

INTERNATIONAL FINANCIAL REPORTING STANDARD 12

disclosure of interests in other entities

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Objective

- 1 The objective of this IFRS is to require an entity to disclose information that enables users of its financial statements to evaluate:
 - (a) the nature of, and risks associated with, its *interests in other entities*; and
 - (b) the effects of those interests on its financial position, financial performance and cash flows.
- Meeting the objective
- 2 To meet the objective in paragraph 1, an entity shall disclose:
 - (a) the significant judgements and assumptions it has made in determining:
 - (i) the nature of its interest in another entity or arrangement;
 - (ii) the type of joint arrangement in which it has an interest (paragraphs 7–9);
 - (iii) that it meets the definition of an investment entity, if applicable (paragraph 9A); and

- (b) information about its interests in:
 - (i) subsidiaries (paragraphs 10–19);
 - (ii) joint arrangements and associates (paragraphs 20–23); and
 - (iii) *structured entities* that are not controlled by the entity (unconsolidated structured entities) (paragraphs 24–31).
- 3 If the disclosures required by this IFRS, together with disclosures required by other IFRSs, do not meet the objective in paragraph 1, an entity shall disclose whatever additional information is necessary to meet that objective.
- 4 An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the requirements in this IFRS. It shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have different characteristics (see paragraphs B2–B6).

Scope

- 5 This IFRS shall be applied by an entity that has an interest in any of the following:
 - (a) subsidiaries
 - (b) joint arrangements (ie joint operations or joint ventures)
 - (c) associates
 - (d) unconsolidated structured entities.
- 5A Except as described in paragraph B17, the requirements in this IFRS apply to an entity's interests listed in paragraph 5 that are classified (or included in a disposal group that is classified) as held for sale or discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.
- 6 This IFRS does not apply to:
 - (a) post-employment benefit plans or other long-term employee benefit plans to which IAS 19 *Employee Benefits* applies.
 - (b) an entity's separate financial statements to which IAS 27 *Separate Financial Statements* applies. However:
 - (i) if an entity has interests in unconsolidated structured entities and prepares separate financial statements as its only financial statements, it shall apply the requirements in paragraphs 24–31 when preparing those separate financial statements.
 - (ii) an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with paragraph 31 of IFRS 10 shall present the disclosures relating to investment entities required by this IFRS.
 - (c) an interest held by an entity that participates in, but does not have joint control of, a joint arrangement unless that interest results in significant influence over the arrangement or is an interest in a structured entity.
 - (d) an interest in another entity that is accounted for in accordance with IFRS 9 *Financial Instruments*. However, an entity shall apply this IFRS:
 - (i) when that interest is an interest in an associate or a joint venture that, in accordance with IAS 28 *Investments in Associates and Joint Ventures*, is measured at fair value through profit or loss; or
 - (ii) when that interest is an interest in an unconsolidated structured entity.

Significant judgements and assumptions

- 7 **An entity shall disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining:**
 - (a) **that it has control of another entity, ie an investee as described in paragraphs 5 and 6 of IFRS 10 *Consolidated Financial Statements*;**
 - (b) **that it has joint control of an arrangement or significant influence over another entity; and**
 - (c) **the type of joint arrangement (ie joint operation or joint venture) when the arrangement has been structured through a separate vehicle.**
- 8 The significant judgements and assumptions disclosed in accordance with paragraph 7 include those made by the entity when changes in facts and circumstances are such that the conclusion about whether it has control, joint control or significant influence changes during the reporting period.
- 9 To comply with paragraph 7, an entity shall disclose, for example, significant judgements and assumptions made in determining that:
 - (a) it does not control another entity even though it holds more than half of the voting rights of the other entity.
 - (b) it controls another entity even though it holds less than half of the voting rights of the other entity.
 - (c) it is an agent or a principal (see paragraphs B58–B72 of IFRS 10).
 - (d) it does not have significant influence even though it holds 20 per cent or more of the voting rights of another entity.

- (e) it has significant influence even though it holds less than 20 per cent of the voting rights of another entity.

Investment entity status

- 9A When a parent determines that it is an investment entity in accordance with paragraph 27 of IFRS 10, the investment entity shall disclose information about significant judgements and assumptions it has made in determining that it is an investment entity. If the investment entity does not have one or more of the typical characteristics of an investment entity (see paragraph 28 of IFRS 10), it shall disclose its reasons for concluding that it is nevertheless an investment entity.**
- 9B** When an entity becomes, or ceases to be, an investment entity, it shall disclose the change of investment entity status and the reasons for the change. In addition, an entity that becomes an investment entity shall disclose the effect of the change of status on the financial statements for the period presented, including:
- (a) the total fair value, as of the date of change of status, of the subsidiaries that cease to be consolidated;
 - (b) the total gain or loss, if any, calculated in accordance with paragraph B101 of IFRS 10; and
 - (c) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

Interests in subsidiaries

10 An entity shall disclose information that enables users of its consolidated financial statements

- (a) to understand:**
 - (i) the composition of the group; and**
 - (ii) the interest that non-controlling interests have in the group's activities and cash flows (paragraph 12); and**
- (b) to evaluate:**
 - (i) the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group (paragraph 13);**
 - (ii) the nature of, and changes in, the risks associated with its interests in consolidated structured entities (paragraphs 14–17);**
 - (iii) the consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control (paragraph 18); and**
 - (iv) the consequences of losing control of a subsidiary during the reporting period (paragraph 19).**

- 11** When the financial statements of a subsidiary used in the preparation of consolidated financial statements are as of a date or for a period that is different from that of the consolidated financial statements (see paragraphs B92 and B93 of IFRS 10), an entity shall disclose:
- (a) the date of the end of the reporting period of the financial statements of that subsidiary; and
 - (b) the reason for using a different date or period.

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

- 12** An entity shall disclose for each of its subsidiaries that have non-controlling interests that are material to the reporting entity:
- (a) the name of the subsidiary.
 - (b) the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiary.
 - (c) the proportion of ownership interests held by non-controlling interests.
 - (d) the proportion of voting rights held by non-controlling interests, if different from the proportion of ownership interests held.
 - (e) the profit or loss allocated to non-controlling interests of the subsidiary during the reporting period.
 - (f) accumulated non-controlling interests of the subsidiary at the end of the reporting period.
 - (g) summarised financial information about the subsidiary (see paragraph B10).

The nature and extent of significant restrictions

- 13** An entity shall disclose:
- (a) significant restrictions (eg statutory, contractual and regulatory restrictions) on its ability to access or use the assets and settle the liabilities of the group, such as:
 - (i) those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the group.
 - (ii) guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the group.
 - (b) the nature and extent to which protective rights of non-controlling interests can significantly restrict the entity's ability to access or use the assets and settle the liabilities of the group (such as when a parent is obliged to settle

liabilities of a subsidiary before settling its own liabilities, or approval of non-controlling interests is required either to access the assets or to settle the liabilities of a subsidiary).

- (c) the carrying amounts in the consolidated financial statements of the assets and liabilities to which those restrictions apply.

Nature of the risks associated with an entity's interests in consolidated structured entities

- 14 An entity shall disclose the terms of any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated structured entity, including events or circumstances that could expose the reporting entity to a loss (eg liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity or provide financial support).
- 15 If during the reporting period a parent or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to a consolidated structured entity (eg purchasing assets of or instruments issued by the structured entity), the entity shall disclose:
 - (a) the type and amount of support provided, including situations in which the parent or its subsidiaries assisted the structured entity in obtaining financial support; and
 - (b) the reasons for providing the support.
- 16 If during the reporting period a parent or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to a previously unconsolidated structured entity and that provision of support resulted in the entity controlling the structured entity, the entity shall disclose an explanation of the relevant factors in reaching that decision.
- 17 An entity shall disclose any current intentions to provide financial or other support to a consolidated structured entity, including intentions to assist the structured entity in obtaining financial support.

Consequences of changes in a parent's ownership interest in a subsidiary that do not result in a loss of control

- 18 An entity shall present a schedule that shows the effects on the equity attributable to owners of the parent of any changes in its ownership interest in a subsidiary that do not result in a loss of control.

Consequences of losing control of a subsidiary during the reporting period

- 19 An entity shall disclose the gain or loss, if any, calculated in accordance with paragraph 25 of IFRS 10, and:
 - (a) the portion of that gain or loss attributable to measuring any investment retained in the former subsidiary at its fair value at the date when control is lost; and
 - (b) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

Interests in unconsolidated subsidiaries (investment entities)

- 19A An investment entity that, in accordance with IFRS 10, is required to apply the exception to consolidation and instead account for its investment in a subsidiary at fair value through profit or loss shall disclose that fact.
- 19B For each unconsolidated subsidiary, an investment entity shall disclose:
 - (a) the subsidiary's name;
 - (b) the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiary; and
 - (c) the proportion of ownership interest held by the investment entity and, if different, the proportion of voting rights held.
- 19C If an investment entity is the parent of another investment entity, the parent shall also provide the disclosures in 19B(a)–(c) for investments that are controlled by its investment entity subsidiary. The disclosure may be provided by including, in the financial statements of the parent, the financial statements of the subsidiary (or subsidiaries) that contain the above information.
- 19D An investment entity shall disclose:
 - (a) the nature and extent of any significant restrictions (eg resulting from borrowing arrangements, regulatory requirements or contractual arrangements) 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 to the unconsolidated subsidiary by the investment entity; and
 - (b) any current commitments or intentions to provide financial or other support to an unconsolidated subsidiary, including commitments or intentions to assist the subsidiary in obtaining financial support.
- 19E If, during the reporting period, an investment entity or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to an unconsolidated subsidiary (eg purchasing assets of, or instruments issued by, the subsidiary or assisting the subsidiary in obtaining financial support), the entity shall disclose:
 - (a) the type and amount of support provided to each unconsolidated subsidiary; and
 - (b) the reasons for providing the support.

- 19F An investment entity shall disclose the terms of any contractual arrangements that could require the entity or its unconsolidated subsidiaries to provide financial support to an unconsolidated, controlled, structured entity, including events or circumstances that could expose the reporting entity to a loss (eg liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity or to provide financial support).
- 19G If during the reporting period an investment entity or any of its unconsolidated subsidiaries has, without having a contractual obligation to do so, provided financial or other support to an unconsolidated, structured entity that the investment entity did not control, and if that provision of support resulted in the investment entity controlling the structured entity, the investment entity shall disclose an explanation of the relevant factors in reaching the decision to provide that support.

Interests in joint arrangements and associates

- 20 An entity shall disclose information that enables users of its financial statements to evaluate:**
- (a) **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 (paragraphs 21 and 22); and**
 - (b) **the nature of, and changes in, the risks associated with its interests in joint ventures and associates (paragraph 23).**

Nature, extent and financial effects of an entity's interests in joint arrangements and associates

- 21 An entity shall disclose:
- (a) for each joint arrangement and associate that is material to the reporting entity:
 - (i) the name of the joint arrangement or associate.
 - (ii) the nature of the entity's relationship with the joint arrangement or associate (by, for example, describing the nature of the activities of the joint arrangement or associate and whether they are strategic to the entity's activities).
 - (iii) the principal place of business (and country of incorporation, if applicable and different from the principal place of business) of the joint arrangement or associate.
 - (iv) the proportion of ownership interest or participating share held by the entity and, if different, the proportion of voting rights held (if applicable).
 - (b) for each joint venture and associate that is material to the reporting entity:
 - (i) whether the investment in the joint venture or associate is measured using the equity method or at fair value.
 - (ii) summarised financial information about the joint venture or associate as specified in paragraphs B12 and B13.
 - (iii) if the joint venture or associate is accounted for using the equity method, the fair value of its investment in the joint venture or associate, if there is a quoted market price for the investment.
 - (c) financial information as specified in paragraph B16 about the entity's investments in joint ventures and associates that are not individually material:
 - (i) in aggregate for all individually immaterial joint ventures and, separately,
 - (ii) in aggregate for all individually immaterial associates.

21A An investment entity need not provide the disclosures required by paragraphs 21(b)–21(c).

- 22 An entity shall also disclose:
- (a) the nature and extent of any significant restrictions (eg resulting from borrowing arrangements, regulatory requirements or contractual arrangements between investors with joint control of or significant influence over a joint venture or an associate) on the ability of joint ventures or associates to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity.
 - (b) when the financial statements of a joint venture or associate used in applying the equity method are as of a date or for a period that is different from that of the entity:
 - (i) the date of the end of the reporting period of the financial statements of that joint venture or associate; and
 - (ii) the reason for using a different date or period.
 - (c) the unrecognised share of losses of a joint venture or associate, both for the reporting period and cumulatively, if the entity has stopped recognising its share of losses of the joint venture or associate when applying the equity method.

Risks associated with an entity's interests in joint ventures and associates

- 23 An entity shall disclose:
- (a) commitments that it has relating to its joint ventures separately from the amount of other commitments as specified in paragraphs B18–B20.

- (b) in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, unless the probability of loss is remote, contingent liabilities incurred relating to its interests in joint ventures or associates (including its share of contingent liabilities incurred jointly with other investors with joint control of, or significant influence over, the joint ventures or associates), separately from the amount of other contingent liabilities.

Interests in unconsolidated structured entities

24 An entity shall disclose information that enables users of its financial statements:

- (a) to understand the nature and extent of its interests in unconsolidated structured entities (paragraphs 26–28); and
- (b) to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities (paragraphs 29–31).

25 The information required by paragraph 24(b) includes information about an entity's exposure to risk from involvement that it had with unconsolidated structured entities in previous periods (eg sponsoring the structured entity), even if the entity no longer has any contractual involvement with the structured entity at the reporting date.

25A An investment entity need not provide the disclosures required by paragraph 24 for an unconsolidated structured entity that it controls and for which it presents the disclosures required by paragraphs 19A–19G.

Nature of interests

26 An entity shall disclose qualitative and quantitative information about its interests in unconsolidated structured entities, including, but not limited to, the nature, purpose, size and activities of the structured entity and how the structured entity is financed.

27 If an entity has sponsored an unconsolidated structured entity for which it does not provide information required by paragraph 29 (eg because it does not have an interest in the entity at the reporting date), the entity shall disclose:

- (a) how it has determined which structured entities it has sponsored;
- (b) *income from those structured entities* during the reporting period, including a description of the types of income presented; and
- (c) the carrying amount (at the time of transfer) of all assets transferred to those structured entities during the reporting period.

28 An entity shall present the information in paragraph 27(b) and (c) in tabular format, unless another format is more appropriate, and classify its sponsoring activities into relevant categories (see paragraphs B2–B6).

Nature of risks

29 An entity shall disclose in tabular format, unless another format is more appropriate, a summary of:

- (a) the carrying amounts of the assets and liabilities recognised in its financial statements relating to its interests in unconsolidated structured entities.
- (b) the line items in the statement of financial position in which those assets and liabilities are recognised.
- (c) the amount that best represents the entity's maximum exposure to loss from its interests in unconsolidated structured entities, including how the maximum exposure to loss is determined. If an entity cannot quantify its maximum exposure to loss from its interests in unconsolidated structured entities it shall disclose that fact and the reasons.
- (d) a comparison of the carrying amounts of the assets and liabilities of the entity that relate to its interests in unconsolidated structured entities and the entity's maximum exposure to loss from those entities.

30 If during the reporting period an entity has, without having a contractual obligation to do so, provided financial or other support to an unconsolidated structured entity in which it previously had or currently has an interest (for example, purchasing assets of or instruments issued by the structured entity), the entity shall disclose:

- (a) the type and amount of support provided, including situations in which the entity assisted the structured entity in obtaining financial support; and
- (b) the reasons for providing the support.

31 An entity shall disclose any current intentions to provide financial or other support to an unconsolidated structured entity, including intentions to assist the structured entity in obtaining financial support.

Appendix A

Defined terms

This appendix is an integral part of the IFRS.

income from a structured entity

For the purpose of this IFRS, income from a **structured entity** includes, but is not limited to, recurring and non-recurring fees, interest, dividends, gains or losses on the remeasurement or derecognition of interests in structured entities and gains or losses from the transfer of assets and liabilities to the structured entity.

interest in another entity

For the purpose of this IFRS, an interest in another entity refers to contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees. It includes the means by which an entity has control or joint control of, or significant influence over, another entity. An entity does not necessarily have an interest in another entity solely because of a typical customer supplier relationship.

Paragraphs B7–B9 provide further information about interests in other entities.

Paragraphs B55–B57 of IFRS 10 explain variability of returns.

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.

Paragraphs B22–B24 provide further information about structured entities.

The following terms are defined in IAS 27 (as amended in 2011), IAS 28 (as amended in 2011), IFRS 10 and IFRS 11 *Joint Arrangements* and are used in this IFRS with the meanings specified in those IFRSs:

- associate
- consolidated financial statements
- control of an entity
- equity method
- group
- investment entity
- joint arrangement
- joint control
- joint operation
- joint venture
- non-controlling interest
- parent
- protective rights
- relevant activities
- separate financial statements
- separate vehicle
- significant influence
- subsidiary.

Appendix B**Application guidance**

This appendix is an integral part of the IFRS. It describes the application of paragraphs 1–31 and has the same authority as the other parts of the IFRS.

- B1 The examples in this appendix portray hypothetical situations. Although some aspects of the examples may be present in actual fact patterns, all relevant facts and circumstances of a particular fact pattern would need to be evaluated when applying IFRS 12.

Aggregation (paragraph 4)

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- B2 An entity shall decide, in the light of its circumstances, how much detail it provides to satisfy the information needs of users, how much emphasis it places on different aspects of the requirements and how it aggregates the information. It is necessary 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.
- B3 An entity may aggregate the disclosures required by this IFRS for interests in similar entities if aggregation is consistent with the disclosure objective and the requirement in paragraph B4, and does not obscure the information provided. An entity shall disclose how it has aggregated its interests in similar entities.
- B4 An entity shall present information separately for interests in:
- (a) subsidiaries;
 - (b) joint ventures;

- (c) joint operations;
 - (d) associates; and
 - (e) unconsolidated structured entities.
- B5 In determining whether to aggregate information, an entity shall consider quantitative and qualitative information about the different risk and return characteristics of each entity it is considering for aggregation and the significance of each such entity to the reporting entity. The entity shall present the disclosures in a manner that clearly explains to users of financial statements the nature and extent of its interests in those other entities.
- B6 Examples of aggregation levels within the classes of entities set out in paragraph B4 that might be appropriate are:
- (a) nature of activities (eg a research and development entity, a revolving credit card securitisation entity).
 - (b) industry classification.
 - (c) geography (eg country or region).

Interests in other entities

- B7 An interest in another entity refers to contractual and non-contractual involvement that exposes the reporting entity to variability of returns from the performance of the other entity. Consideration of the purpose and design of the other entity may help the reporting entity when assessing whether it has an interest in that entity and, therefore, whether it is required to provide the disclosures in this IFRS. That assessment shall include consideration of the risks that the other entity was designed to create and the risks the other entity was designed to pass on to the reporting entity and other parties.
- B8 A reporting entity is typically exposed to variability of returns from the performance of another entity by holding instruments (such as equity or debt instruments issued by the other entity) or having another involvement that absorbs variability. For example, assume a structured entity holds a loan portfolio. The structured entity obtains a credit default swap from another entity (the reporting entity) to protect itself from the default of interest and principal payments on the loans. The reporting entity has involvement that exposes it to variability of returns from the performance of the structured entity because the credit default swap absorbs variability of returns of the structured entity.
- B9 Some instruments are designed to transfer risk from a reporting entity to another entity. Such instruments create variability of returns for the other entity but do not typically expose the reporting entity to variability of returns from the performance of the other entity. For example, assume a structured entity is established to provide investment opportunities for investors who wish to have exposure to entity Z's credit risk (entity Z is unrelated to any party involved in the arrangement). The structured entity obtains funding by issuing to those investors notes that are linked to entity Z's credit risk (credit-linked notes) and uses the proceeds to invest in a portfolio of risk-free financial assets. The structured entity obtains exposure to entity Z's credit risk by entering into a credit default swap (CDS) with a swap counterparty. The CDS passes entity Z's credit risk to the structured entity in return for a fee paid by the swap counterparty. The investors in the structured entity receive a higher return that reflects both the structured entity's return from its asset portfolio and the CDS fee. The swap counterparty does not have involvement with the structured entity that exposes it to variability of returns from the performance of the structured entity because the CDS transfers variability to the structured entity, rather than absorbing variability of returns of the structured entity.

Summarised financial information for subsidiaries, joint ventures and associates (paragraphs 12 and 21)

- B10 For each subsidiary that has non-controlling interests that are material to the reporting entity, an entity shall disclose:
- (a) dividends paid to non-controlling interests.
 - (b) summarised financial information about the assets, liabilities, profit or loss and cash flows of the subsidiary that enables users to understand the interest that non-controlling interests have in the group's activities and cash flows. That information might include but is not limited to, for example, current assets, non-current assets, current liabilities, non-current liabilities, revenue, profit or loss and total comprehensive income.
- B11 The summarised financial information required by paragraph B10(b) shall be the amounts before inter-company eliminations.
- B12 For each joint venture and associate that is material to the reporting entity, an entity shall disclose:
- (a) dividends received from the joint venture or associate.
 - (b) summarised financial information for the joint venture or associate (see paragraphs B14 and B15) including, but not necessarily limited to:
 - (i) current assets.
 - (ii) non-current assets.
 - (iii) current liabilities.
 - (iv) non-current liabilities.
 - (v) revenue.
 - (vi) profit or loss from continuing operations.
 - (vii) post-tax profit or loss from discontinued operations.
 - (viii) other comprehensive income.

(ix) total comprehensive income.

- B13 In addition to the summarised financial information required by paragraph B12, an entity shall disclose for each joint venture that is material to the reporting entity the amount of:
- (a) cash and cash equivalents included in paragraph B12(b)(i).
 - (b) current financial liabilities (excluding trade and other payables and provisions) included in paragraph B12(b)(iii).
 - (c) non-current financial liabilities (excluding trade and other payables and provisions) included in paragraph B12(b)(iv).
 - (d) depreciation and amortisation.
 - (e) interest income.
 - (f) interest expense.
 - (g) income tax expense or income.
- B14 The summarised financial information presented in accordance with paragraphs B12 and B13 shall be the amounts included in the IFRS financial statements of the joint venture or associate (and not the entity's share of those amounts). If the entity accounts for its interest in the joint venture or associate using the equity method:
- (a) the amounts included in the IFRS financial statements of the joint venture or associate shall be adjusted to reflect adjustments made by the entity when using the equity method, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies.
 - (b) the entity shall provide a reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture or associate.
- B15 An entity may present the summarised financial information required by paragraphs B12 and B13 on the basis of the joint venture's or associate's financial statements if:
- (a) the entity measures its interest in the joint venture or associate at fair value in accordance with IAS 28 (as amended in 2011); and
 - (b) the joint venture or associate does not prepare IFRS financial statements and preparation on that basis would be impracticable or cause undue cost.
- In that case, the entity shall disclose the basis on which the summarised financial information has been prepared.
- B16 An entity shall disclose, in aggregate, the carrying amount of its interests in all individually immaterial joint ventures or associates that are accounted for using the equity method. An entity shall also disclose separately the aggregate amount of its share of those joint ventures' or associates':
- (a) profit or loss from continuing operations.
 - (b) post-tax profit or loss from discontinued operations.
 - (c) other comprehensive income.
 - (d) total comprehensive income.
- An entity provides the disclosures separately for joint ventures and associates.
- B17 When an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5, the entity is not required to disclose summarised financial information for that subsidiary, joint venture or associate in accordance with paragraphs B10–B16.

Commitments for joint ventures (paragraph 23(a))

- B18 An entity shall disclose total commitments it has made but not recognised at the reporting date (including its share of commitments made jointly with other investors with joint control of a joint venture) relating to its interests in joint ventures. Commitments are those that may give rise to a future outflow of cash or other resources.
- B19 Unrecognised commitments that may give rise to a future outflow of cash or other resources include:
- (a) unrecognised commitments to contribute funding or resources as a result of, for example:
 - (i) the constitution or acquisition agreements of a joint venture (that, for example, require an entity to contribute funds over a specific period).
 - (ii) capital-intensive projects undertaken by a joint venture.
 - (iii) unconditional purchase obligations, comprising procurement of equipment, inventory or services that an entity is committed to purchasing from, or on behalf of, a joint venture.
 - (iv) unrecognised commitments to provide loans or other financial support to a joint venture.
 - (v) unrecognised commitments to contribute resources to a joint venture, such as assets or services.
 - (vi) other non-cancellable unrecognised commitments relating to a joint venture.
 - (b) unrecognised commitments to acquire another party's ownership interest (or a portion of that ownership interest) in a joint venture if a particular event occurs or does not occur in the future.

B20 The requirements and examples in paragraphs B18 and B19 illustrate some of the types of disclosure required by paragraph 18 of IAS 24 *Related Party Disclosures*.

Interests in unconsolidated structured entities (paragraphs 24–31)

Structured entities

- B21 A structured entity is 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.
- B22 A structured entity often has some or all of the following features or attributes:
- (a) restricted activities.
 - (b) a narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors.
 - (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support.
 - (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).
- B23 Examples of entities that are regarded as structured entities include, but are not limited to:
- (a) securitisation vehicles.
 - (b) asset-backed financings.
 - (c) some investment funds.
- B24 An entity that is controlled by voting rights is not a structured entity simply because, for example, it receives funding from third parties following a restructuring.

Nature of risks from interests in unconsolidated structured entities (paragraphs 29–31)

- B25 In addition to the information required by paragraphs 29–31, an entity shall disclose additional information that is necessary to meet the disclosure objective in paragraph 24(b).
- B26 Examples of additional information that, depending on the circumstances, might be relevant to an assessment of the risks to which an entity is exposed when it has an interest in an unconsolidated structured entity are:
- (a) the terms of an arrangement that could require the entity to provide financial support to an unconsolidated structured entity (eg liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity or provide financial support), including:
 - (i) a description of events or circumstances that could expose the reporting entity to a loss.
 - (ii) whether there are any terms that would limit the obligation.
 - (iii) whether there are any other parties that provide financial support and, if so, how the reporting entity's obligation ranks with those of other parties.
 - (b) losses incurred by the entity during the reporting period relating to its interests in unconsolidated structured entities.
 - (c) the types of income the entity received during the reporting period from its interests in unconsolidated structured entities.
 - (d) whether the entity is required to absorb losses of an unconsolidated structured entity before other parties, the maximum limit of such losses for the entity, and (if relevant) the ranking and amounts of potential losses borne by parties whose interests rank lower than the entity's interest in the unconsolidated structured entity.
 - (e) information about any liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value or risk of the entity's interests in unconsolidated structured entities.
 - (f) any difficulties an unconsolidated structured entity has experienced in financing its activities during the reporting period.
 - (g) in relation to the funding of an unconsolidated structured entity, the forms of funding (eg commercial paper or medium-term notes) and their weighted-average life. That information might include maturity analyses of the assets and funding of an unconsolidated structured entity if the structured entity has longer-term assets funded by shorter-term funding.

Appendix C

Effective date and transition

This appendix is an integral part of the IFRS and has the same authority as the other parts of the IFRS.

Effective date and transition

- C1 An entity shall apply this IFRS for annual periods beginning on or after 1 January 2013. Earlier application is permitted.
- C1A *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to IFRS 10, IFRS 11 and IFRS 12), issued in June 2012, added paragraphs C2A–C2B. An entity shall apply

those amendments for annual periods beginning on or after 1 January 2013. If an entity applies IFRS 12 for an earlier period, it shall apply those amendments for that earlier period.

- C1B *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27), issued in October 2012, amended paragraph 2 and Appendix A, and added paragraphs 9A–9B, 19A–19G, 21A and 25A. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Early adoption is permitted. If an entity applies those amendments earlier, it shall disclose that fact and apply all amendments included in *Investment Entities* at the same time.
- C1C *Investment Entities: Applying the Consolidation Exception* (Amendments to IFRS 10, IFRS 12 and IAS 28), issued in December 2014, amended paragraph 6. An entity shall apply that amendment for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.
- C1D *Annual Improvements to IFRSs 2014–2016 Cycle*, issued in December 2016, added paragraph 5A and amended paragraph B17. An entity shall apply those amendments retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2017.
- C2 An entity is encouraged to provide information required by this IFRS earlier than annual periods beginning on or after 1 January 2013. Providing some of the disclosures required by this IFRS does not compel the entity to comply with all the requirements of this IFRS or to apply IFRS 10, IFRS 11, IAS 27 (as amended in 2011) and IAS 28 (as amended in 2011) early.
- C2A The disclosure requirements of this IFRS need not be applied for any period presented that begins before the annual period immediately preceding the first annual period for which IFRS 12 is applied.
- C2B The disclosure requirements of paragraphs 24–31 and the corresponding guidance in paragraphs B21–B26 of this IFRS need not be applied for any period presented that begins before the first annual period for which IFRS 12 is applied.

References to IFRS 9

- C3 If an entity applies this IFRS but does not yet apply IFRS 9, any reference to IFRS 9 shall be read as a reference to IAS 39 *Financial Instruments: Recognition and Measurement*.
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