (Ref: Para. __)

- A5. The auditor lends credibility to the information that forms part of the subject matter of the engagement and the comfort letter. It is therefore critical that the statements of the auditor in the comfort letter relate only to matters to which the auditor has professional competence. It would be inappropriate for the auditor to include statements in the comfort letter relating to information subject to legal interpretation, or information that requires scientific interpretation such as engineering data.

Knowledge of Internal Control Over Financial Reporting (Ref: Para. __)

- A6. The auditor is required to have adequate knowledge of the entity's internal control over financial reporting, regardless of whether the auditor is requested to perform limited assurance procedures or specified assurance procedures.
- A7. It would not be appropriate for the auditor to perform procedures on financial information relating to a period for which they did not have knowledge of the entity's internal control over financial reporting. This is particularly true in circumstances where the auditor is an incoming auditor and the offering document included financial information from reporting periods where the entity was audited by an auditor other than the incoming auditor.

Types of Procedures Performed in Comfort Letter Engagements

(Ref: Para. __)

- A8. Comfort letter engagements, by their nature and scope of procedures performed, are ordinarily a combination of:
- (a) limited assurance procedures that enable the auditor to express a limited assurance conclusion on certain financial information included in the offering document. For example, the auditor is ordinarily requested to perform limited assurance procedures and express a limited assurance conclusion on the unaudited interim financial statements included in the offering document;
 - (b) specified assurance procedures determined by the requesting parties in respect of selected financial information during the change period. As a result of these procedures, the auditor makes a statement in the comfort letter as to whether anything has come to their attention

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relating to any changes, increases or decreases in the selected financial information during the change period; and

- (c) specified assurance procedures determined by the requesting parties in respect of other information included in the offering document, which result in the auditor reporting on factual findings.

A9. The auditor is not responsible for determining the nature and extent of procedures in a comfort letter engagement. The responsibility for determining the sufficiency of the procedures performed by the auditor rests solely on the requesting parties, ordinarily the underwriter in an international public offering.

Subsequent Changes (Ref: Para. ___)

A10. The auditor may be requested to perform specified assurance procedures on selected financial information during the change period. The purpose of these specified assurance procedures is to determine whether there are changes, increases or decreases in the selected financial information during the change period, such as changes in the share capital, increases in long-term debt or decreases in net current assets that occur during the change period. They may also relate to decreases in net sales during the change period as compared to the corresponding period in the preceding year. The auditor does not comment and provide any assurance on the reasons for the changes in the selected financial information.

A11. The assurance procedures that the auditor performs on selected financial information during the change period, as specified by the requesting parties, ordinarily include:

- (a) reading of minutes of meetings of shareholders and those charged with governance during the change period;
- (b) reading of the unaudited or unreviewed financial statements for the change period; and
- (c) enquiry of those charged with governance and its officials who have responsibility for financial reporting matters, as to whether such financial statements have been prepared in accordance with the applicable financial reporting framework used by the entity in preparing and presenting

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the audited financial statements included in the offering document.

Non-financial information (Ref: Para. __)

- A12. The auditor does not ordinarily provide comments in the comfort letter regarding non-financial information. In rare circumstances, however, the auditor may agree to perform specified assurance procedures and report on factual findings on non-financial information. In these circumstances, the auditor needs to exercise a high degree of professional judgement to determine whether they are able to do so.
- A13. The auditor has to bear in mind that when reporting factual findings on the non-financial information in the comfort letter, the auditor adds a measure of credibility to such information. In most circumstances, the auditor may be requested to perform mechanical procedures on the non-financial information, such as counting, measuring, or observing. The auditor performing the mechanical procedures and reporting on factual findings based on such procedures may be unnecessary, as the requesting parties can obtain the same level of comfort by performing the procedures themselves.
- A14. Examples of non-financial information on which statements from the auditor in the comfort letter may be inappropriate are the proposed use of proceeds from the offering and measurement of floor area of the manufacturing facilities.

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Conformity with International Standards on Assurance Engagements

There is no equivalent International Standard on Assurance Engagements for
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APPENDIX 1

Example Comfort Letter

The following illustrative letter represents an example comfort letter that can be tailored for specific engagement circumstances.

Illustration 1: The offering involves the public securities offering in the United States of America.

30 June 20X1

The Directors

[Company Limited]

[Sponsors/Managers Limited]

[Addressee]

Dear Sirs:

We have audited the consolidated balance sheets of [Company Limited] (the Issuer) and subsidiaries as of [], and the consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended [31 December 20x0], and the related financial statement schedules all included in the prospectus entitled [] and dated []. Our reports with respect thereto are also included in that prospectus [or our reports with respect thereto (which contain an explanatory paragraph that describes [describe limitation]) are also included in the prospectus]. The prospectus, as amended on [30 June 20x1], is herein referred to as the prospectus.)

This letter is being furnished in reliance upon your representation to us that:

- a) You are knowledgeable with respect to the due diligence review process that would be performed if this placement of securities were being registered pursuant to the Securities Act of 1933 (the Act).
- b) {In connection with the offering of bonds, the review process you have performed is substantially consistent with the due diligence review process that you would have performed if this placement of securities were being registered pursuant to the Act.}

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This letter is being furnished in accordance with the terms of the engagement letter dated [XX, 20x1] (the "Engagement Letter"), which have been agreed between us and govern the matters addressed by this comfort letter and its use in connection with the sale of the securities outside of the United States and the letter is also being furnished in connection with the offering of the securities in the United States.

In connection with the prospectus—

1. We are independent certified public accountants with respect to the Issuer under the requirements of the [insert relevant code] issued by [relevant professional body].
2. We have not audited any financial statements of the Issuer as of any date or for any period subsequent to [31 December 20x0]; although we have conducted an audit for the year ended [31 December 20x0], the purpose (and therefore the scope) of the audit was to enable us to express our opinion on the consolidated financial statements as of [31 December 31 20x0], and for the year then ended, but not on the financial statements for any interim period within that year. Therefore, we are unable to and do not express any opinion on the unaudited condensed consolidated balance sheet as of [31 March 20x1], and the unaudited condensed consolidated statements of income, changes in equity, and cash flows for the []-month periods ended [March 31, 20x1 and 20x0], {included in the prospectus,} or on the financial position, results of operations, or cash flows as of any date or for any period subsequent to [31 December 20x0].
3. For purposes of this letter, we have read the [20x1] minutes of meetings of the shareholders, the board of directors, and [include other appropriate committees, if any] of the Issuer and its subsidiaries held since [date of its last published financial statements] as set forth in the minutes books at [23 June 20x1], officials of the Issuer having advised us that the minutes of all such meetings through that date were set forth therein; we have carried out other procedures to [23 June 20x1], as follows (our work did not extend to the period from [24 June 20x1], to [28 June 20x1], inclusive):
 - a) With respect to the [three]-month period ended [31 March 20x1], we have:
 - i) Performed the procedures specified by the [] for a review of interim financial information as described

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in [], on the unaudited condensed consolidated balance sheet as of [31 March 20x1], and unaudited condensed consolidated statements of income, statement of changes in equity, and cash flows for the [three]-month periods ended [31 March 2006].

- b) With respect to the period from [1 April 20x1], to [31 May 20x1], we have:
- i) Read the unaudited consolidated financial statements of the Issuer and subsidiaries for [April] and [May] of both [20x0] and [20x1] furnished to us by the Issuer, officials of the Issuer having advised us that no such financial statements as of any date or for any period subsequent to [31 May 20x1], were available.
 - ii) Inquired of certain officials of the Issuer who have responsibility for financial and accounting matters whether the unaudited consolidated financial statements referred to in b(i) are stated on a basis substantially consistent with that of the audited consolidated financial statements included in the prospectus.

The foregoing procedures do not constitute an audit conducted in accordance with [] issued by the []. Also, they would not necessarily reveal matters of significance with respect to the comments in the following paragraph. Accordingly, we make no representations regarding the sufficiency of the foregoing procedures for your purposes.

4. Nothing came to our attention as a result of the foregoing procedures, however, that caused us to believe that—
- i) Any material modifications should be made to the unaudited condensed consolidated financial statements described in 3a(i), {included in the prospectus}, for them to be in conformity with accounting principles generally accepted in [Australia], {except that the detailed disclosure notes required by AASB 134 “Interim Financial Reporting” have not been presented}.

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- ii) At [31 May 20x1], there was any change in the [issued share capital], increase in [long-term debt], or decrease in [net current assets or shareholders' equity] of the consolidated companies as compared with amounts shown in the [31 March 20x1], consolidated balance sheet included in the prospectus, or
 - iii) For the period from [1 April 20x1] to [31 May 20x1], there were any decreases, as compared to the corresponding period in the preceding year, in [consolidated turnover or in the total or per-share amounts of profit before taxation], except in all instances for changes, increases, or decreases that the prospectus discloses have occurred or may occur.
5. As mentioned in 3b, Issuer officials have advised us that no consolidated financial statements as of any date or for any period subsequent to [31 May 20x1], are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after [31 May 20x1], have, of necessity, been even more limited than those with respect to the periods referred to in 3. We have inquired of certain officials of the Issuer who have responsibility for financial and accounting matters whether (a) at [23 June 20x1], there was any change in the [issued share capital], increase in [long-term debt] or any decreases in [net current assets or shareholders' equity] of the consolidated companies as compared with amounts shown on the [31 March 20x1], consolidated balance sheet included in the prospectus or (b) for the period from [1 April 20x1], to [23 June 20x1], there were any decreases, as compared with the corresponding period in the preceding year, in [consolidated turnover or in the total or per-share amounts of profit before taxation]. On the basis of these inquiries and our reading of the minutes as described in 3, nothing came to our attention that caused us to believe that there was any such change, increase, or decrease, except in all instances for changes, increases, or decreases that the prospectus discloses have occurred or may occur.
6. For the purposes of this letter we have, at your request, also read the items identified by you on the attached pages of the Prospectus, in respect of which one of the following tests were applied in each case as indicated by the corresponding letter (i.e. reference to the relevant sub-paragraph below) shown against the items:
- [# Compared to the [historical financial information] of the Group for the three-years ended [31 December 20w8, 20w9 and 20x0]

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as set out on pages [] to [] of the prospectus, as applicable, and found them to be in agreement.

- ^ Compared to and found to be in agreement with the applicable summary schedules which the management of the Company has represented were derived from the accounting records. We have not traced the information to the accounting records themselves.
- π Recomputed the percentages/ratios etc. and found them to be arithmetically accurate. We make no representation as to the appropriateness of the rate applied.]

For purposes of the above symbols, the following definitions apply:

- The phrase “compared” means compared and found to be in agreement unless otherwise noted. Such agreed amounts or percentages are deemed to be in agreement if differences are attributable to rounding.
- The phrase “recomputed” means recalculated to determine mathematical accuracy and compared the result to the amount shown and found the amounts to be in agreement unless otherwise noted. Such recomputed amounts or percentages are deemed to be in agreement if differences are attributable to rounding.

7. Our audit of the consolidated financial statements for the periods referred to in the introductory paragraph of this letter comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For none of the periods referred to therein, or any other period, did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated above, and, accordingly, we express no opinion thereon.
8. It should be understood that we make no representations regarding questions of legal interpretation or regarding the sufficiency for your purposes of the procedures enumerated in paragraph 6; also, such procedures would not necessarily reveal any material misstatement of the amounts or percentages listed above. Further, we have addressed ourselves solely to the foregoing data as set forth in the prospectus and make no representations regarding the adequacy of

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disclosure or regarding whether any material facts have been omitted.

9. ABC Partners is a world-wide organisation of separate individual partnerships and companies. This comfort letter is between you and this firm only. In the course of providing the services referred to in this letter this firm may, at our discretion, have drawn on the resources of other ABC Partners member partnerships or companies ("other ABC Partners firms"). Except as stated below, any partner, director or employee of any other ABC Partners firm who deals with you in connection with the services does so on behalf of the firm alone. This firm accepts responsibility for the actions of any partner, director or employee of any other ABC Partners firm assisting in the provision of the services. The terms of this letter and any action pursuant to it shall be additional to and shall not detract from or change in any way any legal rights (whether in contract or tort or otherwise) which any party to this letter may otherwise have acquired as a result of fraudulent or dishonest actions or inactions by any other ABC Partners firm or any partners, directors or employees thereof.
10. The provisions of paragraph [9] are stipulated by this firm expressly for the benefit of other ABC Partners firms, their partners, directors and employees (together "the beneficiaries"). The Issuer and the underwriters agree that each of the beneficiaries shall have the right to rely on that paragraph as if they were parties to this letter. Each ABC Partners firm which agrees to assist in the provision of the services does so in reliance on the protections afforded to it by paragraphs [9 and 10], the benefit of which we formally accept on their behalf.
11. This letter should not be relied on as if the procedures documented herein have been performed in accordance with the standards and practice of any professional body in any jurisdiction other than the professional standards applicable in the [Australia].
12. This letter is solely for the information of the addressees and to assist the underwriters in conducting and documenting their investigation of the affairs of the Issuer in connection with the offering of the securities covered by the prospectus, and it is not to be used, circulated, quoted, or otherwise referred to within or without the underwriting group for any purpose, including but not limited to the registration, purchase, or sale of securities, nor is it to be filed with or referred to in whole or in part in the prospectus or any other document, except that reference may be made to it in the

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underwriting agreement or in any list of closing documents
pertaining to the offering of the securities covered by the prospectus.

Yours truly

Partner

Draft

APPENDIX 2

Example Engagement Letter

The following illustrative letter includes example terms of engagement that can be tailored for specific engagement circumstances.

Illustration 1: The offering involves the issue of eurobonds in the United Kingdom.

Private and confidential

The Directors [Date]
[Eurobond Issuer]
[Address]

The Lead Manager and the other Managers
(as defined in paragraph 2 below)
[Address]

Dear Sirs

[Proposed] Eurobond Issue by Eurobond Issuer ("the Issuer")

Introduction

1. This arrangement letter sets out the scope and limitations of the work to be performed by us in connection with the above transaction, namely the proposed issue of [] ("the Issue") which will involve the preparation by the Issuer, and for which the Issuer will be solely responsible, of an Offering Circular [in accordance with the Prospectus Directive Regulation]/[Listing Rules of the [relevant] Stock Exchange or other listing authority]. This letter is written in the context of the respective roles of the directors of the Issuer, the Lead Manager ("the Lead Manager"), the other Managers (as defined in Paragraph 2 below) and ourselves.

Addressees

2. This arrangement letter is addressed to the directors of Eurobond Issuer, to the Lead Manager and to each of the managers who have agreed or, prior to the issue of our comfort letter, will agree to

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participate in the proposed Issue and who have or, prior to the issue of our comfort letter, will have validly authorised the Lead Manager to sign this arrangement letter on their behalf. Their legal names are set out in Appendix 1 to this arrangement letter and, together with the Lead Manager, are referred to in this arrangement letter as “the Managers”.

3. By signing and accepting the terms of this arrangement letter, the Lead Manager confirms that it will ensure that it receives prima facie authority from each Manager identified in Appendix 1 authorising it to enter into this arrangement letter on the relevant Manager’s behalf. However, the Lead Manager makes no representation as to whether such prima facie authority actually confers the necessary authority.
4. Up to the date of the relevant comfort letter, a Manager may be added to Appendix 1 by the Issuer or by the Lead Manager by written notice to us and the Issuer or the Lead Manager. A Manager may also be deleted from Appendix 1 where the Manager withdraws from the Issue and/or advises the Lead Manager that it does not wish to receive the benefit of the comfort letter or for this arrangement letter to be signed on its behalf or where the Lead Manager does not receive authority to sign this arrangement letter on behalf of the relevant Manager. The revised managers shall then, together with the Lead Manager, be referred to in this arrangement letter as “the Managers”.

Comfort Letter

5. The Lead Manager confirms that, in connection with the proposed Issue, it is aware of guidance relating to due diligence issued by the International Capital Market Association from time to time, which will be followed by it in connection with the proposed issue.
6. Our comfort letter will be provided to the addressees of this letter solely in the context of the due diligence procedures that you undertake, or procure to be undertaken, pursuant to the guidance referred to in Paragraph 5 above in connection with the contents of the Offering Circular for the purpose of any defence in such context that you may wish to advance in any claim or proceeding in connection with the contents of the Offering Circular. Accordingly, our comfort letter will be addressed to you for that purpose and may not be relied on by you for any other purpose.

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7. For the avoidance of doubt and subject to the limitations or exclusions which are contained in or referred to in Paragraphs 8, 9, 27, 32 and 33 of this letter, nothing in this letter shall preclude the Managers from obtaining compensation from us in respect of any liability that the Managers incur to an investor arising out of the contents of the Offering Circular to the extent that such liability arises because the work undertaken pursuant to this arrangement letter or the comfort letter was undertaken negligently.
8. Any comfort letter issued pursuant to this arrangement letter will not have been provided in accordance with the professional standards of the US American Institute of Certified Public Accountants and accordingly should not be relied upon in connection with any obligations or responsibilities that you may have under any legislation, regulations and/or rule of law in the United States and, in the event of any such use in the United States, we accept no responsibility in this regard.
9. Our work and findings shall not in any way constitute advice or recommendations (and we accept no liability in relation to any advice or recommendations) regarding any commercial decisions associated with the Issue, including, in particular, but without limitation, any which may be taken by the Managers (or any person connected to the Managers or any one of them) in the capacity of investor or in providing investment advice to their clients.
10. Our comfort letter will be provided solely for your private information and should not be used for any purpose other than as set out in Paragraph 6. Our comfort letter may not be referred to in any other document (except that reference may be made to its existence in any contract or other communication between the Issuer and/or the Managers, and/or ourselves), nor made available to any other party (except that a copy may be included in the bible of transaction documents memorialising the Issue prepared for the Issuer and the Managers).
11. Nothing in Paragraphs 8 and 10 shall prevent you from disclosing our comfort letter to your professional advisers or as may be required by law or regulation, and/or referring to and/or producing our comfort letter in court proceedings relating to the Issue or the Offering Circular. Provided that you first obtain our prior written consent, you may disclose our comfort letter to third parties where to do so would reasonably be necessary in the interest of a resolution of a dispute with that third party.

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12. Other than to those who have validly accepted this arrangement letter, we will not accept any responsibility to any party to whom our comfort letter is shown or into whose hands it may come.
13. You may only rely on information and comments set out in our comfort letter on the basis of this arrangement letter.

Work and Procedures

14. Our work will, where appropriate, be conducted in accordance with *[ASAE 3XXX Comfort Letters for Requesting Parties in Connection with International Offerings and Similar International Transactions]*. In other jurisdictions, standards and practice relevant to reporting accountants may be different and may not provide for reporting in the manner contemplated herein. Accordingly, our report should not be relied on as if it had been provided in accordance with the standards and practice of any professional body in any other jurisdiction.
15. We have not carried out an audit examination in accordance with any generally accepted auditing standards of any financial information relating to the Issuer for any period subsequent to *[date of last audited financial report]*. The procedures we will use to perform the work set out in this arrangement letter will not constitute an audit or review made in accordance with any generally accepted auditing standards. Furthermore, they will not necessarily reveal matters of significance with respect to any material misstatement of the information referred to below.
16. The procedures that we plan to conduct have been discussed between and agreed by the Issuer, the Lead Manager and us and will be recorded in the comfort letter itself. If during the course of carrying out such procedures as are planned and agreed upon under this letter, and solely as a result of information provided to us in so doing, we conclude that there has been any withholding, concealment or misrepresentation in relation to such information, (or otherwise we conclude that such information contains an inconsistency which clearly indicates that there may have been such a withholding, concealment or misrepresentation), we will discuss with you whether further procedures can be designed to seek to resolve the matter. Where such procedures are agreed between us, we will carry them out and amend the comfort letter accordingly.
17. We will only carry out those verification procedures expressly provided for in the comfort letter. Accordingly, we make no

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representations as to the sufficiency for your purposes of such procedures and, therefore, our responsibility shall be limited to performing the work agreed upon in this arrangement letter and/or recorded in the comfort letter with due skill, care and attention. If we were to perform additional procedures or if we were to conduct an audit or review of the financial statements of the Issuer in accordance with auditing standards generally accepted in [the relevant country], other matters might come to our attention which we would report to you. The procedures to be performed by us should not be taken to supplant any additional enquiries or procedures that may be appropriate in the performance of your role under the proposed offering.

18. In relation to the contents of the Offering Circular, we will address ourselves solely to such financial information in the Offering Circular as is identified in the comfort letter and we will make no representations as to the adequacy of disclosure in the Offering Circular or as to whether any material facts have been omitted by the Issuer.
19. Any opinions expressed on financial information outside the context of this arrangement letter were or are expressed solely in the context of the specific terms and conditions governing their preparation. In particular, the terms of this arrangement letter and any action pursuant to it shall be additional to and shall not detract from or change in any way any legal rights which any party to this letter may otherwise have acquired, whether in contract or in tort, in connection with our audits of the financial statements of the Issuer.
20. Save as may be expressly recorded in the comfort letter, we do not accept any responsibility for any other reports or letters beyond any responsibility that we owed to those to whom our reports or letters were addressed at the date of their issue.

Contents of the Comfort Letter

21. We will prepare and expect to issue a comfort letter addressed to the Issuer and the Managers in connection with their due diligence enquiries in connection with the contents of the Offering Circular on the basis described above. [Based upon our present understanding of your requirements we expect to be able to provide you with a comfort letter substantially in the form contained in Appendix 3, setting out the procedures that we expect to carry out prior to issuing our comfort letter.] Your acceptance of our comfort letter in final

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form constitutes your agreement to the scope and extent of such procedures.

22. We would be grateful if you would review the draft comfort letter that we expect to be able to provide you with and let us have any amendments you propose to the procedures as soon as possible, so that we can provide you with a revised draft for your further consideration and approval.]
23. Once an advanced draft of the Offering Circular is available and you have identified, and we have agreed, the detailed financial information whose extraction or calculation you require to be covered in the comfort letter, we will provide you with a further revised draft of the comfort letter for your approval of its scope prior to finalisation.]
24. For the avoidance of doubt, we will not comment on, or otherwise give comfort in relation to, the prospects or trading position or, save as expressly stated in the comfort letter, comment on or provide any opinion or other conclusion as to the current overall financial position of the Issuer.

Drafts

25. During the course of the arrangement we may show drafts of, or report orally on, our comfort letter to you. In so far as any such draft or oral report is inconsistent with the subsequent final comfort letter, it will be deemed to be superseded by such final comfort letter.

Audit Opinion

26. The Issuer may not include our audit opinion in the Offering Circular without our prior written approval.

Meetings

27. It [will be] [has been] necessary for us to receive copies of the draft Offering Circular as it [is] [was] produced and it [may be] [has been] necessary for us to attend meetings (including, but not limited to, meetings with the Issuer, and its directors and/or employees, and the Lead Manager and its employees or agents) at which the Offering Circular [is] [has been] discussed and drafted or at which other related matters [are] [have been] discussed. We [shall answer] [have answered] queries raised at such meetings on an informal basis but you should neither act nor refrain from acting on the basis of such

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informal answers unless and until they are confirmed in writing by us, whether in the final comfort letter or otherwise. In the absence of such written confirmation we shall have no liability to you in contract or in tort (including negligence) for our answers.

28. Unless otherwise specifically agreed between the parties, we are authorised by the Issuer to speak to the Managers and other professional advisers advising on the proposed Issue. In connection with our work pursuant to this arrangement letter, we may release to the Managers and such other professional advisers any information relating to the Issuer, whether confidential or not and obtained during the course of our work or otherwise and shall not be liable to the Issuer for any use subsequently made of that information.

Timetable

29. [We will endeavour to carry out our work in accordance with a timetable to be agreed between all parties that will satisfy the requirements of the Issue.]. We [intend to provide] [are providing] you with our comfort letter on the date of the final Offering Circular relating to the Issue and to provide you with an updating comfort letter or to reissue our comfort letter on the date of closing of the Issue. [We will discuss with you any difficulties we encounter with this arrangement or with meeting the timetable as soon as any problems arise.]

Applicable law and jurisdiction

30. This arrangement letter shall be governed by, and construed in accordance with, [specify country (other than the US) whose laws govern the Subscription Agreement] law. The Courts of [specify country (other than the US) whose laws govern the Subscription Agreement] shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning the arrangement letter or any comfort letter and any matter arising from them. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

Fees

31. Our fees will be the responsibility of and will be paid by the Issuer.

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Other Terms and Conditions

32. In no circumstances shall we be liable, other than in the event of our bad faith or wilful default, for any loss or damage, of whatsoever nature, arising from information material to our work being withheld or concealed from us or misrepresented to us by the directors, employees, or agents of the Issuer or any other person of whom we may make enquiries, unless detection of such withholding, concealment or misrepresentation should reasonably have been expected because the fact of such withholding, concealment or misrepresentation was evident without further enquiry from the information provided to us or required to be considered by us pursuant to the procedures finally agreed upon under this letter. This clause, and any assessment of our work made pursuant to it, will have regard to the limited scope of procedures agreed under this letter.
33. The terms and conditions, which are attached as Appendix 2, also form part of this arrangement letter. These terms and conditions shall apply, as indicated in such terms and conditions, to the Issuer and the accountants, save that Paragraphs [] and [] shall apply to all the addressees of this arrangement letter.
34. In the event of any inconsistency between this arrangement letter and such terms and conditions, the terms of this letter shall prevail as between the relevant parties.

Prohibition on Assignment

35. No party may assign any of its rights in relation to this arrangement letter without the prior written consent of the others against whom the rights may be asserted, save that any Manager may assign any of such rights, or such rights may pass by operation of law, to any successor to all or part of its business without such consent, provided that notice is given to us prior to any step being taken by you to enforce any rights hereunder.

Entire Agreement

36. This arrangement letter and the Appendices to it constitute the entire agreement between us and, save as provided in this arrangement letter, no change in the terms of our agreement will be effective unless agreed in writing and signed by all parties to this arrangement letter or their respective attorney.

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Yours faithfully

Partner

Acknowledgement and Acceptance

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

Director
for and on behalf of Issuer

Date

Director
for and on behalf of Lead Manager

Date

Draft

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Appendix 1

Names of the Managers

(Subject always to compliance with the requirements of Paragraph 2 of the arrangement letter)

Appendix 2

[Insert terms of business]

Appendix 3

[Text of the Draft Comfort Letter]

This draft is furnished solely for the purpose of indicating the form of letter that we would expect to be able to provide pursuant to this arrangement letter, the matters expected to be covered in the letter, and the nature of the procedures that we would expect to carry out with respect to such matters. The procedures outlined in this draft letter have been discussed between and agreed by the Issuer, the Lead Manager and us. Unless further procedures are agreed, we shall assume that there are no additional procedures for us to follow. The text of the letter itself will depend, of course, on the results of the procedures, which we would not expect to complete until shortly before the letter is given and in no event before the cut-off date indicated therein.