IFRS AT A GLANCE

IFRS 12 Disclosure of Interests in Other Entities
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**SCOPE**

Applied by entities that have an interest in: Subsidiaries; joint arrangements, associates; and 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
- Separate financial statements, where 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
- Interests accounted for in accordance with IFRS 9 Financial Instruments, except for Interests in an associate or joint venture measured at fair value as required by IAS 28 Investments in Associates and Joint Ventures.

Some, but not all, disclosure requirements apply to interests classified as held for sale in accordance with IFRS 5.

**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 a structured entity** - Includes (but not is limited to) 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** - Refers to contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. Evidenced by holding: debt instruments, equity instruments, and other forms of involvement.

The following terms used in IFRS 12 are defined in IAS 27 Separate Financial Statements, IAS 28 Investments In Associates and Joint Ventures IFRS 10 Consolidated Financial Statements, and IFRS 11 Joint Arrangements:
- Associate: consolidated financial statements; control of an entity; equity method; group; joint arrangement; joint control; joint operation; joint venture; non-controlling interest (NCI); parent; protective rights; relevant activities; separate financial statements; separate vehicle; significant influence; and subsidiary.

**SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS**

Disclose information about significant judgements and assumptions the made (and changes to those judgements and assumptions) in determining:
- Control over another entity
- Joint control over an arrangement
- Significant influence over another entity
- When a joint arrangement has been structured through a separate vehicle, its classification (i.e. joint operation or joint venture).

**(a) INTERESTS IN SUBSIDIARIES - REQUIRED DISCLOSURES**

Information that enables users...

To understand:
- (i) The composition of the group and the interest that NCI’s have in the group’s activities and cash flows.

To evaluate:
- (ii) The nature and extent of significant restrictions on the ability to access or use assets, and settle liabilities, of the group
- (iii) The nature of, and changes in, the risks associated with interests in consolidated structured entities that do not result in a loss of control
- (iv) The consequences of losing control of a subsidiary during the reporting period.

(i) Composition of the group and NCI interests in group activities

Composition of the group
For each subsidiary with material NCI’s:
- Name of the subsidiary
- Principal place of business and country of incorporation of the subsidiary
- Proportion of ownership interests held by NCI
- Proportion of NCI voting rights, if different from the proportion of ownership interests held
- Profit or loss allocated to non-controlling interests of the subsidiary during the reporting period
- Cumulated NCI of the subsidiary at the end of the reporting period
- Summarised financial information about the subsidiary.

(ii) Nature and extent of restrictions

Significant restrictions on ability to access or use the assets and settle the liabilities of the group, such as:
- Those that restrict the ability to transfer cash or other assets to (or from) other entities within the group
- 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
- The nature and extent to which protective rights of NCI can significantly restrict the entity’s ability to access or use the assets and settle the liabilities of the group.
- The carrying amounts of the assets and liabilities to which those restrictions apply.

(iii) Nature of risks in consolidated structured entities (CSE)

Terms of any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a CSE.
If financial or other support has been provided to a CSE in the absence of a contractual obligation to do so:
- The type and amount of support provided, including obtaining financial support, and
- The reasons for providing the support.

If financial (or other) support has been provided to a previously unconsolidated structured entity that resulted in control, explanation of the relevant factors in reaching that decision.
Any current intentions to provide financial (or other) support to a consolidated structured entity (including any intentions to assist in obtaining financial support).

(iv) Consequences of a parent’s ownership interest in a subsidiary that do not result in a loss of control

Present a schedule showing the effects on the equity (attributable to owners of the parent) of any changes in ownership interest that do not result in a loss of control.

(v) Consequences of losing control of a subsidiary

Disclose the gain or loss, if any, and:
- 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
- The line item(s) in profit or loss in which the gain or loss is recognised.
## (b) INTERESTS IN JOINT ARRANGEMENTS AND ASSOCIATES - REQUIRED DISCLOSURES

<table>
<thead>
<tr>
<th>Information that enables users to evaluate:</th>
<th>(i) Risks associated with an entity’s interests in joint ventures and associates</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) The nature of, and changes in, risks associated with interests held</td>
<td>Commitments relating to joint ventures</td>
</tr>
<tr>
<td>(ii) The nature, extent, and financial effects of interests in joint arrangements and associates (including contractual relationships with the other investors with joint control or significant influence).</td>
<td>Contingent liabilities incurred relating to joint ventures or associates (including its share of contingent liabilities incurred jointly with other investors), unless the probability of loss is remote.</td>
</tr>
</tbody>
</table>

### (ii) Nature, extent and financial effects of an entity’s interests in joint arrangements and associates

- The name of the joint arrangement or associate
- The nature of the entity’s relationship with the joint arrangement or associate
- 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
- The proportion of ownership interest or participating share held by the entity and, if different, the proportion of voting rights held (if applicable)
- Measurement: whether equity method or at fair value
- If measured using equity method: the fair value of its investment in the joint venture or associate (if a quoted market price is available)
- Summarised financial information about the joint venture or associate.

### Information that enables users to understand:

To understand:

- The nature and extent of its interests in UCSE.

To evaluate:

- The nature of, and changes in, the risks associated with its interests in UCSE.

Including, information about the exposure to risk from involvement in previous periods (even if the entity no longer has any contractual involvement with the entity at reporting date).

### (c) INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES (UCSE) - REQUIRED DISCLOSURES

<table>
<thead>
<tr>
<th>Information that enables users...</th>
<th>(i) Nature of interests</th>
<th>(ii) Nature of risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>To understand:</td>
<td>Qualitative and quantitative information, including (but not limited to):</td>
<td>Disclose in tabular format (unless another format is more appropriate) a summary of:</td>
</tr>
<tr>
<td>To evaluate:</td>
<td>Nature, purpose, size and activities of the structured entity and how the structured entity is financed.</td>
<td>The carrying amounts of the assets and liabilities recognised in its financial statements relating to interests in UCSE.</td>
</tr>
<tr>
<td>(i) The nature and extent of its interests in UCSE.</td>
<td>If an entity has sponsored UCSE, for which it does not provide financial support, disclose:</td>
<td>The line items in the statement of financial position in which those assets and liabilities are recognised.</td>
</tr>
<tr>
<td>(ii) The nature of, and changes in, the risks associated with its interests in UCSE.</td>
<td>- How it has determined which structured entities it has sponsored.</td>
<td>The amount that best represents the entity’s maximum exposure to loss from its interests in UCSE, including how the maximum exposure to loss is determined.</td>
</tr>
<tr>
<td>Including, information about the exposure to risk from involvement in previous periods (even if the entity no longer has any contractual involvement with the entity at reporting date).</td>
<td>Income from those structured entities during the reporting period, including a description of types of income presented.</td>
<td>If an entity cannot quantify its maximum exposure to loss from its interests in UCSE it is required to disclose that fact and the reasons.</td>
</tr>
<tr>
<td>An entity is required to present the information above:</td>
<td>The carrying amount (at the time of transfer) of all assets transferred to those structured entities during the reporting period.</td>
<td>A comparison of the carrying amounts of the assets and liabilities of the entity that relate to its interests in UCSE and the entity’s maximum exposure to loss from those entities.</td>
</tr>
<tr>
<td>(unless another format is more appropriate)</td>
<td></td>
<td>If during the reporting period an entity has, without having a contractual obligation to do so, provided financial (or other) support to an UCSE in which it previously had or currently has an interest, disclose:</td>
</tr>
<tr>
<td>Classified its sponsoring activities into relevant categories.</td>
<td></td>
<td>- The type and amount of support provided, including situations in which the entity assisted the structured entity in obtaining financial support.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The reasons for providing the support.</td>
</tr>
<tr>
<td></td>
<td>An entity is required to disclose any current intentions to provide financial or other support to UCSE, including intentions to assist the structured entity in obtaining financial support.</td>
<td></td>
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</tbody>
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Contact

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below.

Alternatively, please visit [www.bdo.global](http://www.bdo.global) where you can find full lists of regional and country contacts.

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