



**IFRS AT A GLANCE**  
**IFRS 12 *Disclosure of Interest***  
***in Other Entities***



# IFRS 12 *Disclosure of Interests in Other Entities*

## 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 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).



# IFRS 12 *Disclosure of Interests in Other Entities*

## (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
- (iv) The consequences of changes in ownership interest in a subsidiary that do not result in a loss of control
- (v) 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
- ▶ Accumulated NCI of the subsidiary at the end of the reporting period
- ▶ Summarised financial information about the subsidiary.

### (iv) Consequences of changes in 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.

### (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).

### (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.



# IFRS 12 *Disclosure of Interests in Other Entities*

## (b) INTERESTS IN JOINT ARRANGEMENTS AND ASSOCIATES - REQUIRED DISCLOSURES

### Information that enables users to evaluate:

- (i) The nature of, and changes in, risks associated with interests held
- (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).

### (i) Risks associated with an entity's interests in joint ventures and associates

Commitments relating to joint ventures

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.

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

- ▶ The name of the joint arrangement or associates
  - ▶ 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.
- ▶ Financial information about the entity's investments in joint ventures and associates that are not individually material:
    - In aggregate for all individually immaterial joint ventures
    - In aggregate for all individually immaterial associates.
  - ▶ The nature and extent of any significant restrictions 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
  - ▶ When there is a difference in reporting date of a joint venture or associate's financial statements used in applying the equity method:
    - The date of the end of the reporting period of the financial statements of that joint venture or associate.
    - The reason for using a different date or period.
  - ▶ 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.

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

### Information that enables users...

#### To understand:

- (i) The nature and extent of its interests in UCSE.

#### To evaluate:

- (ii) 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).

### (i) Nature of interests

Qualitative and quantitative information, including (but not limited to):

- ▶ Nature, purpose, size and activities of the structured entity and how the structured entity is financed
- If an entity has sponsored UCSE, for which it does not provide information (e.g. because it holds no interest at reporting date), disclose:
- ▶ How it has determined which structured entities it has sponsored
  - ▶ Income from those structured entities during the reporting period, including a description of types of income presented
  - ▶ The carrying amount (at the time of transfer) of all assets transferred to those structured entities during the reporting period.
- An entity is required to present the information above:
- ▶ In tabular format (unless another format is more appropriate)
  - ▶ Classify its sponsoring activities into relevant categories.

### (ii) Nature of risks

Disclose in tabular format (unless another format is more appropriate) a summary of:







- ▶ The carrying amounts of the assets and liabilities recognised in its financial statements relating to interests in UCSE.
  - ▶ The line items in the statement of financial position in which those assets and liabilities are recognised
  - ▶ 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. 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
  - ▶ 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.
- 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:
- ▶ The type and amount of support provided, including situations in which the entity assisted the structured entity in obtaining financial support
  - ▶ The reasons for providing the support.
- 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.

# 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.



## EUROPE

Anne Catherine Farlay		France	<a href="mailto:annecatherine.farlay@bdo.fr">annecatherine.farlay@bdo.fr</a>
Jens Freiberg		Germany	<a href="mailto:jens.freiberg@bdo.de">jens.freiberg@bdo.de</a>
Ehud Greenberg		Israel	<a href="mailto:ehudg@bdo.co.il">ehudg@bdo.co.il</a>
Stefano Bianchi		Italy	<a href="mailto:stefano.bianchi@bdo.it">stefano.bianchi@bdo.it</a>
Roald Beumer		Netherlands	<a href="mailto:roald.beumer@bdo.nl">roald.beumer@bdo.nl</a>
Reidar Jensen		Norway	<a href="mailto:reidar.jensen@bdo.no">reidar.jensen@bdo.no</a>
David Cabaleiro		Spain	<a href="mailto:david.cabaleiro@bdo.es">david.cabaleiro@bdo.es</a>
René Füglistner		Switzerland	<a href="mailto:rene.fueglistner@bdo.ch">rene.fueglistner@bdo.ch</a>
Moses Serfaty		United Kingdom	<a href="mailto:moses.serfaty@bdo.co.uk">moses.serfaty@bdo.co.uk</a>




## SUB SAHARAN AFRICA



Theunis Schoeman		South Africa	<a href="mailto:tschoeman@bdo.co.za">tschoeman@bdo.co.za</a>
------------------	---	--------------	--

## NORTH AMERICA &







Jonathan Chasle		Canada	<a href="mailto:jchasle@bdo.ca">jchasle@bdo.ca</a>
Wendy Hambleton		USA	<a href="mailto:whambleton@bdo.com">whambleton@bdo.com</a>


## LATIN AMERICA

Marcello Canetti		Argentina	<a href="mailto:mcanetti@bdoargentina.com">mcanetti@bdoargentina.com</a>
Victor Ramirez		Colombia	<a href="mailto:vramirez@bdo.com.co">vramirez@bdo.com.co</a>
Ernesto Bartesaghi		Uruguay	<a href="mailto:ebartesaghi@bdo.com.uy">ebartesaghi@bdo.com.uy</a>

Ayez Qureshi		Bahrain	<a href="mailto:Ayez.qureshi@bdo.bh">Ayez.qureshi@bdo.bh</a>
Antoine Gholam		Lebanon	<a href="mailto:agholam@bdo-lb.com">agholam@bdo-lb.com</a>

## ASIA PACIFIC

Aletta Boshoff		Australia	<a href="mailto:aletta.boshoff@bdo.com.au">aletta.boshoff@bdo.com.au</a>
Hu Jian Fei		China	<a href="mailto:hu.jianfei@bdo.com.cn">hu.jianfei@bdo.com.cn</a>
Fanny Hsiang		Hong Kong	<a href="mailto:fannyhsiang@bdo.com.hk">fannyhsiang@bdo.com.hk</a>
Pradeep Suresh		India	<a href="mailto:pradeepsuresh@bdo.in">pradeepsuresh@bdo.in</a>
Khoon Yeow Tan		Malaysia	<a href="mailto:tanky@bdo.my">tanky@bdo.my</a>
Ng Kian Hui		Singapore	<a href="mailto:kianhui@bdo.com.sg">kianhui@bdo.com.sg</a>



This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Neither BDO IFR Advisory Limited, and/or any other entity of BDO network, nor their respective partners, employees and/or agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

The BDO network (referred to as the 'BDO network' or the 'Network') is an international network of independent public accounting, tax and advisory firms which are members of BDO International Limited and perform professional services under the name and style of BDO (hereafter 'BDO member firms'). BDO International Limited is a UK company limited by guarantee. It is the governing entity of the BDO network.

Service provision within the BDO network in connection with corporate reporting and IFRS Accounting Standards (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board and IFRS Sustainability Disclosure Standards as issued by the International Sustainability Standards Board, is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium.

Each of BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and the BDO member firms is a separate legal entity and has no liability for another entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and/or the BDO member firms. Neither BDO International Limited nor any other central entities of the BDO network provide services to clients.

BDO is the brand name for the BDO network and for each of the BDO member firms.

© 2022 BDO IFR Advisory Limited, a UK registered company limited by guarantee. All rights reserved.

[www.bdo.global](http://www.bdo.global)

**BDO**