

# IFRS 12

## *Disclosure of Interests in Other Entities*



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# Agenda

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- ▶ Background and objectives
- ▶ Main changes to disclosure requirements
- ▶ Summarised financial information
- ▶ Other disclosure requirements for subsidiaries, joint arrangements and associates
- ▶ Transition
- ▶ Practical issues
- ▶ Structured entities\*

# Background and objectives

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- ▶ **Background**
  - ▶ New IFRS 10 and IFRS 11
  - ▶ Users requested more information about an entity's interest in other entities
  - ▶ Global financial crisis put emphasis on the project
  - ▶ Integrate disclosures into a single standard
  - ▶ Local regulatory changes

# Background and objectives

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## Objectives

Disclosures should enable users to understand:

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

# Main changes to disclosure requirements

## Subsidiaries

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- ▶ Significant judgements and assumptions regarding whether an entity has control (and changes thereto ) (**vs old IAS27**)
- ▶ Significant restrictions on reporting entity's ability to use assets and settle liabilities of the group (**vs old IAS27**)
- ▶ Summarised financial information for subsidiaries that have NCI that is material to the reporting entity

# Main changes to disclosure requirements

## Associates and joint arrangements

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- ▶ Significant judgements and assumptions (and changes thereto) regarding:
  - ▶ Whether an entity has significant influence or joint control
  - ▶ Type of joint arrangement
- ▶ Nature of individually material associates and joint arrangements:
  - ▶ Nature of the relationship, activities, whether strategic to the reporting entity
  - ▶ Name, place of business

# Main changes to disclosure requirements

## Associates and joint ventures

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- ▶ Summarised financial information for associates and JV:
  - ▶ For individually material associates and JVs
    - ▶ Entire amount reported in associate's or JV's accounts
  - ▶ In aggregate, for all other associates and JVs
    - ▶ Only investor's share of amount reported in associate's or JV's accounts
- ▶ Required even if fair value option is used

# Summarised financial information

## Material interests

	Subsidiaries with material NCI	Associates	Joint ventures
Current assets	New	New	✓
Non-current assets	New	New	✓
Current liabilities	New	New	✓
Non-current liabilities	New	New	✓
Revenue	New	✓	New
Profit or loss from continuing operations	New	New	New
Post-tax profit/loss from discontinued ops	✗	New	New
Other comprehensive income	✗	New	New
Total comprehensive income	New	New	New

# Summarised financial information

## Material interests

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- ▶ All amounts disclosed are entire amount (100%) in JV's or associate's accounts
- ▶ Summarised financial information required even if fair value option is used
  - ▶ Not required to be under IFRS, if criteria met
- ▶ For material JVs and associates, disclose:
  - ▶ Accounting method (equity method or fair value)
  - ▶ Fair value, if quoted price available
  - ▶ Dividends received

# Summarised financial information

## Immaterial interests

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	Associates	Joint ventures
Carrying amount	New	New
Profit or loss from continuing operations	New	New
Post-tax profit/loss from discontinued ops	New	New
Other comprehensive income	New	New
Total comprehensive income	New	New

- ▶ Only required when equity method is used
- ▶ Separate presentation of associates and joint ventures
- ▶ All amounts are investor's (joint venturer's) share

# Other disclosure requirements

## Nature of interests

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Required for:	Required disclosures
<ul style="list-style-type: none"><li>• Subsidiary with material NCI</li><li>• Individually material joint arrangements</li><li>• Individually material associates</li></ul>	<ul style="list-style-type: none"><li>• Name</li><li>• Nature of relationship</li><li>• Principal place of business and country of incorporation</li><li>• Proportion of ownership interests and voting rights held (if different)</li></ul>

# Other disclosure requirements

## Significant judgements and assumptions

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- ▶ Significant judgements and assumptions made in determining whether an entity has control, joint control, or significant influence, and type of joint arrangement (joint venture or joint operation)
- ▶ Examples:
  - ▶ Why there is not control when an entity holds more than 50% of voting rights of another entity
  - ▶ Why there is control when an entity holds less than 50% of voting rights of another entity
  - ▶ Why an entity is considered an agent or a principal

# Other disclosure requirements

## Subsidiaries: Changes in ownership interests

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- ▶ Carried forward requirements from IAS 27:
  - ▶ Changes in ownership without loss of control and effect on equity
  - ▶ Information about consequences of losing control of a subsidiary
    - ▶ Gain or loss recognised
    - ▶ Portion of gain or loss related to remeasurement of retained interest
    - ▶ Line item in profit or loss in which it has been recognised

# Other disclosure requirements

## Subsidiaries: Restrictions on group

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- ▶ Significant restrictions on ability to access or use assets and settle liabilities of the group, such as:
  - ▶ Restrictions on transferring cash within the group
  - ▶ Restrictions on dividends and other capital distributions being paid, or loans and advances within the group
- ▶ Nature and extent to which protective rights of NCI can significantly restrict ability to access or use assets and settle liabilities of the group
- ▶ Carrying amounts of assets and liabilities to which restrictions apply

# Other disclosure requirements

## Joint ventures and associates

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- ▶ Restrictions on the transfer of funds
- ▶ When associate's or JV's financial statements are as of a different date than the group
- ▶ Losses in excess of investment
- ▶ Contingent liabilities

# Other disclosure requirements

## Joint ventures: Commitments

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- ▶ Disclose unrecognised and recognised commitments
- ▶ Unrecognised commitments - examples:
  - ▶ Contribute funding or resources:
    - ▶ Founding documents or pre-existing agreement
    - ▶ Capital-intensive projects
    - ▶ Unconditional purchase obligations by the joint venturer
    - ▶ Loans or other financial support
    - ▶ Contribute assets or services
  - ▶ Acquire another party's interest

# Transition

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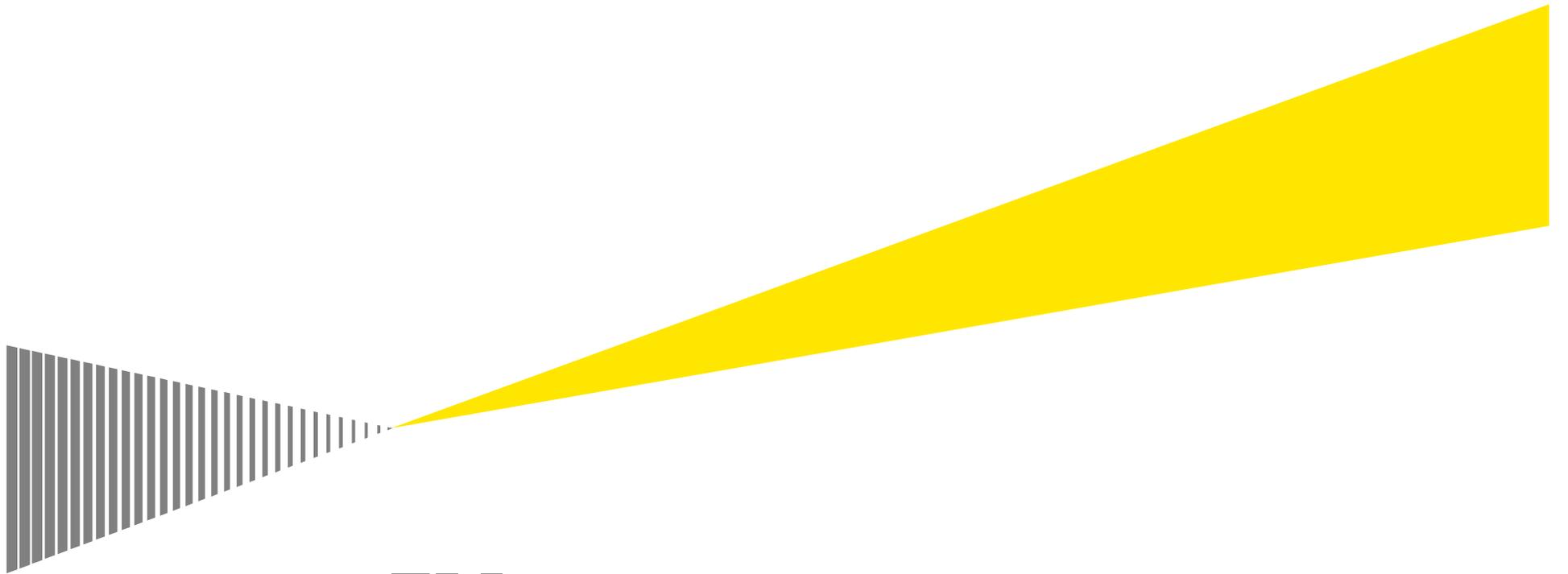
- ▶ Effective 1 January 2013
- ▶ Retrospective application using IAS 8
- ▶ Encouraged to provide disclosures before 2013
  - ▶ Can provide disclosures without early adopting IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011)

# Practical issues

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- ▶ How will you gather and summarise required information, both for implementation, and on an ongoing basis?
- ▶ Do you have a legal right to obtain information?
- ▶ For joint ventures and associates, is it 'impracticable' or would there be undue cost to obtain IFRS financial statements?

**Thank you!**



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