Disclosures for a subsidiary with a material non-controlling interest (IFRS 12 *Disclosure of Interests in Other Entities*)—January 2015

The Interpretations Committee received a request for clarification in respect of the requirements in paragraphs 12(e)–(g) of IFRS 12 *Disclosure of Interests in Other Entities* to disclose information about a subsidiary that has non-controlling interests that are material to the reporting entity.

The submitter asked whether the information required by paragraphs 12(e)–(g) should be provided:

(a) at the subsidiary level (i.e. the 'legal' entity) and be based on the separate financial statements of the individual subsidiary; or

(b) at a subgroup level for the subgroup of the subsidiary together with its investees and be based either on (i) the amounts of the subgroup included in the consolidated financial statements of the reporting entity; or (ii) the amounts included in consolidated financial statements of the subgroup; noting that transactions and balances between the subgroup and other entities outside the subgroup would not be eliminated.

The Interpretations Committee noted that, within the context of the disclosure objective in paragraph 10 of IFRS 12, materiality should be assessed by the reporting entity on the basis of the consolidated financial statements of the reporting entity. In this assessment, a reporting entity would consider both quantitative considerations (i.e. the size of the subsidiary) and qualitative considerations (i.e. the nature of the subsidiary).

The Interpretations Committee noted that the decision on which approach is used to present the disclosures required by paragraphs 12(e)–(g) should reflect the one that best meets the disclosure objective of paragraph 10 of IFRS 12 in the circumstances. According to this objective, 'An entity shall disclose information that enables users of its consolidated financial statements to understand (i) the composition of the group; and (ii) the interest that non-controlling interests have in the group's activities and cash flows'.

The Interpretations Committee observed that this judgement would be made separately for each subsidiary or subgroup that has a material non-controlling interest.

Disclosures required by paragraphs 12(e) and (f) of IFRS 12

The Interpretations Committee observed that a reporting entity would meet the requirements in paragraphs 12(e) and (f) by disclosing disaggregated information from the amounts included in the consolidated financial statements of the reporting entity in respect of subsidiaries that have non-controlling interests that are material to the reporting entity. The Interpretations Committee further observed that a reporting entity should apply judgement in determining the level of disaggregation of this information; that is, whether:

(a) the entity presents this information about the subgroup of the subsidiary that has a material non-controlling interest (present the required information on the basis of the subsidiary together with its investees); or
(b) it is necessary in achieving the disclosure objective in paragraph 10 of IFRS 12 to disaggregate the information further to present information about individual subsidiaries that have material non-controlling interests within that subgroup.

Disclosures required by paragraph 12(g) of IFRS 12

The Interpretations Committee observed that:

(a) paragraph 12(g) requires summarised information about the subsidiaries that have non-controlling interests that are material to the reporting entity;

(b) paragraph B10(b) states that an entity shall disclose ‘summarised financial information about the assets, liabilities, profit or loss and cash flows of the subsidiary that enables users to understand the interest that non-controlling interests have in the group’s activities and cash flows. That information might include but is not limited to, for example, current assets, non-current assets, current liabilities, non-current liabilities, revenue, profit or loss and total comprehensive income’; and

(c) paragraph B11 states that the ‘summarised financial information required by paragraph B10(b) shall be the amounts before inter-company eliminations’.

The Interpretations Committee observed that in order to meet the disclosure objective in paragraph B10(b), that information would need to be prepared on a basis that was consistent with the information included in the consolidated financial statements of the reporting entity. The Interpretations Committee understood this to mean that the information would be prepared from the perspective of the reporting entity. For example, if the subsidiary was acquired in a business combination, the amounts disclosed should reflect the effects of the acquisition accounting.

The Interpretations Committee further observed that in providing the information required by paragraph 12(g) the entity would apply judgement in determining whether:

(a) the entity presents this information about the subgroup of the subsidiary that has a material non-controlling interest (i.e., it presents the required information on the basis of the subsidiary together with its investees); or

(b) it is necessary in achieving the disclosure objective in paragraph 10 of IFRS 12 to disaggregate the information further to present information about individual subsidiaries that have material non-controlling interests within that subgroup.

However, the Interpretations Committee noted that the information provided in respect of paragraph 12(g) would include transactions between the subgroup/subsidiary and other members of the reporting entity’s group without elimination in order to meet the requirements in paragraph B11 of IFRS 12. The transactions within the subgroup would be eliminated.

On the basis of this analysis, the Interpretations Committee determined that, in the light of the existing IFRS requirements, sufficient guidance exists and that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee decided not to add this issue to its agenda.