



Auditing and Assurance Standards Board
PO Box 204
Collins St West
Melbourne VIC 8007
Australia

15 November 2011

Dear Ms Kelsall

Response to: Exposure Draft (ED02/11) - Proposed Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information

We appreciate the opportunity to comment on Exposure Draft (ED02/11) - Proposed Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information (ED). Our interest in this ED and comments thereon stems from undertaking Investigating Accountant and other related engagements for our clients in relation to corporate fundraisings and prospective financial information.

Overall we support the AUASB's efforts to develop a framework for assurance engagements involving corporate fundraisings and/or prospective financial information, which are not specifically dealt with in other assurance standards. This support is, however, is subject to the matters included in this response being appropriately addressed

Provision of Assurance related to Compilation of Pro Forma Information

We do not support the inclusion of the provision of assurance related to compilation of pro forma financial information (PFI) within this standard and suggest that it should be contained in a separate standard. We consider in a market such as Australia, where it is common practice to issue limited assurance over PFI itself, that users may not be able to distinguish between an Independent Assurance Report that refers to ASAE 3450 and provides limited assurance over the PFI itself and one that also refers to ASAE 3450 but provides limited assurance over the compilation process only. In our view, there are significant differences in the level of comfort provided. Shareholders and potential investors should be able to distinguish between the two in a clear, unambiguous way, whether through a different "title" to the report provided or otherwise.

Further consideration should also be given as to whether engagements related to the compilation of PFI should be considered assurance and labelled Independent Assurance Reports or to be titled "Compilation Reports" or something similar. We acknowledge the international exposure draft ISAE

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3420, *Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus* proposes that such engagements are assurance in nature. However, we consider the use of reports on compilation of PFI in Australia is distinct from the use of such reports in many international markets. In Australia reports on compilation of PFI are largely limited to takeovers where the assurance practitioner or the responsible party of the entity do not have access to the other entity's financial information. In contrast, in many international markets such compilation reports are the standard form of reporting provided for corporate fundraising engagements, where no such access restrictions exist.

Review of the entire fundraising document

The ED requires the assurance practitioner to read the entire fundraising document to ensure there are no material inconsistencies or material misstatements of fact, or in some instances potentially misleading or deceptive statements, in relation to the financial information which is the subject of the assurance practitioner's report. We agree with the requirement for the assurance practitioner to read the entire document but are concerned that in certain circumstances this may be taken to mean that the assurance practitioner is providing a level of comfort over the entire document. We suggest additional wording should be included in the ED to establish that these procedures are solely to enable the assurance practitioner to provide the assurance report over the financial information, and not to provide any comfort over the balance of the fundraising document.

Our response to the individual questions raised by the AUASB and detailed commentary on specific sections of the ED are provided in the Appendices to this letter.

We would welcome the opportunity to discuss our views. Please contact Avril Trent on (02) 8266 8097 should you wish to discuss the matters we have raised.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Bill Edge', written in a cursive style.

Bill Edge
OneFirm Risk & Quality Leader



Appendix A – Request for Comments

Please see below our response to the Request for Comments:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?

No comment

2. Are there any references to relevant laws or regulations that have been omitted?

No comment

3. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed Standard, or may conflict with the proposed Standard?

In some instances we consider the proposed Standard should be reviewed for consistency with ASIC Consultation Paper 150 *Disclosing financial information other than in accordance with accounting standards* and Regulatory Guide 228 *Prospectuses: Effective disclosure for retail investors*. Further comments are provided in Appendix B (refer para. 69).

4. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the requirements of this proposed Standard on Assurance Engagements? If there are significant costs, do these outweigh the benefits to the users of assurance services?

We consider the additional costs of meeting this standard do not outweigh the benefit to the users of the assurance services.

5. Are there any other significant public interest matters that constituents wish to raise?

Yes, refer to our covering letter discussion on compilation reports for further comment.

6. Should this proposed Standard be split according to the type of financial information?

We consider the current layout that splits the proposed Standard according to the type of financial information is appropriate and assists in readability of the Standard.

7. Should the section covering assurance on the compilation of pro forma financial information be included in a separate Standard? The AUASB notes that the IAASB will be issuing ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* late in 2011 and this proposed ASAE 3450 has incorporated, where appropriate, requirements and related guidance from the ISAE 3420 Exposure Draft. The AUASB will consider making further consequential changes to the proposed ASAE 3450 when ISAE 3420 is issued.

Yes, we consider this section would be better dealt with in a separate standard for the reasons outlined in our covering letter.

8. Should the section covering assurance on historical financial information be included in the proposed Standard?

Yes



9. Should the section covering assurance on prospective financial information be included in the proposed Standard?

Yes

10. Are there any public sector issues which should be addressed in this proposed Standard?

No comment.

11. Are there any SME issues which should be addressed in this proposed Standard?

No comment.

Appendix B – Comments on Specific Sections of the ED

ED wording	PwC Suggested Wording	PwC Comment
<p><i>Definitions</i></p> <p>13(f) Compiled means the process undertaken by the responsible party to gather, classify, summarise and present financial information to illustrate the impact of a significant event(s) or transaction(s) on base (unadjusted) financial information of an entity, as if the event had occurred or the transaction had been undertaken, at the selected date.</p>	<p>13 (f) Compiled means the process undertaken by the responsible party to gather, classify, summarise and present financial information to</p> <ul style="list-style-type: none"> • illustrate the impact of a significant event(s) or transaction(s) on base (unadjusted) financial information of an entity, as if the event had occurred or the transaction had been undertaken, at the selected date; and/or • to eliminate the effects of unusual or non-recurring transactions that are not part of the normal operations of the entity; and/or • to correct errors or uncertainties 	<p>Pro forma adjustments, other than those specifically related to the fundraising transaction are included in the definition of event(s) or transaction(s) and certain sections of the ED, such as section 80(e) which includes reference to “other transaction for which pro forma adjustments have been made”. Reference is also made within section A121 to pro forma adjustments related to unusual or non-recurring events and errors or uncertainties.</p> <p>We suggest these wording changes to the definition of pro forma financial information to ensure that such “other” pro forma adjustments are also incorporated in this definition of compiled.</p>
<p>13 (n) Limited assurance engagement means an assurance engagement in which the assurance practitioner reduces the assurance engagement risk to a level that is acceptable in the circumstances of the assurance engagement, but where the risk is greater than for a reasonable assurance engagement. The assurance practitioner’s conclusion is expressed in a form that conveys, based on the procedures performed nothing has come to the assurance practitioner’s attention that causes the assurance practitioner to believe the subject matter information is materially misstated. The set of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement, but is planned to obtain a level of assurance that is, in the assurance practitioner’s professional judgement meaningful to the intended users. The limited assurance report communicates the limited nature of the assurance obtained.</p>	<p>13 (n) Limited assurance engagement means an assurance engagement in which the assurance practitioner reduces the assurance engagement risk to a level that is acceptable in the circumstances of the assurance engagement, but where the risk is greater than for a reasonable assurance engagement. The assurance practitioner’s conclusion is expressed in a form that conveys, based on the procedures performed nothing has come to the assurance practitioner’s attention that causes the assurance practitioner to believe the subject matter information is materially misstated. The set of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement, but is planned to obtain a level of assurance that is, in the assurance practitioner’s professional judgement meaningful to the intended users acceptable in the circumstances of the assurance engagement. The limited assurance report communicates the limited nature of the assurance obtained.</p>	<p>We consider that it may be difficult for the assurance practitioner to consider the “intended users” when planning the procedures to be performed in a limited assurance engagement as, for example, each intended user may have a different needs and level of sophistication. Rather the assurance practitioner considers overall what is acceptable in the particular circumstances.</p>
<p>13(u) Pro forma financial information means financial information adjusted by pro forma adjustments to illustrate the impact of an event or transaction on that</p>	<p>13(u) Pro forma financial information means financial information adjusted by pro forma adjustments to illustrate</p>	<p>Pro forma adjustments, other than those specifically related to the fundraising transaction are included in the definition of event(s) or transaction(s) and certain</p>

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<p>financial information as if the event had occurred, or the transaction had been undertaken, at an earlier date selected for the purposes of the illustration. It is subject to assumptions inherent in the responsible party's stated basis of preparation. Pro forma financial information may be either:</p>	<ul style="list-style-type: none"> • illustrate the impact of an event(s) or transaction(s) on that financial information as if the event(s) had occurred, or the transaction(s) had been undertaken, at an earlier date selected for the purposes of the illustration; • <u>eliminate the effects of unusual or non-recurring transactions that are not part of the normal operations of the entity;</u> • <u>correct errors or uncertainties</u> <p>It is subject to assumptions inherent in the responsible party's stated basis of preparation. Pro forma financial information may be either:</p>	<p>sections of the ED, such as section 80(e) which includes reference to "other transaction for which pro forma adjustments have been made". Reference is also made within section A121 to pro forma adjustments related to unusual or non-recurring events and errors or uncertainties.</p> <p>We suggest these wording changes to the definition of pro forma financial information to ensure that such "other" pro forma adjustments are also incorporated in this definition of pro forma information.</p>
Historical Financial Information		
Planning the Assurance Engagement		
<i>Planning Activities</i>		
<p>34. The assurance practitioner shall obtain an understanding of: (Ref: Para. A17)</p>		
<p>(a) the nature of the entity and where applicable, any acquiree or divestee including:</p>		<p>We consider it may be appropriate to clarify that "where applicable" refers to where the financial information, the subject of the assurance report, includes financial information of the acquiree or divestee.</p>
<p>36. The assurance practitioner's planning considerations shall include: (Ref: Para. A19)</p>		
<p>(j) an understanding the requirements of any applicable law or regulation;</p>	<p>(j) an understanding the requirements of any applicable law or regulation in so far as they impact the financial information which is the subject of the assurance engagement;</p>	
<p>40. The assurance practitioner shall use professional judgement to design and perform procedures to obtain sufficient appropriate evidence on the historical financial information, on which to base either:</p>		
<p>(b) reasonable assurance in accordance with this</p>		<p>We consider the reference to ASAE 3000 unusual given that the requirement deals with providing reasonable</p>

Appendix B – Comments on Specific Sections of the ED

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ASAE and ASAE 3000.		assurance on historical financial information, whereas ASAE 3000 applies to audits and reviews of non-historical financial information.
Consideration of Events Up to the Date of the Assurance Report (Ref: Para. A36)		
54. The assurance practitioner shall discuss with the responsible party any such event, transaction, or error identified during the assurance engagement with a view to concluding as to whether the effect on the historical financial information is material, and needs to be adjusted for and/or disclosed in the historical financial information, the document, and/or the assurance report.	54. The assurance practitioner shall discuss with the responsible party any such event, transaction, or error identified during the assurance engagement with a view to concluding as to whether the effect on the historical financial information is material, and needs to be adjusted for and/or disclosed in the historical financial information, and/or elsewhere in the document and/or the assurance report.	
Written Representations (Ref: Para. A39-A43)		
57. The assurance practitioner shall request written representations from the responsible party at the completion of the assurance engagement containing the following:		
(c) confirmation that there are no material changes to be made to the historical financial information between the date of the assurance report and the relevant date;	(c) confirmation that there are no currently anticipated material changes to be made to the historical financial information between the date of the assurance report and the relevant date;	We have suggested adding the words “currently anticipated” as we consider it would be difficult for the responsible party to confirm that there will be no changes into the future as there may be a change in circumstance / subsequent event.
Preparing the Assurance Report		
<i>Basic Elements of the Assurance Report</i>		
69. The assurance report shall include the following basic elements: (Ref: Para. A48-A49)		
(d) a scope section that:		
(iv) defines the applicable financial reporting framework used in the preparation of the historical financial information as the recognition and measurement principles contained in Australian Accounting Standards;	(iv) defines the applicable financial reporting framework used in the preparation of the historical financial information which are most commonly as the recognition and measurement principles contained in Australian Accounting Standards;	

Appendix B – Comments on Specific Sections of the ED

ED wording	PwC Suggested Wording	PwC Comment
<p>70. If the assurance practitioner is required by law or regulation to use a specific layout or wording in the assurance report, the assurance practitioner shall evaluate whether users might misunderstand the assurance obtained, and if so, whether additional explanation in the assurance practitioner's report can mitigate possible misunderstanding.</p>	<p>70. If the assurance practitioner is required by law or regulation to use a specific layout or wording in the assurance report, the assurance practitioner shall evaluate whether users might misunderstand the assurance obtained the assurance report is acceptable in the circumstances of the assurance engagement, and if not so, whether additional explanation in the assurance practitioner's report can mitigate possible misunderstanding.</p>	<p>We consider that it may be difficult for an assurance practitioner to "evaluate whether users might misunderstand the assurance obtained" given users are likely to vary significantly in their financial sophistication. Rather, we consider it may be more appropriate for the assurance practitioner to consider overall what is acceptable in the circumstances of the assurance engagement.</p>
<p>Pro Forma Historical Financial Information</p>		
<p>Performing the Assurance Engagement Assurance Procedures</p>		
<p>80. In addition to the requirements in paragraphs 40 to 42 inclusive of this ASAE, the assurance practitioner shall design and perform the following procedures on the pro forma historical financial information: (Ref: Para. A58)</p>		
<p>(c) determine whether the pro forma adjustments are:</p>		
<p>(i) attributable to the underlying event(s) or transaction(s); and</p>	<p>(i) attributable to the underlying event(s) or transaction(s), or to unusual or non-recurring transactions that are not part of the normal operations of the entity; and/or errors or uncertainties to be corrected; and</p>	<p>Pro forma adjustments, other than those specifically related to the fundraising transaction are included in the definition of event(s) or transaction(s) and certain sections of the ED, such as section 80(e) which includes reference to "other transaction for which pro forma adjustments have been made". Reference is also made within section A121 to pro forma adjustments related to unusual or non-recurring events and errors or uncertainties. We suggest these wording changes to ensure that such "other" pro forma adjustments are also incorporated in this section.</p>
<p>Preparing the Assurance Report Basic Elements of the Assurance Report</p>		
<p>84. In addition to the requirement in paragraph 69 of</p>		

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this ASAE, the assurance report shall include:		
(a) statements in the scope section that:		
(iii) define the stated basis preparation of the pro forma historical financial information as being the recognition and measurement principles contained in Australian Accounting Standards applied to:		
<ul style="list-style-type: none"> the base financial information, as described in section [X] of the document; and 		
<ul style="list-style-type: none"> pro forma adjustments as described in section [X] of the document, as if the transactions and events to which those adjustments relate had occurred as a the date of the base historical financial information; 	<p>pro forma adjustments as described in section [X] of the document as if the transactions and events to which these adjustments relate had occurred as a the date of the base historical financial information;</p>	<p>As per our suggested wording amendments to the definition of Pro forma financial information, we have suggested the wording change to this section to ensure other pro forma adjustments (that is, those not directly related to the fundraising) are covered by the assurance report. These "other" pro forma adjustments are not always adjusted as if they occurred as at the date of the base historical financial information, sometimes they are removed altogether (for example a one-off cost of restructuring).</p>
Prospective Financial Information		
Performing the Assurance Engagement Assurance Procedures		
103. The assurance practitioner shall use professional judgement to design and perform procedures including: (Ref: Para. A83)		
(d) determining whether the assumptions used in the preparation are: (Ref: Para. A85)		
(v) attributable to the underlying event(s) or transaction(s); and	(v) attributable to the underlying event(s) or transaction(s), or to unusual or non-recurring transactions that are not part of the normal operations of the entity; and/or errors or uncertainties to be corrected; and	Pro forma adjustments, other than those specifically related to the fundraising transaction are included in the definition of event(s) or transaction(s) and certain sections of the ED, such as section 80(e) which includes reference to "other transaction for which pro forma adjustments have been made". Reference is also made to within section A121 to pro forma adjustments related to unusual or non-recurring events and errors or

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<p>Preparing the Assurance Report</p>		<p>uncertainties. We suggest these wording changes to ensure that such “other” pro forma adjustments are also incorporated in this section.</p>
<p><i>Basic Elements of the Assurance Report</i></p>		
<p>134. The assurance report shall include, at a minimum, each of the following elements: (Ref: Para. A110-A111)</p>		
<p>(d) statements by the assurance practitioner that:</p>		
<p>(i) the engagement did not include:</p>		
<ul style="list-style-type: none"> • an audit or review of the prospective financial information; or 	<p>if applicable, an audit or review of the prospective financial information; or</p>	<p>The assignment may well include a review of the prospective financial information.</p>
<p>(h) a statement disclaiming the assurance practitioner’s responsibility for the achievability of the results indicated by the prospective financial information;</p>		<p>We note that the ED does not include reference to a liability paragraph however the illustrative IARs in the appendix do include such a paragraph. We suggest that this be included as an element of the assurance report.</p>
<p>135. If the assurance practitioner is required by law or regulation to use a specific layout or wording in the assurance report, the assurance practitioner shall evaluate whether users might misunderstand the assurance obtained; and if so, whether additional explanation in the assurance practitioner’s report can mitigate possible misunderstanding. The assurance practitioner shall not report compliance in the assurance report with this ASAE or other AUASB Standards unless the assurance report includes, at a minimum, each of the elements identified in paragraph 134 of this ASAE.</p>	<p>135. If the assurance practitioner is required by law or regulation to use a specific layout or wording in the assurance report, the assurance practitioner shall evaluate whether the assurance report is acceptable in the circumstances of the assurance engagement users might misunderstand the assurance obtained and if so, whether additional explanation in the assurance practitioner’s report can mitigate possible misunderstanding. The assurance practitioner shall not report compliance in the assurance report with this ASAE or other AUASB Standards unless the assurance report includes, at a minimum, each of the elements identified in paragraph 134 of this ASAE.</p>	<p>Refer para. 70 for comments.</p>
<p>Pro Forma Forecast</p>		
<p>Performing the Assurance Engagement Assurance Procedures</p>		

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ED wording	PwC Suggested Wording	PwC Comment
<p>144. In addition to the requirements in paragraphs 103 to 105 inclusive of this ASAE the assurance practitioner shall design and perform the following procedures on the pro forma forecast:</p>		
<p>(c) determine whether the pro forma adjustments are:</p>		
<p>(i) in accordance with the entity's recognition and measurement accounting policies disclosed in section [X] of the document except for adjustments to comply with the stated basis of preparation; and</p>	<p>in accordance with the entity's recognition and measurement accounting policies disclosed in section [X] of the document except for adjustments to comply with the stated basis of preparation; and</p>	<p>The concept of being in accordance with the entity's recognition and measurement accounting policies "except for adjustments to comply with the stated basis of preparation" is no longer referred to in the illustrative IARs and other sections of the ED. We suggest the wording changes (at left) to ensure consistency throughout the document.</p>
<p>Preparing the Assurance Report <i>Basic Elements of the Assurance Report</i></p>		
<p>147. In addition to the requirement in paragraphs 134 and 135 of this ASAE, the assurance report on pro forma forecast shall include, at a minimum, each of the following elements:</p>		
<p>(a) a scope section that:</p>		
<p>(i) defines the stated basis of preparation of the pro forma forecast as the recognition and measurement principles contained in Australian Accounting Standards applied to:</p>		
<ul style="list-style-type: none"> the pro forma adjustments, as described in section [X] of the document, as if the transactions and events to which the adjustments related had occurred as at the date of the base prospective financial information; 	<p>the pro forma adjustments, as described in section [X] of the document as if the transactions and events to which the adjustments related had occurred as at the date of the base prospective financial information;</p>	<p>As per our suggested wording amendments to the definition of Pro forma financial information, we have suggested the wording change to this section to ensure other pro forma adjustments (that is, those not directly related to the fundraising) are covered by the assurance report. These "other" pro forma adjustments are not always adjusted as if they occurred as at the date of the base historical financial information, sometimes they are removed altogether (for example a one-off cost of restructuring).</p>

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(f) the assurance practitioner's assurance conclusion:		
(i) in a limited assurance engagement, with an unmodified conclusion, that nothing has come to the assurance practitioner's attention that causes the assurance practitioner to believe that:		
<ul style="list-style-type: none"> • the pro forma forecast itself is unreasonable; or 		
(ii) in a limited assurance engagement, with a modified conclusion, a statement that provide a clear description of all the reasons for the modification, with the effects appropriately quantified, to the extent reasonably practical, and disclosed in the assurance report; or	<p>in a limited assurance engagement, with a modified conclusion, a statement that provides a clear description of all the reasons for the modification, with the effects appropriately quantified, to the extent reasonably practical, and disclosed in the assurance report; or</p>	
(iii) in an assurance engagement with reasonable and limited assurance expressed on different aspects of the pro forma forecast:	<p>in an assurance engagement with reasonable and limited assurance expressed on different aspects of the pro forma forecast:</p>	<p>We note that in practice an opinion with reasonable and limited assurance expressed on different aspects of the pro forma forecast is unlikely to be given. Whilst we agree that it is possible, it may be confusing to the user, and we do not consider it necessary to specify as a separate example in the ED.</p>
<ul style="list-style-type: none"> • reasonable assurance that the assurance practitioner believes, in all material respects, that the best-estimate assumptions provide a reasonable basis for the pro forma forecast; 	<ul style="list-style-type: none"> • reasonable assurance that the assurance practitioner believes, in all material respects, that the best-estimate assumptions provide a reasonable basis for the pro forma forecast; 	
<ul style="list-style-type: none"> • reasonable assurance that in all material respects, the pro forma forecast is properly prepared on the basis of the best-estimate assumptions as described in section [X] of the document; and is presented fairly in accordance with the stated basis of preparation, as described in the scope section of this report; and 	<ul style="list-style-type: none"> • reasonable assurance that in all material respects, the pro forma forecast is properly prepared on the basis of the best-estimate assumptions as described in section [X] of the document; and is presented fairly in accordance with the stated basis of preparation, as described in the scope section of this report; and 	
<ul style="list-style-type: none"> • limited assurance that the pro forma forecast itself is unreasonable; or 	<ul style="list-style-type: none"> • limited assurance that the pro forma forecast itself is unreasonable; or 	
Compilation of Pro Forma Financial Information		<p>The ED appears to support the use of compilation reports in takeovers where the assurance practitioner or</p>

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<p>Assurance Engagement Acceptance <i>Preconditions for Acceptance</i> (Ref: Para. A124)</p>		<p>the responsible party do not have access to the acquiree's financial information. However, we consider that certain requirements proposed by the ED would not be possible in this circumstance. In particular, the requirement on the assurance practitioner to ensure the responsible entity shall provide access to the acquiree's information and appropriate individuals (section 148(b)). It would be useful for the standard to include more specific guidance in relation to how the assurance practitioner should report where they do not have access to the other entity's financial information, for example in what circumstances the report should be qualified.</p>
<p>148. The assurance practitioner shall obtain agreement from the responsible party:</p>		
<p>(b) that the responsible party will provide the assurance practitioner with:</p>		
<p>(i) access to all information (including when required, information of acquirees in a business combination), such as records, documentation and other material, relevant to evaluating whether the pro forma financial information has been compiled on the basis of the applicable criteria;</p>		<p>We note that in a business combination it may not be possible for the client to provide access to all of this information on an acquiree, as they may not have access themselves.</p>
<p>(iv) when required, access to appropriate individuals within acquirees in a business combination.</p>		<p>We note that in a business combination it may not be possible for the client to provide access to individuals within the acquiree, as they may not have access themselves.</p>
<p>Performing the Assurance Engagement <i>Assurance Procedures</i></p>		
<p>153. The assurance practitioner shall assess whether the applicable criteria are suitable, as required by ASAE 3000, and in particular shall:</p>		
<p>(a) determine whether the responsible party has used an appropriate source of the base financial information, and: (Ref: Para. A132-A136)</p>		

Appendix B – Comments on Specific Sections of the ED

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<p>(ii) if the source of the base financial information has not been previously audited or reviewed, the assurance practitioner shall design and perform such procedures as in the assurance practitioners' professional judgement are necessary to be satisfied that the source of the base financial information is appropriate; (Ref: Para. A135)</p>		<p>We note this may not be possible if it includes the financial information of an acquiree, for example in a takeover situation where the client does not have access to the acquiree's books and records</p>
<p>(c) determine whether the pro forma adjustments are in accordance with the applicable criteria, and: (Ref: Para. A138-A140)</p>		
<p>(ii) are factually supported. If the acquiree or divestee financial information is included in the pro forma adjustments and there is no audit or review report on the source from which such financial information has been extracted, the assurance practitioner shall perform procedures to be satisfied that the financial information is factually supported ;</p>		<p>We note that where the Financial Information includes a pro forma forecast it may be difficult to meet the factually supported criteria. By their nature assumptions about the future are not factual. We also note that it may not be possible to "perform procedures to be satisfied that the financial information is factually supported" in a business combination transaction where the client does not have access to the acquiree's books and records.</p>
<p>A1. The assurance practitioner ordinarily undertakes financial information related to a fundraising as a limited assurance engagement. A limited assurance engagement consists of making enquiries, primarily of the responsible party and applying analytical and other review procedures. Assurance engagements related to the reporting on the compilation of pro forma financial information may be conducted as either a limited or reasonable assurance engagement.</p>	<p>The assurance practitioner ordinarily undertakes <u>to report on financial information related to a fundraising as a limited assurance engagement</u>. A limited assurance engagement consists of making enquiries, primarily of the responsible party and applying analytical and other review procedures. Assurance engagements related to the reporting on the compilation of pro forma financial information may be conducted as either a limited or reasonable assurance engagement.</p>	
<p>Inability to Comply with the Requirements of this ASAE or Other AUASB Standards (Ref: Para. 21)</p>		
<p>A5. Implications for the assurance engagement include considering whether to continue to perform the assurance engagement, issuing a modified conclusion in the assurance report or refusing to issue the</p>	<p>A5. Implications for the assurance engagement include considering whether to continue to perform the assurance engagement, issuing a modified conclusion in the assurance report or refusing to issue the assurance</p>	<p>We consider that it would be most appropriate to discuss these matters with the responsible party.</p>

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<p>assurance report. The assurance practitioner discusses the implications with the responsible party and any other relevant parties.</p>	<p>report. The assurance practitioner discusses the implications with the responsible party and any other relevant parties.</p>	
<p>Historical Financial Information</p>		
<p>Changes in the Terms of the Engagement</p>		
<p>A14. Examples of when requests from the responsible party may be received include where there has been a change in circumstances affecting the need for the service or a misunderstanding of the nature of the assurance services to be provided. The assurance practitioner considers the justification for the proposed change on the conduct and reporting of the assurance engagement, as well as any evidence that was obtained prior to the assurance practitioner agreeing to the change. Changes that may be unacceptable to the assurance practitioner include: (Ref: Para. 30)</p>	<p>A14. Examples of when requests from the responsible party to change the terms of the engagement may be received include where there has been a change in circumstances affecting the need for the service or a misunderstanding of the nature of the assurance services to be provided. The assurance practitioner considers the justification for the proposed change on the conduct and reporting of the assurance engagement, as well as any evidence that was obtained prior to the assurance practitioner agreeing to the change. Changes that may be unacceptable to the assurance practitioner include: (Ref: Para. 30)</p>	
<p>A20. Materiality is ordinarily considered in terms of both quantitative and qualitative factors, such as relative magnitude, the nature and extent of their effect on the assurance practitioner's evaluation of the historical financial information, and the intended users' interests. 45 In determining materiality, the assurance practitioner uses professional judgement in understanding and assessing these factors and how they might influence the decisions of intended users in evaluating the entity's prospects. (Ref: Para. 36(k))</p>	<p>A20. Materiality is ordinarily considered in terms of both quantitative and qualitative factors, such as relative magnitude, the nature and extent of their effect on the assurance practitioner's evaluation of the historical financial information, and the intended users' interests. 45 In determining materiality, the assurance practitioner uses professional judgement in understanding and assessing these factors and how they might influence the decisions of intended users in evaluating the entity's prospects. (Ref: Para. 36(k))</p>	<p>Para. 36(k) includes reference to <i>ASA 320 Materiality in Planning and Performing an Audit</i> as a helpful guide to determine materiality levels. We consider that ASA 320 should be used as the guide and that no additional guidance is required within this standard.</p> <p>We also note that a broadening of the requirements of ASA 320 may be an unintended consequence of providing materiality guidance in one paragraph within this standard. For example, it is not clear within para. A20 what is meant by "intended users' interests", i.e. do we need to consider the needs of each individual user, and if so, how would we achieve this? ASA 320, however, clarifies that "Judgements about matters that are material to users of the financial report are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered." Therefore if it is considered necessary to include more detailed guidance</p>

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ED wording	PwC Suggested Wording	PwC Comment
<p>A27. If the assurance engagement terms include the assurance practitioner performing a review of the historical financial information, the nature, timing, and extent of review procedures to be carried out may be influenced by various factors, including: (Ref: Para. 40)</p>		<p>in this standard rather than only a reference to ASA 320, the guidance should be consistent with the wording in ASA 320.</p>
<p>(b) whether the historical financial information included in the document is consistent with that of the prior period audited or reviewed historical financial information. For example, such comparatives may have been restated and/or adjusted by the responsible party to ensure consistency of basis of preparation. There may also be cases where the omission of comparatives may be appropriate when a major event or transaction (e.g. restructuring) has occurred since the comparative time period;</p>	<p>(b) whether the historical financial information included in the document is consistent with that of the prior period audited or reviewed historical financial information. For example, such comparatives may have been restated and/or adjusted by the responsible party to ensure consistency of basis of preparation. There may also be cases where the omission of comparatives may be appropriate when a major event or transaction (e.g. restructuring) has occurred since the comparative time period;</p>	<p>In relation to the omission of comparatives we consider that this may not be consistent with ASIC Consultation Papers CP150 <i>Disclosing financial information other than in accordance with accounting standards</i> and RG228 <i>Prospective Disclosure: Improving disclosure for retail investors</i>. CP150 (refer RG 000.77(n)) states “where historical pro forma financial information in the form of a Statement of Financial Position is disclosed, the most recent half year (if applicable) and full year should appear. Where historical pro forma financial information in the form of an Income Statement is disclosed, the most recent half year (if applicable) and preceding two full years should appear.” RG228 (refer RG228.92) indicates that companies with an operating history should consider including financial information for either the three most recent financial years or two and a half years depending on the date of the relevant prospectus.</p>
<p>(f) responses received from the responsible party other parties to enquiries made by the assurance practitioner. Such enquiries may relate to whether there were:</p>	<p>responses received from the responsible party and/or other parties to enquiries made by the assurance practitioner. Such enquiries may relate to whether there were:</p>	
<p>Pro Forma Historical Financial Information</p>		
<p>Planning the Assurance Engagement Planning Activities</p>		
<p>A57. The assurance practitioner needs to ensure</p>	<p>The assurance practitioner needs to ensure that all pro</p>	

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ED wording	PwC Suggested Wording	PwC Comment
<p>that all pro forma adjustments applied to the base financial information by the responsible party have a reasonable basis of preparation and are supported by appropriate evidence. Adjustments may be made to:</p>	<p>forma adjustments applied to the base financial information by the responsible party have a reasonable basis of preparation and are supported by appropriate evidence. Adjustments may be made to:</p>	
<p>(a) illustrate the impact of a significant event(s) or transaction(s), as if the event had occurred, or the transaction had been undertaken at an earlier date selected for the purposes of the illustration;</p>	<ul style="list-style-type: none"> • illustrate the impact of a significant event(s) or transaction(s), as if the event had occurred, or the transaction had been undertaken at an earlier date selected for the purposes of the illustration; and/or • to eliminate the effects of unusual or non-recurring transactions that are not part of the normal operations of the entity; and/or • to correct errors or uncertainties 	<p>Pro forma adjustments, other than those specifically related to the fundraising transaction are included in the definition of event(s) or transaction(s) and certain sections of the ED, such as section 80(e) which includes reference to “other transaction for which pro forma adjustments have been made”. Reference is also made within section A121 to pro forma adjustments related to unusual or non-recurring events and errors or uncertainties.</p> <p>We suggest these wording changes to the definition of pro forma financial information to ensure that such “other” pro forma adjustments are also incorporated in this definition of pro forma information.</p>
<p>Preparing the Assurance Report <i>Basic Elements of the Assurance Report</i></p>		
<p>A60. The stated basis of preparation described in the document should include the extent to which the entity has been consistent with the applicable financial reporting framework (ordinarily the recognition and measurement principles in the Australian Accounting Standards), except for the pro forma adjustments made to reflect the fundraisings transaction and other transactions and events for which adjustments have been made in the pro forma historical financial information. (Ref: Para. 84(d)(i))</p>	<p>The stated basis of preparation described in the document should include the extent to which the entity has been consistent with the applicable financial reporting framework (ordinarily the recognition and measurement principles in the Australian Accounting Standards), except for the pro-forma adjustments made to reflect the fundraisings transaction and other transactions and events for which adjustments have been made in the pro-forma historical financial information. (Ref: Para. 84(d)(i))</p>	<p>The concept of being in accordance with the entity’s recognition and measurement accounting policies “except for adjustments to comply with the stated basis of preparation” is no longer referred to in the illustrative IARs and other sections of the ED. We suggest the wording changes (at left) to ensure consistency throughout the document.</p>
<p>Prospective Financial Information Assurance Engagement Acceptance <i>Preconditions for Acceptance</i> (Ref: Para. 86-87)</p>		
<p>A62. The nature of prospective financial information being related to events and actions that</p>	<p>A62. The nature of prospective financial information being related to events and</p>	<p>We note that in practice an opinion with reasonable and limited assurance expressed on different aspects of the</p>

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ED wording	PwC Suggested Wording	PwC Comment
<p>have not yet occurred, and may not occur, means that the engagement is conducted as a combination of a limited assurance and reasonable assurance engagement. Evidence may be available to support the underlying best-estimate assumptions, however such evidence is itself generally future orientated and, therefore, speculative in nature. Due to this, the assurance practitioner is not able to express any assurance as to whether the results shown in the prospective financial information will be achieved. Further, given the nature of the evidence available in assessing the reasonableness of the best-estimate assumptions on which the prospective financial information is based, it is ordinarily difficult for the assurance practitioner to obtain a level of satisfaction sufficient to be able to express reasonable assurance that the best-estimate assumptions are free of material misstatement. Consequently, the assurance practitioner ordinarily expresses limited assurance on the reasonableness of best-estimate assumptions that are described in the document. The assurance practitioner is ordinarily able to express reasonable assurance that the prospective financial information has been properly prepared on the basis of those best-estimate assumptions, or presented fairly in accordance with the entity's chosen applicable financial reporting framework.</p>	<p>actions that have not yet occurred, and may not occur, means that the engagement is conducted as a combination of a limited assurance and reasonable assurance engagement. Evidence may be available to support the underlying best-estimate assumptions, however such evidence is itself generally future orientated and, therefore, speculative in nature. Due to this, the assurance practitioner is not able to express any assurance as to whether the results shown in the prospective financial information will be achieved. Further, given the nature of the evidence available in assessing the reasonableness of the best-estimate assumptions on which the prospective financial information is based, it is ordinarily difficult for the assurance practitioner to obtain a level of satisfaction sufficient to be able to express reasonable assurance that the best-estimate assumptions are free of material misstatement. Consequently, the assurance practitioner ordinarily expresses limited assurance on the reasonableness of best-estimate assumptions that are described in the document. The assurance practitioner is ordinarily able to express reasonable assurance that the prospective financial information has been properly prepared on the basis of those best-estimate assumptions, or presented fairly in accordance with the entity's chosen applicable financial reporting framework.</p>	<p>pro forma forecast is unlikely to be given. Whilst we agree that it is possible, it may be confusing to the user, and we do not consider it necessary to specify as a separate example in the ED.</p>
<p>A65. If the base financial information that is the source of the prospective financial information has not been previously audited or reviewed, with an unmodified audit opinion or review conclusion issued, the assurance practitioner is ordinarily unable to</p>	<p>If the base financial information that is the source of the prospective financial information has not been previously audited or reviewed, with an unmodified audit opinion or review conclusion issued, the assurance practitioner is ordinarily unable less likely</p>	

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ED wording	PwC Suggested Wording	PwC Comment
<p>provide any assurance on the prospective financial information. In such circumstances, the assurance practitioner discusses the matter with the responsible party, and may consequently agree to undertake an engagement to report on the compilation of the prospective financial information rather than the prospective financial information itself. (Ref: Para. 88(a)(iv))</p>	<p>to be able to provide any assurance on the prospective financial information. In such circumstances, the assurance practitioner discusses the matter with the responsible party, and may consequently agree to undertake an engagement to report on the compilation of the prospective financial information rather than the prospective financial information itself. (Ref: Para. 88(a)(iv))</p>	
<p>A79. Materiality is ordinarily considered in terms of both quantitative and qualitative factors, such as relative magnitude, the nature and extent of their effect on the assurance practitioner's evaluation of the historical financial information, and the intended users' interests.⁶⁴ In determining materiality, the assurance practitioner uses professional judgement in understanding and assessing these factors and how they might influence the decisions of intended users in evaluating the entity's prospects.</p>	<p>A79. Materiality is ordinarily considered in terms of both quantitative and qualitative factors, such as relative magnitude, the nature and extent of their effect on the assurance practitioner's evaluation of the historical financial information, and the intended users' interests.⁶⁴ In determining materiality, the assurance practitioner uses professional judgement in understanding and assessing these factors and how they might influence the decisions of intended users in evaluating the entity's prospects.</p>	<p>Refer para. A20 for comments.</p>
<p>Source of the Prospective Financial Information (Ref: Para. 103(c))</p>		
<p>A84. The extent of procedures and evidence required depends on the agreed terms of the assurance engagement, and type of assurance to be obtained. When designing and performing assurance procedures, the assurance practitioner considers the adequacy, relevance and reliability of the information obtained to be used as evidence.⁶⁶ The assurance practitioner ordinarily performs the following assurance procedures on the source of the prospective financial information:</p>		
<p>(b) if the source of the prospective financial information is a mixture of a forecast and a projection:</p>	<p>(b) if the source of the prospective financial information is a mixture of a forecast and a projection:</p>	<p>We note that projections are not an acceptable form of prospective financial information in a public document, and therefore we consider that this paragraph which includes projections as a source of prospective financial information can be deleted.</p>
<p>(i) understanding what documentation is available to</p>	<p>(i) understanding what</p>	

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ED wording	PwC Suggested Wording	PwC Comment
<p>support the inclusion of the projection;</p> <p>(ii) determining whether the projection has a material impact on the overall prospective financial information;</p>	<p>documentation is available to support the inclusion of the projection;</p> <p>(ii) determining whether the projection has a material impact on the overall prospective financial information;</p>	
<p>(iii) assessing whether the responsible party has a reasonable justification for the inclusion of the projection; and</p> <p>(iv) understanding how the forecast and projection have been combined and consistency checked; or</p>	<p>(iii) assessing whether the responsible party has a reasonable justification for the inclusion of the projection; and</p> <p>(iv) understanding how the forecast and projection have been combined and consistency checked; or</p>	
<p>Prospective Financial Information</p>		
<p>A86. The assurance practitioner's procedures on the prospective financial information itself ordinarily include: (Ref. Para. 103(f)-103(g))</p>		
<p>(c)evaluating the appropriateness of the period of time covered by the prospective financial information, taking into account that it becomes more speculative and less verifiable as the length of the period covered increases⁶⁷; and</p>		
<p>(ii)considering whether the time period is consistent with the entity's normal reporting period so as to make it comparable, and therefore assists intended users make an informed assessment of the entity's prospects;</p>	<p>(ii) considering whether the time period is consistent with the entity's normal reporting period so as to make it comparable and therefore assists intended users make an informed assessment of the entity's prospects;</p>	<p>We agree that the assurance practitioner should consider whether the time period is consistent with the entity's normal reporting period so as to make it comparable, however we consider that it will not follow in all cases that this will assist the users make an informed assessment of the entity's prospects.</p>
<p>(v)considering the needs of the intended users of the prospective financial information;</p>	<p>(v) considering the needs of the intended users of the prospective financial information;</p>	<p>As mentioned previously, we consider that it is difficult for the assurance practitioner to consider the needs of each intended user is likely to differ.</p>
<p>Pro Forma Forecast Assurance Engagement Acceptance</p>		

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ED wording	PwC Suggested Wording	PwC Comment
<p><i>Preconditions for Acceptance</i> (Ref: Para. 141-142)</p> <p>A117. The nature of a pro forma forecast being related to events and actions that have not yet occurred, and may not occur, means that the engagement is conducted as a combination of a limited assurance and reasonable assurance engagement. Evidence may be available to support the underlying best-estimate assumptions, however such evidence is itself generally future orientated and, therefore, speculative in nature. Due to this, the assurance practitioner is not able to express any assurance as to whether the results shown in the pro forma forecast will be achieved. Further, given the nature of the evidence available in assessing the reasonableness of the best- estimate assumptions on which the pro forma forecast is based, it is ordinarily difficult for the assurance practitioner to obtain a level of satisfaction sufficient to be able to express reasonable assumptions are free of material misstatement. Consequently, the assurance practitioner ordinarily expresses limited assurance of best-estimate assumptions that are described in the document. The assurance practitioner is ordinarily able to express reasonable assurance that the pro forma forecast has been properly prepared on the basis of those best estimate those best-estimate assumptions, or presented fairly in accordance with the entity's chosen applicable financial reporting framework.</p>	<p>A117. The nature of a pro forma forecast being related to events and actions that have not yet occurred, and may not occur, means that the engagement is conducted as a combination of a limited assurance and reasonable assurance engagement. Evidence may be available to support the underlying best-estimate assumptions, however such evidence is itself generally future orientated and, therefore, speculative in nature. Due to this, the assurance practitioner is not able to express any assurance as to whether the results shown in the pro forma forecast will be achieved. Further, given the nature of the evidence available in assessing the reasonableness of the best- estimate assumptions on which the pro forma forecast is based, it is ordinarily difficult for the assurance practitioner to obtain a level of satisfaction sufficient to be able to express reasonable assumptions that the best-estimate assumptions are free of material misstatement. Consequently, the assurance practitioner ordinarily expresses limited assurance on the reasonableness of best-estimate assumptions that are described in the document. The assurance practitioner is ordinarily able to express reasonable assurance that the pro forma forecast has been properly prepared on the basis of those best estimate assumptions, or presented fairly in accordance with the entity's chosen applicable financial reporting framework.</p>	<p>We note that in practice an opinion with reasonable and limited assurance expressed on different aspects of the pro forma forecast is unlikely to be given. Whilst we agree that it is possible, it may be confusing to the user, and we do not consider it necessary to specify as a separate example in the ED.</p>
<p>A118. If the base financial information that is the source of the pro forma forecast has not been previously audited or reviewed, with an unmodified audit opinion or review conclusion issued, the assurance practitioner is ordinarily unable to provide any assurance on the prospective financial information. In such circumstances, the assurance practitioner discusses the matter with the responsible party, and consequently may agree to undertake an engagement to report on the compilation of the pro forma forecast</p>	<p>If the base financial information that is the source of the pro forma forecast has not been previously audited or reviewed, with an unmodified audit opinion or review conclusion issued, the assurance practitioner is ordinarily unable to provide any assurance on the prospective financial information. In such circumstances, the assurance practitioner discusses the matter with the responsible party, and consequently may agree to undertake an engagement to report on the compilation of the pro forma forecast</p>	

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ED wording	PwC Suggested Wording	PwC Comment
rather than the pro forma forecast itself.	rather than the pro forma forecast itself.	
<p>Performing the Assurance Engagement <i>Assurance Procedures</i> Pro forma Adjustments (Ref: Para. 144(c))</p>		
<p>A121. The assurance practitioner needs to verify that all pro forma adjustments applied to the base financial information by the responsible have a reasonable basis of preparation and are supported by appropriate evidence. Adjustments may be made:</p>		
<p>(e) to ensure consistency with the applicable financial reporting framework (ordinarily the recognition and measurement principles within the Australian Accounting Standards) to the extent possible given the nature of the pro forma adjustments made in accordance with the applicable criteria; and/or</p>	<p>to ensure consistency with the applicable financial reporting framework (ordinarily the recognition and measurement principles within the Australian Accounting Standards) to the extent possible given the nature of the pro forma adjustments made in accordance with the applicable criteria; and/or</p>	<p>The concept of being in accordance with the entity's recognition and measurement accounting policies "except for adjustments to comply with the stated basis of preparation" is no longer referred to in the illustrative IARs and other sections of the ED. We suggest the wording changes (at left) to ensure consistency throughout the document.</p>
<p>A122. Pro forma adjustments made on an "as if" basis (i.e. not actual results) in accordance with the entity's stated basis of preparation, reflect the fundraising transaction in the pro forma forecast. Their nature necessarily results in a pro forma forecast that is not prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards. Therefore, the assurance practitioner reviews the pro forma adjustments and resultant pro forma forecast with a view to identifying inconsistencies in the basis of preparation with the Australian Accounting Standards and differences made in accordance with the entity's stated basis of preparation.</p>	<p>A122. Pro forma adjustments made on an "as if" basis (i.e. not actual results) in accordance with the entity's stated basis of preparation, reflect the fundraising transaction in the pro forma forecast. Their nature necessarily results in a pro forma forecast that is not prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards. Therefore, the assurance practitioner reviews the pro forma adjustments and resultant pro forma forecast with a view to identifying inconsistencies in the basis of preparation with the Australian Accounting Standards and differences made in accordance with the entity's stated basis of preparation.</p>	
<p>Compilation of Pro Forma Financial Information Assurance Engagement Acceptance <i>Preconditions for Acceptance</i></p>		
<p>A124. The assurance practitioner should make it clear</p>		<p>We consider that these points should also be made clear</p>

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ED wording	PwC Suggested Wording	PwC Comment
<p>to the responsible party that the assurance engagement will not involve the assurance practitioner expressing assurance on:</p>		<p>to the reader of the compilation report and suggest consideration be given to making these points more explicit in the illustrative examples.</p>
<p>A139. Pro forma adjustments that result from acquiree or divestee financial information also require factual support for their inclusion. Applicable law or regulation may require the source of the acquiree's base financial information to be audited or reviewed for the purposes of the document in which the pro forma financial information appears. In such circumstances, the acquiree financial information will be factually supportable. Where the acquirees base financial information has not been audited or reviewed, the practitioner may perform the following procedures in order to assess if the acquiree financial information is factually supported:</p>		
<p>(a) enquiring of the acquirees management about:</p>		<p>We note this may not be possible in a business combination as client/assurance practitioner may not have access to the acquiree's management</p>
<p>(b) considering the findings of the audit or review of the immediately preceding annual or interim financial information and whether these might indicate any issues with the preparation of the source of the base financial information;</p>		<p>We note this may not be possible in a business combination as client/assurance practitioner may not be able to access the acquiree's audit work papers</p>
<p>Appendix 2 (Ref: Para. A13) ILLUSTRATIVE ENGAGEMENT LETTER</p>		
<p>Review of the compilation of the aggregated pro forma forecast of ABC Company and XYZ Target</p>		
<p>Our review of the compilation of the aggregated forecast will be substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. Our review is not an audit and we will not express an audit opinion on the</p>	<p>Our review of the compilation of the aggregated forecast will be substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. Our review is not an audit and we will not express an audit opinion on the</p>	

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ED wording	PwC Suggested Wording	PwC Comment
<p>compilation of the aggregated forecast. We will not express any opinion or assurance, in relation to the [publicly] available forecast information of XYZ Target, or the directors' best-estimate assumptions underlying the aggregated forecast, and we will make this clear in our report.⁷⁷</p>	<p>compilation of the aggregated forecast. We will not express any opinion or assurance, in relation to the [publicly] available forecast information of XYZ Target, or the directors' best-estimate assumptions underlying the aggregated forecast, or whether the Financial Information complies with the recognition and measurement principles of Australian Accounting Standards, and we will make this clear in our report.⁷⁷</p>	
<p>Reporting</p> <p>As a result of the above work procedures we intend to issue an Independent Assurance Report to the directors of ABC Company on the historical financial information, the compilation of the aggregated pro forma historical financial information and the ABC Company forecast for inclusion in the proposed Bidder Statement.</p>	<p>As a result of the above work procedures we intend to issue an Independent Assurance Report to the directors of ABC Company on the historical financial information, the compilation of the aggregated pro forma historical financial information and the ABC Company forecast and the pro forma forecast of ABC Company and XYZ Target for inclusion in the proposed Bidder Statement.</p>	
<p>Reliance on information</p>		<p>Para 148 details in relation to compilation engagements that the assurance practitioner is required to agree with the responsible party their responsibilities and the access to be provided to the practitioner. We consider that these requirements should be reviewed to determine if they should be covered off within the engagement letter.</p>
<p>Appendix 3 (Ref: Para. A40)</p> <p>ILLUSTRATIVE REPRESENTATION LETTER</p>		
<p>Directors' forecast</p> <p>All material transactions have been properly included in the directors' forecast.</p>	<p>All forecast material transactions have been properly included in the directors' forecast.</p>	
<p>Appendix 4 (Ref: Para. A49 and A111)</p> <p>ILLUSTRATIVE ASSURANCE REPORTS</p>		<p>We suggest consideration should be given to an additional illustrative assurance report based on the example of a Target being acquired and the financial information includes combined pro forma historical and forecast financial information to be included in a public document, with an unmodified limited assurance conclusion. (Where the assurance practitioner is</p>

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ED wording	PwC Suggested Wording	PwC Comment
<p>Illustration 2: Independent Assurance Report (Private Report) on prospective financial information, in the form of a forecast, not included in a public document, with an unmodified limited assurance conclusion</p>	<p><u>Illustration 2: Independent Assurance Report (Private Report) on prospective financial information, in the form of a forecast, not included in a public document, with an unmodified limited assurance conclusion</u> <u>Independent Assurance Report on prospective financial information in the form of a forecast and a pro forma forecast included in a public document, with an unmodified limited assurance conclusion</u></p>	<p>provided access to the acquiree's management and financial information).</p> <p>Wording amendments to make title consistent with contents of Illustration 2.</p>
<p>Illustration 3: Independent Assurance Report on prospective financial information in the form of a forecast and a pro forma forecast included in a public document, with an unmodified limited assurance conclusion</p>	<p><u>Illustration 3: Independent Assurance Report on prospective financial information in the form of a forecast and a pro forma forecast included in a public document, with an unmodified limited assurance conclusion</u> <u>Independent Assurance Report (Private Report) on prospective financial information, in the form of a forecast, not included in a public document, with an unmodified limited assurance conclusion</u></p>	<p>Wording amendments to make title consistent with contents of Illustration 3.</p> <p>We consider a more appropriate and relevant example might be a private report to the directors on a management's forecast which may subsequently be used in a public document.</p>
<p>Illustration 4: Independent Assurance Report on prospective financial information that is a mix of a forecast and a projection, not included in a public document, with an unmodified limited assurance conclusion</p>		<p>We consider that Illustration 4 should not be included in the standard as it deals with hypothetical assumptions and therefore its use should not be encouraged by including it as an illustration.</p>
<p>Illustration 1: Engagement Circumstances include the following:</p>		
<p>Independent Assurance Report on historical and pro forma historical financial information</p>		
<p>[Insert any background information relating to ABC Company and/or the proposed fundraising deemed relevant; if any.]</p>		<p>We consider there should also be a paragraph stating that the nature of the report is such that it should be given by an AFSL holders and that the firm holds such a licence.</p>
<p>Scope</p>		

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ED wording	PwC Suggested Wording	PwC Comment
<p>The historical financial information has been extracted from the financial report of ABC Company for the year(s) ended [insert date], which was audited by [Firm Name] in accordance with the Australian Auditing Standards. [Firm Name] issued a [modified/unmodified] audit opinion on the financial report. The historical financial information is presented in the prospectus in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to year-end financial reports prepared in accordance with the <i>Corporations Act 2001</i></p>		<p>We suggest consideration should be given to placing this wording as a separate paragraph at the end of the scope section.</p>
<p>The pro forma historical financial information has been derived from the historical financial information of ABC Company, after adjusting for the pro forma adjustments described in section [X] of the prospectus. The stated basis of pro forma historical financial information is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and pro forma adjustments, as described in section [X] of the prospectus, as if those adjustments had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the company's actual [financial position], [financial performance], and/or [or cash flows].</p>	<p>The pro forma historical financial information has been derived from the historical financial information of ABC Company, after adjusting for the effects of the pro forma adjustments described in section [X] of the prospectus. The stated basis of preparation of the pro forma historical financial information is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and pro forma adjustments, as described in section [X] of the prospectus, as if those adjustments transactions/events had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the company's actual [financial position], [financial performance], and/or [or cash flows].</p>	<p>We suggest consideration should be given to placing this wording as a separate paragraph at the end of the scope section.</p>
<p>Illustration 2: Engagement Circumstances include the following:</p>		
<p>Independent Assurance Report on the financial forecast and pro forma forecast</p>	<p>Independent Assurance Report on the financial forecast and pro forma forecast</p>	

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ED wording	PwC Suggested Wording	PwC Comment
<p>Scope</p> <p>the pro forma forecast Statement of Financial Performance of ABC Company for the period(s) ending [insert date], (“pro forma forecast”). The pro forma forecast has been derived from the financial forecast of ABC Company, after adjusting for the effects of the pro forma adjustments described in section [X] of the [public document]. The stated basis of preparation of the pro forma forecast is the recognition and measurement principles contained in Australian Accounting Standards applied to the financial forecast and the pro forma adjustments as if those adjustments had occurred as at the date of the financial forecast. Due to its nature, the pro forma forecast does not represent the company’s actual [financial position], [financial performance], and/or [or cash flows].</p>	<p>the pro forma forecast Statement of Financial Performance of ABC Company for the period(s) ending [insert date], (“pro forma forecast”). The pro forma forecast has been derived from the financial forecast of ABC Company, after adjusting for the effects of the pro forma adjustments described in section [X] of the [public document]. The stated basis of preparation of the pro forma forecast is the recognition and measurement principles contained in Australian Accounting Standards applied to the financial forecast and the pro forma adjustments as if those adjustments had occurred as at the date of the financial forecast. Due to its nature, the pro forma forecast does not represent the company’s <u>actual</u> <u>prospective</u> [financial position], [financial performance], and/or [or cash flows] <u>for the period ending</u> [insert date].</p>	
<p>Conclusion</p> <p><i>Financial forecast</i></p> <p>Prospective financial information, such as the financial forecast Statement of Financial Performance relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions on which the forecast(s) [is/are] based, those assumptions are generally future orientated and therefore speculative in nature. Accordingly, actual financial performance may vary from the financial forecast Statement of Financial Performance presented in the [public document] and such variations may be material. [In addition, the actual financial performance may include any gains or losses arising from movements in the market values of investment properties and derivatives.] We express</p>	<p>Prospective financial information, such as the financial forecast Statement of Financial Performance relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions on which the forecast(s) [is/are] based, those assumptions are generally future orientated and therefore speculative in nature. Accordingly, actual financial performance may vary from the financial forecast Statement of Financial Performance presented in the [public document] and such variations may be material. [In addition, the actual financial performance may include any gains or losses arising from movements in the market values of investment properties and derivatives.] We express</p>	<p>We are unsure of the benefit of highlighting these two specific examples.</p>

Appendix B – Comments on Specific Sections of the ED

ED wording	PwC Suggested Wording	PwC Comment
<p>no opinion as to whether the financial forecast Statement of Financial Performance will be achieved.</p>	<p>no opinion as to whether the financial forecast Statement of Financial Performance will be achieved.</p>	
<p><i>Pro Forma Forecast</i></p> <p>Prospective financial information, such as the pro forma forecast Statement of Financial Performance relate to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions on which the pro forma forecast Statement of Financial Performance is based, those assumptions are generally future orientated and therefore speculative in nature. Accordingly, actual financial performance may vary from the pro forma forecast Statement of Financial Performance presented in the [public document] and such variations may be material. [In addition, the actual financial performance may include any gains or losses arising from movements in the market values of investment properties and derivatives.] We express no opinion as to whether the pro forma forecast Statement of Financial Performance will be achieved.</p>	<p>Prospective financial information, such as the pro forma forecast Statement of Financial Performance relate to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions on which the pro forma forecast Statement of Financial Performance is based, those assumptions are generally future orientated and therefore speculative in nature. Accordingly, actual financial performance may vary from the pro forma forecast Statement of Financial Performance presented in the [public document] and such variations may be material. [In addition, the actual financial performance may include any gains or losses arising from movements in the market values of investment properties and derivatives.] We express no opinion as to whether the pro forma forecast Statement of Financial Performance will be achieved.</p>	<p>We are unsure of the benefit of highlighting these two specific examples.</p>
<p>Illustration 5: Engagement Circumstances include the following:</p>		
<p>ABC Company proposes to issue a prospectus as a public document.</p> <p>Reasonable assurance engagement on the compilation of pro forma historical financial information with an unmodified conclusion.</p>		
<p>Scope</p>		
<p>You have requested [Firm Name] to provide an opinion on whether the pro forma historical financial information included in the [public document] has been compiled by the directors of ABC Company. The pro forma historical financial information consists of</p>	<p>You have requested [Firm Name] to provide an opinion on whether the pro forma historical financial information included in the [public document] has been compiled by the directors of ABC Company on the basis of the applicable criteria set out in section [x] of the</p>	

Appendix B – Comments on Specific Sections of the ED

ED wording	PwC Suggested Wording	PwC Comment
<p>[the pro forma Net Asset Statement as at [date]], [the pro forma Statement of Financial Performance for the period ended [date]] [and the pro forma Cash Flow Statement for the period ended [date]], (collectively “the pro forma historical financial information”) as described in section [X] of the [public document] issued by the company. The pro forma historical financial information has been compiled using the applicable criteria described in section [X] of the document.</p>	<p>Document. The pro forma historical financial information consists of [the pro forma Net Asset Statement as at [date]], [the pro forma Statement of Financial Performance for the period ended [date]] [and the pro forma Cash Flow Statement for the period ended [date]], (collectively “the pro forma historical financial information”) as described in section [X] of the [public document] issued by the company. The pro forma historical financial information has been compiled using the applicable criteria described in section [X] of the document.</p>	
<p>Illustration 6: Engagement Circumstances include the following:</p>		
<p>ABC Company proposes to issue a prospectus as a public document. Limited assurance engagement on the compilation of a pro forma forecast with an unmodified conclusion.</p>		
<p>Scope</p>		
<p>You have requested [Firm Name] to review whether the pro forma forecast included in the [public document] has been compiled by the directors of ABC Company. The pro forma forecast consists of [the Pro Forma Net Asset Statement as at [date]], [the Pro Forma Statement of Financial Performance for the period ended [date]] [and the Pro Forma Cash Flow Statement for the period ended [date]] (collectively “the pro forma forecast”) as described in section [X] of the [public document] issued by the company. The pro forma forecast has been compiled using the applicable criteria described in section [X] of the document.</p>	<p>You have requested [Firm Name] to review whether the pro forma forecast included in the [public document] has been compiled by the directors of ABC Company on the basis of the applicable criteria set out in Section [X] of the document. The pro forma forecast consists of [the Pro Forma Net Asset Statement as at [date]], [the Pro Forma Statement of Financial Performance for the period ended [date]] [and the Pro Forma Cash Flow Statement for the period ended [date]] (collectively “the pro forma forecast”) as described in section [X] of the [public document] issued by the company. The pro forma forecast has been compiled using the applicable criteria described in section [X] of the document.</p>	
<p>The pro forma forecast has been compiled by the directors to illustrate the impact of the [event or</p>	<p>The pro forma forecast has been compiled by the directors to illustrate the impact of the [event or</p>	

Appendix B – Comments on Specific Sections of the ED

ED wording	PwC Suggested Wording	PwC Comment
<p>transaction] described in section [X] on the [public document]. As part of the process, information about the company's [financial position], [financial performance] [and/or cash flows] has been extracted from the company's financial report [for the period ended [date]], on which [[an audit or review] report]/[no audit or review report] has been issued. Due to its nature, the pro forma forecast does not represent the company's actual [financial position], [financial performance], [and/or cash flows].</p>	<p>transaction] described in section [X] on the [public document]. As part of the process, information about the company's [financial position], [financial performance] [and/or cash flows] has been extracted from the company's financial report [for the period ended [date]], on which [[an audit or review] report]/[no audit or review report] has been issued. Due to its nature, the pro forma forecast does not represent the company's actual prospective [financial position], [financial performance], [and/or cash flows].</p>	