



**AFSA GUIDANCE ON INTERPRETATION OF
AIFC MARKET RULES REQUIREMENTS REGARDING
PRO-FORMA FINANCIAL INFORMATION**

AIFC ACT No. AFSA-L-PC-2019-0007

Approval Date: 26 July 2019

Commencement Date: 26 July 2019



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1. Pursuant to Rule 1.4.5(c)(i) of the AIFC Markets Rules (MAR), where applicable, Prospectus must include pro forma financial information.
2. This guidance describes the view of the AFSA on matters relating to pro forma financial information.
3. In the case of a significant gross change (variation of more than 25% relative to one or more indicators), the pro forma financial information should contain a description of how the transaction might have affected the assets and liabilities and earnings of the Issuer, had the transaction been undertaken at the commencement of the period being reported on or at the date reported.
4. Pro forma financial information should be preceded by an introductory explanatory paragraph that states in clear terms the purpose of including this information in the Prospectus.
5. The pro forma information must include a description of the transaction, the businesses or entities involved and the period to which it refers, and must clearly state the following:
 - (a) the fact that it has been prepared for illustrative purposes only;
 - (b) the fact that because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the company's actual financial position or results.
6. In order to present pro forma financial information, a balance sheet and profit and loss account, and accompanying explanatory notes, depending on the circumstances may be included.
7. Pro forma financial information must normally be presented in columnar format, composed of:
 - (a) the historical unadjusted information;
 - (b) the pro forma adjustments; and
 - (c) the resulting pro forma financial information in the final column.
8. The sources of the pro forma financial information have to be stated and, if applicable, the financial statements of the acquired businesses or entities must be included in the Prospectus.
9. The pro forma information must be prepared in a manner consistent with the accounting policies adopted by the Issuer in its last or next financial statements and shall identify the following:
 - (a) the basis upon which it is prepared;
 - (b) the source of each item of information and adjustment.
10. Pro forma information may only be published in respect of
 - (a) the current financial period;
 - (b) the most recently completed financial period; and/or;
 - (c) the most recent interim period for which relevant unadjusted information has been or will be published or is being published in the same document.
11. Pro forma adjustments related to the pro forma financial information must be:
 - (a) clearly shown and explained;
 - (b) directly attributable to the transaction;
 - (c) factually supportable.
12. In addition, in respect of a pro forma profit and loss or cash flow statement, they must be clearly identified as to those expected to have a continuing impact on the issuer and those which are not.



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13. The report prepared by the independent accountants or auditors must state that in their opinion:
- (a) the pro forma financial information has been properly compiled on the basis stated;
 - (b) that basis is consistent with the accounting policies of the Issuer.