Australian Government
Australian Accounting Standards Board

Level 7, 600 Bourke Street
MELBOURNE VIC 3000
Postal Address
PO Box 204
Collins Street West VIC 8007
Telephone: (03) 9617 7600
Facsimile: (03) 9617 7608

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Mr Alan Texeira
Senior Director, Technical Activities
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Alan,

IASB Staff Request for Information
Business Combinations under Common Control

The staff of the Australian Accounting Standards Board are pleased to respond to the staff of the International Accounting Standards Board on the Request for Information regarding the financial reporting requirements in Australia for initial public offerings, particularly those involving a group restructuring. In formulating these comments, the AASB staff discussed the matter with a number of Australian constituents.

Financial Information Requirements

The AASB staff note that there are no specific financial reporting requirements in Australia for initial public offerings. The AASB has not issued any Accounting Standards addressing IPOs or prospective financial information. The *Corporations Act 2001* (section 710) specifies a general disclosure test for prospectuses: a prospectus for a body's securities must contain all the information that investors and their professional advisers would reasonably require, and reasonably expect to find in the offer document, for the purpose of making an informed assessment of the assets, liabilities, financial position, profits and losses and prospects of the body that is to issue the shares or other interests.

The Australian Securities and Investments Commission (ASIC), as the regulator of corporate entities, has issued general guidelines in relation to prospectuses and similar offer documents. These do not include detailed requirements or guidelines regarding the basis of preparation of financial statements included with the offer document, except in respect of small offers of securities (< $10 million in aggregate), which require the provision of financial reports that comply with Australian Accounting Standards.

General Practices in Offer Documents

In the absence of enforceable requirements generally, there are different views regarding the information that ought to be provided in offer documents, particularly the extent to which fair value information should or might be provided. In part, this reflects different views as to when transactions can be characterised as business combinations under common control (BCUCC).

The typical approach for BCUCC is to report financial information in offer documents based on an entity's financial reporting under Australian Accounting Standards (IFRSs). This is so even when the BCUCC is conditional upon an IPO. However, various approaches may be adopted: either the entity's own financial statement amounts or the amounts as consolidated by the HoldCo group. Although the regulator may prefer entities to include fair value information as well in the offer documents, there are no firm requirements for this.

The different views on identifying whether transactions occur under common control appear to relate to different views as to the meaning of "transitory control". For example, in reference to Example 2 in the IASB staff request for information, one view holds that the restructuring of Entity IP4 [IP3] is a BCUCC because the existing shareholders of HoldCo direct the arrangement, regardless of whether HoldCo retains or loses control of Entity IP4 [IP3] after the IPO. Offerees merely either accept or decline the offer. The alternative view is that the restructuring of Entity IP4 [IP3] does not occur under common control if HoldCo loses control of the entity after the IPO.

The IASB's research project on BCUCC therefore should also address the definition of a business combination under common control, including the meaning of transitory control, so that transactions are classified consistently.

If you have queries regarding any matters in this letter, please contact Clark Anstis (canstis@aasb.gov.au).

Yours sincerely,

Angus Thomson
Director of Research