

SCOPE AND OBJECTIVE

- The objective of this Standard is 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 controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
 - The effects of those interests on its financial position, financial performance and cash flows.
- This standard applies to all Tier 1 and 2 entities when disclosing information about its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated.
- This Standard is applied by an entity that has an interest in any of the following:
 - Controlled entities;
 - Joint arrangements (i.e., joint operations or joint ventures);
 - Associates; or
 - Structured entities that are not consolidated.

KEY DEFINITIONS

Interest in another entity: Involvement by way of binding arrangements or otherwise that exposes an entity to variability of benefits 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 funder/recipient or customer/supplier relationship.

Structured entity:

(a) In the case of entities where administrative arrangements or legislation are normally the dominant factors in deciding who has control of an entity, an entity that has been designed so that administrative arrangements or legislation are not the dominant factors in deciding who controls the entity, such as when binding arrangements are significant to determining control of the entity and relevant activities are directed by means of binding arrangements;

or

(b) In the case of entities where voting or similar rights are normally the dominant factor in deciding who has control of an 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 binding arrangements.

SUMMARY OF DISCLOSURES REQUIRED

In summary, disclose the following (further detail provided in separate sections of this SOAP):

- The significant judgements and assumptions the entity 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; and
 - That it meets the definition of an investment entity, if applicable; and

Information about the entity's interests in:

- Controlled entities;
- Joint arrangements and associates;
- Structured entities that are not consolidated;
- Non-quantifiable ownership interests; and
- Controlling interests acquired with the intention of disposal.

SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS

Disclose the methodology used to determine:

- a) That it has control of another entity as described in paragraphs 18 and 20 of PBE IPSAS 35;
- b) That it has joint control of an arrangement or significant influence over another entity; and
- c) The type of joint arrangement (i.e., joint operation or joint venture) when the arrangement has been structured through a separate vehicle.

This information may either be given in the financial statements or incorporated by cross-reference from the financial statements to some other statement that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.

INVESTMENT ENTITIES

When a controlling entity determines that it is an investment entity in accordance with PBE IPSAS 35, the investment entity must disclose information about significant judgements and assumptions it has made in determining that it is an investment entity. An investment entity is not required to disclose this information if it has all of the characteristics in paragraph 61 of PBE IPSAS 35.

When an entity becomes, or ceases to be, an investment entity, disclose the change of investment entity status and the reasons for the change.

An entity that **becomes** an investment entity discloses 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 controlled entities that cease to be consolidated;
- b) The total gain or loss, if any, calculated in accordance with paragraph 64 of PBE IPSAS 35; and
- c) The line item(s) in surplus or deficit in which the gain or loss is recognised (if not presented separately).

TIER 2 NZ IFRS RDR REPORTERS

NZ IFRS RDR reporters are granted certain disclosure exemptions as marked by an *

INTERESTS IN CONTROLLED ENTITIES

DISCLOSURES

Disclose information that enables users of its consolidated financial statements:

To understand:

- The composition of the economic entity; and
- *The interest that non-controlling interests have in the economic entity's activities and cash flows; and

To evaluate:

- The nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the economic entity;
- *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 controlled entity that do not result in a loss of control; and
- *The consequences of losing control of a controlled entity during the reporting period

DIFFERENT REPORTING DATES

When the financial statements of a controlled entity 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 disclose:

- The date of the end of the reporting period of the financial statements of that controlled entity; and
- *The reason for using a different date or period.

NATURE OF RISKS

- *Disclose the terms of any binding arrangements that could require the controlling entity or its controlled entities to provide financial support to a consolidated structured entity, including events or circumstances that could expose the reporting entity to a loss (e.g., liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity or provide financial support).

If during the reporting period a controlling entity or any of its controlled entities has, without having an obligation under a binding arrangement to do so, provided financial or other support to a consolidated structured entity (e.g. purchasing assets of, or instruments issued by, the structured entity), the entity discloses:

- The type and amount of support provided, including situations in which the controlling entity or its controlled entities assisted the structured entity in obtaining financial support; and
- The reasons for providing the support.

*If during the reporting period a controlling entity or any of its controlled entities has, without having an obligation under a binding arrangement 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 discloses an explanation of the relevant factors in reaching that decision. 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.

NON-CONTROLLING INTERESTS

*Disclose for each of its controlled entities that have non-controlling interests that are material to the reporting entity:

- The name of the controlled entity;
- The domicile and legal form of the controlled entity and the jurisdiction in which it operates;
- The proportion of ownership interests held by non-controlling interests;
- The proportion of voting rights held by non-controlling interests, if different from the proportion of ownership interests held;
- The surplus or deficit allocated to non-controlling interests of the controlled entity during the reporting period;
- Accumulated non-controlling interests of the controlled entity at the end of the reporting period; and
- Summarised financial information about the controlled entity

CHANGES IN THE CONTROLLING INTEREST

*An entity presents a schedule that shows the effects on the net assets/equity attributable to owners of the controlling entity of any changes in its ownership interest in a controlled entity that do not result in a loss of control.

LOSS OF CONTROL

*An entity discloses the gain or loss, if any, calculated in accordance with paragraph 52 of PBE IPSAS 35 and:

- The portion of that gain or loss attributable to measuring any investment retained in the former controlled entity at its fair value at the date when control is lost; and
- The line item(s) in surplus or deficit in which the gain or loss is recognised (if not presented separately).

SIGNIFICANT RESTRICTIONS

An entity discloses:

Significant restrictions in binding arrangements (e.g., statutory, contractual and regulatory restrictions) on its ability to access or use the assets and settle the liabilities of the economic entity, such as:

- Those that restrict the ability of a controlling entity or its controlled entities to transfer cash or other assets to (or from) other entities within the economic entity.
- *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 economic entity.

*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 economic entity (such as when a controlling entity is obliged to settle liabilities of a controlled entity 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 controlled entity).

The carrying amounts in the consolidated financial statements of the assets and liabilities to which those restrictions apply.

INTERESTS IN UNCONSOLIDATED CONTROLLED ENTITIES (INVESTMENT ENTITIES)

CONTROLLING ENTITY THAT CONTROLS AN INVESTMENT ENTITY (BUT ITSELF IS NOT AN INVESTMENT ENTITY)

A controlling entity that controls an investment entity and is not itself an investment entity, discloses in its consolidated financial statements, the information required in this SOAP in respect of such unconsolidated controlled entities.

INVESTMENT ENTITY DISCLOSURES

An investment entity that, in accordance with PBE IPSAS 35 *Consolidated Financial Statements* is required to apply the exception to consolidation and instead account for its investment in a controlled entity at fair value through surplus or deficit shall disclose that fact.

For each unconsolidated controlled entity, an investment entity discloses:

- The controlled entity's name;
- The domicile and legal form of the controlled entity and the jurisdiction in which it operates; and
- The proportion of ownership interest held by the investment entity and, if different, the proportion of voting rights held.

If an investment entity is the controlling entity of another investment entity, the controlling entity also provides the disclosures in paragraph 28(a)-(c) for investments that are controlled by its controlled investment entity. The disclosure may be provided by including, in the financial statements of the controlling entity, the financial statements of the controlled entity (or controlled entities) that contain the above information.

RESTRICTIONS ARISING FROM BINDING ARRANGEMENTS

An investment entity discloses:

- The nature and extent of any significant restrictions arising from binding arrangements (e.g., resulting from borrowing arrangements, regulatory requirements or contractual arrangements) on the ability of an unconsolidated controlled entity to transfer funds to the investment entity in the form of cash dividends, or similar distributions, or to repay loans or advances made to the unconsolidated controlled entity by the investment entity; and
- Any current commitments or intentions to provide financial or other support to an unconsolidated controlled entity, including commitments or intentions to assist the controlled entity in obtaining financial support.

PROVIDING FINANCIAL SUPPORT

If, during the reporting period, an investment entity or any of its controlled entities has, without having an obligation arising from a binding arrangement to do so, provided financial or other support to an unconsolidated controlled entity (e.g., purchasing assets of, or instruments issued by, the controlled entity or assisting the controlled entity in obtaining financial support), the entity discloses:

- The type and amount of support provided to each unconsolidated controlled entity; and
- The reasons for providing the support.

An investment entity discloses the terms of any binding arrangements that could require the entity or its unconsolidated controlled entities to provide financial support to an unconsolidated, controlled, structured entity, including events or circumstances that could expose the reporting entity to a loss (e.g., liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity or to provide financial support).

If during the reporting period an investment entity or any of its unconsolidated controlled entities has, without having an obligation arising from a binding arrangement 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 discloses an explanation of the relevant factors in reaching the decision to provide that support.

INTERESTS IN JOINT ARRANGEMENTS AND ASSOCIATES

DISCLOSURES

An entity discloses 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 relationship with the other investors with joint control of, or significant influence over, joint arrangements and associates (paragraphs 36 and 38); and
- *The nature of, and changes in, the risks associated with its interests in joint ventures and associates (paragraph 39).

RISKS

An entity discloses:

- a) Commitments that it has relating to its joint ventures separately from the amount of other commitments as specified in paragraphs AG17-AG19 (refer to application guidance); and
- b) In accordance with PBE IPSAS 19 *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.

NATURE, EXTENT AND FINANCIAL EFFECT

An entity discloses:

For each joint arrangement and associate that is material to the reporting entity:

- The name of the joint arrangement or associate;
- *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);
- The domicile and legal form of the joint arrangement or associate and the jurisdiction in which it operates; and
- The proportion of ownership interest or participating share held by the entity and, if different, the proportion of voting rights held (if applicable).

For each joint venture and associate that is material to the reporting entity (except if the entity is an investment entity):

- Whether the investment in the joint venture or associate is measured using the equity method or at fair value;
- *Summarised financial information about the joint venture or associate as specified in paragraphs AG12 and AG13; and
- 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.

*Financial information as specified in paragraph AG16 (refer to application guidance for details) about the entity's investments in joint ventures and associates that are not individually material (except for it the entity is an investment entity):

- In aggregate for all individually immaterial joint ventures; and
- In aggregate for all individually immaterial associates. This aggregated information is to be disclosed separately from the aggregated information on joint ventures.

RESTRICTIONS

*An entity discloses:

- The nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or binding 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 similar distributions, or to repay loans or advances made by the entity.

DIFFERENT REPORTING DATES

*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:

- The date of the end of the reporting period of the financial statements of that joint venture or associate; and
- The reason for using a different date or period.

UNRECOGNISED SHARE OF LOSSES

*If the entity has stopped recognising its share of losses of the joint venture or associate when applying the equity method, disclose the unrecognised share of losses of a joint venture or associate, both for the reporting period and cumulatively.

INTERESTS IN STRUCTURED ENTITIES THAT ARE NOT CONSOLIDATED

DISCLOSURES

An entity discloses information that enables users of its financial statements:

- To understand the nature and extent of its interests in structured entities that are not consolidated (paragraphs 43-45); and
- *To evaluate the nature of, and changes in, the risks associated with its interests in structured entities that are not consolidated (see 'Nature of Risks').

NATURE OF INTERESTS

*Disclose qualitative and quantitative information about its interests in structured entities that are not consolidated, including, but not limited to, the nature, purpose, size and activities of the structured entity and how the structured entity is financed.

For RDR Reporters only:

A Tier 2 entity discloses information about its interests in structured entities, including, but not limited to, the nature, purpose, size and activities of the structured entity and how the structured entity is financed.

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 its interests in structured entities that are not consolidated;
- 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 structured entities that are not consolidated, including how the maximum exposure to loss is determined. If an entity cannot quantify its maximum exposure to loss from its interests in structured entities that are not consolidated it shall disclose that fact and the reasons; and
- A comparison of the carrying amounts of the assets and liabilities of the entity that relate to its interests in structured entities that are not consolidated and the entity's maximum exposure to loss from those entities.

If during the reporting period an entity has, without having an obligation under a binding arrangement to do so, provided financial or other support to a structured entity that is not consolidated in which it previously had or currently has an interest (for example, purchasing assets of, or instruments issued by, the structured entity), the entity discloses:

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

An entity discloses any current intentions to provide financial or other support to a structured entity that is not consolidated, including intentions to assist the structured entity in obtaining financial support. Such current intentions include intentions to provide support as a result of obligations under binding arrangements and intentions to provide support where the entity has no obligation under a binding arrangement.

SPONSORED STRUCTURED ENTITIES

*If an entity has sponsored a structured entity that is not consolidated for which it does not provide information required by paragraph 46 - see 'Nature of Risks' above (e.g. because it does not have an interest in the entity at the reporting date), the entity discloses:

- How it has determined which structured entities it has sponsored;
 - Revenue from those structured entities during the reporting period, including a description of the types of revenue presented; and
 - The carrying amount (at the time of transfer) of all assets transferred to those structured entities during the reporting period.
- *An entity presents the information in tabular format, unless another format is more appropriate, and classify its sponsoring activities into relevant categories (see paragraphs AG2-AG6).

NON QUANTIFIABLE OWNERSHIP INTERESTS

DISCLOSURES

Disclose information that enables users of its financial statements to understand the nature and extent of any non-quantifiable ownership interests in other entities.

To the extent that this information has not already been provided in accordance with this Standard, an entity shall disclose, in respect of each non-quantifiable ownership interest that is material to the reporting entity:

- a) The name of the entity in which it has an ownership interest; and
- b) The nature of its ownership interest in the entity.

CONTROLLING INTEREST ACQUIRED WITH THE INTENTION OF DISPOSAL

INTENTION TO DISPOSE OF INTEREST

An entity, other than an investment entity, discloses information regarding its interest in a controlled entity when, at the point at which control arose, the entity had the intention of disposing of that interest and, at the reporting date, it has an active intention to dispose of that interest.

DISCLOSURES REQUIRED

An entity discloses the following information in the notes in respect of each controlled entity that was purchased with the intention of disposal:

- a) The name of the controlled entity and a description of its key activities;
- b) The rationale for the acquisition of the controlling interest and the factors considered in determining that control exists;
- c) The impact on the consolidated financial statements of consolidating the controlled entity including the effect on assets, liabilities, revenue, expenses and net assets/equity; and
- d) The current status of the approach to disposal, including the expected method and timing of disposal.

These disclosures shall be provided at each reporting date until the entity disposes of the controlling interest or ceases to have the intention to dispose of that interest. In the period in which the entity disposes of the controlling interest or ceases to have the intention to dispose of the controlling interest it shall disclose:

- a) The fact that there has been a disposal or change of intention; and
- b) The effect of the disposal or change of intention on the consolidated financial statements.

Where other disclosures provide information relevant to the disclosures required above, cross-reference to those other disclosures.

ALL ENTITIES

TRANSITIONAL PROVISIONS

An entity is encouraged to provide information required by this Standard earlier than annual periods beginning on or after 1 January 2019. Providing some of the disclosures required by this Standard does not compel the entity to comply with all the requirements of this Standard or to apply PBE IPSAS 34, PBE IPSAS 35, PBE IPSAS 36, and PBE IPSAS 37 early.

The disclosure requirements of this Standard need not be applied for any period presented that begins before the annual period immediately preceding the first annual period for which this Standard is applied.

The disclosure requirements of paragraphs 40-56 (being Interests in Structured Entities that are not consolidated, and Controlling Interests Acquired with the Intention of Disposal) and the corresponding guidance in paragraphs AG20-AG25 of this Standard need not be applied for any period presented that begins before the first annual period for which this Standard is applied.