NZ International Financial Reporting Standard 11 (Diff Rep)

Joint Arrangements (NZ IFRS 11 (Diff Rep)

Issued November 2012

This Standard was issued by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 24(1)(a) of the Financial Reporting Act 1993.

This Standard is a Regulation for the purposes of the Regulations (Disallowance) Act 1989.

This Standard, on adoption, supersedes NZ IAS 31 (Diff Rep) *Interests in Joint Ventures* and NZ SIC-13 (Diff Rep) *Jointly Controlled Entities—Non-Monetary Contributions by Venturers*.

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NZ INTERNATIONAL FINANCIAL REPORTING STANDARD 11 (Diff Rep) *JOINT ARRANGEMENTS* (NZ IFRS 11 (Diff Rep))

NZ International Financial Reporting Standard 11 (Diff Rep) *Joint Arrangements* (NZ IFRS 11 (Diff Rep)) is set out in paragraphs 1–27 and Appendices A–D. NZ IFRS 11 (Diff Rep) is based on International Financial Reporting Standard 11 *Joint Arrangements* (IFRS 11) published by the International Accounting Standards Board (IASB) in 2011. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in Appendix A are in *italics* the first time they appear in the Standard. Definitions of other terms are given in the Glossary. NZ IFRS 11 (Diff Rep) should be read in the context of the IASB's Basis for Conclusions on IFRS 11, the New Zealand *Preface* and the New Zealand *Conceptual Framework for Financial Reporting (Diff Rep)* (NZ *Framework (Diff Rep)*). NZ IAS 8 (Diff Rep) *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 and the paragraphs are denoted with "NZ".

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ IFRS 11 (Diff Rep) *Joint Arrangements*

This table lists the pronouncements establishing NZ IFRS 11 (Diff Rep).

Pronouncements	**Date approved**	**Early operative date**	**Effective date (annual reporting periods… on or after …)**
NZ IFRS 11 (Diff Rep) *Joint Arrangements*	Nov 2012	Early application permitted	1 Jan 2013

Table of Amended Paragraphs in NZ IFRS 11 (Diff Rep)		
Paragraph affected	**How affected**	**By … [date]**
Paragraph NZ 2.1	Inserted	NZ IFRS 11 (Diff Rep) [Nov 2012]
Paragraph C1	Amended	NZ IFRS 11 (Diff Rep) [Nov 2012]

The following tables list the pronouncements establishing and substantially amending NZ IFRS 11 prior to the issue of this Standard as NZ IFRS 11 (Diff Rep).

Pronouncements	**Date approved**	**Early operative date**	**Effective date (annual reporting periods… on or after …)**
NZ IFRS 11 *Joint Arrangements*	June 2011	Early application permitted	1 Jan 2013
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance (Amendments to NZ IFRS 10, NZ IFRS 11 and NZ IFRS 12)	July 2012	Early application permitted	1 Jan 2013

Table of Amended Paragraphs in NZ IFRS 11		
Paragraph affected	**How affected**	**By … [date]**
Paragraph C1A	Inserted	*Transition Guidance* [July 2012]
Paragraph C1B	Inserted	*Transition Guidance* [July 2012]
Paragraph C2	Amended	*Transition Guidance* [July 2012]
Paragraph C3	Amended	*Transition Guidance* [July 2012]
Paragraph C4	Amended	*Transition Guidance* [July 2012]
Paragraph C5	Amended	*Transition Guidance* [July 2012]
Paragraph C7	Amended	*Transition Guidance* [July 2012]
Paragraph C8	Amended	*Transition Guidance* [July 2012]
Paragraph C9	Amended	*Transition Guidance* [July 2012]
Paragraph C10	Amended	*Transition Guidance* [July 2012]
Paragraph C12	Amended	*Transition Guidance* [July 2012]
Paragraph C12A and 12B and preceding heading	Inserted	*Transition Guidance* [July 2012]

Introduction

Overview

IN 1 International Financial Reporting Standard 11 *Joint Arrangements* establishes principles for financial reporting by parties to a joint arrangement.

IN 2 The IFRS supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers* and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

Reasons for issuing the IFRS

IN3 The IFRS is concerned principally with addressing two aspects of IAS 31: first, that the structure of the arrangement was the only determinant of the accounting and, second, that an entity had a choice of accounting treatment for interests in jointly controlled entities.

IN4 IFRS 11 improves on IAS 31 by establishing principles that are applicable to the accounting for all joint arrangements.

Main features of the NZ IFRS Diff Rep

IN5 The NZ IFRS Diff Rep requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement.

General requirements

IN6 The NZ IFRS Diff Rep is to be applied by all Tier 3 for profit entities that are a party to a joint arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. The NZ IFRS Diff Rep defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (ie activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

IN7 The NZ IFRS Diff Rep classifies joint arrangements into two types—joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (ie joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (ie joint venturers) have rights to the net assets of the arrangement.

IN8 An entity determines the type of joint arrangement in which it is involved by considering its rights and obligations. An entity assesses its rights and obligations by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances.

IN9 The NZ IFRS Diff Rep requires a joint operator to recognise and measure the assets and liabilities (and recognise the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant NZ IFRS Diff Rep applicable to the particular assets, liabilities, revenues and expenses.

IN10 The NZ IFRS Diff Rep requires a joint venturer to recognise an investment and to account for that investment using the equity method in accordance with NZ IAS 28 (2011) (Diff Rep) *Investments in Associates and Joint Ventures*, unless the entity is exempted from applying the equity method as specified in that standard.

IN11 The disclosure requirements for parties with joint control of a joint arrangement are specified in NZ IFRS 12 (Diff Rep) *Disclosure of Interests in Other Entities*.

Differential Reporting

IN12 Qualifying entities must comply with all the provisions in NZ IFRS 11 (Diff Rep).

IN13–IN14 [Deleted]

NZ International Financial Reporting Standard 11 (Diff Rep) *Joint Arrangements* (NZ IFRS 11 (Diff Rep))

Objective

1 **The objective of this NZ IFRS Diff Rep is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (ie *joint arrangements*).**

Meeting the objective

2 To meet the objective in paragraph 1, this NZ IFRS Diff Rep defines *joint control* and requires an entity that is a *party to a joint arrangement* to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

Scope

NZ 2.1 **This Standard applies only to Tier 3 for-profit entities that elect to apply the requirements. Tier 3 for-profit entities are not required to comply with the requirements in this Standard denoted with an asterisk (*).**

3 **This NZ IFRS Diff Rep shall be applied by all entities that are a party to a joint arrangement.**

Joint arrangements

4 **A joint arrangement is an arrangement of which two or more parties have joint control.**

5 **A joint arrangement has the following characteristics:**

- **(a) The parties are bound by a contractual arrangement (see paragraphs B2–B4).**
- **(b) The contractual arrangement gives two or more of those parties joint control of the arrangement (see paragraphs 7–13).**

6 **A joint arrangement is either a *joint operation* or a *joint venture*.**

Joint control

7 **Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.**

8 An entity that is a party to an arrangement shall assess whether the contractual arrangement gives all the parties, or a group of the parties, control of the arrangement collectively. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct the activities that significantly affect the returns of the arrangement (ie the relevant activities).

9 Once it has been determined that all the parties, or a group of the parties, control the arrangement collectively, joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively.

10 In a joint arrangement, no single party controls the arrangement on its own. A party with joint control of an arrangement can prevent any of the other parties, or a group of the parties, from controlling the arrangement.

11 An arrangement can be a joint arrangement even though not all of its parties have joint control of the arrangement. This NZ IFRS Diff Rep distinguishes between parties that have joint control of a joint arrangement (*joint operators* or *joint venturers*) and parties that participate in, but do not have joint control of, a joint arrangement.

12 An entity will need to apply judgement when assessing whether all the parties, or a group of the parties, have joint control of an arrangement. An entity shall make this assessment by considering all facts and circumstances (see paragraphs B5–B11).

13 If facts and circumstances change, an entity shall reassess whether it still has joint control of the arrangement.

Types of joint arrangement

14 An entity shall determine the type of joint arrangement in which it is involved. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.

15 A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

16 A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

17 An entity applies judgement when assessing whether a joint arrangement is a joint operation or a joint venture. An entity shall determine the type of joint arrangement in which it is involved by considering its rights and obligations arising from the arrangement. An entity assesses its rights and obligations by considering the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances (see paragraphs B12–B33).

18 Sometimes the parties are bound by a framework agreement that sets up the general contractual terms for undertaking one or more activities. The framework agreement might set out that the parties establish different joint arrangements to deal with specific activities that form part of the agreement. Even though those joint arrangements are related to the same framework agreement, their type might be different if the parties' rights and obligations differ when undertaking the different activities dealt with in the framework agreement. Consequently, joint operations and joint ventures can coexist when the parties undertake different activities that form part of the same framework agreement.

19 If facts and circumstances change, an entity shall reassess whether the type of joint arrangement in which it is involved has changed.

Financial statements of parties to a joint arrangement

Joint operations

20 A joint operator shall recognise in relation to its interest in a joint operation:

(a) its assets, including its share of any assets held jointly;

(b) its liabilities, including its share of any liabilities incurred jointly;

(c) its revenue from the sale of its share of the output arising from the joint operation;

(d) its share of the revenue from the sale of the output by the joint operation; and

(e) its expenses, including its share of any expenses incurred jointly.

21 A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the NZ IFRS Diff Rep applicable to the particular assets, liabilities, revenues and expenses.

22 The accounting for transactions such as the sale, contribution or purchase of assets between an entity and a joint operation in which it is a joint operator is specified in paragraphs B34–B37.

23 A party that participates in, but does not have joint control of, a joint operation shall also account for its interest in the arrangement in accordance with paragraphs 20–22 if that party has rights to the assets, and obligations for the liabilities, relating to the

joint operation. If a party that participates in, but does not have joint control of, a joint operation does not have rights to the assets, and obligations for the liabilities, relating to that joint operation, it shall account for its interest in the joint operation in accordance with the NZ IFRS Diff Rep applicable to that interest.

Joint ventures

24 **A joint venturer shall recognise its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with NZ IAS 28 (2011) (Diff Rep) *Investments in Associates and Joint Ventures* unless the entity is exempted from applying the equity method as specified in that standard.**

25 A party that participates in, but does not have joint control of, a joint venture shall account for its interest in the arrangement in accordance with NZ IFRS 9 (Diff Rep) *Financial Instruments*, unless it has significant influence over the joint venture, in which case it shall account for it in accordance with NZ IAS 28 (2011) (Diff Rep) (as amended in 2011).

Separate financial statements

26 **In its separate financial statements, a joint operator or joint venturer shall account for its interest in:**

- **(a) a joint operation in accordance with paragraphs 20–22;**
- **(b) a joint venture in accordance with paragraph 10 of NZ IAS 27 (2011) (Diff Rep) *Separate Financial Statements*.**

27 **In its separate financial statements, a party that participates in, but does not have joint control of, a joint arrangement shall account for its interest in:**

- **(a) a joint operation in accordance with paragraph 23;**
- **(b) a joint venture in accordance with NZ IFRS 9 (Diff Rep), unless the entity has significant influence over the joint venture, in which case it shall apply paragraph 10 of NZ IAS 27 (2011) (Diff Rep).**

Appendix A
Defined terms

This appendix is an integral part of the NZ IFRS Diff Rep.

joint arrangement	An arrangement of which two or more parties have **joint control**.
joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
joint operation	A **joint arrangement** whereby the parties that have **joint control** of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.
joint operator	A party to a **joint operation** that has **joint control** of that joint operation.
joint venture	A **joint arrangement** whereby the parties that have **joint control** of the arrangement have rights to the net assets of the arrangement.
joint venturer	A party to a **joint venture** that has **joint control** of that joint venture.
party to a joint arrangement	An entity that participates in a **joint arrangement**, regardless of whether that entity has **joint control** of the arrangement.
separate vehicle	A separately identifiable financial structure, including separate legal entities or entities recognised by statute, regardless of whether those entities have a legal personality.

The following terms are defined in NZ IAS 27 (2011) (Diff Rep), NZ IAS 28 (2011) (Diff Rep) or NZ IFRS 10 (Diff Rep) *Consolidated Financial Statements* and are used in this NZ IFRS Diff Rep with the meanings specified in those NZ IFRS Diff Rep:

- control of an investee
- equity method
- power
- protective rights
- relevant activities
- separate financial statements
- significant influence.

Appendix B
Application guidance

This appendix is an integral part of the NZ IFRS Diff Rep. It describes the application of paragraphs 1–27 and has the same authority as the other parts of the NZ IFRS Diff Rep.

B1 The examples in this appendix portray hypothetical situations. Although some aspects of the examples may be present in actual fact patterns, all relevant facts and circumstances of a particular fact pattern would need to be evaluated when applying NZ IFRS 11 (Diff Rep).

Joint arrangements

Contractual arrangement (paragraph 5)

B2 Contractual arrangements can be evidenced in several ways. An enforceable contractual arrangement is often, but not always, in writing, usually in the form of a contract or documented discussions between the parties. Statutory mechanisms can also create enforceable arrangements, either on their own or in conjunction with contracts between the parties.

B3 When joint arrangements are structured through a *separate vehicle* (see paragraphs B19–B33), the contractual arrangement, or some aspects of the contractual arrangement, will in some cases be incorporated in the articles, charter or by-laws of the separate vehicle.

B4 The contractual arrangement sets out the terms upon which the parties participate in the activity that is the subject of the arrangement. The contractual arrangement generally deals with such matters as:

(a) the purpose, activity and duration of the joint arrangement.

(b) how the members of the board of directors, or equivalent governing body, of the joint arrangement, are appointed.

(c) the decision-making process: the matters requiring decisions from the parties, the voting rights of the parties and the required level of support for those matters. The decision-making process reflected in the contractual arrangement establishes joint control of the arrangement (see paragraphs B5–B11).

(d) the capital or other contributions required of the parties.

(e) how the parties share assets, liabilities, revenues, expenses or profit or loss relating to the joint arrangement.

Joint control (paragraphs 7–13)

B5 In assessing whether an entity has joint control of an arrangement, an entity shall assess first whether all the parties, or a group of the parties, control the arrangement. NZ IFRS 10 (Diff Rep) defines control and shall be used to determine whether all the parties, or a group of the parties, are exposed, or have rights, to variable returns from their involvement with the arrangement and have the ability to affect those returns through their power over the arrangement. When all the parties, or a group of the parties, considered collectively, are able to direct the activities that significantly affect the returns of the arrangement (ie the relevant activities), the parties control the arrangement collectively.

B6 After concluding that all the parties, or a group of the parties, control the arrangement collectively, an entity shall assess whether it has joint control of the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. Assessing whether the arrangement is jointly controlled by all of its parties or by a group of the parties, or controlled by one of its parties alone, can require judgement.

B7 Sometimes the decision-making process that is agreed upon by the parties in their contractual arrangement implicitly leads to joint control. For example, assume two parties establish an arrangement in which each has 50 per cent of the voting rights and the contractual arrangement between them specifies that at least 51 per cent of the voting rights are required to make decisions about the relevant activities. In this case, the parties have implicitly agreed that they have joint control of the arrangement because decisions about the relevant activities cannot be made without both parties agreeing.

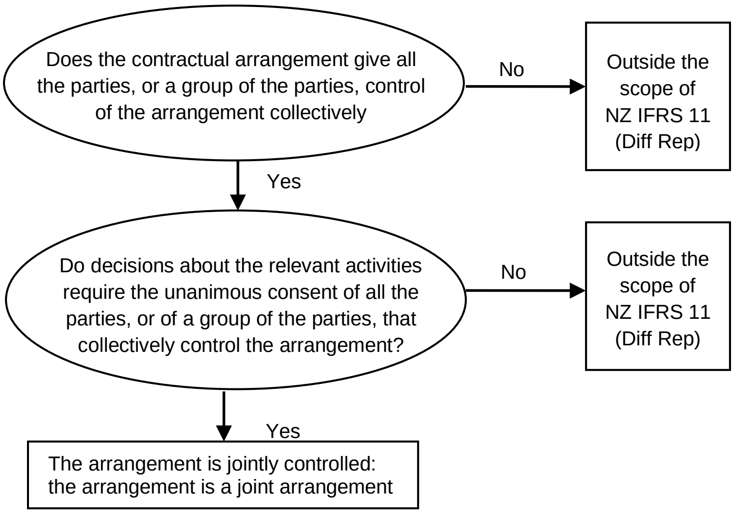
B8 In other circumstances, the contractual arrangement requires a minimum proportion of the voting rights to make decisions about the relevant activities. When that minimum required proportion of the voting rights can be achieved by more than one combination of the parties agreeing together, that arrangement is not a joint arrangement unless the contractual arrangement specifies which parties (or combination of parties) are required to agree unanimously to decisions about the relevant activities of the arrangement.

Application examples
Example 1 Assume that three parties establish an arrangement: A has 50 per cent of the voting rights in the arrangement, B has 30 per cent and C has 20 per cent. The contractual arrangement between A, B and C specifies that at least 75 per cent of the voting rights are required to make decisions about the relevant activities of the arrangement. Even though A can block any decision, it does not control the arrangement because it needs the agreement of B. The terms of their contractual arrangement requiring at least 75 per cent of the voting rights to make decisions about the relevant activities imply that A and B have joint control of the arrangement because decisions about the relevant activities of the arrangement cannot be made without both A and B agreeing. **Example 2** Assume an arrangement has three parties: A has 50 per cent of the voting rights in the arrangement and B and C each have 25 per cent. The contractual arrangement between A, B and C specifies that at least 75 per cent of the voting rights are required to make decisions about the relevant activities of the arrangement. Even though A can block any decision, it does not control the arrangement because it needs the agreement of either B or C. In this example, A, B and C collectively control the arrangement. However, there is more than one combination of parties that can agree to reach 75 per cent of the voting rights (ie either A and B or A and C). In such a situation, to be a joint arrangement the contractual arrangement between the parties would need to specify which combination of the parties is required to agree unanimously to decisions about the relevant activities of the arrangement. **Example 3** Assume an arrangement in which A and B each have 35 per cent of the voting rights in the arrangement with the remaining 30 per cent being widely dispersed. Decisions about the relevant activities require approval by a majority of the voting rights. A and B have joint control of the arrangement only if the contractual arrangement specifies that decisions about the relevant activities of the arrangement require both A and B agreeing.

B9 The requirement for unanimous consent means that any party with joint control of the arrangement can prevent any of the other parties, or a group of the parties, from making unilateral decisions (about the relevant activities) without its consent. If the requirement for unanimous consent relates only to decisions that give a party protective rights and not to decisions about the relevant activities of an arrangement, that party is not a party with joint control of the arrangement.

B10 A contractual arrangement might include clauses on the resolution of disputes, such as arbitration. These provisions may allow for decisions to be made in the absence of unanimous consent among the parties that have joint control. The existence of such provisions does not prevent the arrangement from being jointly controlled and, consequently, from being a joint arrangement.

Assessing joint control



B11 When an arrangement is outside the scope of NZ IFRS 11 (Diff Rep), an entity accounts for its interest in the arrangement in accordance with relevant NZ IFRS Diff Rep, such as NZ IFRS 10 (Diff Rep), NZ IAS 28 (2011) (Diff Rep) or NZ IFRS 9 (Diff Rep).

Types of joint arrangement (paragraphs 14–19)

B12 Joint arrangements are established for a variety of purposes (eg as a way for parties to share costs and risks, or as a way to provide the parties with access to new technology or new markets), and can be established using different structures and legal forms.

B13 Some arrangements do not require the activity that is the subject of the arrangement to be undertaken in a separate vehicle. However, other arrangements involve the establishment of a separate vehicle.

B14 The classification of joint arrangements required by this NZ IFRS Diff Rep depends upon the parties' rights and obligations arising from the arrangement in the normal course of business. This NZ IFRS Diff Rep classifies joint arrangements as either joint operations or joint ventures. When an entity has rights to the assets, and obligations for the liabilities, relating to the arrangement, the arrangement is a joint operation. When an entity has rights to the net assets of the arrangement, the arrangement is a joint venture. Paragraphs B16–B33 set out the assessment an entity carries out to determine whether it has an interest in a joint operation or an interest in a joint venture.

Classification of a joint arrangement

B15 As stated in paragraph B14, the classification of joint arrangements requires the parties to assess their rights and obligations arising from the arrangement. When making that assessment, an entity shall consider the following:

(a) the structure of the joint arrangement (see paragraphs B16–B21).

(b) when the joint arrangement is structured through a separate vehicle:

   (i) the legal form of the separate vehicle (see paragraphs B22–B24);

   (ii) the terms of the contractual arrangement (see paragraphs B25–B28); and

   (iii) when relevant, other facts and circumstances (see paragraphs B29–B33).

Structure of the joint arrangement

Joint arrangements not structured through a separate vehicle

B16 A joint arrangement that is not structured through a separate vehicle is a joint operation. In such cases, the contractual arrangement establishes the parties' rights to the assets, and obligations for the liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses.

B17 The contractual arrangement often describes the nature of the activities that are the subject of the arrangement and how the parties intend to undertake those activities together. For example, the parties to a joint arrangement could agree to manufacture a product together, with each party being responsible for a specific task and each using its own assets and incurring its own liabilities. The contractual arrangement could also specify how the revenues and expenses that are common to the parties are to be shared among them. In such a case, each joint operator recognises in its financial statements the assets and liabilities used for the specific task, and recognises its share of the revenues and expenses in accordance with the contractual arrangement.

B18 In other cases, the parties to a joint arrangement might agree, for example, to share and operate an asset together. In such a case, the contractual arrangement establishes the parties' rights to the asset that is operated jointly, and how output or revenue from the asset and operating costs are shared among the parties. Each joint operator accounts for its share of the joint asset and its agreed share of any liabilities, and recognises its share of the output, revenues and expenses in accordance with the contractual arrangement.

Joint arrangements structured through a separate vehicle

B19 A joint arrangement in which the assets and liabilities relating to the arrangement are held in a separate vehicle can be either a joint venture or a joint operation.

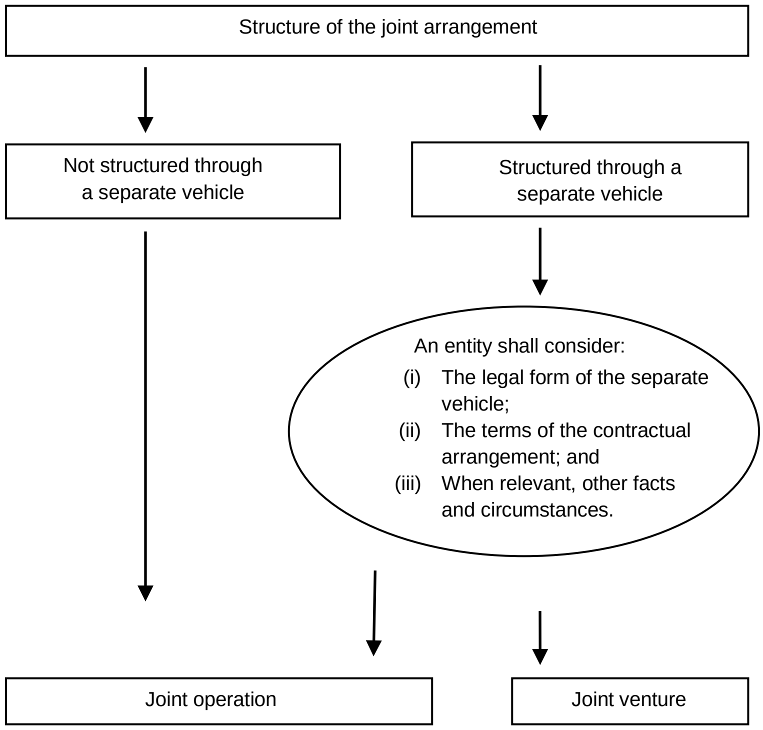
B20 Whether a party is a joint operator or a joint venturer depends on the party's rights to the assets, and obligations for the liabilities, relating to the arrangement that are held in the separate vehicle.

B21 As stated in paragraph B15, when the parties have structured a joint arrangement in a separate vehicle, the parties need to assess whether the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, any other facts and circumstances give them:

(a) rights to the assets, and obligations for the liabilities, relating to the arrangement (ie the arrangement is a joint operation); or

(b) rights to the net assets of the arrangement (ie the arrangement is a joint venture).

Classification of a joint arrangement: assessment of the parties' rights and obligations arising from the arrangement



The legal form of the separate vehicle

B22 The legal form of the separate vehicle is relevant when assessing the type of joint arrangement. The legal form assists in the initial assessment of the parties' rights to the assets and obligations for the liabilities held in the separate vehicle, such as whether the parties have interests in the assets held in the separate vehicle and whether they are liable for the liabilities held in the separate vehicle.

B23 For example, the parties might conduct the joint arrangement through a separate vehicle, whose legal form causes the separate vehicle to be considered in its own right (ie the assets and liabilities held in the separate vehicle are the assets and liabilities of the separate vehicle and not the assets and liabilities of the parties). In such a case, the assessment of the rights and obligations conferred upon the parties by the legal form of the separate vehicle indicates that the arrangement is a joint venture. However, the terms agreed by the parties in their contractual arrangement (see paragraphs B25–B28) and, when relevant, other facts and circumstances (see paragraphs B29–B33) can override the assessment of the rights and obligations conferred upon the parties by the legal form of the separate vehicle.

B24 The assessment of the rights and obligations conferred upon the parties by the legal form of the separate vehicle is sufficient to conclude that the arrangement is a joint operation only if the parties conduct the joint arrangement in a separate vehicle whose legal form does not confer separation between the parties and the separate vehicle (ie the assets and liabilities held in the separate vehicle are the parties' assets and liabilities).

Assessing the terms of the contractual arrangement

B25 In many cases, the rights and obligations agreed to by the parties in their contractual arrangements are consistent, or do not conflict, with the rights and obligations conferred on the parties by the legal form of the separate vehicle in which the arrangement has been structured.

B26 In other cases, the parties use the contractual arrangement to reverse or modify the rights and obligations conferred by the legal form of the separate vehicle in which the arrangement has been structured.

Application example

Example 4

Assume that two parties structure a joint arrangement in an incorporated entity. Each party has a 50 per cent ownership interest in the incorporated entity. The incorporation enables the separation of the entity from its owners and as a consequence the assets and liabilities held in the entity are the assets and liabilities of the incorporated entity. In such a case, the assessment of the rights and obligations conferred upon the parties by the legal form of the separate vehicle indicates that the parties have rights to the net assets of the arrangement.

However, the parties modify the features of the corporation through their contractual arrangement so that each has an interest in the assets of the incorporated entity and each is liable for the liabilities of the incorporated entity in a specified proportion. Such contractual modifications to the features of a corporation can cause an arrangement to be a joint operation.

B27 The following table compares common terms in contractual arrangements of parties to a joint operation and common terms in contractual arrangements of parties to a joint venture. The examples of the contractual terms provided in the following table are not exhaustive.

<table>
<tr><th colspan="3">Assessing the terms of the contractual arrangement</th></tr>
<tr><th></th><th>Joint operation</th><th>Joint venture</th></tr>
<tr><td>The terms of the contractual arrangement</td><td>The contractual arrangement provides the parties to the joint arrangement with rights to the assets, and obligations for the liabilities, relating to the arrangement.</td><td>The contractual arrangement provides the parties to the joint arrangement with rights to the net assets of the arrangement (ie it is the separate vehicle, not the parties, that has rights to the assets, and obligations for the liabilities, relating to the arrangement).</td></tr>
<tr><td>Rights to assets</td><td>The contractual arrangement establishes that the parties to the joint arrangement share all interests (eg rights, title or ownership) in the assets relating to the arrangement in a specified proportion (eg in proportion to the parties’ ownership interest in the arrangement or in proportion to the activity carried out through the arrangement that is directly attributed to them).</td><td>The contractual arrangement establishes that the assets brought into the arrangement or subsequently acquired by the joint arrangement are the arrangement’s assets. The parties have no interests (ie no rights, title or ownership) in the assets of the arrangement.</td></tr>
<tr><td rowspan="3">Obligations for liabilities</td><td rowspan="2">The contractual arrangement establishes that the parties to the joint arrangement share all liabilities, obligations, costs and expenses in a specified proportion (eg in proportion to the parties’ ownership interest in the arrangement or in proportion to the activity carried out through the arrangement that is directly attributed to them).</td><td>The contractual arrangement establishes that the joint arrangement is liable for the debts and obligations of the arrangement.</td></tr>
<tr><td>The contractual arrangement establishes that the parties to the joint arrangement are liable to the arrangement only to the extent of their respective investments in the arrangement or to their respective obligations to contribute any unpaid or additional capital to the arrangement, or both</td></tr>
<tr><td>The contractual arrangement establishes that the parties to the joint arrangement are liable for claims raised by third parties.</td><td>The contractual arrangement states that creditors of the joint arrangement do not have rights of recourse against any party with respect to debts or obligations of the arrangement.</td></tr>
</table>

Assessing the terms of the contractual arrangement		
	Joint operation	**Joint venture**
Revenues, expenses, profit or loss	The contractual arrangement establishes the allocation of revenues and expenses on the basis of the relative performance of each party to the joint arrangement. For example, the contractual arrangement might establish that revenues and expenses are allocated on the basis of the capacity that each party uses in a plant operated jointly, which could differ from their ownership interest in the joint arrangement. In other instances, the parties might have agreed to share the profit or loss relating to the arrangement on the basis of a specified proportion such as the parties' ownership interest in the arrangement. This would not prevent the arrangement from being a joint operation if the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement.	The contractual arrangement establishes each party's share in the profit or loss relating to the activities of the arrangement.
Guarantees	The parties to joint arrangements are often required to provide guarantees to third parties that, for example, receive a service from, or provide financing to, the joint arrangement. The provision of such guarantees, or the commitment by the parties to provide them, does not, by itself, determine that the joint arrangement is a joint operation. The feature that determines whether the joint arrangement is a joint operation or a joint venture is whether the parties have obligations for the liabilities relating to the arrangement (for some of which the parties might or might not have provided a guarantee).	

B28 When the contractual arrangement specifies that the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, they are parties to a joint operation and do not need to consider other facts and circumstances (paragraphs B29–B33) for the purposes of classifying the joint arrangement.

Assessing other facts and circumstances

B29 When the terms of the contractual arrangement do not specify that the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, the parties shall consider other facts and circumstances to assess whether the arrangement is a joint operation or a joint venture.

B30 A joint arrangement might be structured in a separate vehicle whose legal form confers separation between the parties and the separate vehicle. The contractual terms agreed among the parties might not specify the parties' rights to the assets and obligations for the liabilities, yet consideration of other facts and circumstances can lead to such an arrangement being classified as a joint operation. This will be the case when other facts and circumstances give the parties rights to the assets, and obligations for the liabilities, relating to the arrangement.

B31 When the activities of an arrangement are primarily designed for the provision of output to the parties, this indicates that the parties have rights to substantially all the economic benefits of the assets of the arrangement. The parties to such arrangements often ensure their access to the outputs provided by the arrangement by preventing the arrangement from selling output to third parties.

B32 The effect of an arrangement with such a design and purpose is that the liabilities incurred by the arrangement are, in substance, satisfied by the cash flows received from the parties through their purchases of the output. When the parties are substantially the only source of cash flows contributing to the continuity of the operations of the arrangement, this indicates that the parties have an obligation for the liabilities relating to the arrangement.

Application example

Example 5

Assume that two parties structure a joint arrangement in an incorporated entity (entity C) in which each party has a 50 per cent ownership interest. The purpose of the arrangement is to manufacture materials required by the parties for their own, individual manufacturing processes. The arrangement ensures that the parties operate the facility that produces the materials to the quantity and quality specifications of the parties.

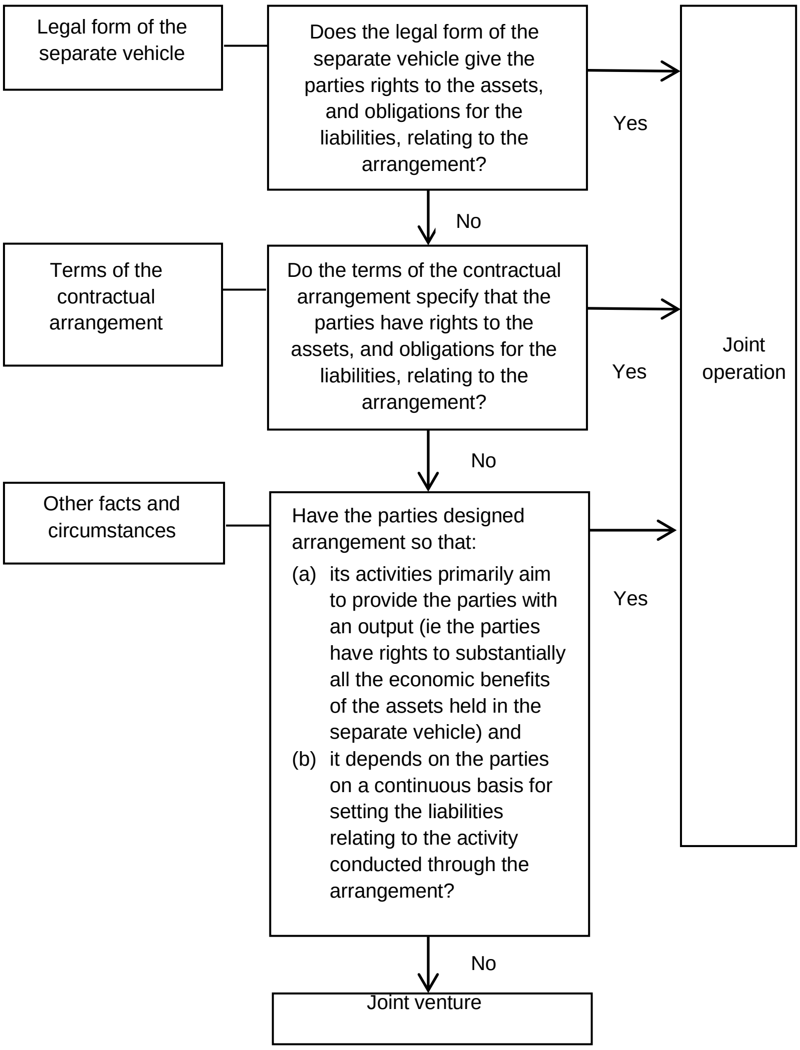
The legal form of entity C (an incorporated entity) through which the activities are conducted initially indicates that the assets and liabilities held in entity C are the assets and liabilities of entity C. The contractual arrangement between the parties does not specify that the parties have rights to the assets or obligations for the liabilities of entity C. Accordingly, the legal form of entity C and the terms of the contractual arrangement indicate that the arrangement is a joint venture.

continued…

…continued **Application example**
However, the parties also consider the following aspects of the arrangement: • The parties agreed to purchase all the output produced by entity C in a ratio of 50:50. Entity C cannot sell any of the output to third parties, unless this is approved by the two parties to the arrangement. Because the purpose of the arrangement is to provide the parties with output they require, such sales to third parties are expected to be uncommon and not material. • The price of the output sold to the parties is set by both parties at a level that is designed to cover the costs of production and administrative expenses incurred by entity C. On the basis of this operating model, the arrangement is intended to operate at a break-even level. From the fact pattern above, the following facts and circumstances are relevant: • The obligation of the parties to purchase all the output produced by entity C reflects the exclusive dependence of entity C upon the parties for the generation of cash flows and, thus, the parties have an obligation to fund the settlement of the liabilities of entity C. • The fact that the parties have rights to all the output produced by entity C means that the parties are consuming, and therefore have rights to, all the economic benefits of the assets of entity C. These facts and circumstances indicate that the arrangement is a joint operation. The conclusion about the classification of the joint arrangement in these circumstances would not change if, instead of the parties using their share of the output themselves in a subsequent manufacturing process, the parties sold their share of the output to third parties. If the parties changed the terms of the contractual arrangement so that the arrangement was able to sell output to third parties, this would result in entity C assuming demand, inventory and credit risks. In that scenario, such a change in the facts and circumstances would require reassessment of the classification of the joint arrangement. Such facts and circumstances would indicate that the arrangement is a joint venture.

B33 The following flow chart reflects the assessment an entity follows to classify an arrangement when the joint arrangement is structured through a separate vehicle:

Classification of a joint arrangement structured through a separate vehicle



Financial statements of parties to a joint arrangement (paragraph 22)

Accounting for sales or contributions of assets to a joint operation

B34 When an entity enters into a transaction with a joint operation in which it is a joint operator, such as a sale or contribution of assets, it is conducting the transaction with the other parties to the joint operation and, as such, the joint operator shall recognise gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

B35 When such transactions provide evidence of a reduction in the net realisable value of the assets to be sold or contributed to the joint operation, or of an impairment loss of those assets, those losses shall be recognised fully by the joint operator.

Accounting for purchases of assets from a joint operation

B36 When an entity enters into a transaction with a joint operation in which it is a joint operator, such as a purchase of assets, it shall not recognise its share of the gains and losses until it resells those assets to a third party.

B37 When such transactions provide evidence of a reduction in the net realisable value of the assets to be purchased or of an impairment loss of those assets, a joint operator shall recognise its share of those losses.

Appendix C
Effective date, transition and withdrawal of other NZ IFRS Diff Rep

This appendix is an integral part of the NZ IFRS Diff Rep and has the same authority as the other parts of the NZ IFRS Diff Rep.

Effective date

C1 An entity may elect, but is not required, to apply this NZ IFRS Diff Rep for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies this NZ IFRS Diff Rep earlier, it shall disclose that fact and apply NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) *Disclosure of Interests in Other Entities*, NZ IAS 27 (2011) (Diff Rep) and NZ IAS 28 (2011) (Diff Rep) at the same time.

C1A *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 11 (Diff Rep) and NZ IFRS 12 (Diff Rep)), issued in July 2012, amended paragraphs C2–C5, C7–C10 and C12 and added paragraphs C1B and C12A–C12B. An entity shall apply those amendments for annual periods beginning on or after 1 January 2013. If an entity applies NZ IFRS 11 (Diff Rep) for an earlier period, it shall apply those amendments for that earlier period.

Transition

C1B Notwithstanding the requirements of paragraph 28 of NZ IAS 8 (Diff Rep) *Accounting Policies, Changes in Accounting Estimates and Errors*, when this NZ IFRS Diff Rep is 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 first annual period for which NZ IFRS 11 (Diff Rep) is applied (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.

Transition

Joint ventures—transition from proportionate consolidation to the equity method

C2 When changing from proportionate consolidation to the equity method, an entity shall recognise its investment in the joint venture as at the beginning of the immediately preceding period. That initial investment shall be measured as the aggregate of the carrying amounts of the assets and liabilities that the entity had previously proportionately consolidated, including any goodwill arising from acquisition. If the goodwill previously belonged to a larger cash-generating unit, or to a group of cash-generating units, the entity shall allocate goodwill to the joint venture on the basis of the relative carrying amounts of the joint venture and the cash-generating unit or group of cash-generating units to which it belonged.

C3 The opening balance of the investment determined in accordance with paragraph C2 is regarded as the deemed cost of the investment at initial recognition. An entity shall apply paragraphs 40–43 of NZ IAS 28 (2011) (Diff Rep) to the opening balance of the investment to assess whether the investment is impaired and shall recognise any impairment loss as an adjustment to retained earnings at the beginning of the immediately preceding period. The initial recognition exception in paragraphs 15 and 24 of NZ IAS 12 (Diff Rep) *Income Taxes* does not apply when the entity recognises an investment in a joint venture resulting from applying the transition requirements for joint ventures that had previously been proportionately consolidated.

C4 If aggregating all previously proportionately consolidated assets and liabilities results in negative net assets, an entity shall assess whether it has legal or constructive obligations in relation to the negative net assets and, if so, the entity shall recognise the corresponding liability. If the entity concludes that it does not have legal or constructive obligations in relation to the negative net assets, it shall not recognise the corresponding liability but it shall adjust retained earnings at the beginning of the immediately preceding period. The entity shall disclose this fact, along with its cumulative unrecognised share of losses of its joint ventures as at the beginning of the immediately preceding period and at the date at which this NZ IFRS Diff Rep is first applied.

C5 An entity shall disclose a breakdown of the assets and liabilities that have been aggregated into the single line investment balance as at the beginning of the immediately preceding period. That disclosure shall be prepared in an aggregated manner for all joint ventures for which an entity applies the transition requirements referred to in paragraphs C2–C6.

C6 After initial recognition, an entity shall account for its investment in the joint venture using the equity method in accordance with NZ IAS 28 (2011) (Diff Rep).

Joint operations—transition from the equity method to accounting for assets and liabilities

C7 When changing from the equity method to accounting for assets and liabilities in respect of its interest in a joint operation, an entity shall, at the beginning of the immediately preceding period, derecognise the investment that was previously accounted for using the equity method and any other items that formed part of the entity's net investment in the arrangement in accordance with paragraph 38 of NZ IAS 28 (2011) (Diff Rep) and recognise its share of each of the assets and the liabilities in respect of its interest in the joint operation, including any goodwill that might have formed part of the carrying amount of the investment.

C8 An entity shall determine its interest in the assets and liabilities relating to the joint operation on the basis of its rights and obligations in a specified proportion in accordance with the contractual arrangement. An entity measures the initial carrying amounts of the assets and liabilities by disaggregating them from the carrying amount of the investment at the beginning of the immediately preceding period on the basis of the information used by the entity in applying the equity method.

C9 Any difference arising from the investment previously accounted for using the equity method together with any other items that formed part of the entity's net investment in the arrangement in accordance with paragraph 38 of NZ IAS 28 (2011) (Diff Rep), and the net amount of the assets and liabilities, including any goodwill, recognised shall be:

(a) offset against any goodwill relating to the investment with any remaining difference adjusted against retained earnings at the beginning of the immediately preceding period, if the net amount of the assets and liabilities, including any goodwill, recognised is higher than the investment (and any other items that formed part of the entity's net investment) derecognised.

(b) adjusted against retained earnings at the beginning of the immediately preceding period, if the net amount of the assets and liabilities, including any goodwill, recognised is lower than the investment (and any other items that formed part of the entity's net investment) derecognised.

C10 An entity changing from the equity method to accounting for assets and liabilities shall provide a reconciliation between the investment derecognised, and the assets and liabilities recognised, together with any remaining difference adjusted against retained earnings, at the beginning of the immediately preceding period.

C11 The initial recognition exception in paragraphs 15 and 24 of NZ IAS 12 (Diff Rep) does not apply when the entity recognises assets and liabilities relating to its interest in a joint operation.

Transition provisions in an entity's separate financial statements

C12 An entity that, in accordance with paragraph 10 of NZ IAS 27 (Diff Rep), was previously accounting in its separate financial statements for its interest in a joint operation as an investment at cost or in accordance with NZ IFRS 9 (Diff Rep) shall:

(a) derecognise the investment and recognise the assets and the liabilities in respect of its interest in the joint operation at the amounts determined in accordance with paragraphs C7–C9.

(b) provide a reconciliation between the investment derecognised, and the assets and liabilities recognised, together with any remaining difference adjusted in retained earnings, at the beginning of the immediately preceding period.

References to the 'immediately preceding period'

C12A Notwithstanding the references to the 'immediately preceding period' in paragraphs C2–C12, 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 C2–C12 shall be read as the 'earliest adjusted comparative period presented'.

C12B 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.

C13 The initial recognition exception in paragraphs 15 and 24 of NZ IAS 12 (Diff Rep) does not apply when the entity recognises assets and liabilities relating to its interest in a joint operation in its separate financial statements resulting from applying the transition requirements for joint operations referred to in paragraph C12.

References to NZ IFRS 9 (Diff Rep)

C14 If an entity applies this NZ IFRS Diff Rep but does not yet apply NZ IFRS 9 (Diff Rep), any reference to NZ IFRS 9 (Diff Rep) shall be read as a reference to NZ IAS 39 (Diff Rep) *Financial Instruments: Recognition and Measurement*.

Withdrawal of other NZ IFRS Diff Rep

C15 This NZ IFRS Diff Rep supersedes the following NZ IFRS Diff Rep:

(a) NZ IAS 31 (Diff Rep) *Interests in Joint Ventures*; and

(b) NZ SIC-13 (Diff Rep) *Jointly Controlled Entities—Non-Monetary Contributions by Venturers*.

Appendix D
Amendments to other NZ IFRS Diff Rep

This appendix sets out amendments to other NZ IFRS Diff Rep that are a consequence of the issuance of NZ IFRS 11 (Diff Rep). An entity shall apply the amendments for annual periods beginning on or after 1 January 2013. If an entity applies NZ IFRS 11 (Diff Rep) for an earlier period, it shall apply the amendments for that earlier period. Amended paragraphs are shown with new text underlined and deleted text struck through.

When an entity adopts NZ IFRS 11 (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.

D1 This table shows how the following references have been amended in other NZ IFRSs.

Existing reference to	**contained in**	**in**	**is amended to reference to**
NZ IAS 31 *Interests in Joint Ventures*	NZ IFRS 2	paragraph 5	NZ IFRS 11 *Joint Arrangements*
	NZ IFRS 4 Appendix C	paragraph 10.6(a)	
	NZ IFRS 9 (issued November 2010)	paragraph B4.3.12(c)	
	NZ IAS 36	paragraph 4(c)	
	NZ IFRIC 5	References	
	NZ IFRIC 9	paragraph 5(c)	
NZ IAS 28 *Investments in Associates*	NZ IFRS 4 Appendix C	Paragraph 10.5(a)	NZ IAS 28 *Investments in Associates and Joint Ventures*
	NZ IAS 18	paragraph 6(b)	
	NZ IAS 36	paragraph 4(b)	
	NZ IFRIC 5	References	
joint control over	NZ IAS 24	Paragraph 9(a)(I) and 11(b)	joint control of

Existing reference to	**contained in**	**in**	**is amended to reference to**
jointly controlled entity(ies)	NZ IFRS 1	heading before paragraph 31, paragraphs 31 and D1(g), heading before paragraph D14, paragraphs D14 and D15	joint venture(s)
	NZ IFRS 4 Appendix C	paragraph 10.6	
	NZ IAS 36	heading before paragraph 12(h) and paragraphs 12(h) and 12(h)(ii)	
joint venture(s)	NZ IAS 12	paragraphs 2, 15, 18(e), 24, heading before paragraph 38, paragraphs 38, 38(a), 44, 45, 81(f), 87 and 87C	joint arrangement(s)
	NZ IAS 21	definition of ‘foreign operation’ in paragraph 8 and paragraphs 11 and 18	
venturer(s)	NZ IAS 24	paragraphs 11(b) and 19(e)	joint venturer(s)

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

D2 Paragraphs 39I and 39S are added as follows:

39I NZ IFRS 10 *Consolidated Financial Statements* and NZ IFRS 11 *Joint Arrangements*, issued in June 2011, amended paragraphs 31, B7, C1, D1, D14 and D15 and added paragraph D31. An entity shall apply those amendments when it applies NZ IFRS 10 and NZ IFRS 11.

39S *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to NZ IFRS 10, NZ IFRS 11 and NZ IFRS 12), issued in July 2012, amended paragraph D31. An entity shall apply that amendment when it applies NZ IFRS 11 (as amended in July 2012).

D3 Paragraph D1 is amended as follows:

D1 An entity may elect to use one or more of the following exemptions:

(a) …

(p) extinguishing financial liabilities with equity instruments (paragraph D25); ~~and~~

(q) severe hyperinflation (paragraphs D26–D30)~~.~~ ; and

(r) joint arrangements (paragraph D31).

D4 After paragraph D30, a heading and paragraph D31 are added and paragraph D31 is subsequently amended (new text is underlined and deleted text is struck through).

Joint arrangements

D31 A first-time adopter may apply the transition provisions in NZ IFRS 11 with the following exceptions:

(a) When applying the transition provisions in NZ IFRS 11, a first-time adopter shall apply these provisions at the date of transition to NZ IFRSs.

(b) When changing from proportionate consolidation to the equity method, a first-time adopter shall test for impairment the investment in accordance with NZ IAS 36 as at the date of transition to NZ IFRS, ~~beginning of the earliest period presented,~~ regardless of whether there is any indication that the investment may be impaired. Any resulting impairment shall be recognised as an adjustment to retained earnings at the date of transition to NZ IFRS. ~~beginning of the earliest period presented.~~

NZ IFRS 2 *Share-based Payment*

D5 Paragraph 63A is added as follows:

63A NZ IFRS 10 *Consolidated Financial Statements* and NZ IFRS 11, issued in June 2011, amended paragraph 5 and Appendix A. An entity shall apply those amendments when it applies NZ IFRS 10 and NZ IFRS 11.

NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

D6 Paragraph 28 is amended as follows:

28 The entity shall include any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in profit or

loss [footnote omitted] from continuing operations in the period in which the criteria in paragraphs 7–9 are no longer met. Financial statements for the periods since classification as held for sale shall be amended accordingly if the disposal group or non-current asset that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. The entity shall present that adjustment in the same caption in the statement of comprehensive income used to present a gain or loss, if any, recognised in accordance with paragraph 37.

D7 Paragraph 44G is added as follows:

44G NZ IFRS 11 *Joint Arrangements*, issued in June 2011, amended paragraph 28. An entity shall apply that amendment when it applies NZ IFRS 11.

IFRS 7 *Financial Instruments: Disclosures*

D8 Paragraph 3(a) is amended as follows:

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 ~~*Consolidated and*~~ *Separate Financial Statements*~~,~~ or NZ IAS 28 *Investments in Associates and Joint Ventures* ~~or NZ IAS 31 *Interests in Joint Ventures*~~. However, in some cases, NZ IAS 27~~,~~ or NZ IAS 28 ~~or NZ IAS 31~~ permits an entity to account for an interest in a subsidiary, associate or joint venture using NZ IAS 39; in those cases, …

D9 Paragraph 44O is added as follows:

44O NZ IFRS 10 and NZ IFRS 11 *Joint Arrangements*, issued in June 2011, amended paragraph 3. An entity shall apply that amendment when it applies NZ IFRS 10 and NZ IFRS 11.

NZ IFRS 9 *Financial Instruments* (as issued in November 2009)

D10 Paragraph 8.1.2 is added as follows:

8.1.2 NZ IFRS 10 *Consolidated Financial Statements* and NZ IFRS 11 *Joint Arrangements*, issued in June 2011, amended paragraph C8 and deleted paragraphs C18–C23 and the related headings. An entity shall apply those amendments when it applies NZ IFRS 10 and NZ IFRS 11.

D11 In Appendix C, in paragraph C8, the amendments to paragraph 3(a) of NZ IFRS 7 *Financial Instruments: Disclosures* are amended as follows:

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 <u>NZ IFRS 10 *Consolidated Financial Statements*,</u> NZ IAS 27 ~~*Consolidated and*~~ *Separate Financial Statements*~~,~~ <u>or</u> NZ IAS 28 *Investments in Associates* <u>*and Joint Ventures*</u> ~~or NZ IAS 31 *Interests in Joint Ventures*~~. However, in some cases, NZ IAS 27~~,~~ <u>or</u> NZ IAS 28 ~~or NZ IAS 31~~ permits an entity to account for an interest in a subsidiary, associate or joint venture using NZ IAS 39 and NZ IFRS 9; in those cases, …

D12 The heading above paragraph C20 and paragraphs C20 and C21 are deleted.

D13 The heading above paragraph C22 and paragraphs C22 and C23 are deleted.

NZ IFRS 9 *Financial Instruments* (as issued in November 2010)

D14 Paragraph 7.1.2 is added as follows:

7.1.2 NZ IFRS 10 and NZ IFRS 11 *Joint Arrangements*, issued in June 2011, amended paragraphs 3.2.1, B3.2.1–B3.2.3, B4.3.12(c), B5.7.15, C11 and C30 and deleted paragraphs C23–C28 and the related headings. An entity shall apply those amendments when it applies NZ IFRS 10 and NZ IFRS 11.

D15 In Appendix C, in paragraph C11, the amendments to paragraph 3(a) of NZ IFRS 7 *Financial Instruments: Disclosures* are amended as follows:

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 <u>NZ IFRS 10 *Consolidated Financial Statements*,</u> NZ IAS 27 ~~*Consolidated and*~~ *Separate Financial Statements*~~,~~ <u>or</u> NZ IAS 28 *Investments in Associates* <u>*and Joint Ventures*</u> ~~or NZ IAS 31 *Interests in Joint Ventures*~~. However, in some cases, NZ IAS 27~~,~~ <u>or</u> NZ IAS 28 ~~or NZ IAS 31~~ permits an entity to account for an interest in a subsidiary, associate or joint venture using NZ IFRS 9; in those cases, …

D16 The heading above paragraph C25 and paragraphs C25 and C26 are deleted.

D17 The heading above paragraph C27 and paragraphs C27 and C28 are deleted.

D18 In paragraph C30, the amendments to paragraph 4(a) of NZ IAS 32 *Financial Instruments: Presentation* are amended as follows:

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 ~~*Consolidated and*~~ *Separate Financial Statements* or NZ IAS 28 *Investments in Associates and Joint Ventures* ~~or NZ IAS 31 *Interests in Joint Ventures*~~. However, in some cases, NZ IAS 27 or NZ IAS 28 ~~or NZ IAS 31~~ permits an entity to account for an interest in a subsidiary, associate or joint venture using NZ IFRS 9; in those cases, …**

NZ IAS 7 *Statement of Cash Flows*

D19 In the rubric, 'paragraphs 1–56' is amended to 'paragraphs 1–57'.

D20 Paragraphs 37 and 38 are amended as follows:

37 When accounting for an investment in an associate, a joint venture or a subsidiary accounted for by use of the equity or cost method, an investor restricts its reporting in the statement of cash flows to the cash flows between itself and the investee, for example, to dividends and advances.

38 ~~An entity which reports its interest in a jointly controlled entity (see NZ IAS 31 *Interests in Joint Ventures*) using proportionate consolidation, includes in its consolidated statement of cash flows its proportionate share of the jointly controlled entity's cash flows.~~ An entity ~~which~~ that reports its ~~such an~~ interest in an associate or a joint venture using the equity method includes in its statement of cash flows the cash flows in respect of its investments in the ~~jointly controlled entity~~ associate or joint venture, and distributions and other payments or receipts between it and the ~~jointly controlled entity~~ associate or joint venture.

D21 Paragraph 50(b) is deleted.

D22 Paragraph 57 is added as follows:

57 NZ IFRS 10 and NZ IFRS 11 *Joint Arrangements*, issued in June 2011, amended paragraphs 37, 38 and 42B and deleted paragraph 50(b). An entity shall apply those amendments when it applies NZ IFRS 10 and NZ IFRS 11.

NZ IAS 12 *Income Taxes*

D23 Not used in NZ IFRS 11.

D24 Not used in NZ IFRS 11.

D25 Paragraph 39 is amended as follows:

39 An entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ~~ventures~~ arrangements, except to the extent that both of the following conditions are satisfied:

(a) the parent, investor, ~~or~~ joint venturer or joint operator is able to control the timing of the reversal of the temporary difference; and

(b) …

D26 Paragraph 43 is amended as follows:

43 The arrangement between the parties to a joint ~~venture~~ arrangement usually deals with the ~~sharing~~ distribution of the profits and identifies whether decisions on such matters require the consent of all the ~~venturers~~ parties or a ~~specified majority~~ group of the ~~venturers~~ parties. When the joint venturer or joint operator can control the timing of the distribution of its share of the ~~sharing of~~ profits of the joint arrangement and it is probable that its share of the profits will not be distributed in the foreseeable future, a deferred tax liability is not recognised.

D27 Paragraph 98A is added as follows:

98A NZ IFRS 11 *Joint Arrangements*, issued in June 2011, amended paragraphs 2, 15, 18(e), 24, 38, 39, 43–45, 81(f), 87 and 87C. An entity shall apply those amendments when it applies NZ IFRS 11.

NZ IAS 18 *Revenue*

D28 In the rubric, ‘paragraphs 1–40’ is amended to ‘paragraphs 1–41’.

D29 Paragraph 41 is added as follows:

41 NZ IFRS 11 *Joint Arrangements*, issued in June 2011, amended paragraph 6(b). An entity shall apply that amendment when it applies NZ IFRS 11.

NZ IAS 21 *The Effects of Changes in Foreign Exchange Rates*

D30 Not used in NZ IFRS 11.

D31 In paragraphs 3(b) and 44 ‘proportionate consolidation,’ and in paragraph 33 ‘proportionately consolidated,’ are deleted.

D32 In paragraph 45, ‘NZ IAS 31 *Interests in Joint Ventures*’ is deleted.

D33 In paragraph 46 the last sentence is amended as follows:

46 … The same approach is used in applying the equity method to associates and joint ventures ~~and in applying proportionate consolidation to joint ventures~~ in accordance with NZ IAS 28 ~~*Investments in Associates* and NZ IAS 31~~ <u>(as amended in 2011)</u>.

D34 Paragraph 48A is amended as follows:

48A In addition to the disposal of an entity's entire interest in a foreign operation, the following <u>partial disposals</u> are accounted for as disposals ~~even if the entity retains an interest in the former subsidiary, associate or jointly controlled entity~~:

(a) <u>when the partial disposal involves</u> the loss of control of a subsidiary that includes a foreign operation, <u>regardless of whether the entity retains a non-controlling interest in its former subsidiary after the partial disposal</u>; <u>and</u>

(b) <u>when the retained interest after the partial disposal of an interest in</u> ~~the loss of significant influence over an~~ <u>a joint arrangement or a partial disposal of an interest in an</u> associate that includes a foreign operation <u>is a financial asset that includes a foreign operation.</u> ~~; and~~

(c) ~~the loss of joint control over a jointly controlled entity that includes a foreign operation.~~

D35 Paragraph 60F is added as follows:

60F NZ IFRS 10 and NZ IFRS 11 *Joint Arrangements*, issued in June 2011, amended paragraphs 3(b), 8, 11, 18, 19, 33, 44–46 and 48A. An entity shall apply those amendments when it applies NZ IFRS 10 and NZ IFRS 11.

NZ IAS 24 *Related Party Disclosures*

D36 Paragraph 3 is amended as follows:

3 This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent~~, venturer~~ or <u>investors with joint control of, or significant influence over, an investee</u> presented in accordance with <u>NZ IFRS 10 *Consolidated Financial Statements* or</u> NZ IAS 27 ~~*Consolidated and*~~ *Separate Financial Statements*. This Standard also applies to individual financial statements.

D37 Paragraph 19 is amended as follows:

19 The disclosures required by paragraph 18 shall be made separately for each of the following categories:

(a) the parent;

(b) entities with joint control of, or significant influence over, the entity;

(c) subsidiaries; ...

D38 Paragraph 25 is amended as follows:

25 A reporting entity is exempt from the disclosure requirements of paragraph 18 in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control~~,~~ or joint control of, or significant influence over, the reporting entity; and

(b) another entity that is a related party because the same government has control~~,~~ or joint control of, or significant influence over, both the reporting entity and the other entity.

D39 Paragraph 28A is added as follows:

28A NZ IFRS 10, NZ IFRS 11 *Joint Arrangements* and NZ IFRS 12, issued in June 2011, amended paragraphs 3, 9, 11(b), 15, 19(b) and (e) and 25. An entity shall apply those amendments when it applies NZ IFRS 10, NZ IFRS 11 and NZ IFRS 12.

NZ IAS 32 *Financial Instruments: Presentation*

D40 Paragraph 4(a) is amended as follows:

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 ~~*Consolidated and*~~ *Separate Financial Statements*~~,~~ or NZ IAS 28 *Investments in Associates and Joint Ventures* ~~or NZ IAS 31 *Interests in Joint Ventures*~~. However, in some cases, NZ IAS 27~~,~~ or NZ IAS 28 ~~or NZ IAS 31~~ permits an entity to account for an interest in a subsidiary, associate or joint venture using NZ IAS 39; …

D41 Paragraph 97I is added as follows:

97I NZ IFRS 10 and NZ IFRS 11 *Joint Arrangements*, issued in June 2011, amended paragraphs 4(a) and AG29. An entity shall apply those amendments when it applies NZ IFRS 10 and NZ IFRS 11.

NZ IAS 33 *Earnings per Share*

D42 Paragraph 40 and A11 are amended and paragraph 74B is added as follows:

40 A subsidiary, joint venture or associate may issue to parties other than the parent~~, venturer~~ or investors with joint control of, or significant influence over, the investee potential ordinary shares that are convertible into either ordinary shares of the subsidiary, joint venture or associate, or ordinary shares of the parent~~,~~ or investors with joint control of, or significant influence (the reporting entity) over, the investee ~~venturer or investor~~. If these potential ordinary shares of the subsidiary, joint venture or associate have a dilutive effect on the basic earnings per share of the reporting entity, they are included in the calculation of diluted earnings per share.

A11 Potential ordinary shares of a subsidiary, joint venture or associate convertible into either ordinary shares of the subsidiary, joint venture or associate, or ordinary shares of the parent~~,~~ or investors with joint control of, or significant influence (the reporting entity) over, the investee ~~venturer or investor~~ are included in the calculation of diluted earnings per share as follows: …

74B NZ IFRS 10 and NZ IFRS 11 *Joint Arrangements*, issued in June 2011, amended paragraphs 4, 40 and A11. An entity shall apply those amendments when it applies NZ IFRS 10 and NZ IFRS 11.

NZ IAS 36 *Impairment of Assets*

D43 Paragraph 140H is added as follows:

140H NZ IFRS 10 and NZ IFRS 11, issued in June 2011, amended paragraph 4, the heading above paragraph 12(h) and paragraph 12(h). An entity shall apply those amendments when it applies NZ IFRS 10 and NZ IFRS 11.

NZ IAS 38 *Intangible Assets*

D44 Paragraph 3(e) is amended as follows:

3 If another Standard prescribes the accounting for a specific type of intangible asset, an entity applies that Standard instead of this Standard. For example, this Standard does not apply to:

(a) …

(e) financial assets as defined in NZ IAS 32. The recognition and measurement of some financial assets are covered by NZ IFRS 10 *Consolidated Financial Statements*, NZ IAS 27 ~~*Consolidated and*~~ *Separate Financial Statements*~~,~~ and NZ IAS 28 *Investments in*

Associates *and Joint Ventures* ~~and NZ IAS 31~~ ~~*Interests in Joint Ventures*~~.

(f) …

D45 Paragraph 130F is added as follows:

130F NZ IFRS 10 and NZ IFRS 11 *Joint Arrangements*, issued in June 2011, amended paragraph 3(e). An entity shall apply that amendment when it applies NZ IFRS 10 and NZ IFRS 11.

NZ IAS 39 *Financial Instruments: Recognition and Measurement* (as amended at November 2009)

D46 Paragraph 2(a) is amended as follows:

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 ~~under~~ in accordance with NZ IFRS 10 *Consolidated Financial Statements*, NZ IAS 27 ~~*Consolidated and*~~ *Separate Financial Statements*~~,~~ or NZ IAS 28 *Investments in Associates* *and Joint Ventures* ~~and NZ IAS 31~~ ~~*Interests in Joint Ventures*~~. However, entities shall apply this Standard to an interest in a subsidiary, associate or joint venture that according to NZ IAS 27~~,~~ or NZ IAS 28 ~~or NZ IAS 31~~ is accounted for under this Standard. …

D47 Paragraphs AG3 and AG4I(a) are amended as follows:

AG3 Sometimes, an entity makes what it views as a 'strategic investment' in equity instruments issued by another entity, with the intention of establishing or maintaining a long-term operating relationship with the entity in which the investment is made. The investor or joint venturer entity uses NZ IAS 28 to determine whether the equity method of accounting is appropriate for such an investment. ~~Similarly, the investor entity uses NZ IAS 31 to determine whether proportionate consolidation or the equity method is appropriate for such an investment.~~ If ~~neither~~ the equity method ~~nor proportionate consolidation~~ is not appropriate, the entity applies this Standard to that strategic investment.

AG4I(a) The entity is a venture capital organisation, mutual fund, unit trust or similar entity whose business is investing in financial assets with a view to profiting from their total return in the form of interest or dividends and changes in fair value. NZ IAS 28 ~~and NZ IAS 31~~ allows such investments to be ~~excluded from their scope provided they are~~ measured at fair value through profit or loss in accordance with this Standard. An entity may apply the same accounting policy to other investments managed on a total return basis but over which its influence is insufficient for them to be within the scope of NZ IAS 28 ~~or NZ IAS 31~~.

D48 Paragraph 103P is added as follows:

103P NZ IFRS 10 and NZ IFRS 11 *Joint Arrangements*, issued in June 2011, amended paragraphs 2(a), 15, AG3, AG36–AG38 and AG4I(a). An entity shall apply those amendments when it applies NZ IFRS 10 and NZ IFRS 11.

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

D49 Paragraphs 8 and 9 are amended as follows:

8 The contributor shall determine whether it has control~~,~~ or joint control of, or significant influence over, the fund by reference to ~~NZ IAS 27~~ NZ IFRS 10, NZ IFRS 11 and NZ IAS 28~~, NZ IAS 31 and NZ SIC-12~~. If it does, the contributor shall account for its interest in the fund in accordance with those Standards.

9 If a contributor does not have control~~,~~ or joint control of, or significant influence over, the fund, the contributor shall recognise the right to receive reimbursement from the fund as a reimbursement in accordance with NZ IAS 37. This reimbursement shall be measured at the lower of:

(a) ...

D50 Paragraph 14B is added as follows:

14B NZ IFRS 10 and NZ IFRS 11, issued in June 2011, amended paragraphs 8 and 9. An entity shall apply those amendments when it applies NZ IFRS 10 and NZ IFRS 11.

NZ IFRIC 9 Reassessment of Embedded Derivatives

D51 In the rubric, 'paragraphs 1–11' is amended to 'paragraphs 1–12'.

D52 Paragraph 12 is added as follows:

12 NZ IFRS 11, issued in June 2011, amended paragraph 5(c). An entity shall apply that amendment when it applies NZ IFRS 11.

NZ IFRIC 16 Hedges of a Net Investment in a Foreign Operation

D53 The footnote to paragraph 2 is amended as follows:

* This will be the case for consolidated financial statements, financial statements in which investments such as associates or joint ventures are accounted for using the equity method~~, financial statements in which venturers' interests in joint ventures are proportionately consolidated (subject to change as proposed in ED 9 *Joint Arrangements* published by the International Accounting Standards Board in September 2007)~~ and financial statements that include a branch or a joint operation as defined in NZ IFRS 11 *Joint Arrangements*.