

Applying IFRS

Accounting for SPACs

Updated November 2021



Building a better
working world

Contents

1. Overview	2
1.1 The SPAC structure, life cycle and acquisition	2
1.2 Accounting considerations for SPAC transactions	3
2. Identification of the accounting acquirer and accounting implications	4
2.1 Determining the accounting acquirer	4
2.2 SPAC as the accounting acquirer	8
2.3 Target as the accounting acquirer	8
3. Earn-out provisions in an arrangement	12
4. Accounting for financial instruments	15
4.1 Classification of ordinary shares and warrants under IAS 32 by a SPAC before acquisition	15
4.2 Classification of ordinary shares and warrants under IAS 32 by a SPAC upon acquisition	17
5. Accounting for share-based payment transactions	18
5.1 Overview of share-based payment transactions	18
5.2 Accounting considerations for SPACs prior to acquisition	18
5.3 Accounting considerations post-acquisition	20
Appendix: Summary of important changes to this publication	24

What you need to know

- ▶ Acquisition by a special purpose acquisition company (SPAC) offers an alternative to an IPO for private companies that want to enter the public markets.
- ▶ Throughout the life cycle of a SPAC transaction, there are many complex financial reporting issues such as the identification of the accounting acquirer in the transaction and the accounting for financial instruments and share-based payment transactions.
- ▶ In a SPAC transaction, when the target is identified as the accounting acquirer and the SPAC does not constitute a business, the target is deemed to have issued shares to obtain control of the SPAC and the transaction is accounted for as a share-based payment transaction under IFRS 2 *Share-based Payment*.

1. Overview

Acquisition by a SPAC offers private companies a way to go public without having to conduct a traditional initial public offering (IPO). A SPAC is an entity that raises capital from investors in an IPO for the sole business purpose of the future business acquisition of a target which typically has not been identified at the time of the SPAC's IPO.

SPACs have become very popular as a result of greater acceptance among the private companies that are usually SPAC targets and increasing interest from financial sponsors and management teams with experience in private equity.

SPACs have become very popular as a result of greater acceptance among the private operating companies that are usually SPAC targets (targets) and increasing interest from financial sponsors and management teams with experience in private equity, among other market factors. Since the beginning of 2020, SPACs have raised a collective US\$ 167 billion in new capital from investors. During the first three months in 2021, SPACs have already raised more money compared with the entirety of last year¹.

1.1 The SPAC structure, life cycle and acquisition

Upon formation, a SPAC is initially capitalised by sponsors, including the management team, who contribute nominal capital or fund formation and offering costs in exchange for founder shares and, if any, founder warrants in the SPAC. The SPAC then conducts its IPO and seeks capital from investors. Prior to the IPO, a SPAC's balance sheet usually presents only deferred offering costs, the income statement presents nominal operating expenses consisting of organisational and start-up expenses, and the statements of shareholders' equity and cash flows reflect the issuance of founder shares to the sponsors. A SPAC must then comply with the applicable public company periodic reporting obligations.

The instruments sold in a SPAC IPO typically consist of units comprising ordinary shares and warrants to purchase certain ordinary shares in the future. The warrants, which become exercisable shortly after the SPAC acquires a target, are typically issued with a strike price that is out of the money (e.g., 115% of the price per unit in the IPO). They are intended to compensate holders for investing their capital in the SPAC before it acquires a target.

The SPAC typically has a limited period of time to complete an acquisition (e.g., 18 to 24 months). If no successful acquisition has occurred by the end of that period, the SPAC is liquidated, unless public shareholders accept an extension. If the SPAC is liquidated, the IPO proceeds received from public shareholders are returned and the sponsors' contribution is lost.

Once a SPAC identifies a target, it solicits shareholder approval to consummate its acquisition of the target. Public shareholders usually have the right to redeem their shares if they do not wish to invest in the proposed target. Therefore, after an acquisition has been approved, some (e.g., dissenting shareholders) or all public shareholders may require a refund of their investment.

¹ Ernst & Young Global website, https://www.ey.com/en_gl/private-equity/how-the-spac-shockwave-will-shake-private-equity (accessed 4 June 2021)

Subject to the regulatory requirements, the SPAC often needs to provide audited financial statements of the SPAC and the target, pro forma financial information reflecting the proposed acquisition and any other material transactions as well as management's discussion and analysis of the SPAC and target. The disclosures also often include financial and operating projections of the target to facilitate shareholder review and approval of the transaction. The acquisition takes place after receiving shareholders' approval. The sellers of the target may receive cash or equity in the SPAC (or other successor entity) or a combination of the two. In most cases, the sellers of the target will retain some ownership in the combined entity. After the acquisition, the combined entity is a publicly traded entity, and is usually governed by a board of directors that includes the SPAC sponsors, or their representatives, in addition to directors chosen by the sellers. The sponsors may retain the management of the target to manage the combined entity, or the sponsors may actively participate in managing the combined entity.

1.2 Accounting considerations for SPAC transactions

As a SPAC life cycle involves the IPO of the SPAC and the additional complexity of a subsequent acquisition of the target, there are potentially many financial reporting issues, including those related to the identification of the accounting acquirer in the transaction and the accounting for financial instruments and share-based payment transactions before and after the acquisition. As the volume of SPAC transactions continues to grow, stakeholders, including regulators, continue to expect high quality financial reporting which appropriately addresses relevant accounting and disclosure matters. This publication discusses the financial reporting issues throughout the life cycle of a SPAC transaction under International Financial Reporting Standards (IFRS):

- ▶ Section 2 discusses the identification of the accounting acquirer and the related accounting implications
- ▶ Section 3 discusses the accounting considerations for earn-out provisions
- ▶ Section 4 discusses the accounting for financial instruments issued by a SPAC
- ▶ Section 5 discusses the accounting considerations for share-based payment awards issued by a SPAC and its target

The views we express in this publication represent our perspectives as of November 2021. We may identify additional issues as we continue to analyse SPAC transactions and as capital markets practices for these transactions continue to develop. As such, our views may evolve during that process.

While a SPAC legally acquires the target, the accounting for the transaction depends on which entity is considered the acquirer for accounting purposes.

2. Identification of the accounting acquirer and accounting implications

2.1 Determining the accounting acquirer

While a SPAC legally acquires a target, the accounting for the transaction depends on which entity is considered the acquirer for accounting purposes (i.e., the accounting acquirer).

Applying IFRS 3 *Business Combinations*, the identification of an accounting acquirer is an important consideration for the accounting as it determines which net assets are to be measured at their acquisition date fair values and which net assets are to be measured at their pre-combination carrying amounts. Hence, it affects both goodwill and the combined entity's net assets recognised as at the acquisition date as well as the comparatives to be presented.

IFRS 3 applies to a transaction or other event that meets the definition of a business combination. However, it does not apply to the acquisition of an asset or a group of assets that do not constitute a business, as further explained in Section 2.3. Under IFRS 3, the acquirer is the entity that obtains control of the acquiree, which in turn, is defined as the business or businesses that the acquirer obtains control of in a business combination.

The identification of the acquirer, in accordance with paragraph 7 of IFRS 3, requires the application of the guidance in IFRS 10 *Consolidated Financial Statements*. Paragraph 6 of IFRS 10 states: "... an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee."

If IFRS 10 does not clearly indicate which of the combining entities is the acquirer, additional guidance in paragraphs B14-B18 of IFRS 3 includes various other factors to take into account in determining the acquirer.

IFRS 3 notes that a new entity formed to effect a business combination is not necessarily the acquirer. This will depend, among other considerations, on whether it has issued equity interests or paid cash. A new entity that transfers cash or other assets or incurs liabilities as consideration may be the acquirer. In contrast, if it has issued equity interests, one of the combining entities is identified as the acquirer by applying the guidance described below.

Generally, a new entity that has been formed to effect a business combination other than through the issue of shares, will be identified as an acquirer if it is an extension of the party (or parties) that ultimately gains control of the combining entities. This determination requires a thorough analysis of all the facts and circumstances which entails an assessment of the purpose and design of the transaction. When the purpose and design of the transaction indicate that its underlying substance is to gain control over the business by the new ultimate controlling party (or parties), then this new entity is an extension of such a party (or parties) and, therefore, would likely be identified as the acquirer. An example could be a situation when the newly formed entity ('Newco') is used by a group of investors or another entity to acquire a controlling interest in a target entity in an arm's length transaction.

In a business combination effected primarily by transferring cash or other assets, or by incurring liabilities, the acquirer is usually the entity that transfers the cash or other assets or incurs the liabilities. As noted above, this also applies to new entities formed to effect a business combination. Therefore, when a SPAC acquires a business for cash-only consideration, the SPAC is usually the accounting acquirer. However, if the consideration is equity or a mix of cash and equity, determining the accounting acquirer requires further evaluation which is detailed below.

In a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests, but in some business combinations - so-called 'reverse acquisitions'- the issuing entity is the accounting acquiree. For example, a private operating entity may arrange the acquisition of all its existing shares by a public entity in exchange for additional shares issued by the public entity. While the public entity might first appear to be the accounting acquirer by issuing additional shares to acquire the controlling interest in a private entity, it is necessary to consider other facts and circumstances in order to determine the accounting acquirer in a business combination effected by exchanging equity interests under IFRS 3. This may result in a conclusion that the private entity is the accounting acquirer and the public entity is the accounting acquiree. These other facts and circumstances include:

- ▶ The relative voting rights in the combined entity after the business combination. The acquirer is usually the combining entity whose owners as a group retain or receive the largest portion of the voting rights in the combined entity, after taking due account of any unusual or special voting arrangements and options, warrants or convertible instruments. Because SPAC acquisitions often involve redemptions by selling shareholders that may affect the relative voting rights, as well as complex equity structures (e.g., voting shares, non-voting shares, warrants, convertible instruments), these transactions require a careful analysis of the combined entity's post-combination voting structure. If consideration paid for the target includes shares in the SPAC, the former owners of the target may hold the largest portion of voting rights in the combined entity.
- ▶ The existence of a large minority voting interest in the combined entity if no other owner or organised group of owners has a significant voting interest. The acquirer is usually the combining entity whose single owner or organised group of owners holds the largest minority voting interest in the combined entity. For instance, assume that a former shareholder of the target receives 45% of the outstanding shares of the combined entity and no other shareholder owns a significant interest. Assuming none of the other factors indicate which entity is the acquirer, the significant minority interest held by a former shareholder of the target may indicate that the target is the accounting acquirer.
- ▶ The composition of the governing body of the combined entity. The accounting acquirer is usually the combining entity whose owners have the ability to elect, appoint or remove a majority of the members of the governing body of the combined entity. A target's former owner that maintains an ownership interest in the combined entity is typically given the power to initially appoint a certain number of the members of the combined entity's governing body. The governance structure, including how members of the governing body are elected, appointed or removed is considered. In

addition, the entities consider whether the governing body can make decisions about relevant activities of the combined entity for a sufficient period of time.

- ▶ The composition of the senior management of the combined entity. The acquirer is usually the combining entity whose (former) management dominates the management of the combined entity. While management of the combined entity often comes from the target in SPAC transactions, there could also be a combination of new and continuing management. In these cases, the relative number of executive positions held by the target's and SPAC's former management teams and their respective roles and responsibilities is considered.
- ▶ The terms of the exchange of equity interests. The accounting acquirer is usually the combining entity that pays a premium over the pre-combination fair value of the equity interests of the other combining entity or entities.

Determining the accounting acquirer in a SPAC acquisition requires careful analysis and significant judgement. Some of the factors an entity is required to consider in paragraphs B14 to B18 of IFRS 3 may suggest that the SPAC is the accounting acquirer, while others may suggest that the target is the accounting acquirer. Illustration 1 provides two different scenarios which lead to different conclusions about the accounting acquirer in each fact pattern:

Determining the accounting acquirer in a SPAC acquisition may require careful analysis and significant judgement.

Illustration 1 – Determining whether a SPAC is the accounting acquirer

Scenario 1

SPAC ABC was formed in January 2020 and was initially capitalised by sponsors, who funded the formation and offering costs in exchange for founder shares. In March 2020, SPAC ABC raised cash of CU 1,000 million through an IPO and CU 200 million through a bank loan. No single shareholder or organised group of shareholders controls SPAC ABC after the IPO. In December 2020, SPAC ABC acquired 90% of the ordinary shares in a private target - Entity D - for CU 1,100 million. Former shareholders own the remaining 10% of Entity D's ordinary shares. Since there are no unusual or special voting arrangements, options, warrants or convertible instruments involved in the transaction, the former owners of Entity D:

- ▶ Did not receive or retain seats on the board of directors of the combined entity or of Entity D
- ▶ Did not keep any management roles in Entity D
- ▶ Do not have any other rights in addition to those from their remaining minority interest in ordinary shares in Entity D

Analysis: The transaction is effected by transferring cash. There is also a change in control over Entity D in an arms-length transaction. Therefore, SPAC ABC is very likely the accounting acquirer. However, since SPAC ABC is a newly formed entity, it would also be appropriate to consider whether it is an extension of its shareholders, or an extension of the shareholders of Entity D, by applying paragraphs B14-B18 of IFRS 3. Since the former shareholders of Entity D did not receive any voting rights in the combined entity after the business combination, except for a minority stake in Entity D,

Illustration 1 – Determining whether a SPAC is the accounting acquirer (cont'd)

the owners of SPAC ABC as a group received the largest portion of the voting rights in the combined entity. In addition, due to the absence of any unusual or special voting arrangements, options, warrants or convertible instruments in this transaction:

- ▶ The former shareholders of Entity D did not receive or retain seats on the board of directors of the combined entity or Entity D; and
- ▶ Did not keep any management roles in Entity D nor have any other rights in addition to those arising from their remaining ordinary shares in Entity D.

Other factors in paragraphs B15-B17 of IFRS 3 are less relevant for this scenario. Therefore, it is appropriate to consider SPAC ABC as an extension of its shareholders and identify it as the accounting acquirer in this scenario.

Scenario 2

SPAC XYZ was formed in June 2020 and was initially capitalised by sponsors, who contributed nominal capital. In September 2020, SPAC XYZ raised cash in amount of CU1 billion through an IPO. In March 2021, SPAC XYZ acquired all shares in a private operating Entity E. The consideration paid comprised CU 800 million and additional own shares of SPAC XYZ issued to the former shareholders of Entity E, who received, as a group, 55% of the shares in SPAC XYZ. However, neither a single shareholder of SPAC XYZ nor an organised group of its shareholders controls SPAC XYZ unilaterally.

Following the transaction, apart from one non-executive director, all of the directors of SPAC XYZ resign and four new directors from Entity E are appointed to the board of SPAC XYZ. In addition, the new board of SPAC XYZ, which is dominated by nominees of former shareholders of Entity E who have been able to appoint Entity E's key executives to replace their SPAC XYZ's counterparts.

Analysis: The transaction is effected partially by transferring cash and partially by exchanging shares. Neither a single shareholder of SPAC XYZ nor an organised group of shareholders has obtained unilateral control over the combined group. In addition, the transaction is not effected primarily by transferring cash. Therefore, determination of the acquirer should be made by applying paragraphs B14-B18 of IFRS 3.

Paragraph B15 (a) of IFRS 3 suggests that Entity E should be determined as the accounting acquirer as the former owners of Entity E, as a group, obtain the largest portion of the voting rights in the combined entity (i.e., the majority of 55%).

In addition, paragraphs B15 (c) and (d) of IFRS 3 also indicate that Entity E should be determined as the accounting acquirer as the former owners of the Entity E have the ability to elect, appoint or remove a majority of the members of the governing body of the combined entity and, as a result of the transaction, (former) management of the Entity E dominates the management of the combined entity. Therefore, it is appropriate to identify Entity E as the accounting acquirer in this scenario.

The determination of the accounting acquirer is particularly important, as it will impact the accounting and financial statement presentation, which can differ significantly depending on which party is determined to be the accounting acquirer.

If a SPAC is determined to be the accounting acquirer, the transaction in which control over the target is acquired, is accounted for as a business combination in accordance with IFRS 3 (i.e., applying the acquisition method). Accounting for a business combination when a SPAC is determined to be an accounting acquirer is further discussed in Section 2.2 below.

If the target is determined to be the accounting acquirer, the financial statements of the combined entity contain the historical financial information of the target for the current and comparative period. This is discussed further in Section 2.3 below.

How we see it

While, in practice, the target is often the accounting acquirer in a SPAC transaction, the SPAC usually does not constitute a business. The transaction cannot be accounted for as a reverse acquisition of a SPAC by a target. Instead, the transaction is accounted for as the continuation of the pre-acquisition financial statements of the target.

2.2 SPAC as the accounting acquirer

If a SPAC is determined to be the accounting acquirer, the transaction in which control over the target is acquired is accounted for as a business combination in accordance with IFRS 3 (i.e., applying the acquisition method).

Under the acquisition method, as at the acquisition date, the SPAC as an acquirer recognises, , the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the target. The SPAC also recognises the goodwill (or bargain purchase gain) resulting from the acquisition of the target.

The assets and liabilities (collectively, net assets) of the SPAC as an acquirer are not remeasured and are carried at their pre-combination amounts. The post-combination consolidated financial statements of the newly formed SPAC group include comparative information for the SPAC itself and amounts related to the acquired target are included in the consolidated financial statements only from the date of acquisition.²

2.3 Target as the accounting acquirer

If the target is determined to be the accounting acquirer and the SPAC is not a business under IFRS 3, the transaction is not accounted for as a business combination and the financial statements of the combined entity represent the continuation of the pre-acquisition financial statements of the target. IFRS 3 has no clear guidance on how the transaction is accounted for when the accounting acquiree is not a business. It cannot be accounted for as an acquisition of the

² In these circumstances, there are specific regulatory requirements in certain jurisdictions that entities will also need to consider in order to appropriately determine what historical information to provide.

target by the SPAC under IFRS 3 as the SPAC has not been identified as the accounting acquirer, based on the guidance in the standard.

How we see it

In our view, such a transaction is accounted for in the consolidated financial statements of the SPAC (the legal acquirer) as a continuation of the financial statements of the target (the legal subsidiary), together with a deemed issue of shares by the target and a re-capitalisation of the equity of the target. This deemed issue of shares is, in effect, an equity-settled share-based payment transaction whereby the target has received the net assets of the SPAC, generally cash, together with the listing status of the SPAC.

Under IFRS 2, for equity-settled share-based payments, an entity measures the goods or services received, and the corresponding increase in equity, directly at the fair value of the goods or services received. If the entity cannot estimate reliably the fair value of the goods and services received, the entity measures the amounts, indirectly, by reference to the fair value of the equity instruments issued. For transactions with non-employees, IFRS 2 presumes that the fair value of the goods and services received is more readily determinable. This would suggest that the increase in equity is based on the fair value of the cash and the fair value of the listing status. As it is unlikely that the fair value of the listing status can be reliably estimated, the increase in equity is measured by reference to the fair value of the shares that are deemed to have been issued. Refer to Illustration 2 below for further details.

Even if a fair value can be attributed to the listing status, if the total identifiable consideration received is less than the fair value of the equity given as consideration, the transaction is measured based on the fair value of the shares that are deemed to be issued.

This issue was considered by the IFRS Interpretations Committee (Interpretations Committee) between September 2012 and March 2013. The Interpretations Committee's conclusions, which accord with the analysis given above, are that for a transaction in which the former shareholders of a non-listed operating entity (the target) become the majority shareholders of the combined entity by exchanging their shares for new shares of a listed non-trading company (the SPAC), it is appropriate to apply the IFRS 3 guidance for reverse acquisitions by analogy. This results in the non-listed operating entity being identified as the accounting acquirer, and the listed non-trading entity being identified as the accounting acquiree. The accounting acquirer is deemed to have issued shares to obtain control of the acquiree. If the listed non-trading entity is not a business, the transaction is not a business combination, but a share-based payment transaction which should be accounted for in accordance with IFRS 2. Any difference in the fair value of the shares deemed to have been issued by the accounting acquirer and the fair value of the accounting acquiree's identifiable net assets represents a service received by the accounting acquirer. The Interpretations Committee concluded that regardless of the level of monetary or non-monetary assets owned by the non-listed operating entity, the entire difference should be considered to be payment for the service of obtaining a stock exchange listing for its shares and no amount should be considered a cost of raising capital. This is illustrated, as follows:

Illustration 2 – Target as accounting acquirer

SPAC ABC does not meet the definition of a business in IFRS 3 and has 10,000 ordinary shares in issue. On 1 January 2021, SPAC ABC issues 190,000 ordinary shares in exchange for all of the ordinary share capital of target Entity X, a private trading entity, with 9,500 ordinary shares in issue.

At the date of the transaction, SPAC ABC has CU 85,000 of cash and the quoted market price of SPAC ABC's ordinary shares is CU 12. SPAC ABC has no other material assets, liabilities or equity instruments issued.

The fair value of Entity X has been determined by an independent professional valuer at CU 2,185,000, giving a value per share of CU230.

Following the transaction, apart from one non-executive director, all of the directors of SPAC ABC resign and four new directors from Entity X are appointed to the board of SPAC ABC.

As a result of SPAC ABC issuing 190,000 ordinary shares, Entity X's shareholders own 95% of the issued share capital of the combined entity (i.e., 190,000 of the 200,000 issued shares), with the remaining 5% held by SPAC ABC's existing shareholders.

How is this transaction accounted for in the consolidated financial statements of SPAC ABC?

Since the shareholders of SPAC ABC only retain a 5% interest in the combined entity after the transaction, and the board is dominated by appointees from Entity X, this cannot be accounted for as an acquisition of Entity X by SPAC ABC. Also, as SPAC ABC does not comprise a business, it cannot be accounted for as a reverse acquisition of SPAC ABC by Entity X.

The consolidated financial statements reflect the substance of the transaction, which is that Entity X is the continuing entity. Entity X is deemed to have issued shares in exchange for the CU 85,000 cash held by SPAC ABC, together with the listing status of SPAC ABC.

However, the listing status does not qualify for recognition as an intangible asset, and therefore needs to be expensed in profit or loss. As the existing shareholders of SPAC ABC have a 5% interest in the combined entity, Entity X would have had to issue 500 shares for the ratio of ownership interest in the combined entity to be the same. Based on the fair value of Entity X's share of CU230, the accounting for the deemed share-based payment transaction is:

	Dr	Cr
	CU	CU
Cash received	85,000	
Listing expense (income statement)	30,000	
Issued equity (500 × CU230)		115,000

Illustration 2 – Target as accounting acquirer (cont'd)

As Entity X is a private entity, it may be that a more reliable basis for determining the fair value of the deemed shares issued would have been to use the quoted market price of SPAC ABC's shares at the date of the transaction. On this basis, the issued equity would have been CU 120,000 (10,000 × CU 12), giving rise to a listing expense of CU 35,000.

Since after the SPAC transaction the combined entity has a listed parent, it needs to apply IAS 33. In such circumstances, the application of IAS 33 will require additional consideration to reflect the fact that the financial statements of the combined entity are a continuation of the pre-acquisition financial statements of the target.

In practice, SPACs often also issue various types of warrants. For example, shareholders of the SPAC may have warrants that were issued at the time of the IPO (i.e., public warrants) that allow them to receive additional shares if the share price of the combined entity post-acquisition exceeds a certain target. However, the Interpretations Committee did not discuss how such warrants should be considered in its conclusions. In these situations, the target, as the accounting acquirer, needs to evaluate whether these warrants should be included in the calculation of the listing service fee; and if so, whether they should be considered as part of the deemed consideration or net assets acquired from the SPAC.

How we see it

Outstanding warrants issued by the SPAC should likely be included in the calculation of the listing service fee.

To the extent that the warrants are considered to be part of the deemed consideration for the acquisition of the SPAC, they would be considered instruments issued to acquire goods or services under IFRS 2 from the target's perspective, similar to the deemed shares issued. Where they are not considered to be part of the deemed consideration, but are appropriately considered to be part of the net assets acquired, these warrants would not be considered instruments issued to acquire goods or services under IFRS 2 and other standards, for example IAS 32, may continue to apply.

Given the lack of guidance, there may be diversity in practice as to whether to consider these warrants as part of deemed consideration or part of net assets, and while this determination would not impact the measurement of the service listing expense, it may impact the subsequent accounting for these instruments post-acquisition. There may also be diversity in the views of securities regulators in different jurisdictions. Therefore, it is important to consider the perspectives of the relevant securities regulators which may require entities within their jurisdictions to apply a particular accounting treatment. For example, based on discussions with the Securities and Exchange Commission staff, the securities regulator in the United States, we believe that they would require a target in this situation to continue accounting for public warrants in accordance with IAS 32 post-acquisition, if they were, or would have been, classified as liability instruments under IFRS by the SPAC before the acquisition.

3. Earn-out provisions in an arrangement

A SPAC acquisition agreement may include a provision for additional consideration to be transferred to the shareholders of the target in the future, if certain events occur or conditions are met. These future payments, commonly referred to as 'earn-out' payments or arrangements, may be in the form of additional equity interests in the combined entity or cash or other assets, or a combination of these. Examples of such future events and conditions to be met for the transfer of such additional consideration are:

- ▶ Earnings above an agreed target over an agreed period
- ▶ Components of earnings (e.g., revenue) above an agreed target over an agreed period
- ▶ Approval of a patent/licence
- ▶ Successful completion of specified contract negotiations
- ▶ Cash flows arising from specified assets over an agreed period
- ▶ Remaining an employee of the entity for an agreed period of time

An arrangement can have a combination of any of the above future events and conditions.

If the SPAC is identified as the accounting acquirer and the target is a business, the earn-out payment may represent contingent consideration in connection with a business combination. While such payments may be negotiated as part of the acquisition, the terms of the arrangement need to be evaluated to determine whether the payment is part of, or separate from, the business combination. For example, payments are sometimes made to the former shareholders of the target who will remain as employees of the combined entity after the business combination. In this case, the SPAC must carefully evaluate whether the substance of the arrangement is to compensate the former shareholders for future services, rather than to provide additional consideration in exchange for the acquired business.

Understanding the reasons why the acquisition agreement includes a provision for earn-out payments, factors such as who initiated the arrangement and when the parties entered into the arrangement may be helpful in assessing the substance of the arrangement. If it is not clear whether the arrangement for payments to employees or selling shareholders is part of the exchange for the acquiree or is a transaction separate from the business combination, there are several indicators in paragraph B55 of IFRS 3. These are summarised in the table below:

Understanding the reasons why the acquisition agreement includes a provision for earn-out payments, factors such as who initiated the arrangement and when the parties entered into the arrangement, may be helpful in assessing the substance of the arrangement.

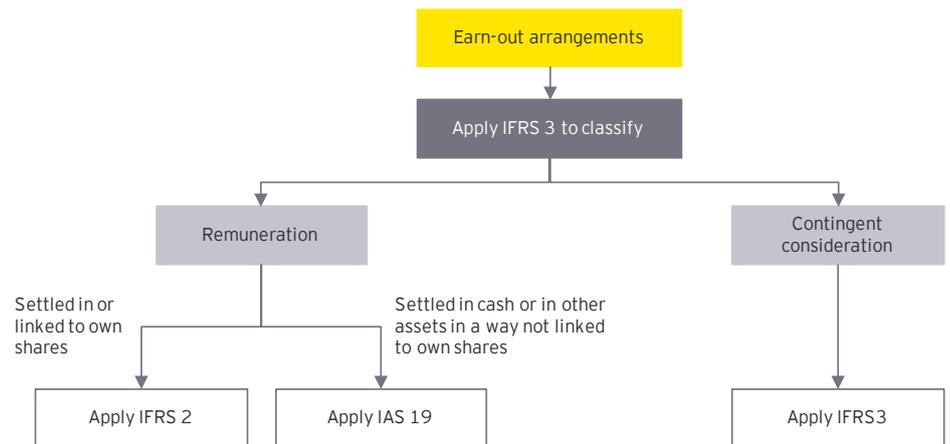
Figure 1: Indicators to consider when classifying payments as remuneration or contingent consideration

Lead to conclusions as remuneration	Indicators to consider when assessing terms of additional payments to selling shareholders that remain employees	Lead to conclusion as contingent consideration
Payments forfeited on termination	Continuing employment	Payments are not affected by termination
Coincides with or exceeds payment period	Duration of required employment	Shorter than the payment period
Not reasonable compared to other key employees of the group	Level of other elements of remuneration	Reasonable compared to the other key employees of the group
Other non-employee selling shareholders receive lower additional payments (on a per share basis)	Incremental payments to other non-employee selling shareholders	Other non-employee selling shareholder receive similar additional payments (on a per share basis)
Selling shareholders remaining as employees owned substantially all shares (in substance profit-sharing)	Number of shares owned when all selling shareholders receive same level of additional consideration (on a per share basis)	Selling shareholders remaining as employees owned only a small portion of shares
Formula for additional payment consistent with other profit-sharing arrangements rather than the valuation approach	Linkage of payments to valuation of business	Initial consideration at lower end of range of business valuation, and formula for additional payment linked to the valuation approach
Formula is based on performance, such as percentage of earnings	Formula for additional payments	Formula is based on a valuation formula, such as multiple of earnings, indicating it is connected to a business valuation

Although these points are generally indicators, continuing employment is an exception. It is categorically stated in IFRS 3 that “a contingent consideration arrangement in which the payments are automatically forfeited if employment terminates is remuneration for post-combination services”. With this exception, no other single indicator is likely to be enough to be conclusive as to the accounting treatment.

The approach to account for earn-out arrangements is summarised in the diagram below:

Figure 2: Approach to accounting for earn-outs



When the SPAC determines that some or all of the arrangement represents consideration transferred for the acquired business, the contingent consideration is recognised at acquisition-date fair value in accordance with IFRS 3. If some or all of the arrangement is post-combination remuneration, it will be accounted for under IFRS 2 if it represents a share-based payment transaction, or otherwise under IAS 19 *Employee Benefits*.

If the target entity is determined to be the accounting acquirer, the general accounting requirements are explained in Section 2.3 above. In these cases, the target, as the accounting acquirer, is also required to evaluate the accounting for any earn-out provisions.

In addition, it may be necessary to consider the terms of other agreements and relationships with the selling shareholders to determine if these arrangements include remuneration, contingent consideration or other separate elements. For example, the terms of other arrangements and the income tax treatment of contingent payments may indicate that contingent payments are attributable to something other than consideration for the target entity. These can include non-compete agreements, executory contracts, consulting contracts and property lease agreements. For example, the SPAC might enter into a property lease arrangement with a significant selling shareholder. If the lease payments specified in the lease contract are significantly below market, some or all of the contingent payments to the lessor (the selling shareholder) required by a separate arrangement for contingent payments might be, in substance, payments for the use of the leased property that the SPAC recognises separately in its post-acquisition financial statements. In contrast, if the lease contract specifies lease payments that are consistent with market terms for the leased property, the arrangement for contingent payments to the selling shareholder may be considered to be contingent consideration in the acquisition.

Refer to Sections 5.3.1.2 and 5.3.2.2 on the discussion about the replacement of awards previously granted to employees of the target when the SPAC or the target is the accounting acquirer, respectively.

4. Accounting for financial instruments

Throughout the life cycle of a SPAC transaction, the SPAC often issues a number of financial instruments. At formation, the SPAC typically issues shares, or a combination of founder shares and founder warrants, to the SPAC's sponsors, including the management team, at a nominal price in return for forming the SPAC. The shares can be ordinary shares or a special class of shares that will allow them to have a significant ownership interest in the SPAC if a successful acquisition occurs. On its IPO, the SPAC will typically issue units consisting of ordinary shares (public shares) and warrants (public warrants) to third-party investors. The SPAC sponsors may also purchase warrants to acquire ordinary shares at the time of the IPO through a private placement (private warrants).

Finally, upon acquisition, the SPAC generally will issue additional ordinary shares to the selling shareholders of the target and will typically enter into earn-out arrangements with the selling shareholders, the SPAC sponsors and/or employees of the target based on the future share price of the combined entity.

The shares (ordinary or special class) and the public and private warrants (collectively, the warrants) are generally each considered as freestanding financial instruments, because they are either issued separately and apart from each other or, they are issued in conjunction with each other, but are legally detachable and separately exercisable. In addition, earn-out arrangements are typically considered as freestanding financial instruments because they are issued upon acquisition, separately and apart from other instruments.

Careful consideration of the terms of each financial instrument will be necessary to determine the appropriate accounting treatment. For example, if the shares or warrants are issued at a nominal price in exchange for goods and services, then, generally, there would be a share-based payment arrangement and IFRS 2 applies. Likewise, if the identifiable consideration, if any, received appears to be less than the fair value of equity instruments granted or liabilities incurred, this may typically indicate that goods or services have been received, and that an expense may need to be recognised in accordance with IFRS 2. Accounting for share-based payment transactions is discussed in Section 5. Specifically, Section 5.3.2.1 discusses the subsequent accounting of vested shares and warrants previously issued by the SPAC.

4.1 Classification of ordinary shares and warrants under IAS 32 by a SPAC before acquisition

If the shares or warrants are determined to be within the scope of IAS 32 *Financial Instruments: Presentation* rather than IFRS 2, they need to be classified as financial liabilities or equity according to the classification principles in IAS 32 (which may differ from IFRS 2).

4.1.1 Founder shares

In many cases, founder shares convert into public shares upon successful completion of an acquisition. If an acquisition is not completed and the SPAC is liquidated, the founder shares are not redeemable and do not receive any proceeds on liquidation.

If the shares or warrants are determined to be within the scope of IAS 32 rather than IFRS 2, they need to be classified as financial liabilities or equity according to the classification principles in IAS 32 (which may differ from IFRS 2).

If these shares are within the scope of IAS 32, their classification will be driven by whether the conversion passes the 'fixed-for-fixed' test, i.e., whether the conversion will be settled by delivering a fixed number of founder shares in exchange for a fixed number of public shares. If the test is failed, the shares will be classified as financial liabilities.

Additionally, if the public shares into which the founder shares will be converted will, themselves, be classified as financial liabilities at the conversion date, and the SPAC has no discretion over the conversion into public shares, the founder shares will also be classified as financial liabilities.

4.1.2 Public shares

Public shares often become redeemable at the option of the holder if an acquisition is approved. They may also become mandatorily redeemable if an acquisition is not completed within a prescribed period. Redemption features have the potential to result in an outflow of cash for the SPAC. This would result in the shares being classified as a financial liability under IAS 32, unless the SPAC has the unconditional ability to avoid such an outflow.

Where key decisions affecting potential redemptions, such as the approval of an acquisition or the extension of the period to complete an acquisition, are made via shareholder votes at a general meeting of the SPAC, it is important to assess whether that voting process forms part of the corporate governance decision-making processes of the SPAC and is, therefore, seen to be an action of the SPAC. Alternatively, it may reflect the private actions of shareholders in their capacity as holders of particular instruments, in which case, the outcome of the vote would not be within the control of the SPAC.

4.1.3 Warrants

Warrants normally give the holder the right to purchase public shares at an agreed price. Classification of the warrants is driven by similar factors to the founder shares. If they are within the scope of IAS 32, the warrants need to be assessed against the 'fixed-for-fixed' test. It is also important to consider whether the underlying public shares would be classified as financial liabilities at the exercise dates. Additionally, net settlement features would result in the warrants being classified as liabilities.

Illustration 3 below demonstrates the analysis for the accounting of public warrants by a SPAC when they are within the scope of IAS 32.

Illustration 3 – Accounting for public warrants by a SPAC

SPAC A has issued CU 100 of public warrants as part of its IPO process. It has not approved an acquisition yet. After completion of an acquisition, each warrant gives the holder the right to subscribe 1 public share in exchange for a fixed amount of cash (CU 1). At the exercise date, the public shares will be classified as equity. If exercised, the SPAC would have a choice over whether to gross or net settle the warrant in shares.

In this case, the warrant will be classified as a financial liability due to the existence of the net settlement option. The warrant does not meet the definition of an equity instrument because it can be settled otherwise than by the SPAC issuing a fixed number of its own shares in exchange for receiving a fixed amount of cash or another financial asset.

If the warrants are required to be physically settled (i.e., delivery of shares in exchange for cash), they would be eligible for equity classification given that the conversion ratio is fixed.

4.2 Classification of ordinary shares and warrants under IAS 32 by a SPAC upon acquisition

The accounting for the shares and warrants in the consolidated financial statements of the combined entity following the acquisition depends on who is identified as the accounting acquirer. This is discussed further in Section 2.

- ▶ Considerations when the SPAC is identified as the accounting acquirer- The acquisition may trigger features in the shares and warrants that had been conditional upon the successful completion of an acquisition, such as redemption rights, or it may change the discretion that the issuing entity was deemed to have over such features. Judgement will need to be exercised in determining whether instruments previously classified as equity should be de-recognised and re-recognised as liabilities if the equity criteria are no longer met, or vice versa.
- ▶ Considerations when the target is identified as the accounting acquirer- The acquisition may be accounted for as a share-based payment as discussed in Sections 2.3. Depending on the outcome, the classification of the instruments issued by the combined entity may be driven by IAS 32 or IFRS 2 principles. If IAS 32 applies, the same considerations for conditional features described above will be applicable.

5. Accounting for share-based payment transactions

5.1 Overview of share-based payment transactions

There are often equity-settled share-based transactions in the life cycle of a SPAC and these transactions with employees (or others providing similar services) are measured using a 'grant date model' which means that the transaction is recorded at the fair value of the equity instrument at the date when it is originally granted.

Under IFRS 2, a grant date is the date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. If that agreement is subject to an approval process (for example, by shareholders), grant date is the later date when that approval is obtained.

Where an award is made subject to future fulfilment of conditions, a market condition (i.e., one related to the market price (or value) of the entity's equity instruments) or a non-vesting condition is taken into account in determining the fair value of the award. Conversely, the effect of non-market vesting conditions is ignored in determining the fair value of the award. Rather, no expense is recognised for rights forfeited as a result of a failure to meet non-market vesting conditions. A requirement for flotation or sale (with an associated service condition) is a performance condition rather than a non-vesting condition on the basis that the flotation or sale condition is by reference to the entity's own operations.

Where an award is made subject to future fulfilment of vesting conditions, its cost is recognised over the period during which the service condition is fulfilled and the corresponding credit entry is recorded within equity.

If equity instruments granted vest immediately, in the absence of evidence to the contrary, it is presumed that services have already been received.

A frequent question arises as to whether (and when) various instruments issued by the SPAC will thereafter be considered within the scope of IFRS 2 or subject to another standard such as IAS 32 once the acquisition has been completed. Refer to Section 5.3.2.1 for further discussion.

5.2 Accounting considerations for SPACs prior to acquisition

5.2.1 Issuance of founder shares and founder warrants by the SPAC upon formation

As discussed in Section 4, upon formation of the SPAC, the sponsors, including management team, usually subscribe to founder shares, or a combination of founder shares and founder warrants, at a nominal price, that will allow them to retain a significant ownership interest in the SPAC if a successful acquisition occurs.

Careful consideration of the facts and circumstances will be necessary to determine the appropriate accounting for the founder shares and warrants. The issuance of founder shares and warrants by the SPAC falls within the scope of IFRS 2 if the founders (including management team) are being awarded these

Careful consideration of the facts and circumstances will be necessary to determine the appropriate accounting for the founder shares and warrants.

shares at a nominal price in exchange for their services. Furthermore, the founders would generally be considered “employees and others providing similar services”, operating as management of the SPAC. As a result, the share-based payment would be measured at the grant date.

However, there may be different views as to what the grant date is:

- ▶ The first view is that there is no shared understanding until the specific target is identified and agreed. Holders of this view argue that the substance of the founder shareholders’ interest is economically equivalent to an award of shares (and warrants, if any) in any target finally approved. Therefore, until the target is finally approved, there is no clarity as to the nature and value of the award to the founder shareholders.
- ▶ The second view is that a shared understanding occurs at the point at which the non-founder shareholders invest. Holders of this view argue that a share-based payment can only occur when there has been a transfer of value from the non-founder shareholders to the founder shareholders and this cannot occur until there are some non-founder shareholders in place. However, once those non-founder shareholders are in place, there is a shared understanding that – if a transaction is subsequently approved – there will be a benefit for founder shareholders.
- ▶ The third view is that a shared understanding occurs on the issue of the founder shares and founder warrants. Holders of this view argue that, at that point, there is a shared understanding that there will be a benefit for founder shareholders if non-founder shareholders are subsequently introduced and a transaction is subsequently approved. The benefit for founder shareholders consists both in seeking further investors and in identifying a suitable target. The founder shareholders will be actively rendering service towards these goals from the outset.

The Interpretations Committee has conducted some initial outreach research into how SPACs are treated in practice, but the question has not been formally discussed to date. Until such time as additional guidance is given, it seems that the diversity in practice outlined above will remain and entities should use judgement to determine an appropriate grant date based on the specific terms of the arrangement.

As these shares and warrants generally do not have an explicit service period, services are generally recognised in full at the date of grant. However, while IFRS 2 sets a presumption that services expected in exchange for an instrument that vest immediately have already been received, this presumption can be rebutted if there is evidence to the contrary. Therefore, in circumstances where one would determine that instruments are granted to compensate for services associated with the identification of a suitable acquisition, services are considered to have not been fully received until a successful acquisition occurs.

These considerations are key in determining not only when a grant date has occurred or when services are recognised, but also how the fair value of founder shares and warrants should be measured. Careful consideration of the facts and circumstances, along with current guidance in IFRS 2, is required.

5.3 Accounting considerations post-acquisition

The legal acquisition of the target by the SPAC may involve issuance of new instruments to various parties including the selling shareholders of the target and employees of the combined entity.

The analysis and accounting consequences will depend on the identification of the accounting acquirer (see above Section 2.1).

5.3.1 SPAC as the accounting acquirer

5.3.1.1 Evaluating whether instruments need to be recognised as post-acquisition expense

When a SPAC acquisition agreement includes a provision for additional instruments to be issued to the shareholders of the target in the future under certain events or conditions, careful consideration would be required to determine whether and to what extent, instruments issued should be treated as consideration paid in exchange for the business or whether it is a transaction to be recognised separately from the business combination, such as compensation for services to be received from employees and therefore share-based payments.

In order to make that assessment, indicators mentioned in IFRS 3 could prove useful to evaluate whether contingent share payments to the target's former shareholders, who are also employees, are contingent consideration arrangements for the business acquired or are separate transactions. Refer to Section 3 for additional discussion.

5.3.1.2 Exchange of target employees' pre-existing awards

It is frequently the case that the target, at the time of the transaction with the SPAC, has outstanding employee share options or other share-based awards. If no action were taken by the SPAC, employees of the target would be entitled, once any vesting conditions had been satisfied, to shares in the target. This is not a very satisfactory outcome for either party: the SPAC now has non-controlling shareholders in the target, which was previously wholly-owned, and the employees of the target are the owners of unmarketable shares in an effectively wholly-owned entity.

If the SPAC is obliged³ to replace the acquiree awards, either all or a portion of the fair value of the SPAC's replacement awards forms part of the consideration transferred in the business combination.

The required treatment of replacement awards may be summarised, as follows:

- (a) At the date of acquisition, the fair values of the replacement award and the original award are determined in accordance with IFRS 2
- (b) The amount of the replacement award attributable to pre-acquisition service (and, therefore, included as part of the consideration transferred for the business) is determined by multiplying the fair value of the original

If the SPAC is obliged to replace the acquiree awards, either all or a portion of the fair value of the SPAC's replacement awards forms part of the consideration transferred in the business combination.

³ IFRS 3 regards the acquirer as 'obliged' to replace the acquiree awards if the acquiree or its employees have the ability to enforce replacement, for example, if replacement is required by the terms of the acquisition agreement, the terms of the acquiree's awards, or applicable laws or regulations.

award by the ratio of the vesting period completed, as at the date of the business combination, to the greater of the total vesting period, as determined at the date of the acquisition (being the period required to satisfy all vesting conditions, including conditions added to, or removed from, the original award by the replacement award) and the original vesting period

And

- (c) Any excess of the fair value of the replacement award over the amount determined in (b) above is recognised as a post-acquisition remuneration expense, in accordance with the normal principles of IFRS 2.

The requirements above to split an award into pre-acquisition and post-acquisition portions apply equally to equity-settled and cash-settled replacement awards.

How we see it

IFRS 3 requires an acquirer to measure a liability or an equity instrument related to the replacement of an acquiree's share-based payment awards in accordance with IFRS 2, rather than in accordance with the general principles of IFRS 3.

In some situations, awards of the target may expire as a consequence of an acquisition. In such a situation, the SPAC might decide to replace those awards even though it is not obliged to do so. It might also be the case that the SPAC decides voluntarily to replace awards that would not expire and which it is not otherwise obliged to replace.

Under IFRS 3, there is no difference in the basic approach to accounting for a replacement award that the SPAC is obliged to make and one that it makes on a voluntary basis. In other words, the accounting is based on the fair value of the replacement award at the date of acquisition, with an apportionment of that amount between the cost of acquisition and post-acquisition employment expense.

However, in situations where the awards of the target would expire as a consequence of the acquisition if they were not voluntarily replaced by the SPAC, none of the fair value of the replacement awards is treated as part of the consideration transferred for the acquisition, but the full amount is instead recognised as a remuneration cost in the post-acquisition financial statements. The International Accounting Standards Board explained that this is because the new award by the acquirer can only be for future services to be provided by the employee as the acquirer has no obligation to the employee in respect of past services.

5.3.1.3 Subsequent accounting of founder warrants

As described above, sponsors, including management team, may also hold founder warrants that, before the acquisition, were considered as consideration for services rendered to achieve a successful acquisition.

This would raise the question as to whether (and when) these warrants will thereafter still be considered within the scope of IFRS 2 or if they become subject to another literature after vesting. Section 5.3.2.1 provides detailed discussion on the applicable standards. Refer to Section 5.3.2.1 on the subsequent accounting of vested shares and warrants previously issued by the SPAC which also applies when the SPAC is the accounting acquirer.

5.3.2 Target is the accounting acquirer

Please refer to Section 2.3 for the accounting considerations upon acquisition when the target is the accounting acquirer.

5.3.2.1 Subsequent accounting of vested shares and warrants previously issued by the SPAC

The accounting for the acquisition also raises the question as to whether (and when) various instruments issued by the SPAC will thereafter be considered within the scope of IFRS 2 or subject to another standard such as IAS 32 once the acquisition has been completed.

The significance of this assessment arises from differences in how IFRS 2 and IAS 32 apply in determining whether an instrument can be considered as an equity instrument.

As an example of differences between the two standards, an option that includes an obligation to deliver a variable number of shares would typically not give rise to a liability under IFRS 2. If the entity only has an obligation to deliver equity instruments, the transaction will be considered as equity-settled. Conversely, an obligation to deliver a variable number of shares would be considered as a liability instrument under IAS 32.

Once a transaction accounted for under IFRS 2 has vested in the counterparty, it does not necessarily cease to be in the scope of IFRS 2 just because the entity has received the goods or services required for the award to vest. This is made clear by the numerous provisions of IFRS 2 referring to the accounting treatment of vested awards.

Once equity shares have been unconditionally delivered or beneficially transferred to the counterparty (e.g., as the result of the vesting of an award of ordinary shares, or the exercise of a vested option over ordinary shares), the holder of those shares will often be in exactly the same position as any other holder of ordinary shares and the shares will generally be accounted for under IAS 32 and IFRS 9 rather than IFRS 2.

However, the holder of a share or vested option may enjoy rights not applicable to all holders of that class of shares. These include, for example, a right to put the share or the option to the entity for cash, or a special class of shares with rights that do not apply to other classes of equity. In such cases, the share or option might still remain in the scope of IFRS 2 as long as any such rights

Once a transaction accounted for under IFRS 2 has vested in the counterparty, it does not necessarily cease to be in the scope of IFRS 2 just because the entity has received the goods or services required for the award to vest.

continue to apply. The same is true of modifications made after vesting which add such rights to a vested share or option or otherwise alter the life of the share-based payment transaction. The special terms or rights will often be linked to the holder's employment with the entity but could also apply to an arrangement with a non-employee.

5.3.2.2 Awards previously granted to the target's employees

As discussed in Section 5.3.1.2, the target, at the time of the transaction with the SPAC, often has outstanding employee share options or other share-based awards. The same issue also arises when the target is determined to be the accounting acquirer. The obvious solution, adopted in the majority of cases, is for some mechanism to be put in place such that the employees of the target end up holding shares in the SPAC. This can be achieved, for example, by:

- ▶ A granting of options over the SPAC's own shares to the employees of the target in exchange for the surrender of the employees' options over the shares of the target

Or

- ▶ Changing the terms of the options so that they are over a special class of shares in the target which are mandatorily convertible into shares of the SPAC.

Such changes would follow the requirements of IFRS 2 on modification accounting.

Appendix: Summary of important changes to this publication

We have made important changes to this publication since the July 2021 edition, to address evolving issues and expand our discussion of certain topics. The list below summarises the most significant changes we made in this November 2021 update.

Section 2 Identification of the accounting acquirer and accounting implications

- ▶ Updated the discussion on the accounting for warrants issued by the SPAC upon the accounting acquisition of the SPAC by the target in Section 2.3.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

About EY's International Financial Reporting Standards Group

A global set of accounting standards provides the global economy with one measure to assess and compare the performance of companies. For companies applying or transitioning to International Financial Reporting Standards (IFRS), authoritative and timely guidance is essential as the standards continue to change. The impact stretches beyond accounting and reporting to the key business decisions you make. We have developed extensive global resources – people and knowledge – to support our clients applying IFRS and to help our client teams. Because we understand that you need a tailored service as much as consistent methodologies, we work to give you the benefit of our deep subject matter knowledge, our broad sector experience and the latest insights from our work worldwide.

© 2021 EYGM Limited.
All Rights Reserved.

EYG No. 009951-21Gbl
ED None

EYUK-000142385.indd (UK) 11/21.
Artwork by Creative London.



In line with EY's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

This publication contains copyright material of the IFRS® Foundation in respect of which all rights are reserved. Reproduced by EY with the permission of the IFRS Foundation. No permission granted to third parties to reproduce or distribute. For full access to IFRS Standards and the work of the IFRS Foundation please visit <http://eifrs.ifrs.org>

ey.com