

## ***Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)***

*This Addendum sets out the amendments to MFRS 10 Consolidated Financial Statements. An entity shall apply the amendments in this Addendum for annual periods beginning on or after 1 January 2016. Earlier application is permitted.*

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**

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- 4 An entity that is a parent shall present consolidated financial statements. This MFRS 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 and comply with International Financial Reporting Standards, in which subsidiaries

are consolidated or are measured at fair value through profit or loss in accordance with this MFRS.

- (b) ~~post-employment benefit plans or other long-term employee benefit plans to which MFRS 119 *Employee Benefits* applies. [deleted by IASB]~~
- (c) ~~an investment entity need not present consolidated financial statements if it is required, in accordance with paragraph 31 of this MFRS, to measure all of its subsidiaries at fair value through profit or loss. [deleted by IASB]~~

4AA MY4.1 Notwithstanding paragraph 4(a) and unless paragraph 4B applies, the ultimate Malaysian parent entity shall present consolidated financial statements that consolidate its investments in subsidiaries in accordance with this Standard when either the parent or the group is a reporting entity or both the parent and the group are reporting entities.

4A This MFRS does not apply to post-employment benefit plans or other long-term employee benefit plans to which MFRS 119 *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 MFRS, to measure all of its subsidiaries at fair value through profit or loss.

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## **Investment entities: exception to consolidation**

**31 Except as described in paragraph 32, an investment entity shall not consolidate its subsidiaries or apply MFRS 3 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 MFRS 9.**

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 MFRS and apply the requirements of MFRS 3 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.

In Appendix C, paragraph C1D is added and paragraph C2A is amended. New text is underlined.
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## **Effective date**

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C1D *Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128) [Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) issued by IASB in December 2014]*

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**

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- C2A Notwithstanding the requirements of paragraph 28 of MFRS 108, when this MFRS is first applied, and, if later, when the *Investment Entities and Investment Entities: Applying the Consolidation Exception* amendments to this MFRS are first applied, an entity need only present the quantitative information required by paragraph 28(f) of MFRS 108 for the annual period immediately preceding the date of initial application of this MFRS (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.