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About this supplement

This supplement has been produced by the KPMG International Standards Group (part of KPMG IFRG Limited) to complement our [Guide to annual financial statements – Illustrative disclosures](#) (the September 2014 guide).

The September 2014 guide helps you to prepare financial statements in accordance with IFRS, illustrating one possible format for financial statements based on a fictitious multinational corporation; the corporation is not a first-time adopter of IFRS.

This edition of this supplement has been amended to reflect decisions of the IFRS Interpretations Committee in September and November 2014. Major changes are marked in the left-hand margin with a double line.

Disclosure of interests in other entities

This supplement focuses on IFRS 12 *Disclosure of Interests in Other Entities*, which became effective for annual periods beginning on or after 1 January 2013. It provides additional disclosure examples and explanations as a supplement to the September 2014 guide; as such, this supplement is not intended to reconcile to that guide.

IFRS 12 contains the disclosure requirements for the following standards: IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IAS 28 *Investments in Associates and Joint Ventures*. In addition, it includes disclosure requirements in respect of unconsolidated structured entities.

This supplement does not illustrate all of the disclosure requirements of IFRS 12, which will depend on an entity's underlying facts and circumstances; for a full list of the potential disclosures, see our [Guide to annual financial statements – Disclosure checklist](#) (September 2014). In particular, this supplement does not illustrate the disclosures related to investment entities – see Appendix I of our [Guide to annual financial statements – Illustrative disclosures for investment funds](#) (December 2014).

Illustrative examples

The example disclosures in this supplement relate to a multinational corporation that is not engaged in banking or other financial services. In addition, the disclosures are intended to explain the relevant requirements and therefore may be more detailed than is necessary. Individual entities should tailor the disclosures to reflect their specific circumstances, including the materiality of the items concerned.

In addition, IFRS and its interpretation change over time. Accordingly, this supplement should not be used as a substitute for referring to the standards and interpretations themselves.

References and abbreviations

References to the standards (primarily IFRS 12) are included in this supplement to identify the source of the disclosures.

The following abbreviation is used: NCI – Non-controlling interests.

About IFRS 12

IFRS 12.7 IFRS 12 requires disclosure of the significant judgements and assumptions that an entity has made in determining the nature of its interest in another entity or arrangement. It also contains extensive disclosure requirements for subsidiaries, associates, joint ventures and unconsolidated structured entities.

IFRS 12.1 The objective of IFRS 12 is to require disclosure that helps users of financial statements to evaluate:

- the nature of, and risks associated with, an entity's interests in other entities; and
- the effects of those interests on the entity's financial position, financial performance and cash flows.

IFRS 12.A In this context, 'interests in other entities' are contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. These interests may, for example, take the form of equity or debt instruments, but the definition is broad and interests can also comprise other forms of involvement, such as liquidity support, credit enhancement and/or guarantees. However, an interest in another entity does not exist solely as a result of a typical customer-supplier relationship.

IFRS 12.B7 Interests in another entity are the basis for many of the disclosures in IFRS 12. Understanding the purpose and design of the other entity may assist in identifying such interests. The entity considers the risks that the other entity was designed to create, and the risks that the other entity was designed to pass on to the reporting entity and other parties.

IFRS 12.27–28 In addition, IFRS 12 requires an entity to provide disclosure about its relationships with unconsolidated structured entities that it sponsors even if it does not have an interest in them at the reporting date.

Aggregation

IFRS 12.4, B2–B6 The disclosures may be aggregated for interests in similar entities, with the method of aggregation being disclosed. A quantitative and qualitative analysis, taking into account the different risk and return characteristics of each entity, is made in order to determine the aggregation level. IFRS 12 gives the following examples of aggregation levels: by nature of activities, by industry or by geography.

IFRS 12.B4–B6 However, as a minimum, information is given separately for interests in subsidiaries, joint ventures, joint operations, associates and unconsolidated structured entities.

Structured entities

IFRS 12.A A 'structured entity' is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate only to administrative tasks and the relevant activities are directed by means of contractual arrangements.

Whether an investee is a structured entity is a key factor in determining the extent of disclosures required under IFRS 12.

- Paragraphs 10(b)(ii) and 14–17 of IFRS 12 require an entity to disclose the nature of and changes in the risks associated with its interests in *consolidated* structured entities (see page 13).
- Paragraphs 24–31 of IFRS 12, supported by B25–B26, require an entity to disclose information about its interests in *unconsolidated* structured entities (see page 17).

The discussion that follows is focused on determining the population of entities that are in the scope of these disclosure requirements.

Characteristics

IFRS 12.B22 To supplement the definition, IFRS 12 indicates that a structured entity often (i.e. not always) has some or all of the following characteristics:

- restricted activities;
- a narrow and well-defined objective;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and/or
- financing in the form of multiple contractually linked instruments issued to investors that create concentrations of credit or other risks (tranches).

Although these characteristics are helpful in identifying structured entities, they may not be definitive in all cases.

IFRS 12.B22(b)

Examples of entities with a narrow and well-defined objective that may be structured entities include those designed to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors.

IFRS 12.B23

Other examples of structured entities include securitisation vehicles, asset-backed financings and some investment funds.

In assessing whether an investee is a structured entity, an investor also considers how the power assessment was made under IFRS 10, irrespective of the outcome of that analysis. This is because IFRS 10 requires entities to conduct the power analysis differently depending on whether voting rights are the dominant factor in deciding who controls the investee. Therefore, the analysis of the investee under IFRS 10 is directly relevant to a decision under IFRS 12 about whether the investee is a structured entity.

- If the decision was made on the basis of who held a majority of voting rights, or less than a majority but with de facto power over the investee, then the investee *is not* a structured entity.
- If the control analysis required a more in-depth consideration, such as of the purpose and design of the investee, and evidence of the practical ability to direct the relevant activities of the investee etc, then it is more likely that the investee *is* a structured entity.

'Similar' rights

As noted above, a structured entity is an entity that has been designed so that voting or 'similar' rights are not the dominant factor in deciding who controls the entity. Therefore, it is important to understand the meaning of 'similar' rights.

It appears that an example of rights that are similar to voting rights include rights to appoint or remove members of an investee's key management personnel who have the ability to direct the relevant activities.

Conversely, it appears that voting or similar rights would not generally include rights that derive from a contract that gives the holder the ability to direct relevant activities. Such a contract might apply directly or indirectly as an override of the usual power that is derived from the voting rights of investors.

This approach focuses on how the investee is governed in order to consider what similar rights are; it does not focus on whether the activities of the investee are those of a conventional operating entity – e.g. a manufacturing company.

We believe that the following are examples of entities governed by voting or similar rights – i.e. they are *not* structured entities.

- A conventional company in which shareholders exercise voting rights, which determines the party that has power over the company.
- A joint arrangement in which the partners exercise voting rights, which determines that the parties have joint control. This is the case even if there are non-participating investors or if the voting rights held by the partners are disproportionate to their share of returns. Joint arrangements are the subject of Chapter 3.6 of our publication [Insights into IFRS](#).

Conversely, the activities of the structured entities noted above (see 'Characteristics') – e.g. securitisation vehicles, asset-backed financings and structures designed to effect a tax-efficient lease – are typically governed by a contract that specifies the rights and obligations of each party in the structure; they would not be governed by voting or similar rights.

Material associates

Explanatory notes

IFRS 12.21 (b)(ii)

In September 2014, the IFRS Interpretations Committee issued a tentative agenda decision observing that a reporting entity should present the summarised financial information about a joint venture or an associate that is material to the reporting entity based on the consolidated financial statements for the joint venture or associate if it has subsidiaries. If it does not have subsidiaries, then the presentation should be based on the financial statements of the joint venture or associate in which its own joint ventures or associates are equity-accounted.

In November 2014, the Committee issued a final agenda decision noting that it expected the requirement in paragraph 21(b)(ii) of IFRS 12 to lead to the disclosure of summarised financial information on an individual basis for each joint venture or associate that is material to the reporting entity. It also noted that there is no provision in IFRS 12 that permits the non-disclosure of the information required in paragraph 21(b)(ii) of IFRS 12.

IFRS 12.B14(a)

- a.** IFRS 12 indicates that the amounts included in the summarised financial information are those prepared in accordance with IFRS, modified to reflect adjustments made by the entity in applying equity accounting; fair value adjustments and accounting policy alignments are noted as examples.

Fair value adjustments

Although the standard refers to fair value adjustments at the date of acquisition, this would include the effect of the subsequent accounting since that date.

There is no guidance on whether the fair value adjustments should be made on a net basis (reflecting only the investor's interest) or grossed up to relate to the investee as a whole.

In this example, such adjustments have been grossed up and are embedded in the summarised financial information. An alternative would be to multiply the financial information by the investor's interest and then adjust for fair value adjustments; this approach might result in a more complex disclosure.

Goodwill

There is no guidance on how goodwill that forms part of the carrying amount of an investment in an associate or joint venture is incorporated into the summarised financial information. Although it can be argued that goodwill is an adjustment made in applying equity accounting, the determination of goodwill is very specific to the particular transaction between the parties. Therefore, in this example goodwill has been included in the reconciliation to the carrying amount of the investee in the statement of financial position, rather than being embedded in the summarised financial information of the associate.

IFRS 12.B15

- b.** The summarised financial information may be presented on the basis of the associate's or joint venture's financial statements if:

- the investee is accounted for at fair value; and
- the investee does not prepare IFRS financial statements and preparation on that basis would be impracticable or cause undue cost.

IFRS 12.B14(b)

- c.** IFRS 12 requires the summarised financial information, which comprises financial position and financial performance, to be reconciled to the carrying amount in the statement of financial position.

One method of reconciliation, illustrated in our [September 2014 guide](#) (Note 23(a)), is to focus the reconciliation on the financial position of equity-accounted investees.

This example incorporates both elements – financial performance and financial position – into the reconciliation, which is then adjusted for reconciling items at the group level.

*IFRS 12.B11,
B14, IAS 28.26,
28*

- d.** In respect of summarised financial information for subsidiaries with material NCI, IFRS 12 specifies that such information should be before inter-company eliminations. However, it is silent on transactions with associates and joint ventures.

In this example, the elimination of unrealised gains or losses is presented as part of the reconciliation. An alternative would be to present the summarised financial information after such eliminations because they are adjustments made in applying equity accounting (see Explanatory note (a)).

The accounting for transactions with equity-accounted investees is discussed at 3.5.430 in the 11th Edition 2014/15 of our publication [Insights into IFRS](#).

Notes to the consolidated financial statements (extract)

Associates

IFRS 12.21(b)(i) The Group has two associates that are material to the Group, both of which are equity accounted.

IFRS 12.21(a)(i)	Gold	Silver	
IFRS 12.21(a)(ii)	Nature of relationship with the Group	Strategic retailer providing access to new customers and markets in Asia	Strategic retailer providing access to new customers and markets in Europe
IFRS 12.21(a)(iii)	Principal place of business / Country of incorporation	Singapore	Germany
IFRS 12.21(a)(iv)	Ownership interest / Voting rights held	40% (2013: 40%)	30% (2013: 30%)
IFRS 12.21(b)(iii), 13.97	Fair value of ownership interest (if listed)	€980 thousand (2013: €870 thousand) ¹	N/A

IFRS 12.21(b)(ii), B14(a) ¹ Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy).

The following is summarised financial information for Gold and Silver, based on their respective consolidated financial statements prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.^{a, b}

	Gold		Silver		
<i>In thousands of euro</i>	2014	2013	2014	2013	
IFRS 12.B12(b)(v)	Revenue	6,500	5,200	1,000	950
IFRS 12.B12(b)(vi)	Profit from continuing operations	460	404	345	480
IFRS 12.B12(b)(vii)	Post-tax profit from discontinued operations	85	-	-	-
IFRS 12.B12(b)(viii)	Other comprehensive income	55	(4)	30	20
IFRS 12.B12(b)(ix)	Total comprehensive income	600	400	375	500
	Attributable to NCI	120	80	75	100
	Attributable to investee's shareholders	480	320	300	400
IFRS 12.B12(b)(i)	Current assets	2,000	2,000	2,000	2,000
IFRS 12.B12(b)(ii)	Non-current assets	3,000	3,000	3,000	3,000
IFRS 12.B12(b)(iii)	Current liabilities	(1,000)	(1,000)	(1,000)	(1,000)
IFRS 12.B12(b)(iv)	Non-current liabilities	(1,306)	(1,500)	(625)	(1,000)
	Net assets	2,694	2,500	3,375	3,000
	Attributable to NCI	539	500	675	600
	Attributable to investee's shareholders	2,155	2,000	2,700	2,400
	Group's interest in net assets of investee at beginning of year ^c	800	762	720	600
IFRS 12.B14(b)	Total comprehensive income attributable to the Group	192	128	90	120
IFRS 12.B12(a)	Dividends received during the year	(130)	(90)	-	-
IFRS 12.B14(b)	Group's interest in net assets of investee at end of year	862	800	810	720
IFRS 12.B14(b)	Elimination of unrealised profit on downstream sales ^d	(27)	(50)	(5)	(80)
IFRS 12.B14(b)	Goodwill ^a	60	60	-	-
IFRS 12.B14(b)	Carrying amount of interest in investee at end of year	895	810	805	640

IFRS 12.22(a) Gold's non-current liabilities include a bank loan (repayable in 2016) that is subject to covenants that include restrictions on the payment of dividends to shareholders unless a certain level of interest cover is achieved from continuing operations.

Material joint ventures

Explanatory notes

a. See Explanatory notes (a) and (b) on page 4.

*IFRS 12.B13,
BC51*

b. The minimum line item disclosures required for each material joint venture are more extensive than for material associates. In this example, the additional information is presented in the form of footnotes to the tables summarising financial performance and financial position.

c. See Explanatory note (c) on page 4.

d. See Explanatory note (d) on page 4.

Notes to the consolidated financial statements (extract)

Joint venture

IFRS 12.21(a) Mercury is an unlisted joint arrangement in which the Group has joint control and a 50% ownership interest. Mercury was founded by the Group and XYZ, and is one of the Group's strategic partners, based in Denmark, principally engaged in exploring new distribution channels for paper products.

IFRS 12.7(c), 21(b)(i) Mercury is structured as a separate vehicle and the Group has a residual interest in its net assets. Accordingly, the Group has classified its interest in Mercury as a joint venture, which is equity-accounted.

IFRS 12.21(b)(ii), B14(a) The following is summarised financial information for Mercury, based on its financial statements prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.^{a, b}

<i>In thousands of euro</i>	2014	2013
<i>IFRS 12.B12(b)(v)</i> Revenue	25,796	21,405
<i>IFRS 12.B12(b)(vi)</i> Profit from continuing operations ¹	1,186	796
<i>IFRS 12.B12(b)(viii)</i> Other comprehensive income	(396)	(218)
<i>IFRS 12.B12(b)(ix)</i> Total comprehensive income	790	578
<i>IFRS 12.B13(d)</i> ¹ Includes:		
<i>IFRS 12.B13(f)</i> – depreciation and amortisation of €12,445 thousand (2013: €11,350 thousand)		
<i>IFRS 12.B13(g)</i> – interest expense of €1,396 thousand (2013: €1,218 thousand)		
<i>IFRS 12.B13(g)</i> – income tax expense of €875 thousand (2013: €590 thousand).		
<i>IFRS 12.B12(b)(i)</i> Current assets ²	3,123	5,261
<i>IFRS 12.B12(b)(ii)</i> Non-current assets	5,953	3,259
<i>IFRS 12.B12(b)(iii)</i> Current liabilities ³	(543)	(1,130)
<i>IFRS 12.B12(b)(iv)</i> Non-current liabilities ⁴	(1,715)	(1,320)
Net assets	6,818	6,070
<i>IFRS 12.B13(a)</i> ² Includes cash and cash equivalents of €1,200 thousand (2013: €2,150 thousand).		
<i>IFRS 12.B13(b)</i> ³ Includes current financial liabilities (excluding trade and other payables and provisions) of €122 thousand (2013: €230 thousand).		
<i>IFRS 12.B13(c)</i> ⁴ Includes non-current financial liabilities (excluding trade and other payables and provisions) of €1,211 thousand (2013: €986 thousand).		
Group's interest in net assets of investee at beginning of the year ^c	3,035	2,746
<i>IFRS 12.B14(b)</i> Share of total comprehensive income	395	289
<i>IFRS 12.B12(a)</i> Dividends received during the year	(21)	-
<i>IFRS 12.B14(b)</i> Group's interest in net assets of investee at end of year	3,409	3,035
<i>IFRS 12.B14(b)</i> Elimination of unrealised profit on downstream sales ^d	(96)	(42)
<i>IFRS 12.B14(b)</i> Carrying amount of interest in investee at end of year	3,313	2,993

IFRS 12.23(a), B18–B19 In accordance with the agreement under which Mercury is established, the Group and XYZ have agreed to make additional contributions in proportion to their interests to make up any losses, if required, up to a maximum amount of €6,000 thousand. This commitment has not been recognised in the Group's consolidated financial statements.

Material joint operations

Explanatory notes

IFRS 12.7(c), 21(a) **a.** Unlike joint ventures, IFRS 12 requires only limited quantitative disclosures for joint operations, including information about significant judgements and assumptions made in determining the classification of a joint arrangement that is structured through a separate entity.

The classification of joint arrangements is discussed at 3.6.70 in the 11th Edition 2014/15 of our publication [Insights into IFRS](#).

Notes to the consolidated financial statements (extract)

Joint operation^a

IFRS 12.21(a)

The Group is a 50% partner in Palladium, a joint arrangement formed with ABC to develop a new material related to the processing of paper pulp that will be used in the operations of the partners. Palladium's principal place of business is the UK.

*IFRS 12.7(c),
IAS 1.122*

Although Palladium is legally separated from the parties, the Group has classified it as a joint operation. This is on the basis that the partners are legally obliged to take the entire output produced by Palladium and will be the only source of funding to settle its liabilities.

Immaterial associates and joint ventures

Explanatory notes

*IFRS 12.21(c),
B16*

- a.** An entity provides the disclosures separately for individually immaterial associates and individually immaterial joint ventures – they are not combined.

Notes to the consolidated financial statements (extract)

Immaterial associates^a

The following is summarised financial information for the Group's interest in immaterial associates, based on the amounts reported in the Group's consolidated financial statements:

In thousands of euro

IFRS 12.21(c), B16

IFRS 12.B16

IFRS 12.B16(a)

IFRS 12.B16(c)

IFRS 12.B16(d)

	2014	2013
Carrying amount of interests in immaterial associates	75	69
Group's share of:		
– Profit from continuing operations	9	13
– Other comprehensive income	1	(2)
– Total comprehensive income	10	11

Subsidiaries and NCI

Explanatory notes

IFRS 12.10(a)(i) **a.** IFRS 12 requires the disclosure of information that enables users to understand the composition of the group.

One method of disclosure, illustrated in our [September 2014 guide](#) (Note 32), is to provide a diagram of the group structure showing material subsidiaries.

This example shows the disclosure in narrative form, focusing on key areas of interest. Another approach would be to present the information in tabular format.

IFRS 12.14 **b.** An entity discloses the terms of any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated structured entity, including events or circumstances that could expose the reporting entity to a loss.

Depending on the facts and circumstances of an entity in relation to the overall disclosure objective of IFRS 12 (see page 2), it may be appropriate to disclose all financing arrangements that are in place, regardless of whether they have been used, or it may be sufficient to disclose only undrawn amounts.

Notes to the consolidated financial statements (extract)

Group composition^a

IFRS 12.10(a)(i)

The Company has 20 subsidiaries that are material to the Group in 2014 and 2013.

- The Group holds a majority of the voting rights in 18 subsidiaries.
- The Group holds less than a majority of the voting rights in Cerium (see below).
- One subsidiary, Iridium, is a structured entity (see below).

Non-controlling interests have a material interest in two subsidiaries (see page 15).

Cerium

IFRS 12.7(a), 9(b),
IAS 1.122

Although the Group has less than half of the voting rights in Cerium (45%), management has determined that the Group controls Cerium. This is on the basis that the remaining voting rights in Cerium are widely dispersed, historical attendance at shareholder meetings shows that the Group has been able to control the outcome of voting, and there is no indication that other shareholders exercise their votes collectively.

Iridium^b

IFRS 12.7(a), 9(b),
IAS 1.122

Iridium was formed with only nominal share capital, is funded through bank loans (see Note xx), and performs research activities exclusively for the Group and under the Group's direction. As a result, the Group has concluded that Iridium is a subsidiary and it has been consolidated.

IFRS 12.15

During 2014 the Group provided additional short-term funding to Iridium to allow it to purchase third party research that came onto the market at short notice. Although the Group had no contractual obligation to do so, the funding was made available because the acquisition complements Iridium's existing R&D activities and the Group's operational strategy in the paper market. The loan was later replaced by a bank loan, guaranteed by the Group (see Note xx).

IFRS 12.17

Other than the guarantee, the Group does not have any contractual obligation to provide financial support to Iridium. However, the Group would consider providing any support required by Iridium in the future, if such support were necessary to maintain and/or further its R&D activities in the paper market.

Subsidiaries and NCI

Explanatory notes

IFRS 12.10	a.	<p>In September 2014, the Committee issued a tentative agenda decision noting that materiality should be assessed on the basis of the consolidated financial statements of the reporting entity. In this assessment, a reporting entity would consider both quantitative consideration (i.e. the size of the subsidiary) and qualitative consideration (i.e. the nature of the subsidiary).</p> <p>IFRS 12 does not require disclosure of the operating segment to which a subsidiary with material NCI belongs.</p> <p>It is disclosed in this example because it provides better information about the subsidiary in the context of the composition of the group.</p>
IFRS 12.12(c)	b.	<p>IFRS 12 requires disclosure of the proportion of ownership interests held by NCI.</p> <p>In this example, the interest of NCI is simply the percentage shareholding in the named company – i.e. the direct holding. The disclosure indicates that Gallium is a subgroup.</p>
IFRS 12.B10(b)	c.	<p>IFRS 12 does not specify the level of detail to be included in the summarised financial information, although the information should cover the assets, liabilities, profit or loss and cash flows of the subsidiary; it then provides some example line items for consideration. This example includes the example line items in the standard, plus the three main categories of cash flows.</p>
IFRS 12.10(a)(ii), 12(e)–(g)	d.	<p>IFRS 12 does not specify whether the disclosures in respect of subsidiaries with material NCI should be based on subsidiaries on a stand-alone basis, or should take into account investees of that subsidiary (subgroups).</p> <p>This example takes into account the investees of a subsidiary, and therefore includes the entire Gallium subgroup. This provides a better understanding of the interests of NCI in the context of the group as a whole.</p> <p>In September 2014, the Committee issued a tentative agenda decision observing that a reporting entity should apply judgment in determining the level of disaggregation of the information required in paragraphs 12(e) and (f) of IFRS 12 – that is, whether:</p> <ul style="list-style-type: none"> • the entity presents this information about the subgroup of the subsidiary that has material NCI (on the basis of the subsidiary together with its investees); or • to disaggregate information further to present information about individual subsidiaries that have material NCI within that subgroup.
IFRS 12.B10(b), B11	e.	<p>IFRS 12 requires the amounts presented in the summarised financial information to be before inter-company eliminations.</p> <p>In this example, inter-company eliminations have been made to the information for the Gallium subgroup in order to show the interests of NCI in that subgroup as a whole.</p> <p>In addition, IFRS 12 does not specify whether the summarised financial information should be modified for fair value adjustments on acquisition and differences in the Group’s accounting policies.</p> <p>In September 2014, the Committee issued a tentative agenda decision observing that the summarised financial information would be prepared on a basis consistent with the information included in the consolidated financial statements of the reporting entity. For example, if the subsidiary was acquired in a business combination, then the amounts disclosed would reflect the effects of the acquisition accounting.</p> <p>In addition, the 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.</p>

Notes to the consolidated financial statements (extract)

Non-controlling interests

IFRS 12.12(a)–(d)

The following subsidiaries have material NCI.

Name	Principal place of business / Country of incorporation	Operating segment ^a	Ownership interests held by NCI ^b	
			2014	2013
Gallium subgroup	France	Recycled papers	20	20
Radium	Germany	Timber products	25	25

IFRS 12.10(a)(ii),
12(e)–(g), B10–B11

The following is summarised financial information for the Gallium subgroup and Radium, prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The information is before inter-company eliminations with other companies in the Group.^{c, d, e}

In thousands of euro	Gallium subgroup		Radium	
	2014	2013	2014	2013
Revenue	20,409	8,660	10,930	9,390
Profit	425	150	566	252
Profit attributable to NCI	85	30	142	63
Other comprehensive income	25	-	-	-
Total comprehensive income	450	150	566	252
Total comprehensive income attributable to NCI	90	30	142	63
Current assets	1,780	1,810	5,120	3,486
Non-current assets	4,500	4,600	9,550	7,322
Current liabilities	(1,478)	(1,512)	(5,084)	(4,122)
Non-current liabilities	(1,280)	(1,726)	(5,230)	(2,838)
Net assets	3,522	3,172	4,356	3,848
Net assets attributable to NCI	704	634	1,089	962
Cash flows from operating activities	430	300	210	115
Cash flows from investing activities	(120)	(25)	510	(40)
Cash flows from financing activities	12	(200)	(600)	(50)
Net increase in cash and cash equivalents	322	75	120	25
Dividends paid to NCI during the year ¹	20	-	15	15

IFRS 12.12(e)

IFRS 12.12(f)

IFRS 12.B10(a)

¹ Included in cash flows from financing activities.

Unconsolidated structured entities

Explanatory notes

IFRS 12.24–31 **a.** The level of disclosure in respect of unconsolidated structured entities will depend on the facts and circumstances of the entity, but is likely to be more complex for a bank or other financial institution.

For further examples, see our publications:

- [Guide to annual financial statements – Illustrative disclosures for banks](#) (Note 35); and
- [Guide to annual financial statements – Illustrative disclosures for investment funds](#) (Note 16).

IFRS 7.42A–42H **b.** This example focuses on the requirements of IFRS 12. However, additional disclosures will be required by IFRS 7 Financial Instruments: Disclosures. For a further example, see our publication [Guide to annual financial statements – Illustrative disclosures for banks](#) (Note 36).

IFRS 12.C2B **c.** This example includes information for both 2014 and 2013 on the basis that the Group adopted IFRS 12 in 2013. However, if the Group were in a jurisdiction for which the effective date of IFRS 12 is annual periods beginning on or after 1 January 2014, then comparative information would not be required.

Notes to the consolidated financial statements (extract)

Involvement with unconsolidated structured entities^{a, b}

IFRS 12.26

One of the Group's subsidiaries, Radium, participates in a revolving multi-seller securitisation vehicle for its trade receivables. On the sale of goods, Radium immediately receives the face value of the receivable less a premium that covers the cost of financing. The level of the premium is reviewed quarterly. The Group maintains the customer relationship and collects the amounts due from customers on behalf of the securitisation vehicle. In the event that a customer defaults on the amount owing, the receivable is put back to the company at its face value.

IFRS 12.24(a)

The receivables are not derecognised from the statement of financial position, and the amount received on transfer is recognised as a financial liability (see Note xx).

IFRS 12.29(a)–(d)

At 31 December, the following balances relate to the Group's involvement with Radium.^c

<i>In thousands of euro</i>	2014	2013
Carrying amount of receivables transferred to the securitisation vehicle – included in trade and other receivables (current assets)	80	65
Carrying amount of liabilities recognised in connection with receivables transferred to the securitisation vehicle – included in loans and borrowings (current liabilities)	71	55
Maximum exposure to loss (carrying amount of receivables transferred)	80	65

IFRS 12.7(a),

IAS 1.122

The Group concluded that it does not control, and therefore should not consolidate, the securitisation vehicle. The securitisation vehicle acquires the trade receivables of numerous companies in the paper products industry, and issues commercial paper to a variety of investors; the Group does not hold any of the commercial paper. Taken as a whole, the Group does not have power over the relevant activities of the securitisation vehicle.

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