
**AMENDMENTS TO
STATUTORY BOARD
FINANCIAL REPORTING STANDARDS**

***Investment Entities:
Applying the Consolidation Exception***

**(Amendments to SB-FRS 110, SB-FRS 112 and SB-
FRS 28)**

The amendments apply for annual periods beginning on or after 1 January 2016.
Earlier application is permitted

AMENDMENTS TO SB-FRS 110, 112 AND 28: INVESTMENT ENTITIES: APPLYING THE
CONSOLIDATION EXCEPTION
(WITH EDITORIAL CORRECTIONS IN JUNE 2015)

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Amendments to SB-FRS 110 Consolidated Financial Statements

Paragraphs 4 and 32 are amended and paragraphs 4A–4B are added. Deleted text is struck through and new text is underlined. Paragraphs 31 and 33 are not amended, but have been included for ease of reference.

Scope

- 4 An entity that is a parent shall present consolidated financial statements. This SB-FRS applies to all entities, except as follows:
- (a) a parent need not present consolidated financial statements if it meets all the following conditions:
 - (i) it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
 - (ii) its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
 - (iii) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
 - (iv) its ultimate or any intermediate parent produces ~~consolidated~~ financial statements that are available for public use, in which subsidiaries are consolidated or are measured at fair value through profit or loss.
 - (b) ~~post-employment benefit plans or other long-term employee benefit plans to which SB-FRS 19 *Employee Benefits* applies. [deleted]~~
 - (c) ~~an investment entity need not present consolidated financial statements if it is required, in accordance with paragraph 31 of this SB-FRS, to measure all of its subsidiaries at fair value through profit or loss. [deleted]~~
- 4A This SB-FRS does not apply to post-employment benefit plans or other long-term employee benefit plans to which SB-FRS 19 *Employee Benefits* applies.
- 4B A parent that is an investment entity shall not present consolidated financial statements if it is required, in accordance with paragraph 31 of this SB-FRS, to measure all of its subsidiaries at fair value through profit or loss.
- ...

Investment entities: exception to consolidation

- 31 **Except as described in paragraph 32, an investment entity shall not consolidate its subsidiaries or apply SB-FRS 103 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 SB-FRS 109.**
- 32 Notwithstanding the requirement in paragraph 31, if an investment entity has a subsidiary that ~~provides~~ is not itself an investment entity and whose main purpose and activities are providing 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

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SB-FRS and apply the requirements of SB-FRS 103 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.

In Appendix B, paragraphs B85C and B85E are amended. Deleted text is struck through and new text is underlined. Paragraphs B85A–B85B and B85D are not amended, but have been included for ease of reference.

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, subject to the entity continuing to meet the definition of an investment 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~~ is not itself an investment entity and whose main purpose and activities are providing investment-related services or activities that relate to the investment entity's investment 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. If the subsidiary that provides the investment-related services or activities is itself an investment entity, the investment entity parent shall measure that subsidiary at fair value through profit or loss in accordance with paragraph 31.

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In Appendix C, paragraph C1D is added and paragraph C2A is amended. New text is underlined.

Effective date

...

C1D *Investment Entities: Applying the Consolidation Exception* (Amendments to SB-FRS 110, SB-FRS 112 and SB-FRS 28), issued in January 2015, amended paragraphs 4, 32, B85C, B85E and C2A and added paragraphs 4A–4B. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

Transition

...

C2A Notwithstanding the requirements of paragraph 28 of SB-FRS 8, when this SB-FRS is first applied, and, if later, when the *Investment Entities* and *Investment Entities: Applying the Consolidation Exception* amendments to this SB-FRS are first applied, an entity need only present the quantitative information required by paragraph 28(f) of SB-FRS 8 for the annual period immediately preceding the date of initial application of this SB-FRS (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.

Amendment to SB-FRS 112 *Disclosure of Interests in Other Entities*

Paragraph 6 is amended. Deleted text is struck through and new text is underlined.

Scope

- ...
- 6 This SB-FRS does not apply to:
- (a) ...
 - (b) an entity's separate financial statements to which SB-FRS 27 *Separate Financial Statements* applies. However:
 - (i) if an entity has interests in unconsolidated structured entities and prepares separate financial statements as its only financial statements, it shall apply the requirements in paragraphs 24–31 when preparing those separate financial statements.
 - (ii) an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with paragraph 31 of SB-FRS 110 shall present the disclosures relating to investment entities required by this SB-FRS.
 - (c) ...

In Appendix C, paragraph C1C is added. New text is underlined.

Effective date and transition

- ...
- C1C *Investment Entities: Applying the Consolidation Exception* (Amendments to SB-FRS 110, SB-FRS 112 and SB-FRS 28), issued in January 2015, amended paragraph 6. An entity shall apply that amendment for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Amendments to SB-FRS 28 *Investments in Associates and Joint Ventures*

Paragraphs 17, 27 and 36 are amended and paragraphs 36A and 45D are added. Deleted text is struck through and new text is underlined. Paragraphs 26 and 35 are not amended, but have been included for ease of reference.

Exemptions from applying the equity method

- 17 An entity need not apply the equity method to its investment in an associate or a joint venture if the entity is a parent that is exempt from preparing consolidated financial statements by the scope exception in paragraph 4(a) of SB-FRS 110 or if all the following apply:
- (a) The entity is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not applying the equity method.
 - (b) The entity's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets).
 - (c) The entity did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market.
 - (d) The ultimate or any intermediate parent of the entity produces consolidated financial statements available for public use, in which subsidiaries are consolidated or are measured at fair value through profit or loss.
- ...

Equity method procedures

- 26 Many of the procedures that are appropriate for the application of the equity method are similar to the consolidation procedures described in SB-FRS 110. Furthermore, the concepts underlying the procedures used in accounting for the acquisition of a subsidiary are also adopted in accounting for the acquisition of an investment in an associate or a joint venture.
- 27 A group's share in an associate or a joint venture is the aggregate of the holdings in that associate or joint venture by the parent and its subsidiaries. The holdings of the group's other associates or joint ventures are ignored for this purpose. When an associate or a joint venture has subsidiaries, associates or joint ventures, the profit or loss, other comprehensive income and net assets taken into account in applying the equity method are those recognised in the associate's or joint venture's financial statements (including the associate's or joint venture's share of the profit or loss, other comprehensive income and net assets of its associates and joint ventures), after any adjustments necessary to give effect to uniform accounting policies (see paragraphs 35–36A and ~~36~~).
- ...
- 35 The entity's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances.**
- 36 Except as described in paragraph 36A, if an associate or a joint venture uses accounting policies other than those of the entity for like transactions and events in similar circumstances, adjustments shall be made to make the associate's or joint venture's accounting policies conform to those of the entity when the associate's or joint venture's financial statements are used by the entity in applying the equity method.

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36A Notwithstanding the requirement in paragraph 36, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

...

Effective date and transition

...

45D *Investment Entities: Applying the Consolidation Exception* (Amendments to SB-FRS 110, SB-FRS 112 and SB-FRS 28), issued in January 2015, amended paragraphs 17, 27 and 36 and added paragraph 36A. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.