

Compiled Interpretation Interpretation 1013

Consolidated Financial Statements in relation to Pre-Date-of-Transition Stapling Arrangements

This compiled UIG Interpretation applies to annual reporting periods beginning on or after 1 January 2009 but before 1 July 2009. Early application is permitted. It incorporates relevant amendments made up to and including 13 December 2007.

Prepared on 12 November 2009 by the staff of the Australian Accounting Standards Board.



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COMPILATION DETAILS

UIG Interpretation 1013 *Consolidated Financial Statements in relation to Pre-Date-of-Transition Stapling Arrangements* as amended

This compiled Interpretation applies to annual reporting periods beginning on or after 1 January 2009 but before 1 July 2009. It takes into account amendments up to and including 13 December 2007 and was prepared on 12 November 2009 by the staff of the Australian Accounting Standards Board (AASB).

This compilation is not a separate Interpretation issued by the AASB. Instead, it is a representation of Interpretation 1013 (April 2005) as amended by other pronouncements, which are listed in the Table below.

Table of Pronouncements

Pronouncement	Month issued	Application date (annual reporting periods ... on or after ...)	Application, saving or transitional provisions
Interpretation 1013	Apr 2005	(ending) 31 Dec 2005	see (a) below
AASB 2007-8	Sep 2007	(beginning) 1 Jan 2009	see (b) below
AASB 2007-10	Dec 2007	(beginning) 1 Jan 2009	see (b) below

- (a) Entities may elect to apply this Interpretation to annual reporting periods beginning on or after 1 January 2005 that end before 31 December 2005.
- (b) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009, provided that AASB 101 *Presentation of Financial Statements* (September 2007) is also applied to such periods.

Table of Amendments

Paragraph affected	How affected	By ... [paragraph]
Title	amended	AASB 2007-10 [110]
2	amended	AASB 2007-8 [6]
3	amended	AASB 2007-10 [111]
6	amended	AASB 2007-10 [112]
8-10	amended	AASB 2007-10 [111]
13	amended	AASB 2007-8 [6]
14	amended	AASB 2007-8 [8]

Paragraph affected	How affected	By ... [paragraph]
17	amended amended	AASB 2007-8 [6] AASB 2007-10 [111]
18	amended amended	AASB 2007-8 [6] AASB 2007-10 [111]

INTERPRETATION 1013

UIG Interpretation 1013 was issued in April 2005.

This compiled version of Interpretation 1013 applies to annual reporting periods beginning on or after 1 January 2009 but before 1 July 2009. It incorporates relevant amendments contained in other AASB pronouncements up to and including 13 December 2007 (see Compilation Details).

URGENT ISSUES GROUP

INTERPRETATION 1013

CONSOLIDATED FINANCIAL STATEMENTS IN RELATION TO PRE-DATE-OF-TRANSITION STAPLING ARRANGEMENTS

Interpretation 1013 is set out in paragraphs 1 to 21.

Issue

- 1 Some legal entities listed on the Australian Stock Exchange have issued equity securities which are combined with ('stapled' to) the securities issued by another legal entity. In these cases one entity has not acquired, and does not control, the other entity and the individual legal entities have not been combined into a new legal entity. For the purposes of this Interpretation, securities created when the equity securities of legal entities have been combined in this way are termed 'stapled securities'. The stapled securities cannot be traded or transferred independently and are quoted at a single price.
- 2 The stapling of the equity securities of two or more legal entities results in those entities having owners in common. As such, the financial performance of an investment in a stapled security is dependent on the financial performance of all the entities whose securities are stapled. The performance of all the entities is reflected in the price of the stapled security.
- 3 Prior to transition to Australian equivalents to International Financial Reporting Standards (IFRSs), it was considered that 'stapling' the

securities of two or more legal entities did not necessarily give rise to a parent-subsiary relationship between the entities. Consequently, consolidated financial statements typically were not prepared for entities with stapled securities in accordance with the superseded Accounting Standards AASB 1024 *Consolidated Accounts* and AAS 24 *Consolidated Financial Reports*.

- 4 In the absence of a parent-subsiary relationship, UIG Abstract 13 *The Presentation of the Financial Report of Entities Whose Securities are "Stapled"* provided that when the equity securities of two or more legal entities were issued as a 'stapled security', a reporting entity was created in certain specified circumstances. Further, it required such a reporting entity to prepare a general purpose financial report that combined the financial reports of the individual entities whose securities were stapled by applying certain requirements of AASB 1024 and AAS 24 and other Australian Accounting Standards. Abstract 13 dealt only with those cases where the stapled securities were listed on a stock exchange.
- 5 AASB 3 *Business Combinations* deals with the accounting for business combinations. A business combination is defined broadly as 'the bringing together of separate entities or businesses into one reporting entity' and is considered to capture stapling arrangements, such as those involving pre-existing legal entities that satisfy the definition of a business in AASB 3. However, AASB 3 contains a number of scope exclusions, one of which relates to business combinations by contract alone without the obtaining of an ownership interest (referred to as 'combinations by contract alone'). Consequently, many stapling arrangements are excluded from the scope of AASB 3. On the other hand, stapling arrangements in which one of the combining entities obtains a controlling ownership interest in the other entity or entities are within the scope of AASB 3 and therefore the purchase method in AASB 3 would be relevant.
- 6 The accounting issue is whether, under Australian equivalents to IFRSs, the consolidated financial statements of a parent under a pre-date-of-transition stapling arrangement that exercises the election available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, paragraph 15, are prepared by combining the financial statements of the entities whose securities have been stapled. The subsequent treatment under AASB 127 *Consolidated and Separate Financial Statements* is also at issue.

Consensus

- 7 A stapling arrangement effected prior to the date of transition to Australian equivalents to IFRSs is a business combination for the purpose of applying AASB 1.
- 8 At the date of transition, one of the combining entities shall be identified as the parent for the purpose of preparing consolidated financial statements.
- 9 For the purpose of applying AASB 1 at the date of transition, the consolidated financial statements of the parent under the stapling arrangement shall be the combined financial statements of the entities whose securities are stapled, prepared on the same basis as the combined financial statements for those entities immediately before adopting Australian equivalents to IFRSs, with assets and liabilities adjusted if required in accordance with AASB 1, paragraph 10.
- 10 For the purpose of applying AASB 127 subsequently, the consolidated financial statements of the parent under the stapling arrangement shall be the combined financial statements of the entities whose securities are stapled, prepared on the same basis specified in paragraph 9.

Application

- 11 This Interpretation applies to reporting entities subject to stapling arrangements effected prior to the date of transition to Australian equivalents to IFRSs where:
 - (a) the parent under the stapling arrangement has exercised the election available under AASB 1, paragraph 15, not to apply AASB 3 retrospectively to past business combinations, including that stapling arrangement; and
 - (b) UIG Abstract 13 was previously applied in respect of the stapling arrangement.
- 12 This Interpretation applies to annual reporting periods ending on or after 31 December 2005.

[Note: For application dates of paragraphs changed or added by an amending pronouncement, see Compilation Details.]
- 13 This Interpretation may be applied to annual reporting periods beginning on or after 1 January 2005 that end before

31 December 2005 (due to, for example, a change in end of the reporting period), permitting early application only in the context of adopting all Australian equivalents to IFRSs for such periods. An entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001* may apply this Interpretation to such an annual reporting period when an election has been made in accordance with subsection 334(5) of the *Corporations Act* in relation to AASB 1048 *Interpretation and Application of Standards*. When an entity applies this Interpretation to such an annual reporting period, it shall disclose that fact.

- 14 The requirements specified in this Interpretation apply to the financial statements where information resulting from their application is material in accordance with AASB 1031 *Materiality*.**
- 15 When applied or operative, this Interpretation supersedes Abstract 13 *The Presentation of the Financial Report of Entities Whose Securities are “Stapled”*, as issued in May 2000.**
- 16 Abstract 13 has been withdrawn with effect for annual reporting periods beginning on or after 1 January 2005.**

Discussion

- 17 A stapling arrangement effected prior to the date of transition to Australian equivalents to IFRSs is a business combination, and the combining entity identified as (or, if necessary, deemed to be) the parent will be able to avail itself of the exemption for past business combinations in AASB 1. Under this exemption, the entity is required to retain the same classification as in its previous financial statements immediately before adopting Australian equivalents to IFRSs. Thus the stapling arrangement continues to be classified as a combination of entities rather than an acquisition. This means that the approach previously set out in Abstract 13 is retained for the stapling arrangement. Therefore, for the purpose of applying AASB 1, the opening Australian-equivalents-to-IFRSs consolidated statement of financial position of the entity is prepared on the same combined basis as the combined statement of financial position for the stapled entities immediately before adopting Australian equivalents to IFRSs, with assets and liabilities adjusted if required in accordance with AASB 1, paragraph 10.
- 18 This Interpretation requires entities subject to a stapling arrangement to determine a parent under the stapling arrangement, and that parent to prepare consolidated general purpose financial statements on the basis

of a combined statement of comprehensive income, combined statement of financial position, combined statement of cash flows, combined statement of changes in equity and notes thereto in respect of the entities whose securities are stapled. Consistent with the combination basis under UIG Abstract 13, the combined statement of financial position presents the combined equity of the stapled entities as equity without identifying any minority interests. The requirements of AASB 134 *Interim Financial Reporting* and this Interpretation apply where half-year financial statements are prepared.

Application

- 19 This Interpretation contains requirements for reporting entities subject to certain stapling arrangements effected prior to the date of transition to Australian equivalents to IFRSs that exercise the business combinations election available under AASB 1, paragraph 15, not to apply AASB 3 retrospectively to past business combinations. The Interpretation distinguishes such reporting entities that elect to apply the AASB 1 exemption from those that elect not to apply the exemption. When the exemption is not applied, a parent entity under stapling arrangements would determine the appropriate accounting policy by applying the requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to ensure the provision of relevant and reliable information, given the scope exclusion in AASB 3 for combinations by contract alone.
- 20 Furthermore, the Interpretation does not apply to stapling arrangements occurring on or after an entity's date of transition to Australian equivalents to IFRSs. These stapling arrangements similarly are subject to the requirements of AASB 108, given the scope exclusion in AASB 3 for combinations by contract alone.
- 21 The Interpretation also does not apply to those arrangements generally described as dual listed entities.

REFERENCES

Australia

The Urgent Issues Group discussed Issues Paper 04/3 “Revision of Various UIG Abstracts for 2005” in relation to this Interpretation at meetings on 10 June and 25 November 2004 and 10 February and 22 March 2005. In developing the superseded revised Abstract, the UIG discussed Issue Summary 00/3 “Concise Financial Reports for Entities with Stapled Securities” at its meeting on 23 March 2000.

Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*

Accounting Standard AASB 3 *Business Combinations*

Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

Accounting Standard AASB 127 *Consolidated and Separate Financial Statements*

Accounting Standard AASB 134 *Interim Financial Reporting*

International Accounting Standards Board

International Financial Reporting Standard IFRS 1 *First-time Adoption of International Financial Reporting Standards*

International Financial Reporting Standard IFRS 3 *Business Combinations*

International Accounting Standard IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

International Accounting Standard IAS 27 *Consolidated and Separate Financial Statements*

International Accounting Standard IAS 34 *Interim Financial Reporting*