Compiled AASB Standard **AASB 128**

Investments in Associates

FOR NOT-FOR-PROFIT (NFP) ENTITIES ONLY

This compiled Standard applies to annual reporting periods beginning on or after 1 July 2013 but before 1 January 2014. Early application is permitted. It incorporates relevant amendments made up to and including 18 December 2012.

Prepared on 3 October 2013 by the staff of the Australian Accounting Standards Board.

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Other Enquiries

Phone:	(03) 9617 7600
Fax:	(03) 9617 7608
E-mail:	standard@aasb.gov.au

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Australian Accounting Standard AASB 128 *Investments in Associates* (as amended) is set out in paragraphs Aus1.1 – 41E. All the paragraphs have equal authority. Terms defined in this Standard are in *italics* the first time they appear in the Standard. AASB 128 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards,* which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

COMPILATION DETAILS

Accounting Standard AASB 128 *Investments in Associates* as amended

This compiled Standard applies to annual reporting periods beginning on or after 1 July 2013 but before 1 January 2014 for not-for-profit entities. It takes into account amendments up to and including 18 December 2012 (AASB 2012-10) and was prepared on 3 October 2013 by the staff of the Australian Accounting Standards Board (AASB).

This compilation is not a separate Accounting Standard made by the AASB. Instead, it is a representation of AASB 128 (July 2004) as amended by other Accounting Standards, which are listed in the Table below.

Table of Standards

Standard	**Date made**	**Application date** ***(annual reporting periods … on or after …)***	**Application, saving or transitional provisions**
AASB 128	15 Jul 2004	*(beginning)* 1 Jan 2005	
AASB 2007-4	30 Apr 2007	*(beginning)* 1 Jul 2007	see (a) below
AASB 2007-7	28 Jun 2007	*(beginning)* 1 Jul 2007	see (a) below
AASB 2007-8	24 Sep 2007	*(beginning)* 1 Jan 2009	see (b) below
AASB 2007-10	13 Dec 2007	*(beginning)* 1 Jan 2009	see (b) below
AASB 2008-3	6 Mar 2008	*(beginning)* 1 Jul 2009	see (c) below
AASB 2008-5	24 Jul 2008	*(beginning)* 1 Jan 2009	see (d) below
AASB 2010-3	23 Jun 2010	*(beginning)* 1 Jul 2010	see (e) below
AASB 2010-2	30 Jun 2010	*(beginning)* 1 Jul 2013	see (f) below
AASB 2010-7	6 Dec 2010	*(beginning)* 1 Jan 2015	not compiled*
AASB 2011-1	11 May 2011	*(beginning)* 1 Jul 2011	see (g) below
AASB 2011-5	20 Jul 2011	*(beginning)* 1 Jul 2011	see (h) below
AASB 2011-6	20 Jul 2011	*(beginning)* 1 Jul 2013	see (f) below
AASB 2011-8	2 Sep 2011	*(beginning)* 1 Jan 2013	not compiled*

* The amendments made by this Standard are not included in this compilation, which presents the principal Standard as applicable to annual reporting periods beginning on or after 1 July 2013 but before 1 January 2014 for not-for-profit entities. The principal Standard has been superseded by AASB 128 *Investments in Associates and Joint Ventures*, which has been amended by AASB 2012-10 and applies to annual reporting periods beginning on or after 1 January 2014 for not-for-profit entities. Not-for-profit entities may elect to apply that Standard to annual reporting periods beginning on or after 1 January 2013 but before 1 January 2014.

The amendments made by AASB 2011-8 are not included in this compilation because they are early-application amendments for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013.

(a) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2007.

(b) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009, provided that AASB 101 *Presentation of Financial Statements* (September 2007) is also applied to such periods.

(c) Entities may elect to apply this Standard to annual reporting periods beginning on or after 30 June 2007 but before 1 July 2009, provided that AASB 3 *Business Combinations* (March 2008) and AASB 127 *Consolidated and Separate Financial Statements* (March 2008) are also applied to such periods.

(d) Entities may elect to apply this Standard, or its amendments to individual Standards, to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009.

(e) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2010.

(f) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that AASB 1053 *Application of Tiers of Australian Accounting Standards* is also applied to such periods.

(g) Entities may elect to apply this Standard, or its amendments to individual pronouncements, to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2011, provided that AASB 1054 *Australian Additional Disclosures* is, or its relevant individual disclosure requirements are, also applied to such periods.

(h) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2011, provided that AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* is also applied to such periods.

Table of Amendments

Paragraph affected	How affected	By … [paragraph]
Aus1.1	amended	AASB 2007-8 [7, 8]
Aus1.4	amended	AASB 2007-8 [8]
Aus1.8	amended deleted	AASB 2007-8 [8] AASB 2011-1 [18]
Aus1.9-Aus1.10 (and preceding heading)	added	AASB 2010-2 [38]
1	amended	AASB 2008-5 [45]
2	amended	AASB 2007-4 [70]
3	added	AASB 2007-4 [71]
4	added	AASB 2007-4 [71]
5	added amended	AASB 2007-4 [71] AASB 2011-5 [17]

Paragraph affected	How affected	By … [paragraph]
11	amended	AASB 2007-8 [88]
13	amended amended amended	AASB 2007-4 [71] AASB 2007-10 [72] AASB 2011-5 [17]
Aus13.1	added amended	AASB 2011-5 [18] AASB 2011-6 [8]
Aus14.1	deleted	AASB 2007-4 [72]
18-19	amended	AASB 2008-3 [46]
19A	added	AASB 2008-3 [47]
23	amended	AASB 2008-3 [48]
24	amended	AASB 2007-8 [88]
25	amended	AASB 2007-8 [88]
33	amended	AASB 2008-5 [45]
35	amended amended	AASB 2007-7 [13] AASB 2008-3 [49]
37	amended	AASB 2007-8 [88]
Aus37.1	deleted	AASB 2007-4 [72]
39	amended	AASB 2007-8 [88]
41 (preceding heading)	amended	AASB 2008-5 [46]
41A	note added	AASB 2007-8 [89]
41B	note added paragraph added (in place of note)	AASB 2008-3 [50] AASB 2010-3 [10]
41C	added	AASB 2008-5 [47]
41E	added	AASB 2010-3 [10]

COMPARISON WITH IAS 28

AASB 128 and IAS 28

AASB 128 *Investments in Associates* as amended incorporates IAS 28 *Investments in Associates* as issued and amended by the International Accounting Standards Board (IASB). Paragraphs that have been added to this Standard (and do not appear in the text of IAS 28) are identified with the prefix "Aus", followed by the number of the relevant IASB paragraph and decimal numbering.

Compliance with IAS 28

Entities that comply with AASB 128 as amended will simultaneously be in compliance with IAS 28 as amended, with the exception of entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements, and not-for-profit entities applying paragraph Aus13.1.

ACCOUNTING STANDARD AASB 128

The Australian Accounting Standards Board made Accounting Standard AASB 128 *Investments in Associates* under section 334 of the *Corporations Act 2001* on 15 July 2004.

This compiled version of AASB 128 applies to annual reporting periods beginning on or after 1 July 2013 but before 1 January 2014 for not-for-profit entities. It incorporates relevant amendments contained in other AASB Standards made by the AASB up to and including 18 December 2012 (see Compilation Details).

ACCOUNTING STANDARD AASB 128

INVESTMENTS IN ASSOCIATES

Application

Aus1.1 This Standard applies to:

(a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;

(b) general purpose financial statements of each other reporting entity; and

(c) financial statements that are, or are held out to be, general purpose financial statements.

Aus1.2 This Standard applies to annual reporting periods beginning on or after 1 January 2005.
[Note: For application dates of paragraphs changed or added by an amending Standard, see Compilation Details.]

Aus1.3 This Standard shall not be applied to annual reporting periods beginning before 1 January 2005.

Aus1.4 The requirements specified in this Standard apply to the financial statements where information resulting from their application is material in accordance with AASB 1031 *Materiality*.

Aus1.5 When applicable, this Standard supersedes:

(a) AASB 1016 *Accounting for Investments in Associates* as notified in the *Commonwealth of Australia Gazette* No S 415, 25 August 1998 as amended by AASB 1016A *Amendments to Accounting Standard AASB 1016* as notified in the *Commonwealth of Australia Gazette* No S 502, 15 October 1998; and

(b) AAS 14 *Accounting for Investments in Associates* as issued in May 1997.

Aus1.6 Both AASB 1016 and AAS 14 remain applicable until superseded by this Standard.

Aus1.7 Notice of this Standard was published in the *Commonwealth of Australia Gazette* No S 294, 22 July 2004.

Reduced Disclosure Requirements

Aus1.9 Paragraphs 37(b)-(i) of this Standard do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements. Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of these excluded requirements.

Aus1.10 The requirements that do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements are identified in this Standard by shading of the relevant text.

Scope

1 This Standard shall be applied in accounting for investments in associates. However, it does not apply to investments in associates held by:

(a) venture capital organisations, or

(b) mutual funds, unit trusts and similar entities including investment-linked insurance funds

that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with AASB 139 *Financial*

***Instruments: Recognition and Measurement*. Such investments shall be measured at fair value in accordance with AASB 139, with changes in fair value recognised in profit or loss in the period of the change. An entity holding such an investment shall make the disclosures required by paragraph 37(f).**

Definitions

2 **The following terms are used in this Standard with the meanings specified.**

An *associate* is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

***Consolidated financial statements* are the financial statements of a group presented as those of a single economic entity.**

***Control* is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.**

The *equity method* is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

***Joint control* is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).**

***Separate financial statements* are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.**

***Significant influence* is the power to participate in the financial and operating policy decisions of the investee but is not control or *joint control* over those policies.**

A *subsidiary* is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent).

3 Financial statements in which the *equity method* is applied are not *separate financial statements*, nor are the financial statements of an entity that does not have a *subsidiary*, associate or venturer's interest in a joint venture.

4 Separate financial statements are those presented in addition to *consolidated financial statements*, financial statements in which investments are accounted for using the equity method and financial statements in which venturers' interests in joint ventures are proportionately consolidated. Separate financial statements may or may not be appended to, or accompany, those financial statements.

5 Entities that are exempted in accordance with paragraphs 10-Aus10.2 of AASB 127 *Consolidated and Separate Financial Statements* from consolidation, paragraph 2 of AASB 131 *Interests in Joint Ventures* from applying proportionate consolidation or paragraph 13(c) of this Standard from applying the equity method may present separate financial statements as their only financial statements.

Significant Influence

6 If an investor holds, directly or indirectly (e.g. through subsidiaries), 20% or more of the voting power of the investee, it is presumed that the investor has *significant influence*, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly (e.g. through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

7 The existence of significant influence by an investor is usually evidenced in one or more of the following ways:

(a) representation on the board of directors or equivalent governing body of the investee;

(b) participation in policy-making processes, including participation in decisions about dividends or other distributions;

(c) material transactions between the investor and the investee;

(d) interchange of managerial personnel; or

(e) provision of essential technical information.

8 An entity may own share warrants, share call options, debt or equity instruments that are convertible into ordinary shares, or other similar instruments that have the potential, if exercised or converted, to give the entity additional voting power or reduce another party's voting power over the financial and operating policies of another entity (i.e. potential voting rights). The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether an entity has significant influence. Potential voting rights are not currently exercisable or convertible when, for example, they cannot be exercised or converted until a future date or until the occurrence of a future event.

9 In assessing whether potential voting rights contribute to significant influence, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential rights except the intention of management and the financial ability to exercise or convert.

10 An entity loses significant influence over an investee when it loses the power to participate in the financial and operating policy decisions of that investee. The loss of significant influence can occur with or without a change in absolute or relative ownership levels. It could occur, for example, when an associate becomes subject to the *control* of a government, court, administrator or regulator. It could also occur as a result of a contractual agreement.

Equity Method

11 Under the equity method, the investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor's share of those changes is recognised in

other comprehensive income of the investor (see AASB 101 *Presentation of Financial Statements* (as revised in 2007)).

12 When potential voting rights exist, the investor's share of profit or loss of the investee and of changes in the investee's equity is determined on the basis of present ownership interests and does not reflect the possible exercise or conversion of potential voting rights.

Application of the Equity Method

13 An investment in an associate shall be accounted for using the equity method except when:

(a) the investment is classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*; or

(b) the exception in paragraph 10 or Aus10.1, as modified by paragraph Aus10.2, of AASB 127 allowing a parent that also has an interest in an associate not to present consolidated financial statements, applies; or

(c) all of the following apply:

(i) the investor 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 investor not applying the equity method;

(ii) the investor'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);

(iii) the investor 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) the ultimate Australian or any intermediate parent of the investor produces consolidated financial statements available for public use that comply with International Financial Reporting Standards.

Aus13.1 Notwithstanding paragraph 13(c)(iv), an investor that meets the criteria in paragraphs 13(c)(i), 13(c)(ii) and 13(c)(iii) need not apply the equity method in accounting for an interest in an associate if its ultimate or any intermediate parent produces consolidated financial statements available for public use and:

(a) the investor and its ultimate or intermediate parent are:

(i) both not-for-profit entities complying with Australian Accounting Standards; or

(ii) both entities complying with Australian Accounting Standards – Reduced Disclosure Requirements; or

(b) the investor is an entity complying with Australian Accounting Standards – Reduced Disclosure Requirements and its ultimate or intermediate parent is a not-for-profit entity complying with Australian Accounting Standards.

14 Investments described in paragraph 13(a) shall be accounted for in accordance with AASB 5.

15 When an investment in an associate previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

16 [Deleted by the IASB]

17 The recognition of income on the basis of distributions received may not be an adequate measure of the income earned by an investor on an investment in an associate because the distributions received may bear little relation to the performance of the associate. Because the investor has significant influence over the associate, the investor has an interest in the associate's performance and, as a result, the return on its investment. The investor accounts for this interest by extending the scope of its financial statements to include its share of profits or losses of such an associate. As a result, application of the equity method provides more informative reporting of the net assets and profit or loss of the investor.

18 **An investor shall discontinue the use of the equity method from the date when it ceases to have significant influence over an associate and shall account for the investment in accordance with AASB 139 from that date, provided the associate does not become a subsidiary or a joint venture as defined in AASB 131. On the loss of significant influence, the investor shall measure at fair value any investment the investor retains in the former associate. The investor shall recognise in profit or loss any difference between:**

(a) the fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and

(b) the carrying amount of the investment at the date when significant influence is lost.

19 **When an investment ceases to be an associate and is accounted for in accordance with AASB 139, the fair value of the investment at the date when it ceases to be an associate shall be regarded as its fair value on initial recognition as a financial asset in accordance with AASB 139.**

19A If an investor loses significant influence over an associate, the investor shall account for all amounts recognised in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by an associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the investor reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over the associate. For example, if an associate has available-for-sale financial assets and the investor loses significant influence over the associate, the investor shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to those assets. If an investor's ownership interest in an associate is reduced, but the investment continues to be an associate, the investor shall reclassify to profit or loss only a proportionate amount of the gain or loss previously recognised in other comprehensive income.

20 Many of the procedures appropriate for the application of the equity method are similar to the consolidation procedures described in AASB 127 *Consolidated and Separate Financial Statements*. 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.

21 A group's share in an associate is the aggregate of the holdings in that associate 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 has subsidiaries, associates, or joint ventures, the profits or losses and net assets taken into account in applying the equity method are those recognised in the associate's financial statements (including the associate's share of the profits or losses and net assets of its associates and joint ventures), after any adjustments necessary to give effect to uniform accounting policies (see paragraphs 26 and 27).

22 Profits and losses resulting from 'upstream' and 'downstream' transactions between an investor (including its consolidated subsidiaries) and an associate are recognised in the investor's financial statements only to the extent of unrelated investors' interests in the associate. 'Upstream' transactions are, for example, sales of assets from an associate to the investor. 'Downstream' transactions are, for example, sales of assets from the investor to an associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated.

23 An investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment any difference between the cost of the investment and the investor's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as follows:

(a) goodwill relating to an associate is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.

(b) any excess of the investor's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

Appropriate adjustments to the investor's share of the associate's profits or losses after acquisition are also made to account, for example, for depreciation of the depreciable assets, based on their fair values at the acquisition date. Similarly, appropriate adjustments to the investor's share of the associate's profits or losses after acquisition are made for impairment losses recognised by the associate, such as for goodwill or property, plant and equipment.

24 The most recent available financial statements of the associate are used by the investor in applying the equity method. When the end

of the reporting period of the investor is different from that of the associate, the associate prepares, for the use of the investor, financial statements as of the same date as the financial statements of the investor unless it is impracticable to do so.

25 **When, in accordance with paragraph 24, the financial statements of an associate used in applying the equity method are prepared as of a different date from that of the investor, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements. In any case, the difference between the end of the reporting period of the associate and that of the investor shall be no more than three months. The length of the reporting periods and any difference between the ends of the reporting periods shall be the same from period to period.**

26 **The investor's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances.**

27 If an associate uses accounting policies other than those of the investor for like transactions and events in similar circumstances, adjustments shall be made to conform the associate's accounting policies to those of the investor when the associate's financial statements are used by the investor in applying the equity method.

28 If an associate has outstanding cumulative preference shares that are held by parties other than the investor and classified as equity, the investor computes its share of profits or losses after adjusting for the dividends on such shares, whether or not the dividends have been declared.

29 If an investor's share of losses of an associate equals or exceeds its interest in the associate, the investor discontinues recognising its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate. For example, an item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the entity's investment in that associate. Such items may include preference shares and long-term receivables or loans but do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists, such as secured loans. Losses recognised under the equity method in excess of the investor's investment in ordinary shares are applied to the other components of the investor's interest in an

associate in the reverse order of their seniority (i.e. priority in liquidation).

30 After the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Impairment Losses

31 After application of the equity method, including recognising the associate's losses in accordance with paragraph 29, the investor applies the requirements of AASB 139 to determine whether it is necessary to recognise any additional impairment loss with respect to the investor's net investment in the associate.

32 The investor also applies the requirements of AASB 139 to determine whether any additional impairment loss is recognised with respect to the investor's interest in the associate that does not constitute part of the net investment and the amount of that impairment loss.

33 Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in AASB 136 *Impairment of Assets*. Instead, the entire carrying amount of the investment is tested for impairment in accordance with AASB 136 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of the requirements in AASB 139 indicates that the investment may be impaired. An impairment loss recognised in those circumstances is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Accordingly, any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases. In determining the value in use of the investment, an entity estimates:

(a) its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

(b) the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Under appropriate assumptions, both methods give the same result.

34 The recoverable amount of an investment in an associate is assessed for each associate, unless the associate does not generate cash inflows from continuing use that are largely independent of those from other assets of the entity.

Separate Financial Statements

35 An investment in an associate shall be accounted for in the investor's separate financial statements in accordance with paragraphs 38-43 of AASB 127.

36 This Standard does not mandate which parent entities produce separate financial statements available for public use.

Disclosure

37 The following disclosures shall be made:

(a) the fair value of investments in associates for which there are published price quotations;

(b) summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss;

(c) the reasons why the presumption that an investor does not have significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, less than 20% of the voting or potential voting power of the investee but concludes that it has significant influence;

(d) the reasons why the presumption that an investor has significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, 20% or more of the voting or potential voting power of the investee but concludes that it does not have significant influence;

(e) the end of the reporting period of the financial statements of an associate, when such financial statements are used in applying the equity method and are as of a date or for a

period that is different from that of the investor, and the reason for using a different date or different period;

(f) the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements or regulatory requirements) on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances;

(g) the unrecognised share of losses of an associate, both for the period and cumulatively, if an investor has discontinued recognition of its share of losses of an associate;

(h) the fact that an associate is not accounted for using the equity method in accordance with paragraph 13; and

(i) summarised financial information of associates, either individually or in groups, that are not accounted for using the equity method, including the amounts of total assets, total liabilities, revenues and profit or loss.

38 Investments in associates accounted for using the equity method shall be classified as non-current assets. The investor's share of the profit or loss of such associates, and the carrying amount of those investments, shall be separately disclosed. The investor's share of any discontinued operations of such associates shall also be separately disclosed.

39 The investor's share of changes recognised in other comprehensive income by the associate shall be recognised by the investor in other comprehensive income.

40 In accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, the investor shall disclose:

(a) its share of the contingent liabilities of an associate incurred jointly with other investors; and

(b) those contingent liabilities that arise because the investor is severally liable for all or part of the liabilities of the associate.

Effective Date and Transition

41 [Deleted by the AASB]

41A [Deleted by the AASB]

41B AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* amended paragraphs 18, 19 and 35 and added paragraph 19A. An entity shall apply the amendment to paragraph 35 retrospectively and the amendments to paragraphs 18 and 19 and paragraph 19A prospectively for annual reporting periods beginning on or after 1 July 2009. If an entity applies AASB 127 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

41C Paragraphs 1 and 33 were amended by AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in July 2008. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 3 of AASB 7 *Financial Instruments: Disclosures*, paragraph 1 of AASB 131 and paragraph 4 of AASB 132 *Financial Instruments: Presentation* issued in July 2008. An entity is permitted to apply the amendments prospectively.

41E Paragraph 41B was added by AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010. An entity shall apply the amendment to paragraph 35 retrospectively and the amendments to paragraphs 18 and 19 and paragraph 19A prospectively for annual reporting periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendment before 1 July 2010 it shall disclose that fact.

Withdrawal of Other IASB Pronouncements

42 [Deleted by the AASB]

43 [Deleted by the AASB]

DELETED IAS 28 TEXT

Deleted IAS 28 text is not part of AASB 128.

Paragraph 41

An entity shall apply this Standard for annual periods beginning on or after 1 January 2005. Earlier application is encouraged. If an entity applies this Standard for a period beginning before 1 January 2005, it shall disclose that fact.

Paragraph 41A

IAS 1 (as revised in 2007) amended the terminology used throughout IFRSs. In addition it amended paragraphs 11 and 39. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies IAS 1 (revised 2007) for an earlier period, the amendments shall be applied for that earlier period.

Paragraph 42

This Standard supersedes IAS 28 *Accounting for Investments in Associates* (revised in 2000).

Paragraph 43

This Standard supersedes the following Interpretations:

(a) SIC-3 *Elimination of Unrealised Profits and Losses on Transactions with Associates*;

(b) SIC-20 *Equity Accounting Method – Recognition of Losses*; and

(c) SIC-33 *Consolidation and Equity Method – Potential Voting Rights and Allocation of Ownership Interests*.