

EXPLANATORY STATEMENT for

ASIC Corporations (Stapled Group Reports) Instrument 2015/838

Prepared by the Australian Securities and Investments Commission

Corporations Act 2001

The Australian Securities and Investments Commission (ASIC) makes *ASIC Corporations (Stapled Group Reports) Instrument 2015/838* under subsection 341(1) of the *Corporations Act 2001* (the Corporations Act). Subsection 341(1) provides that ASIC may make an order in writing in respect of a specified class of companies, registered schemes or disclosing entities, relieving any of the directors, the companies, registered schemes or disclosing entities themselves, or the auditors of the companies, registered schemes or disclosing entities from all or specified requirements of Parts 2M.2, 2M.3 and 2M.4 (other than Division 4) of the Corporations Act.

1. Background

Sections 295(2) and 303(2) of the Corporations Act allow annual and half-year financial reports to include only those financial statements specified by the accounting standards. An entity's financial report is not permitted to include the financial statements of another entity.

One of the entities in a stapling arrangement is identified as the parent entity and prepares consolidated or combined financial statements covering the whole of the stapled group. However, other entities that are stapled issuers are often required to prepare consolidated financial statements for the entities they control or single-entity financial statements.

2. Purpose of the instrument

Because of the interrelationships of the stapled entities it is often useful for users if all of the financial statements are presented in a single financial report. *ASIC Corporations (Stapled Group Reports) Instrument 2015/838* allows the financial statements of all members of the stapled group to be presented in a single financial report.

Class Order [CO 05/642] is repealed by Schedule 2 to the *ASIC Corporations (Amendment and Repeal) Instrument 2015/843*.

3. Operation of the instrument

A stapled issuer and its directors can include the financial statements, notes to the financial statements and the directors' declaration of other entities in the stapled group in the financial report of the stapled issuer. Similarly, the directors' report of a stapled issuer can include the directors' reports of the other members of the stapled group.

The relief applies where the stapled issuer and the other members of the stapled group are required to prepare financial reports under Chapter 2M of the Corporations Act and rely on the relief in subsection 5(1) of the instrument.

The financial statements of the stapled issuer and the other members of the stapled group may be presented in adjacent columns in the financial report. Alternatively, the consolidated or combined financial statements covering all entities in the stapled group can be presented in a section of the financial report separate to a second section which includes all other consolidated financial statements or single entity financial statements of the stapled issuer and other members of the stapled group.

If the financial report is for a half-year or is a concise report one of the sets of financial statements set out in the previous paragraph (excluding any single entity financial statements not required under the Corporations Act or accounting standard applicable to the report) is to be presented in adjacent columns. Any consolidated or combined financial statements covering the whole of the stapled group must be presented first.

If a directors' declaration or directors' report covers more than one member of the stapled group the directors of those members must be the same:

- (a) at all times during the year; and
- (b) when the declaration or report is made.

Each declaration or part of the directors' report must be presented in a way that enables each member to which it applies to be readily identified.

If the stapled issuer or one or more of the other members of the stapled group is a registered scheme, the financial report must contain a prominent statement that only the responsible entity of a scheme takes responsibility for the financial report of the scheme.

4. Consultation

ASIC has consulted with stakeholders through Consultation Paper 233 which was issued on 16 June 2015 and was open for comment to 17 August 2015.

ASIC has assessed that a Regulatory Impact Statement is not necessary for this instrument as it is operating effectively and efficiently, as informed by the consultation process, and is being remade without significant changes.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

ASIC Corporations (Stapled Group Reports) Instrument 2015/838

ASIC Corporations (Stapled Group Reports) Instrument 2015/838 is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview

The objective of the legislative instrument is to allow the financial statements of all members of a stapled group to be presented in a single financial report.

Human rights implications

This legislative instrument does not engage any of the applicable rights or freedoms.

Conclusion

This legislative instrument is compatible with human rights as it does not raise any human rights issues.

Australian Securities and Investments Commission