

Snapshot – IFRS 12 – Disclosure of interests in other entities

OBJECTIVE

To require an entity to disclose information that enables users of its financial statements to evaluate the

- Nature of, and risks associated with, its interests in other entities; and
- Effects of those interests on its financial position, financial performance and cash flows

MEETING THIS OBJECTIVE

To meet this objective, an entity shall disclose

- The significant judgements and assumptions it has made in determining
 - The nature of its interest in another entity or arrangement
 - The type of joint arrangement in which it has an interest
 - That it meets the definition of an investment entity if applicable, and
- Information about its interests in
 - Subsidiaries
 - Joint arrangements and associates
 - Structured entities that are not controlled by the entity

MEETING THE OBJECTIVE OF IFRS 12 - AGGREGATION

It is necessary for financial statement preparers to strike a balance between burdening financial statements with excessive detail that may not assist users of financial statements and obscuring information as a result of too much aggregation

An entity shall present information separately for the following interests (i.e. aggregation is not allowed)

- Subsidiaries
- Joint ventures
- Joint operations
- Associates
- Unconsolidated structured entities

Examples of aggregation levels

- Nature of activities
- Industry classification
- Geography

An entity shall consider the following when determining whether to aggregate information

- Quantitative and qualitative information about the risk and return characteristics of each entity considered for possible aggregation
- The significance of each entity to the reporting entity

SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS

Information about significant judgements and assumptions (including changes to those judgements and assumptions) made by an entity in determining the following should be disclosed

- That it has control of another entity
- That it has joint control of an arrangement or significant influence over another entity, and
- The type of joint arrangement (joint operation or joint venture) when it has been structured through a separate vehicle

SCOPE

IFRS 12 shall be applied by an entity that has an interest in ANY of the following

- Subsidiaries
- Joint arrangements (joint operations or joint ventures)
- Associates
- Unconsolidated structured entities

IFRS 12 does not apply to

- Post-employment benefit plans or other long-term employee benefit plans to which IAS 19 *Employee*

Benefits applies

- An entity's separate financial statements to which IAS 27 *Separate Financial Statements* applies
- An interest held by an entity that participates in, but does not have joint control or significant influence over a joint arrangement
- An interest accounted for in accordance with IFRS 9 *Financial Instruments*, except for
 - An interest in an associate or joint venture measured at fair value through profit or loss in accordance with IAS 28 *Investments in Associates and Joint Ventures*, or
 - An interest in an unconsolidated structured entity

EFFECTIVE DATE

- Effective for annual periods beginning on or after 1 January 2013
- Amendments made to IFRS 12 with regards to Investment Entities, are effective for annual periods beginning on or after 1 January 2014
- Early application is permitted

DEFINITIONS

Structured entity - An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements

Income from structured entity - Includes, but is not limited to, recurring and non-recurring fees, interest, dividends, gains or losses on the re-measurement or derecognition of interests in structured entities and gains or losses from the transfer of assets and liabilities to the structured entity

INVESTMENT ENTITY DISCLOSURE FOR UNCONSOLIDATED SUBSIDIARIES

An investment entity shall disclose

- For each unconsolidated subsidiary
 - The name of the subsidiary
 - The principal place of business and country of incorporation of the subsidiary
 - The proportion of ownership interests held by the investment entity and if different, the proportion of voting rights held
- The above shall also be disclosed by an investment entity parent for investments that are controlled by its investment entity subsidiary
- The nature and extent of any significant restrictions on the ability of an unconsolidated subsidiary to transfer funds to the investment entity in the form of cash dividends, or to repay loans or advances made by the investment entity
- Any current commitments or intentions to provide or assist in obtaining financial or other support to an unconsolidated subsidiary

OBJECTIVE THAT NEEDS TO BE MET BY THE DISCLOSURE PROVIDED

SUBSIDIARIES

An entity is required to disclose information that enables users of its consolidated financial statements to **Understand**

- The composition of the group
- The interest that non-controlling interests have in the group's activities and cash flows

Evaluate

- The nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group
- The nature of, and changes in, the risks associated with its interests in consolidated structured entities
- The consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control
- The consequences of losing control of a subsidiary during the reporting period

JOINT ARRANGEMENTS AND ASSOCIATES

An entity is required to disclose information that enables users of its financial statements to evaluate

- The nature, extent and financial effects of its interests in joint arrangements and associates, including the nature and effects of its contractual relationship with the other investors with joint control of, or significant influence over, joint arrangements and associates, and
- The nature of, and changes in, the risks associated with its interests in joint ventures and associates

Refer IFRS 12 Summary for detailed disclosure requirements

UNCONSOLIDATED STRUCTURED ENTITIES

An entity is required to disclose information to enable users of its financial statements to understand the nature and extent of its interests and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities