



NZ ACCOUNTING  
STANDARDS  
BOARD

## **Investment Entities (Diff Rep)**

### **(Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep))**

**Issued December 2012**

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Investment Entities (Diff Rep)  
(Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep))

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# ***Investment Entities (Diff Rep)*** **(Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep))**

## **Introduction**

This document sets out amendments to NZ IFRS 10 (Diff Rep) *Consolidated Financial Statements*, NZ IFRS 12 (Diff Rep) *Disclosure of Interests in Other Entities* and NZ IAS 27 (Diff Rep) *Separate Financial Statements*. These amendments result from proposals in the Exposure Draft *Investment Entities* that was published in August 2011.

The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with NZ IFRS 9 (Diff Rep) *Financial Instruments* in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep).

Entities are required to apply the amendments for annual periods beginning on or after 1 January 2014. Earlier application is permitted.

## **References to NZ IFRS 9 (Diff Rep)**

If an entity applies these amendments but does not yet apply NZ IFRS 9 (Diff Rep), any reference in this document to NZ IFRS 9 (Diff Rep) shall be read as a reference to NZ IAS 39 (Diff Rep) *Financial Instruments: Recognition and Measurement*.

## Amendments to NZ IFRS 10 (Diff Rep) Consolidated Financial Statements

### Scope

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This Standard applies only to Tier 3 for-profit entities that elect to apply the requirements.

In the Introduction, paragraph IN7A is added and paragraph IN12 is amended. New text is underlined and deleted text is struck through. Paragraph IN7 is not amended but is reproduced here for clarity.

- IN7 The NZ IFRS Diff Rep defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The NZ IFRS Diff Rep also sets out the accounting requirements for the preparation of consolidated financial statements.
- IN7A Investment Entities (Diff Rep) (Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep)), issued in December 2012, introduced an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in accordance with NZ IFRS 9 (Diff Rep) Financial Instruments<sup>1</sup> instead of consolidating those subsidiaries in its consolidated and separate financial statements. In addition, the amendments introduce new disclosure requirements related to investment entities in NZ IFRS 12 (Diff Rep) Disclosure of Interests in Other Entities and NZ IAS 27 (Diff Rep) Separate Financial Statements.
- IN12 The disclosure requirements for interests in subsidiaries are specified in NZ IFRS 12 (Diff Rep) ~~Disclosure of Interests in Other Entities.~~

Paragraphs 2 and 4 are amended. New text is underlined and deleted text is struck through.

- 2 To meet the objective in paragraph 1, this NZ IFRS Diff Rep:
- (a) ...
  - (c) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; ~~and~~
  - (d) sets out the accounting requirements for the preparation of consolidated financial statements; and
  - (e) defines an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity.
- 3 ...
- 4 An entity that is a parent shall present consolidated financial statements. This NZ IFRS Diff Rep applies to all entities, except as follows:
- (a) ...
  - (c) an investment entity need not present consolidated financial statements if it is required, in accordance with paragraph 31 of this NZ IFRS Diff Rep, to measure all of its subsidiaries at fair value through profit or loss.

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<sup>1</sup> Paragraph C7 of NZ IFRS 10 (Diff Rep) Consolidated Financial Statements states “If an entity applies this NZ IFRS Diff Rep but does not yet apply NZ IFRS 9 (Diff Rep), any reference in this NZ IFRS Diff Rep to NZ IFRS 9 (Diff Rep) shall be read as a reference to NZ IAS 39 (Diff Rep) Financial Instruments: Recognition and Measurement.”

After paragraph 26, headings and paragraphs 27–33 are added.

## Determining whether an entity is an investment entity

- 27 **A parent shall determine whether it is an investment entity. An investment entity is an entity that:**
- (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
  - (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
  - (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

**Paragraphs B85A–B85M provide related application guidance.**

- 28 In assessing whether it meets the definition described in paragraph 27, an entity shall consider whether it has the following typical characteristics of an investment entity:
- (a) it has more than one investment (see paragraphs B85O–B85P);
  - (b) it has more than one investor (see paragraphs B85Q–B85S);
  - (c) it has investors that are not related parties of the entity (see paragraphs B85T–B85U); and
  - (d) it has ownership interests in the form of equity or similar interests (see paragraphs B85V–B85W).

The absence of any of these typical characteristics does not necessarily disqualify an entity from being classified as an investment entity. An investment entity that does not have all of these typical characteristics provides additional disclosure required by paragraph 9A of NZ IFRS 12 (Diff Rep) *Disclosure of Interests in Other Entities*.

- 29 If facts and circumstances indicate that there are changes to one or more of the three elements that make up the definition of an investment entity, as described in paragraph 27, or the typical characteristics of an investment entity, as described in paragraph 28, a parent shall reassess whether it is an investment entity.
- 30 A parent that either ceases to be an investment entity or becomes an investment entity shall account for the change in its status prospectively from the date at which the change in status occurred (see paragraphs B100–B101).

## Investment entities: exception to consolidation

- 31 **Except as described in paragraph 32, an investment entity shall not consolidate its subsidiaries or apply NZ IFRS 3 (Diff Rep) when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with NZ IFRS 9 (Diff Rep).<sup>2</sup>**
- 32 Notwithstanding the requirement in paragraph 31, if an investment entity has a subsidiary that provides services that relate to the investment entity's investment activities (see paragraphs B85C–B85E), it shall consolidate that subsidiary in accordance with paragraphs 19–26 of this NZ IFRS Diff Rep and apply the requirements of NZ IFRS 3 (Diff Rep) to the acquisition of any such subsidiary.
- 33 A parent of an investment entity shall consolidate all entities that it controls, including those controlled through an investment entity subsidiary, unless the parent itself is an investment entity.

<sup>2</sup> Paragraph C7 of NZ IFRS 10 (Diff Rep) *Consolidated Financial Statements* states "If an entity applies this NZ IFRS Diff Rep but does not yet apply NZ IFRS 9 (Diff Rep), any reference in this NZ IFRS Diff Rep to NZ IFRS 9 (Diff Rep) shall be read as a reference to NZ IAS 39 (Diff Rep) *Financial Instruments: Recognition and Measurement*."

In Appendix A, a new definition is added. New text is underlined.

...

**group**

**investment entity**

An entity that:

- (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

In Appendix B, headings and paragraphs B85A–B85W are added.

## **Determining whether an entity is an investment entity**

B85A An entity shall consider all facts and circumstances when assessing whether it is an investment entity, including its purpose and design. An entity that possesses the three elements of the definition of an investment entity set out in paragraph 27 is an investment entity. Paragraphs B85B–B85M describe the elements of the definition in more detail.

### **Business purpose**

B85B The definition of an investment entity requires that the purpose of the entity is to invest solely for capital appreciation, investment income (such as dividends, interest or rental income), or both. Documents that indicate what the entity's investment objectives are, such as the entity's offering memorandum, publications distributed by the entity and other corporate or partnership documents, will typically provide evidence of an investment entity's business purpose. Further evidence may include the manner in which the entity presents itself to other parties (such as potential investors or potential investees); for example, an entity may present its business as providing medium-term investment for capital appreciation. In contrast, an entity that presents itself as an investor whose objective is to jointly develop, produce or market products with its investees has a business purpose that is inconsistent with the business purpose of an investment entity, because the entity will earn returns from the development, production or marketing activity as well as from its investments (see paragraph B85I).

B85C An investment entity may provide investment-related services (eg investment advisory services, investment management, investment support and administrative services), either directly or through a subsidiary, to third parties as well as to its investors, even if those activities are substantial to the entity.

B85D An investment entity may also participate in the following investment-related activities, either directly or through a subsidiary, if these activities are undertaken to maximise the investment return (capital appreciation or investment income) from its investees and do not represent a separate substantial business activity or a separate substantial source of income to the investment entity:

- (a) providing management services and strategic advice to an investee; and
- (b) providing financial support to an investee, such as a loan, capital commitment or guarantee.

B85E If an investment entity has a subsidiary that provides investment-related services or activities, such as those described in paragraphs B85C–B85D, to the entity or other parties, it shall consolidate that subsidiary in accordance with paragraph 32.

## Exit strategies

- B85F An entity's investment plans also provide evidence of its business purpose. One feature that differentiates an investment entity from other entities is that an investment entity does not plan to hold its investments indefinitely; it holds them for a limited period. Because equity investments and non-financial asset investments have the potential to be held indefinitely, an investment entity shall have an exit strategy documenting how the entity plans to realise capital appreciation from substantially all of its equity investments and non-financial asset investments. An investment entity shall also have an exit strategy for any debt instruments that have the potential to be held indefinitely, for example perpetual debt investments. The entity need not document specific exit strategies for each individual investment but shall identify different potential strategies for different types or portfolios of investments, including a substantive time frame for exiting the investments. Exit mechanisms that are only put in place for default events, such as a breach of contract or non-performance, are not considered exit strategies for the purpose of this assessment.
- B85G Exit strategies can vary by type of investment. For investments in private equity securities, examples of exit strategies include an initial public offering, a private placement, a trade sale of a business, distributions (to investors) of ownership interests in investees and sales of assets (including the sale of an investee's assets followed by a liquidation of the investee). For equity investments that are traded in a public market, examples of exit strategies include selling the investment in a private placement or in a public market. For real estate investments, an example of an exit strategy includes the sale of the real estate through specialised property dealers or the open market.
- B85H An investment entity may have an investment in another investment entity that is formed in connection with the entity for legal, regulatory, tax or similar business reasons. In this case, the investment entity investor need not have an exit strategy for that investment, provided that the investment entity investee has appropriate exit strategies for its investments.

## Earnings from investments

- B85I An entity is not investing solely for capital appreciation, investment income, or both, if the entity or another member of the group containing the entity (ie the group that is controlled by the investment entity's ultimate parent) obtains, or has the objective of obtaining, other benefits from the entity's investments that are not available to other parties that are not related to the investee. Such benefits include:
- (a) the acquisition, use, exchange or exploitation of the processes, assets or technology of an investee. This would include the entity or another group member having disproportionate, or exclusive, rights to acquire assets, technology, products or services of any investee; for example, by holding an option to purchase an asset from an investee if the asset's development is deemed successful;
  - (b) joint arrangements (as defined in NZ IFRS 11 (Diff Rep)) or other agreements between the entity or another group member and an investee to develop, produce, market or provide products or services;
  - (c) financial guarantees or assets provided by an investee to serve as collateral for borrowing arrangements of the entity or another group member (however, an investment entity would still be able to use an investment in an investee as collateral for any of its borrowings);
  - (d) an option held by a related party of the entity to purchase, from that entity or another group member, an ownership interest in an investee of the entity;
  - (e) except as described in paragraph B85J, transactions between the entity or another group member and an investee that:
    - (i) are on terms that are unavailable to entities that are not related parties of either the entity, another group member or the investee;
    - (ii) are not at fair value; or
    - (iii) represent a substantial portion of the investee's or the entity's business activity, including business activities of other group entities.
- B85J An investment entity may have a strategy to invest in more than one investee in the same industry, market or geographical area in order to benefit from synergies that increase the capital appreciation and investment income from those investees. Notwithstanding paragraph B85I(e), an entity is not disqualified from being classified as an investment entity merely because such investees trade with each other.



## Fair value measurement

- B85K An essential element of the definition of an investment entity is that it measures and evaluates the performance of substantially all of its investments on a fair value basis, because using fair value results in more relevant information than, for example, consolidating its subsidiaries or using the equity method for its interests in associates or joint ventures. In order to demonstrate that it meets this element of the definition, an investment entity:
- (a) provides investors with fair value information and measures substantially all of its investments at fair value in its financial statements whenever fair value is required or permitted in accordance with NZ IFRS Diff Rep; and
  - (b) reports fair value information internally to the entity's key management personnel (as defined in NZ IAS 24 (Diff Rep)), who use fair value as the primary measurement attribute to evaluate the performance of substantially all of its investments and to make investment decisions.
- B85L In order to meet the requirement in B85K(a), an investment entity would:
- (a) elect to account for any investment property using the fair value model in NZ IAS 40 (Diff Rep) *Investment Property*;
  - (b) elect the exemption from applying the equity method in NZ IAS 28 (Diff Rep) for its investments in associates and joint ventures; and
  - (c) measure its financial assets at fair value using the requirements in NZ IFRS 9 (Diff Rep).
- B85M An investment entity may have some non-investment assets, such as a head office property and related equipment, and may also have financial liabilities. The fair value measurement element of the definition of an investment entity in paragraph 27(c) applies to an investment entity's investments. Accordingly, an investment entity need not measure its non-investment assets or its liabilities at fair value.

## Typical characteristics of an investment entity

- B85N In determining whether it meets the definition of an investment entity, an entity shall consider whether it displays the typical characteristics of one (see paragraph 28). The absence of one or more of these typical characteristics does not necessarily disqualify an entity from being classified as an investment entity but indicates that additional judgement is required in determining whether the entity is an investment entity.

## More than one investment

- B85O An investment entity typically holds several investments to diversify its risk and maximise its returns. An entity may hold a portfolio of investments directly or indirectly, for example by holding a single investment in another investment entity that itself holds several investments.
- B85P There may be times when the entity holds a single investment. However, holding a single investment does not necessarily prevent an entity from meeting the definition of an investment entity. For example, an investment entity may hold only a single investment when the entity:
- (a) is in its start-up period and has not yet identified suitable investments and, therefore, has not yet executed its investment plan to acquire several investments;
  - (b) has not yet made other investments to replace those it has disposed of;
  - (c) is established to pool investors' funds to invest in a single investment when that investment is unobtainable by individual investors (eg when the required minimum investment is too high for an individual investor); or
  - (d) is in the process of liquidation.

## More than one investor

- B85Q Typically, an investment entity would have several investors who pool their funds to gain access to investment management services and investment opportunities that they might not have had access to individually. Having several investors would make it less likely that the entity, or other members of the group containing the entity, would obtain benefits other than capital appreciation or investment income (see paragraph B85I).
- B85R Alternatively, an investment entity may be formed by, or for, a single investor that represents or supports the interests of a wider group of investors (eg a pension fund, government investment fund or family trust).

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- B85S There may also be times when the entity temporarily has a single investor. For example, an investment entity may have only a single investor when the entity:
- (a) is within its initial offering period, which has not expired and the entity is actively identifying suitable investors;
  - (b) has not yet identified suitable investors to replace ownership interests that have been redeemed; or
  - (c) is in the process of liquidation.

### Unrelated investors

- B85T Typically, an investment entity has several investors that are not related parties (as defined in NZ IAS 24 (Diff Rep)) of the entity or other members of the group containing the entity. Having unrelated investors would make it less likely that the entity, or other members of the group containing the entity, would obtain benefits other than capital appreciation or investment income (see paragraph B85I).
- B85U However, an entity may still qualify as an investment entity even though its investors are related to the entity. For example, an investment entity may set up a separate 'parallel' fund for a group of its employees (such as key management personnel) or other related party investor(s), which mirrors the investments of the entity's main investment fund. This 'parallel' fund may qualify as an investment entity even though all of its investors are related parties.

### Ownership interests

- B85V An investment entity is typically, but is not required to be, a separate legal entity. Ownership interests in an investment entity are typically in the form of equity or similar interests (eg partnership interests), to which proportionate shares of the net assets of the investment entity are attributed. However, having different classes of investors, some of which have rights only to a specific investment or groups of investments or which have different proportionate shares of the net assets, does not preclude an entity from being an investment entity.
- B85W In addition, an entity that has significant ownership interests in the form of debt that, in accordance with other applicable NZ IFRSs Diff Rep, does not meet the definition of equity, may still qualify as an investment entity, provided that the debt holders are exposed to variable returns from changes in the fair value of the entity's net assets.

In Appendix B, a heading and paragraphs B100–B101 are added.
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## Accounting for a change in investment entity status

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- B100 When an entity ceases to be an investment entity, it shall apply NZ IFRS 3 (Diff Rep) to any subsidiary that was previously measured at fair value through profit or loss in accordance with paragraph 31. The date of the change of status shall be the deemed acquisition date. The fair value of the subsidiary at the deemed acquisition date shall represent the transferred deemed consideration when measuring any goodwill or gain from a bargain purchase that arises from the deemed acquisition. All subsidiaries shall be consolidated in accordance with paragraphs 19–24 of this NZ IFRS Diff Rep from the date of change of status.
- B101 When an entity becomes an investment entity, it shall cease to consolidate its subsidiaries at the date of the change in status, except for any subsidiary that shall continue to be consolidated in accordance with paragraph 32. The investment entity shall apply the requirements of paragraphs 25 and 26 to those subsidiaries that it ceases to consolidate as though the investment entity had lost control of those subsidiaries at that date.

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(Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep))

In Appendix C, new paragraph C1B is added.

C1B *Investment Entities* (Diff Rep) (Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep)), issued in December 2012, amended paragraphs 2, 4, C2A, C6A and Appendix A and added paragraphs 27–33, B85A–B85W, B100–B101 and C3A–C3F. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Early application is permitted. If an entity applies those amendments earlier, it shall disclose that fact and apply all amendments included in *Investment Entities* (Diff Rep) at the same time.

In Appendix C, paragraph C2A is amended. New text is underlined.

C2A Notwithstanding the requirements of paragraph 28 of NZ IAS 8 (Diff Rep), when this NZ IFRS (Diff Rep) is first applied, and, if later, when the *Investment Entities* (Diff Rep) amendments to this NZ IFRS (Diff Rep) are first applied, an entity need only present the quantitative information required by paragraph 28(f) of NZ IAS 8 (Diff Rep) for the annual period immediately preceding the date of initial application of this NZ IFRS Diff Rep (the ‘immediately preceding period’). An entity may also present this information for the current period or for earlier comparative periods, but is not required to do so.

In Appendix C, new paragraphs C3A–C3F are added.

C3A At the date of initial application, an entity shall assess whether it is an investment entity on the basis of the facts and circumstances that exist at that date. If, at the date of initial application, an entity concludes that it is an investment entity, it shall apply the requirements of paragraphs C3B–C3F instead of paragraphs C5–C5A.

C3B Except for any subsidiary that is consolidated in accordance with paragraph 32 (to which paragraphs C3 and C6 or paragraphs C4–C4C, whichever is relevant, apply), an investment entity shall measure its investment in each subsidiary at fair value through profit or loss as if the requirements of this NZ IFRS Diff Rep had always been effective. The investment entity shall retrospectively adjust both the annual period that immediately precedes the date of initial application and equity at the beginning of the immediately preceding period for any difference between:

- (a) the previous carrying amount of the subsidiary; and
- (b) the fair value of the investment entity’s investment in the subsidiary.

The cumulative amount of any fair value adjustments previously recognised in other comprehensive income shall be transferred to retained earnings at the beginning of the annual period immediately preceding the date of initial application.

C3C Before the date that NZ IFRS 13 (Diff Rep) *Fair Value Measurement* is adopted, an investment entity shall use the fair value amounts that were previously reported to investors or to management, if those amounts represent the amount for which the investment could have been exchanged between knowledgeable, willing parties in an arm’s length transaction at the date of the valuation.

C3D If measuring an investment in a subsidiary in accordance with paragraphs C3B–C3C is impracticable (as defined in NZ IAS 8 (Diff Rep)), an investment entity shall apply the requirements of this NZ IFRS Diff Rep at the beginning of the earliest period for which application of paragraphs C3B–C3C is practicable, which may be the current period. The investor shall retrospectively adjust the annual period that immediately precedes the date of initial application, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. If this is the case, the adjustment to equity shall be recognised at the beginning of the current period.

C3E If an investment entity has disposed of, or has lost control of, an investment in a subsidiary before the date of initial application of this NZ IFRS Diff Rep, the investment entity is not required to make adjustments to the previous accounting for that subsidiary.

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(Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep))

- C3F If an entity applies the *Investment Entities* (Diff Rep) amendments for a period later than when it applies NZ IFRS 10 (Diff Rep) for the first time, references to ‘the date of initial application’ in paragraphs C3A–C3E shall be read as ‘the beginning of the annual reporting period for which the amendments in *Investment Entities* (Diff Rep) (Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep)), issued in December 2012, are applied for the first time.’

In Appendix C, paragraph C6A is amended. New text is underlined and deleted text is struck through.

- C6A Notwithstanding the references to the annual period immediately preceding the date of initial application (the ‘immediately preceding period’) in paragraphs ~~C3B~~C4–C5A, an entity may also present adjusted comparative information for any earlier periods presented, but is not required to do so. If an entity does present adjusted comparative information for any earlier periods, all references to the ‘immediately preceding period’ in paragraphs ~~C3B~~C4–C5A shall be read as the ‘earliest adjusted comparative period presented’.

## Appendix

# Consequential amendments to other Standards

*This appendix sets out amendments to other Standards that are a consequence of the issuance of Investment Entities (Diff Rep) (Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep)). An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application of Investment Entities (Diff Rep) is permitted. If an entity applies those amendments earlier it shall apply all amendments included in Investment Entities (Diff Rep) at the same time. Amended paragraphs are shown with new text underlined and deleted text struck through.*

When an entity adopts *Investment Entities* (Diff Rep), the consequential amendments to other NZ IFRSs in this Appendix are to be read as consequential amendments to other NZ IFRS Diff Rep that are applied by that entity.

### **NZ IFRS 3 *Business Combinations***

In the Introduction, paragraph IN6 is amended. New text is underlined.

IN6 A business combination must be accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control or the acquiree is a subsidiary of an investment entity, as defined in NZ IFRS 10 *Consolidated Financial Statements*, which is required to be measured at fair value through profit or loss. ...

### **NZ IAS 7 *Statement of Cash Flows***

In the rubric 'paragraphs 1–57' is amended to 'paragraphs 1–58'.

### **NZ IAS 34 *Interim Financial Reporting***

In the rubric 'paragraphs 1–53' is amended to 'paragraphs 1–54'.

## **NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards***

Paragraph 39T is added.

39T *Investment Entities* (Amendments to NZ IFRS 10, NZ IFRS 12 and NZ IAS 27), issued in December 2012, amended paragraphs D16, D17 and Appendix C and added a heading and paragraphs E6–E7. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application of *Investment Entities* is permitted. If an entity applies those amendments earlier it shall also apply all amendments included in *Investment Entities* at the same time.

Appendix C is amended. New text is underlined.

*This appendix is an integral part of the NZ IFRS. An entity shall apply the following requirements to business combinations that the entity recognised before the date of transition to NZ IFRSs. This Appendix should only be applied to business combinations within the scope of NZ IFRS 3 Business Combinations.*

In Appendix D, paragraphs D16–D17 are amended. New text is underlined.

D16 If a subsidiary becomes a first-time adopter later than its parent, the subsidiary shall, in its financial statements, measure its assets and liabilities at either:

- (a) the carrying amounts that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to NZ IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary (this election is not available to a subsidiary of an investment entity, as defined in NZ IFRS 10, that is required to be measured at fair value through profit or loss); or
- (b) ...

D17 However, if an entity becomes a first-time adopter later than its subsidiary (or associate or joint venture) the entity shall, in its consolidated financial statements, measure the assets and liabilities of the subsidiary (or associate or joint venture) at the same carrying amounts as in the financial statements of the subsidiary (or associate or joint venture), after adjusting for consolidation and equity accounting adjustments and for the effects of the business combination in which the entity acquired the subsidiary. Notwithstanding this requirement, a non-investment entity parent shall not apply the exception to consolidation that is used by any investment entity subsidiaries. ...

In Appendix E, after paragraph E5, a heading and paragraphs E6–E7 are added.

### **Investment entities**

E6 A first-time adopter that is a parent shall assess whether it is an investment entity, as defined in NZ IFRS 10, on the basis of the facts and circumstances that exist at the date of transition to NZ IFRSs.

- E7 A first-time adopter that is an investment entity, as defined in NZ IFRS 10, may apply the transition provisions in paragraphs C3C–C3D of NZ IFRS 10 and paragraphs 18C–18G of NZ IAS 27 if its first NZ IFRS financial statements are for an annual period ending on or before 31 December 2014. The references in those paragraphs to the annual period that immediately precedes the date of initial application shall be read as the earliest annual period presented. Consequently, the references in those paragraphs shall be read as the date of transition to NZ IFRSs.

### **NZ IFRS 3 *Business Combinations***

Paragraph 7 is amended and paragraphs 2A and 64G are added. New text is underlined and deleted text is struck through.

- 2A The requirements of this Standard do not apply to the acquisition by an investment entity, as defined in NZ IFRS 10 *Consolidated Financial Statements*, of an investment in a subsidiary that is required to be measured at fair value through profit or loss.
- 7 The guidance in NZ IFRS 10 *Consolidated Financial Statements* shall be used to identify the acquirer ...
- 64G *Investment Entities* (Amendments to NZ IFRS 10, NZ IFRS 12 and NZ IAS 27), issued in December 2012, amended paragraph 7 and added paragraph 2A. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application of *Investment Entities* is permitted. If an entity applies these amendments earlier it shall also apply all amendments included in *Investment Entities* at the same time.

### **NZ IFRS 7 *Financial Instruments: Disclosures***

Paragraph 3 is amended and paragraph 44X is added. New text is underlined and deleted text is struck through.

- 3 This NZ IFRS shall be applied by all entities to all types of financial instruments, except:
- (a) those interests in subsidiaries, associates or joint ventures that are accounted for in accordance with NZ IFRS 10 *Consolidated Financial Statements*, NZ IAS 27 *Separate Financial Statements* or NZ IAS 28 *Investments in Associates and Joint Ventures*. However, in some cases, NZ IFRS 10, NZ IAS 27 or NZ IAS 28 require or permits an entity to account for an interest in a subsidiary, associate or joint venture using NZ IFRS 9; in those cases, entities shall apply the requirements of this NZ IFRS and, for those measured at fair value, the requirements of NZ IFRS 13 *Fair Value Measurement*. Entities shall also apply this NZ IFRS to all derivatives linked to interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in NZ IAS 32.
- 44X *Investment Entities* (Amendments to NZ IFRS 10, NZ IFRS 12 and NZ IAS 27), issued in December 2012, amended paragraph 3. An entity shall apply that amendment for annual periods beginning on or after 1 January 2014. Earlier application of *Investment Entities* is permitted. If an entity applies that amendment earlier it shall also apply all amendments included in *Investment Entities* at the same time.

### **NZ IAS 7 *Statement of Cash Flows***

Paragraphs 42A and 42B are amended and paragraphs 40A and 58 are added. New text is underlined and deleted text is struck through.

- 40A An investment entity, as defined in NZ IFRS 10 *Consolidated Financial Statements*, need not apply paragraphs 40(c) or 40(d) to an investment in a subsidiary that is required to be measured at fair value through profit or loss.

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- 42A Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control shall be classified as cash flows from financing activities, unless the subsidiary is held by an investment entity, as defined in NZ IFRS 10, and is required to be measured at fair value through profit or loss.
- 42B Changes in ownership interests in a subsidiary that do not result in a loss of control, such as the subsequent purchase or sale by a parent of a subsidiary's equity instruments, are accounted for as equity transactions (see NZ IFRS 10 *Consolidated Financial Statements*), unless the subsidiary is held by an investment entity and is required to be measured at fair value through profit or loss. Accordingly, the resulting cash flows are classified in the same way as other transactions with owners described in paragraph 17.
- 58 *Investment Entities (Amendments to NZ IFRS 10, NZ IFRS 12 and NZ IAS 27)*, issued in December 2012, amended paragraphs 42A and 42B and added paragraph 40A. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application of *Investment Entities* is permitted. If an entity applies those amendments earlier it shall also apply all amendments included in *Investment Entities* at the same time.

## NZ IAS 12 *Income Taxes*

Paragraphs 58 and 68C are amended and paragraph 98C is added. New text is underlined.

- 58 Current and deferred tax shall be recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- (a) ...
- (b) a business combination (other than the acquisition by an investment entity, as defined in NZ IFRS 10 *Consolidated Financial Statements*, of a subsidiary that is required to be measured at fair value through profit or loss) (see paragraphs 66 to 68).
- 68C As noted in paragraph 68A, the amount of the tax deduction (or estimated future tax deduction, measured in accordance with paragraph 68B) may differ from the related cumulative remuneration expense. Paragraph 58 of the Standard requires that current and deferred tax should be recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from (a) a transaction or event that is recognised, in the same or a different period, outside profit or loss, or (b) a business combination (other than the acquisition by an investment entity of a subsidiary that is required to be measured at fair value through profit or loss). If the amount of the tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, this indicates that the tax deduction relates not only to remuneration expense but also to an equity item. In this situation, the excess of the associated current or deferred tax should be recognised directly in equity.
- 98C *Investment Entities (Amendments to NZ IFRS 10, NZ IFRS 12 and NZ IAS 27)*, issued in December 2012, amended paragraphs 58 and 68C. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application of *Investment Entities* is permitted. If an entity applies those amendments earlier it shall also apply all amendments included in *Investment Entities* at the same time.

## NZ IAS 24 *Related Party Disclosures*

Paragraphs 4 and 9 are amended and paragraph 28B is added. New text is underlined.

- 4 Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's financial statements. Intragroup related party transactions and outstanding balances are eliminated, except for those between an investment entity and its subsidiaries measured at fair value through profit or loss, in the preparation of consolidated financial statements of the group.
- 9 **The terms 'control' and 'investment entity', 'joint control', and 'significant influence' are defined in NZ IFRS 10, NZ IFRS 11 *Joint Arrangements* and NZ IAS 28 *Investments in Associates and Joint Ventures* respectively and are used in this Standard with the meanings specified in those NZ IFRSs.**



28B *Investment Entities* (Amendments to NZ IFRS 10, NZ IFRS 12 and NZ IAS 27), issued in December 2012, amended paragraphs 4 and 9. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application of *Investment Entities* is permitted. If an entity applies those amendments earlier it shall also apply all amendments included in *Investment Entities* at the same time.

## **NZ IAS 32 *Financial Instruments: Presentation***

Paragraph 4 is amended and paragraph 97N is added. New text is underlined and deleted text is struck through.

- 4 This Standard shall be applied by all entities to all types of financial instruments except:
- (a) those interests in subsidiaries, associates or joint ventures that are accounted for in accordance with NZ IFRS 10 *Consolidated Financial Statements*, NZ IAS 27 *Separate Financial Statements* or NZ IAS 28 *Investments in Associates and Joint Ventures*. However, in some cases, NZ IFRS 10, NZ IAS 27 or NZ IAS 28 require or permits an entity to account for an interest in a subsidiary, associate or joint venture using NZ IFRS 9; in those cases, entities shall apply the requirements of this Standard. Entities shall also apply this Standard to all derivatives linked to interests in subsidiaries, associates or joint ventures.
- 97N *Investment Entities* (Amendments to NZ IFRS 10, NZ IFRS 12 and NZ IAS 27), issued in December 2012, amended paragraph 4. An entity shall apply that amendment for annual periods beginning on or after 1 January 2014. Earlier application of *Investment Entities* is permitted. If an entity applies that amendment earlier it shall also apply all amendments included in *Investment Entities* at the same time.

## **NZ IAS 34 *Interim Financial Reporting***

Paragraph 16A is amended and paragraph 54 is added. New text is underlined.

- 16A In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information, in the notes to its interim financial statements, if not disclosed elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis.
- (a) ...
- (k) for entities becoming, or ceasing to be, investment entities, as defined in NZ IFRS 10 *Consolidated Financial Statements*, the disclosures in NZ IFRS 12 *Disclosure of Interests in Other Entities* paragraph 9B.
- 54 *Investment Entities* (Amendments to NZ IFRS 10, NZ IFRS 12 and NZ IAS 27), issued in December 2012, added paragraph 16A. An entity shall apply that amendment for annual periods beginning 1 January 2014. Earlier application of *Investment Entities* is permitted. If an entity applies that amendment earlier it shall also apply all amendments included in *Investment Entities* at the same time.

## **NZ IAS 39 *Financial Instruments: Recognition and Measurement***

Paragraphs 2 and 80 are amended and paragraph 103R is added. New text is underlined and deleted text is struck through.

- 2 This Standard shall be applied by all entities to all types of financial instruments except:
- (a) those interests in subsidiaries, associates and joint ventures that are accounted for in accordance with NZ IFRS 10 *Consolidated Financial Statements*, NZ IAS 27 *Separate Financial Statements* or NZ IAS 28 *Investments in Associates and Joint Ventures*. However, in some cases, NZ IFRS 10, NZ IAS 27 or NZ IAS 28 require or permit an entity to account for ~~entities shall~~

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~~apply this Standard to an interest in a subsidiary, associate or joint venture that according to NZ IAS 27 or NZ IAS 28 is accounted for under~~ in accordance with some or all of the requirements of this Standard. Entities shall also apply this Standard to derivatives on an interest in a subsidiary, associate or joint venture unless the derivative meets the definition of an equity instrument of the entity in NZ IAS 32 *Financial Instruments: Presentation*.

(b) ...

(g) any forward contract between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination within the scope of NZ IFRS 3 *Business Combinations* at a future acquisition date. The term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction.

80 ... It follows that hedge accounting can be applied to transactions between entities in the same group only in the individual or separate financial statements of those entities and not in the consolidated financial statements of the group, except for the consolidated financial statements of an investment entity, as defined in NZ IFRS 10, where transactions between an investment entity and its subsidiaries measured at fair value through profit or loss will not be eliminated in the consolidated financial statements. ...

103R *Investment Entities (Amendments to NZ IFRS 10, NZ IFRS 12 and NZ IAS 27)*, issued in December 2012, amended paragraphs 2 and 80. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application of *Investment Entities* is permitted. If an entity applies those amendments earlier it shall also apply all amendments included in *Investment Entities* at the same time.

## Amendments to NZ IFRS 12 (Diff Rep) *Disclosure of Interests in Other Entities*

In the Introduction, paragraph IN12 is added.

IN12 *Investment Entities* (Diff Rep) (Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep)), issued in December 2012, introduced an exception to the principle in NZ IFRS 10 *Consolidated Financial Statements* that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investment in particular subsidiaries at fair value through profit or loss in accordance with NZ IFRS 9 (Diff Rep) *Financial Instruments* (or NZ IAS 39 (Diff Rep) *Financial Instruments: Recognition and Measurement*, if NZ IFRS 9 (Diff Rep) has not yet been adopted) instead of consolidating those subsidiaries in its consolidated and separate financial statements. Consequently, the amendments also introduced new disclosure requirements for investment entities (Diff Rep) in this NZ IFRS Diff Rep and NZ IAS 27 (Diff Rep) *Separate Financial Statements*.

Paragraph 2 is amended. New text is underlined and deleted text is struck through.

- 2 To meet the objective in paragraph 1, an entity shall disclose:
- (a) the significant judgements and assumptions it has made in determining:
    - (i) ~~the nature of its interest in another entity or arrangement, and in determining~~
    - (ii) the type of joint arrangement in which it has an interest (paragraphs 7–9);
    - (iii) that it meets the definition of an investment entity, if applicable (paragraph 9A); and
  - (b) ...

After paragraph 9, a heading and paragraphs 9A–9B are added.

### Investment entity status

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

After paragraph 19, a heading and paragraphs 19A–19G are added.

## **Interests in unconsolidated subsidiaries (investment entities)**

- 19A An investment entity that, in accordance with NZ IFRS 10 (Diff Rep), is required to apply the exception to consolidation and instead account for its investment in a subsidiary at fair value through profit or loss shall disclose that fact.
- 19B For each unconsolidated subsidiary, an investment entity shall disclose:
- (a) the subsidiary's name;
  - (b) the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiary; and
  - (c) the proportion of ownership interest held by the investment entity and, if different, the proportion of voting rights held.
- 19C If an investment entity is the parent of another investment entity, the parent shall also provide the disclosures in 19B(a)–(c) for investments that are controlled by its investment entity subsidiary. The disclosure may be provided by including, in the financial statements of the parent, the financial statements of the subsidiary (or subsidiaries) that contain the above information.
- 19D An investment entity shall disclose:
- (a) the nature and extent of any significant restrictions (eg resulting from borrowing arrangements, regulatory requirements or contractual arrangements) on the ability of an unconsolidated subsidiary to transfer funds to the investment entity in the form of cash dividends or to repay loans or advances made to the unconsolidated subsidiary by the investment entity; and
  - (b) any current commitments or intentions to provide financial or other support to an unconsolidated subsidiary, including commitments or intentions to assist the subsidiary in obtaining financial support.
- 19E If, during the reporting period, an investment entity or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to an unconsolidated subsidiary (eg purchasing assets of, or instruments issued by, the subsidiary or assisting the subsidiary in obtaining financial support), the entity shall disclose:
- (a) the type and amount of support provided to each unconsolidated subsidiary; and
  - (b) the reasons for providing the support.
- 19F An investment entity shall disclose the terms of any contractual arrangements that could require the entity or its unconsolidated subsidiaries to provide financial support to an unconsolidated, controlled, structured entity, including events or circumstances that could expose the reporting entity to a loss (eg liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity or to provide financial support).
- 19G If during the reporting period an investment entity or any of its unconsolidated subsidiaries has, without having a contractual obligation to do so, provided financial or other support to an unconsolidated, structured entity that the investment entity did not control, and if that provision of support resulted in the investment entity controlling the structured entity, the investment entity shall disclose an explanation of the relevant factors in reaching the decision to provide that support.

After paragraph 21, paragraph 21A is added.

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

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After paragraph 25, paragraph 25A is added.

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

In Appendix A, a term is added. New text is underlined.

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

- associate
- consolidated financial statements
- control of an entity
- equity method
- group
- investment entity
- joint arrangement
- ...

In Appendix C, paragraph C1B is added.

C1B *Investment Entities* (Diff Rep) (Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep)), issued in December 2012, amended paragraph 2 and Appendix A, and added paragraphs 9A–9B, 19A–19G, 21A and 25A. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Early adoption is permitted. If an entity applies those amendments earlier, it shall disclose that fact and apply all amendments included in *Investment Entities* (Diff Rep) at the same time.

## Amendments to NZ IAS 27 (Diff Rep) *Separate Financial Statements*

In the Introduction, paragraph IN3 is added.

IN3 *Investment Entities* (Diff Rep) (Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep)), issued in December 2012, introduced an exception to the principle in NZ IFRS 10 *Consolidated Financial Statements* that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in accordance with NZ IFRS 9 (Diff Rep) (or NZ IAS 39 (Diff Rep) *Financial Instruments: Recognition and Measurement*, if NZ IFRS 9 (Diff Rep) has not yet been adopted) instead of consolidating those subsidiaries in its consolidated and separate financial statements. Consequently, the amendments also introduced new disclosure requirements for investment entities in NZ IFRS 12 (Diff Rep) *Disclosure of Interests in Other Entities*, with related disclosures introduced in this NZ IFRS Diff Rep.

Paragraphs 5–6 are amended. New text is underlined.

5 The following terms are defined in Appendix A of NZ IFRS 10 (Diff Rep) *Consolidated Financial Statements*, Appendix A of NZ IFRS 11 (Diff Rep) *Joint Arrangements* and paragraph 3 of NZ IAS 28 (Diff Rep) *Investments in Associates and Joint Ventures*:

- associate
- control of an investee
- group
- investment entity
- joint control
- ...

6 Separate financial statements are those presented in addition to consolidated financial statements or in addition to financial statements in which investments in associates or joint ventures are accounted for using the equity method, other than in the circumstances set out in paragraphs 8–8A. Separate financial statements need not be appended to, or accompany, those statements.

After paragraph 8, paragraph 8A is added.

8A An investment entity that is required, throughout the current period and all comparative periods presented, to apply the exception to consolidation for all of its subsidiaries in accordance with paragraph 31 of NZ IFRS 10 (Diff Rep) presents separate financial statements as its only financial statements.

After paragraph 11, paragraphs 11A–11B are added.

11A If a parent is required, in accordance with paragraph 31 of NZ IFRS 10 (Diff Rep), to measure its investment in a subsidiary at fair value through profit or loss in accordance with NZ IFRS 9 (Diff Rep), it shall also account for its investment in a subsidiary in the same way in its separate financial statements.

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- 11B When a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred, as follows:
- (a) when an entity ceases to be an investment entity, the entity shall, in accordance with paragraph 10, either:
    - (i) account for an investment in a subsidiary at cost. The fair value of the subsidiary at the date of the change of status shall be used as the deemed cost at that date; or
    - (ii) continue to account for an investment in a subsidiary in accordance with NZ IFRS 9 (Diff Rep).
  - (b) when an entity becomes an investment entity, it shall account for an investment in a subsidiary at fair value through profit or loss in accordance with NZ IFRS 9 (Diff Rep). The difference between the previous carrying amount of the subsidiary and its fair value at the date of the change of status of the investor shall be recognised as a gain or loss in profit or loss. The cumulative amount of any fair value adjustment previously recognised in other comprehensive income in respect of those subsidiaries shall be treated as if the investment entity had disposed of those subsidiaries at the date of change in status.

After paragraph 16, paragraph 16A is added.

- 16A When an investment entity that is a parent (other than a parent covered by paragraph 16) prepares, in accordance with paragraph 8A, separate financial statements as its only financial statements, it shall disclose that fact. The investment entity shall also present the disclosures relating to investment entities required by NZ IFRS 12 (Diff Rep) *Disclosure of Interests in Other Entities*.**

Paragraph 17 is amended. New text is underlined.

- 17 When a parent (other than a parent covered by paragraphs 16–16A) or an investor with joint control of, or significant influence over, an investee prepares separate financial statements, the parent or investor shall identify the financial statements prepared in accordance with NZ IFRS 10 (Diff Rep), NZ IFRS 11 (Diff Rep) or NZ IAS 28 (Diff Rep) (as amended in 2011) to which they relate. The parent or investor shall also disclose in its separate financial statements:**
- (a) ...

Paragraph 18 is amended. Deleted text is struck through.

- 18 ... If an entity applies this Standard earlier, it shall disclose that fact and apply NZ IFRS 10 (Diff Rep), NZ IFRS 11 (Diff Rep), NZ IFRS 12 (Diff Rep) ~~*Disclosure of Interests in Other Entities*~~ and NZ IAS 28 (Diff Rep) (as amended in 2011) at the same time.

After paragraph 18, paragraphs 18A–18I are added.

- 18A *Investment Entities* (Diff Rep) (Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep)), issued in December 2012, amended paragraphs 5, 6, 17 and 18, and added paragraphs 8A, 11A–11B, 16A and 18B–18I. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Early adoption is permitted. If an entity applies those amendments earlier, it shall disclose that fact and apply all amendments included in *Investment Entities* (Diff Rep) at the same time.

Investment Entities (Diff Rep)

(Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep))

- 18B If, at the date of initial application of the *Investment Entities* (Diff Rep) amendments (which, for the purposes of this NZ IFRS Diff Rep, is the beginning of the annual reporting period for which those amendments are applied for the first time), a parent concludes that it is an investment entity, it shall apply paragraphs 18C–18I to its investment in a subsidiary.
- 18C At the date of initial application, an investment entity that previously measured its investment in a subsidiary at cost shall instead measure that investment at fair value through profit or loss as if the requirements of this NZ IFRS Diff Rep had always been effective. The investment entity shall adjust retrospectively the annual period immediately preceding the date of initial application and shall adjust retained earnings at the beginning of the immediately preceding period for any difference between:
- (a) the previous carrying amount of the investment; and
  - (b) the fair value of the investor’s investment in the subsidiary.
- 18D At the date of initial application, an investment entity that previously measured its investment in a subsidiary at fair value through other comprehensive income shall continue to measure that investment at fair value. The cumulative amount of any fair value adjustment previously recognised in other comprehensive income shall be transferred to retained earnings at the beginning of the annual period immediately preceding the date of initial application.
- 18E At the date of initial application, an investment entity shall not make adjustments to the previous accounting for an interest in a subsidiary that it had previously elected to measure at fair value through profit or loss in accordance with NZ IFRS 9 (Diff Rep), as permitted in paragraph 10.
- 18F Before the date that NZ IFRS 13 (Diff Rep) *Fair Value Measurement* is adopted, an investment entity shall use the fair value amounts previously reported to investors or to management, if those amounts represent the amount for which the investment could have been exchanged between knowledgeable, willing parties in an arm’s length transaction at the date of the valuation.
- 18G If measuring the investment in the subsidiary in accordance with paragraphs 18C–18F is impracticable (as defined in NZ IAS 8 (Diff Rep) *Accounting Policies, Changes in Accounting Estimates and Errors*), an investment entity shall apply the requirements of this NZ IFRS Diff Rep at the beginning of the earliest period for which application of paragraphs 18C–18F is practicable, which may be the current period. The investor shall adjust retrospectively the annual period immediately preceding the date of initial application, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. When the date that it is practicable for the investment entity to measure the fair value of the subsidiary is earlier than the beginning of the immediately preceding period, the investor shall adjust equity at the beginning of the immediately preceding period for any difference between:
- (a) the previous carrying amount of the investment; and
  - (b) the fair value of the investor’s investment in the subsidiary.
- If the earliest period for which application of this paragraph is practicable is the current period, the adjustment to equity shall be recognised at the beginning of the current period.
- 18H If an investment entity has disposed of, or lost control of, an investment in a subsidiary before the date of initial application of the *Investment Entities* (Diff Rep) amendments, the investment entity is not required to make adjustments to the previous accounting for that investment.
- 18I Notwithstanding the references to the annual period immediately preceding the date of initial application (the ‘immediately preceding period’) in paragraphs 18C–18G, an entity may also present adjusted comparative information for any earlier periods presented, but is not required to do so. If an entity does present adjusted comparative information for any earlier periods, all references to the ‘immediately preceding period’ in paragraphs 18C–18G shall be read as the ‘earliest adjusted comparative period presented’. If an entity presents unadjusted comparative information for any earlier periods, it shall clearly identify the information that has not been adjusted, state that it has been prepared on a different basis, and explain that basis.