

New Zealand Equivalent to International Accounting Standard 28

Investments in Associates (NZ IAS 28)

Issued November 2004 and incorporates amendments up to and including 30 June 2011 other than consequential amendments resulting from early adoption of NZ IFRS 9 *Financial Instruments*, NZ IFRS 11 *Joint Arrangements*, NZ IFRS 12 *Disclosure of Interests in Other Entities* and NZ IFRS 13 *Fair Value Measurement*

This Standard was issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants and approved by the Accounting Standards Review Board in November 2004 under the Financial Reporting Act 1993. This Standard is a Regulation for the purpose of the Regulations (Disallowance) Act 1989.

This Standard, on adoption, supersedes Financial Reporting Standard No. 38 *Accounting for Investments in Associates*.

The following New Zealand Interpretation refers to NZ IAS 28:

- NZ IFRIC 5 *Rights to and Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

NZ IAS 28

COPYRIGHT

© Crown copyright 2006

This ASRB standard contains IFRS Foundation copyright material. Reproduction within New Zealand in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source.

On 1 July 2011, the ASRB was reconstituted as the External Reporting Board (XRB). The content, application and legal status of this standard is unaffected by this change. However, requests and inquiries concerning reproduction and rights for commercial purposes within New Zealand should be addressed to the Chief Executive, External Reporting Board at the following email address: enquiries@xrb.govt.nz

All rights in this material outside of New Zealand are reserved by the IFRS Foundation. Reproduction of ASRB/XRB standards outside of New Zealand in unaltered form (retaining this notice) is permitted for personal and non-commercial use only. Further information and requests for authorisation to reproduce for commercial purposes outside New Zealand should be addressed to the IFRS Foundation.

ISBN 1-877430-36-6

CONTENTS

**NEW ZEALAND EQUIVALENT TO INTERNATIONAL
ACCOUNTING STANDARD 28
INVESTMENTS IN ASSOCIATES (NZ IAS 28)**

Paragraphs

HISTORY OF AMENDMENTS	
INTRODUCTION TO NZ IAS 28	
SCOPE	1
DEFINITIONS	2–5
Significant influence	6–10
Equity method	11–12
APPLICATION OF THE EQUITY METHOD	13–34
Impairment losses	31–34
SEPARATE FINANCIAL STATEMENTS	35–36
DISCLOSURE	37–40
EFFECTIVE DATE AND TRANSITION	41–NZ 41F.1
WITHDRAWAL OF OTHER PRONOUNCEMENTS	42–43
APPENDIX	
Amendments to other pronouncements	
APPROVAL BY THE IASB OF IAS 28 ISSUED IN DECEMBER 2003	
IASB BASIS FOR CONCLUSIONS	
IASB DISSENTING OPINION	

New Zealand Equivalent to International Accounting Standard 28 *Investments in Associates* (NZ IAS 28) is set out in paragraphs 1–43 and the Appendix. NZ IAS 28 is based on International Accounting Standard 28 *Investments in Associates* (IAS 28) (2003) initially issued by the International Accounting Standards Committee (IASC) and subsequently revised by the International Accounting Standards Board (IASB). All the paragraphs have equal authority but retain the IASC format of the Standard when it was adopted by the IASB. NZ IAS 28 should be read in the context of the IASB’s Basis for Conclusions on IAS 28 and the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting* (NZ Framework). NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Any additional material is shown with grey shading. The paragraphs are denoted with “NZ” and identify the types of entities to which the paragraphs apply.

This Standard uses the terminology adopted in International Financial Reporting Standards (IFRSs) to describe the financial statements and other elements. NZ IAS 1 *Presentation of Financial Statements* (as revised in 2007) paragraph 5 explains that entities other than profit-oriented entities seeking to apply the Standard may need to amend the descriptions used for particular line items in the financial statements and for the financial statements themselves. For example, profit/loss may be referred to as surplus/deficit and capital and share capital may be referred to as equity.

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ IAS 28 *Investments in Associates*

This table lists the pronouncements establishing and substantially amending NZ IAS 28. The table is based on amendments approved as at 30 June 2011 other than consequential amendments resulting from early adoption of NZ IFRS 9 *Financial Instruments*, NZ IFRS 11 *Joint Arrangements*, NZ IFRS 12 *Disclosure of Interests in Other Entities* and NZ IFRS 13 *Fair Value Measurement*.

Pronouncements	Date approved (ASRB approval)	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ IAS 28 <i>Investments in Associates</i>	Nov 2004 (Approval 19)	1 Jan 2005	1 Jan 2007
<i>Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to IFRSs Financial Reporting Standards Reporting Regime (Framework for Differential Reporting)</i>	Jun 2005 (Approval 62)	1 Jan 2005	1 Jan 2007
Amendments to the <i>Framework for Differential Reporting</i>	Dec 2005 (Approval 76)	1 Jan 2005	1 Jan 2007
NZ IAS 1 <i>Presentation of Financial Statements</i> (revised 2007)	Nov 2007 (Approval 94)	Early application permitted	1 Jan 2009
NZ IFRS 3 <i>Business Combinations</i> (revised 2008)	Feb 2008 (Approval 98)	Early application permitted	1 Jan 2009
NZ IAS 27 <i>Consolidated and Separate Financial Statements</i> (amended 2008)	Feb 2008 (Approval 99)	Early application permitted	1 July 2009
<i>Improvements to NZ IFRSs</i>	June 2008 (Approval 102)	Early application permitted	1 Jan 2009
<i>Omnibus Amendments</i> (2009-1)	May 2009 (Approval 118)	Early application permitted	1 July 2009
<i>Improvements to NZ IFRSs</i>	July 2010 (Approval 131)	Early application permitted	1 July 2010

NZ IAS 28

Pronouncements	Date approved (ASRB approval)	Early operative date	Effective date (annual reporting periods... on or after ...)
Minor Amendments to NZ IFRSs	July 2010 (Approval 132)	Immediate	Immediate
<i>Harmonisation Amendments</i>	Apr 2011 (Approval 140)	Early application permitted	1 July 2011

Table of Amended Paragraphs in NZ IAS 28		
Paragraph affected	How affected	By ... [date]
Paragraph 1	Amended	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph NZ 1.1	Inserted	Amendment to the <i>Framework for Differential Reporting</i> [Dec 2005]
Paragraph NZ 1.2	Inserted	<i>Omnibus Amendments (2009-1)</i> [May 2009]
Paragraph 11	Amended	NZ IAS 1 [Nov 2007]
Paragraph 13(c)(iv)	Amended	<i>Omnibus Amendments (2009-1)</i> [May 2009]
Paragraph 18	Amended	NZ IAS 27 [Feb 2008]
Paragraph 19	Amended	NZ IAS 27 [Feb 2008]
Paragraph 19A	Inserted	NZ IAS 27 [Feb 2008]
Paragraph 23	Amended	NZ IFRS 3 [Feb 2008]
Paragraph 33	Amended	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph 35	Amended	NZ IAS 27 [Feb 2008]
Paragraph NZ 37.1	Deleted	<i>Harmonisation Amendments</i> [Apr 2011]

Table of Amended Paragraphs in NZ IAS 28		
Paragraph affected	How affected	By ... [date]
Paragraph 39	Amended	NZ IAS 1 [Nov 2007]
Heading above paragraph 41	Amended	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph 41A	Inserted	NZ IAS 1 [Nov 2007]
Paragraph 41B	Inserted	NZ IAS 27 [Feb 2008]
Paragraph 41B	Amended	<i>Improvements to NZ IFRSs</i> [July 2010]
Paragraph 41C	Inserted	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph NZ 41C.1	Inserted	<i>Omnibus Amendments (2009-1)</i> [May 2009]
Paragraph 41E	Inserted	<i>Improvements to NZ IFRSs</i> [July 2010]
Paragraph NZ 41F.1	Inserted	<i>Harmonisation Amendments</i> [Apr 2011]

Introduction to NZ IAS 28

This Standard prescribes the accounting treatment for investments in associates except for investments in associates held by venture capital organisations or mutual funds, unit trusts and similar entities, including investment-linked insurance funds, that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with NZ IAS 39 *Financial Instruments: Recognition and Measurement*.

In adopting IAS 28 for application as NZ IAS 28 no changes have been made to the requirements of IAS 28.

Profit-oriented entities, other than qualifying entities applying any differential reporting concessions, that comply with NZ IAS 28 will simultaneously be in compliance with IAS 28. Public benefit entities using the “NZ” paragraphs in the Standard that specifically apply to public benefit entities may not simultaneously be in compliance with IAS 28. Whether a public benefit entity will be in compliance with IAS 28 will depend on whether the “NZ” paragraphs provide additional guidance for public benefit entities or contain requirements that are inconsistent with the corresponding IASB Standard and will be applied by the public benefit entity.

Differential Reporting

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

New Zealand Equivalent to International Accounting Standard 28

Investments in Associates (NZ IAS 28)

Scope

1 This Standard shall be applied in accounting for investments in associates. However, it does not apply to investments in associates held by:

- (a) venture capital organisations,
- (b) mutual funds, unit trusts and similar entities including investment-linked insurance funds

that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with NZ IAS 39 *Financial Instruments: Recognition and Measurement*. Such investments shall be measured at fair value in accordance with NZ IAS 39, with changes in fair value recognised in profit or loss in the period of the change. An entity holding such an investment shall make the disclosures required by paragraph 37(f).

Qualifying Entities

NZ 1.1 Entities which qualify for differential reporting concessions in accordance with the *Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime (2005)* are not required to comply with the disclosure requirements in this Standard denoted with an asterisk (*).

NZ 1.2 Entities which qualify for differential reporting concessions in accordance with the *Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime (2005)* are not required to comply with paragraph 13(c)(iv). Qualifying entities that wish to make use of the exemption from the requirements that an investment in an associate be accounted for using the equity method outlined in paragraph 13(c) are still required to meet the conditions in paragraph 13(c)(i)–(iii).

Definitions

- 2 **The following terms are used in this Standard with the meanings specified:**
- An *associate* is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.**
- Consolidated financial statements* are the financial statements of a group presented as those of a single economic entity.**
- Control* is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.**
- The *equity method* is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.**
- Joint control* is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).**
- Separate financial statements* are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.**
- Significant influence* is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.**
- A *subsidiary* is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent).**
- 3 Financial statements in which the equity method is applied are not separate financial statements, nor are the financial statements of an entity that does not have a subsidiary, associate or venturer's interest in a joint venture.
- 4 Separate financial statements are those presented in addition to consolidated financial statements, financial statements in which investments are accounted for using the equity method and financial statements in which venturers' interests in joint ventures are proportionately consolidated. Separate financial statements may or may not be appended to, or accompany, those financial statements.
- 5 Entities that are exempted in accordance with paragraph 10 of NZ IAS 27 *Consolidated and Separate Financial Statements* from consolidation, paragraph 2 of NZ IAS 31 *Interests in Joint Ventures* from applying proportionate consolidation or paragraph 13(c) of this Standard from applying the

equity method may present separate financial statements as their only financial statements.

Significant Influence

- 6 If an investor holds, directly or indirectly (eg through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly (eg through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.
- 7 The existence of significant influence by an investor is usually evidenced in one or more of the following ways:
- (a) representation on the board of directors or equivalent governing body of the investee;
 - (b) participation in policy-making processes, including participation in decisions about dividends or other distributions;
 - (c) material transactions between the investor and the investee;
 - (d) interchange of managerial personnel; or
 - (e) provision of essential technical information.
- 8 An entity may own share warrants, share call options, debt or equity instruments that are convertible into ordinary shares, or other similar instruments that have the potential, if exercised or converted, to give the entity additional voting power or reduce another party's voting power over the financial and operating policies of another entity (ie potential voting rights). The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether an entity has significant influence. Potential voting rights are not currently exercisable or convertible when, for example, they cannot be exercised or converted until a future date or until the occurrence of a future event.
- 9 In assessing whether potential voting rights contribute to significant influence, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential rights, except the intention of management and the financial ability to exercise or convert.
- 10 An entity loses significant influence over an investee when it loses the power to participate in the financial and operating policy decisions of that investee. The loss of significant influence can occur with or without a change in absolute or relative ownership levels. It could occur, for example, when an associate

becomes subject to the control of a government, court, administrator or regulator. It could also occur as a result of a contractual agreement.

Equity Method

- 11 Under the equity method, the investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor's share of those changes is recognised in other comprehensive income of the investor (see NZ IAS 1 *Presentation of Financial Statements* (as revised in 2007)).
- 12 When potential voting rights exist, the investor's share of profit or loss of the investee and of changes in the investee's equity is determined on the basis of present ownership interests and does not reflect the possible exercise or conversion of potential voting rights.

Application of the Equity Method

- 13 **An investment in an associate shall be accounted for using the equity method except when:**
- (a) **the investment is classified as held for sale in accordance with NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;**
 - (b) **the exception in paragraph 10 of NZ IAS 27, allowing a parent that also has an investment in an associate not to present consolidated financial statements, applies; or**
 - (c) **all of the following apply:**
 - (i) **the investor is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the investor not applying the equity method;**
 - (ii) **the investor's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);**

- (iii) **the investor did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market; and**
 - *(iv) **the ultimate or any intermediate parent of the investor produces consolidated financial statements available for public use that comply with New Zealand equivalents to International Financial Reporting Standards.**
- 14 Investments described in paragraph 13(a) shall be accounted for in accordance with NZ IFRS 5.**
- 15 When an investment in an associate previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.
- 16 [Deleted by IASB]
- 17 The recognition of income on the basis of distributions received may not be an adequate measure of the income earned by an investor on an investment in an associate because the distributions received may bear little relation to the performance of the associate. Because the investor has significant influence over the associate, the investor has an interest in the associate's performance and, as a result, the return on its investment. The investor accounts for this interest by extending the scope of its financial statements to include its share of profits or losses of such an associate. As a result, application of the equity method provides more informative reporting of the net assets and profit or loss of the investor.
- 18 An investor shall discontinue the use of the equity method from the date it ceases to have significant influence over an associate and shall account for the investment in accordance with NZ IAS 39 from that date, provided the associate does not become a subsidiary or a joint venture as defined in NZ IAS 31. On the loss of significant influence, the investor shall measure at fair value any investment the investor retains in the former associate. The investor shall recognise in profit or loss any difference between:**
- (a) **the fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and**
 - (b) **the carrying amount of the investment at the date when significant influence is lost.**
- 19 When an investment ceases to be an associate and is accounted for in accordance with NZ IAS 39, the fair value of the investment at the date when it ceases to be an associate shall be regarded as its fair value on initial recognition as a financial asset in accordance with NZ IAS 39.**
- 19A If an investor loses significant influence over an associate, the investor shall account for all amounts recognised in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly

disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by an associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the investor reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over the associate. For example, if an associate has available-for-sale financial assets and the investor loses significant influence over the associate, the investor shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to those assets. If an investor's ownership interest in an associate is reduced, but the investment continues to be an associate, the investor shall reclassify to profit or loss only a proportionate amount of the gain or loss previously recognised in other comprehensive income.

- 20 Many of the procedures appropriate for the application of the equity method are similar to the consolidation procedures described in NZ IAS 27. Furthermore, the concepts underlying the procedures used in accounting for the acquisition of a subsidiary are also adopted in accounting for the acquisition of an investment in an associate.
- 21 A group's share in an associate is the aggregate of the holdings in that associate by the parent and its subsidiaries. The holdings of the group's other associates or joint ventures are ignored for this purpose. When an associate has subsidiaries, associates, or joint ventures, the profits or losses and net assets taken into account in applying the equity method are those recognised in the associate's financial statements (including the associate's share of the profits or losses and net assets of its associates and joint ventures), after any adjustments necessary to give effect to uniform accounting policies (see paragraphs 26 and 27).
- 22 Profits and losses resulting from 'upstream' and 'downstream' transactions between an investor (including its consolidated subsidiaries) and an associate are recognised in the investor's financial statements only to the extent of unrelated investors' interests in the associate. 'Upstream' transactions are, for example, sales of assets from an associate to the investor. 'Downstream' transactions are, for example, sales of assets from the investor to an associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated.
- 23 An investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment any difference between the cost of the investment and the investor's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as follows:
- (a) goodwill relating to an associate is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.
 - (b) any excess of the investor's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

Appropriate adjustments to the investor's share of the associate's profits or losses after acquisition are also made to account, for example, for depreciation of the depreciable assets, based on their fair values at the acquisition date. Similarly, appropriate adjustments to the investor's share of the associate's profits or losses after acquisition are made for impairment losses recognised by the associate, such as for goodwill or property, plant and equipment.

- 24 The most recent available financial statements of the associate are used by the investor in applying the equity method. When the end of the reporting period of the investor is different from that of the associate, the associate prepares, for the use of the investor, financial statements as of the same date as the financial statements of the investor unless it is impracticable to do so.**
- 25 When, in accordance with paragraph 24, the financial statements of an associate used in applying the equity method are prepared as of a different date from that of the investor, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements. In any case, the difference between the end of the reporting period of the associate and that of the investor shall be no more than three months. The length of the reporting periods and any difference between the ends of the reporting period shall be the same from period to period.**
- 26 The investor's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances.**
- 27 If an associate uses accounting policies other than those of the investor for like transactions and events in similar circumstances, adjustments shall be made to conform the associate's accounting policies to those of the investor when the associate's financial statements are used by the investor in applying the equity method.
- 28 If an associate has outstanding cumulative preference shares that are held by parties other than the investor and classified as equity, the investor computes its share of profits or losses after adjusting for the dividends on such shares, whether or not the dividends have been declared.
- 29 If an investor's share of losses of an associate equals or exceeds its interest in the associate, the investor discontinues recognising its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate. For example, an item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the entity's investment in that associate. Such items may include preference shares and long-term receivables or loans but do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists, such as secured loans. Losses recognised under the equity method in excess of the investor's investment in ordinary shares are applied to the other components of the investor's interest in an associate in the reverse order of their seniority (ie priority in liquidation).

- 30 After the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Impairment Losses

- 31 After application of the equity method, including recognising the associate's losses in accordance with paragraph 29, the investor applies the requirements of NZ IAS 39 to determine whether it is necessary to recognise any additional impairment loss with respect to the investor's net investment in the associate.
- 32 The investor also applies the requirements of NZ IAS 39 to determine whether any additional impairment loss is recognised with respect to the investor's interest in the associate that does not constitute part of the net investment and the amount of that impairment loss.
- 33 Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in NZ IAS 36 *Impairment of Assets*. Instead, the entire carrying amount of the investment is tested for impairment in accordance with NZ IAS 36 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of the requirements in NZ IAS 39 indicates that the investment may be impaired. An impairment loss recognised in those circumstances is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Accordingly, any reversal of that impairment loss is recognised in accordance with NZ IAS 36 to the extent that the recoverable amount of the investment subsequently increases. In determining the value in use of the investment, an entity estimates:
- (a) its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
 - (b) the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Under appropriate assumptions, both methods give the same result.

- 34 The recoverable amount of an investment in an associate is assessed for each associate, unless the associate does not generate cash inflows from continuing use that are largely independent of those from other assets of the entity.

Separate financial statements

- 35 **An investment in an associate shall be accounted for in the investor's separate financial statements in accordance with paragraphs 38–43 of NZ IAS 27.**
- 36 This Standard does not mandate which entities produce separate financial statements available for public use.

Disclosure

- 37 **The following disclosures shall be made:**
- (a) **the fair value of investments in associates for which there are published price quotations;**
 - * (b) summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss;**
 - (c) **the reasons why the presumption that an investor does not have significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, less than 20 per cent of the voting or potential voting power of the investee but concludes that it has significant influence;**
 - (d) **the reasons why the presumption that an investor has significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, 20 per cent or more of the voting or potential voting power of the investee but concludes that it does not have significant influence;**
 - (e) **the end of the reporting period of the financial statements of an associate, when such financial statements are used in applying the equity method and are as of a reporting date or for a period that is different from that of the investor, and the reason for using a different date or different period;**
 - (f) **the nature and extent of any significant restrictions (eg resulting from borrowing arrangements or regulatory requirements) on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances;**
 - (g) **the unrecognised share of losses of an associate, both for the period and cumulatively, if an investor has discontinued recognition of its share of losses of an associate;**
 - (h) **the fact that an associate is not accounted for using the equity method in accordance with paragraph 13; and**
 - (i) **summarised financial information of associates, either individually or in groups, that are not accounted for using the equity method,**

including the amounts of total assets, total liabilities, revenues and profit or loss.

All Entities

NZ 37.1 [Deleted]

- 38 Investments in associates accounted for using the equity method shall be classified as non-current assets. The investor's share of the profit or loss of such associates, and the carrying amount of those investments, shall be separately disclosed. The investor's share of any discontinued operations of such associates shall also be separately disclosed.**
- 39 The investor's share of changes recognised in other comprehensive income by the associate shall be recognised by the investor in other comprehensive income.**
- 40 In accordance with NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the investor shall disclose:**
- (a) its share of the contingent liabilities of an associate incurred jointly with other investors; and**
 - (b) those contingent liabilities that arise because the investor is severally liable for all or part of the liabilities of the associate.**

Effective date and transition

- 41 This Standard becomes operative for an entity's financial statements that cover annual accounting periods beginning on or after 1 January 2007. Early adoption of this Standard is permitted only when an entity complies with NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* for an annual accounting period beginning on or after 1 January 2005.**
- 41A NZ IAS 1 (as revised in 2007) amended the terminology used throughout New Zealand equivalents to IFRSs. In addition it amended paragraphs 11 and 39. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies NZ IAS 1 (revised 2007) for an earlier period, the amendments shall be applied for that earlier period.**
- 41B NZ IAS 27 (as amended in 2008) amended paragraphs 18, 19 and 35 and added paragraph 19A. An entity shall apply the amendment to paragraph 35 retrospectively and the amendments to paragraphs 18 and 19 and paragraph 19A prospectively for annual periods beginning on or after 1 July 2009. If an entity applies NZ IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.**
- 41C Paragraphs 1 and 33 were amended by *Improvements to NZ IFRSs* issued in June 2008. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact**

and apply for that earlier period the amendments to paragraph 3 of NZ IFRS 7 *Financial Instruments: Disclosures*, paragraph 1 of NZ IAS 31 and paragraph 4 of NZ IAS 32 *Financial Instruments: Presentation* issued in June 2008. An entity is permitted to apply the amendments prospectively.

Qualifying Entities

NZ 41C.1 The *Omnibus Amendments* (2009-1) inserted paragraph NZ 1.2 and amended paragraph 13(c)(iv). An entity shall apply these amendments for annual periods beginning on or after 1 July 2009. Early application is permitted. If an entity applies these amendments for an earlier period it shall disclose that fact.

41E Paragraph 41B was amended by *Improvements to NZ IFRSs* issued in July 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendment before 1 July 2010 it shall disclose that fact.

NZ 41F.1 *Harmonisation Amendments*, issued in April 2011, deleted paragraph NZ 37.1. This amendment shall be applied for annual periods beginning on or after 1 July 2011. Early application is permitted. If an entity applies this amendment for an earlier period it shall disclose that fact.

Withdrawal of other pronouncements

42–43 [Paragraphs 42 to 43 are not reproduced. The withdrawal of previous IASB pronouncements is not relevant to this Standard.]

Appendix

Amendments to other pronouncements

The amendments in this appendix shall be applied for annual periods beginning on or after 1 January 2005. If an entity applies this Standard for an earlier period, these amendments shall be applied for that earlier period.

The amendments contained in this appendix when this Standard was issued in 2003 have been incorporated into the relevant pronouncements published in this volume.

