



Heads Up

ASIC release consultation paper on financial reports of stapled entities

Contents

What is a stapled entity?

How do Australian Accounting Standards apply to stapled entities?

What are ASIC's proposals?

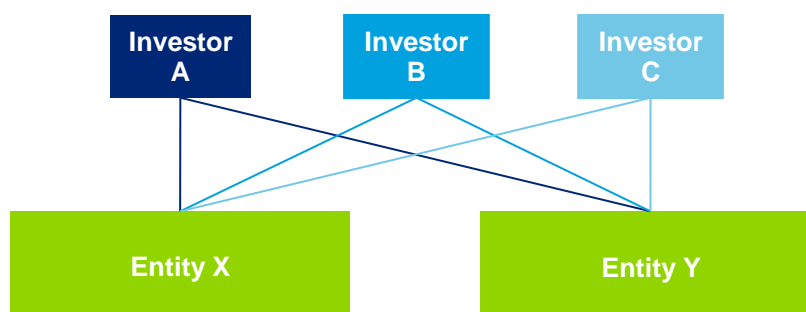
Next steps

"In summary"

- There is currently debate as to whether all stapled entities will be able to prepare consolidated financial statements under AASB 10 *Consolidated Financial Statements* which is effective for accounting periods beginning on or after 1 January 2013
- The ASIC proposes to issue a class order to allow stapled entities to present combined financial statements including all entities in the stapled group
- Combined financial statements would be prepared in addition to an entity's financial statements required by accounting standards
- The ASIC are seeking feedback on their proposals by 30 November 2013 including whether they should allow entities in a stapled group who have previously presented consolidated financial statements to continue to do so
- Diversity in views exist around the application of accounting standards to stapled entities

What is a stapled entity?

A stapled entity is an entity whose securities are stapled to the securities issued by another entity by virtue of a contractual arrangement. The stapled securities cannot be traded or transferred independently and are quoted at a single price. Thereby, all owners of the first entity are also owners of the second entity and the financial performance of an investment in a stapled security is dependent on the financial performance of all the entities whose securities are stapled.



Related Links

- [ASIC Media Release](#)
- [Consultation Paper 217: Presentation of financial statements by stapled entities](#)

How do Australian Accounting Standards apply to stapled entities?

Stapled entities in Australia have historically prepared consolidated financial statements under International Financial Reporting Standards (IFRS). This methodology was initially based on Australian Interpretation 1002 *Post-Date-Of-Transition Stapling Arrangements* that effectively required a stapled group to apply business combination accounting on creation of the stapled arrangement with one of the entities combining under the stapling arrangement identified as the acquirer and the parent for the purpose of preparing consolidated financial statements. Such accounting was developed on the basis that under AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, application of AASB 3 *Business Combinations* was the most appropriate source for the accounting policy. When IFRS/AASB 3 was revised to include business combinations by contract alone this accounting continued and appeared to be supported by International Accounting Standards Board (IASB) debate in September 2004.

On the issuance of AASB 10 *Consolidated Financial Statements*, concerns have arisen around the application of AASB 10 to stapled security arrangements as many do not believe control exists between entities within a stapled group which raises questions around what type of financial statements can or should be prepared and whether business combination accounting can be applied.

What are ASIC's proposals?

The Australian Securities and Investments Commission (ASIC) has issued Consultation Paper 217 *Presentation of financial statements by stapled entities* in which it seeks views on financial reporting by stapled entities. The ASIC is of the view that where there is no control between stapled entities, consolidated financial statements cannot be prepared however they believe that combined financial statements are necessary to give a 'true and fair view' of the financial position and performance of each of the stapled entities by providing an overall view of the entire arrangement. It is our understanding that the ASIC is of the view that in such combined financial statements no business combination accounting may be applied.

In order to allow such financial statements to be prepared the ASIC are proposing to issue a class order that will allow such combined financial statements to be issued in addition to statutory financial statements, that is, per the above example, the consolidated financial statements of each of Entity X and Y separately.

The ASIC are also seeking feedback on whether to provide relief to entities in a stapled group who have previously presented consolidated financial statements to continue to present consolidated financial statements as is currently allowed under ASIC Class Order 13/1050.

The ASIC are seeking feedback on their proposals by 30 November 2013.

Next steps

There are various views on the application of Australian Accounting Standards to stapled entities. Diversity in views is evident by the AASB submission to the IFRS Interpretations Committee on this issue which is expected to be discussed at IFRS Interpretations Committee's November meeting. We therefore strongly encourage you to respond to the ASIC's proposals.

Our team of subject matter experts can assist you to identify and understand the impact of the ASIC's proposals on your business and its financial reporting requirements. If you require assistance, please contact our team of specialists below.

Anna Crawford, Partner
Melissa Sim, Principal

acrawford@deloitte.com.au
msim@deloitte.com.au

02 9322 7177
02 9322 7934

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

About Deloitte

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's approximately 170,000 professionals are committed to becoming the standard of excellence.

About Deloitte Australia

In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 5,700 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit Deloitte's web site at www.deloitte.com.au.

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited