

NEW CONSOLIDATION, JOINT ARRANGEMENTS AND FAIR VALUE STANDARDS – STORM IN A TEACUP? - CONTINUED

IN LAST MONTH'S ACCOUNTING NEWS, WE LOOKED AT WHAT 30 JUNE 2012 LISTED COMPANIES HAD DISCLOSED IN THEIR ANNUAL REPORTS ABOUT THE IMPACTS OF AASB 10 CONSOLIDATED FINANCIAL STATEMENTS, AASB 11 JOINT ARRANGEMENTS, AND AASB 13 FAIR VALUE MEASUREMENT.

Following on from last month's article, we expected that AASB 11 *Joint Arrangements* might have an impact on entities in the mining sector and explorers where joint arrangements are common. However, many of these entities had not yet lodged their annual reports so we were unable to assess the extent and quality of their disclosures.

We have subsequently reviewed the disclosure of two bigger miners, BHP Billiton Limited and Newcrest Mining Limited, in their annual reports lodged late September and found the following:

BHP Billiton Limited (BHP)

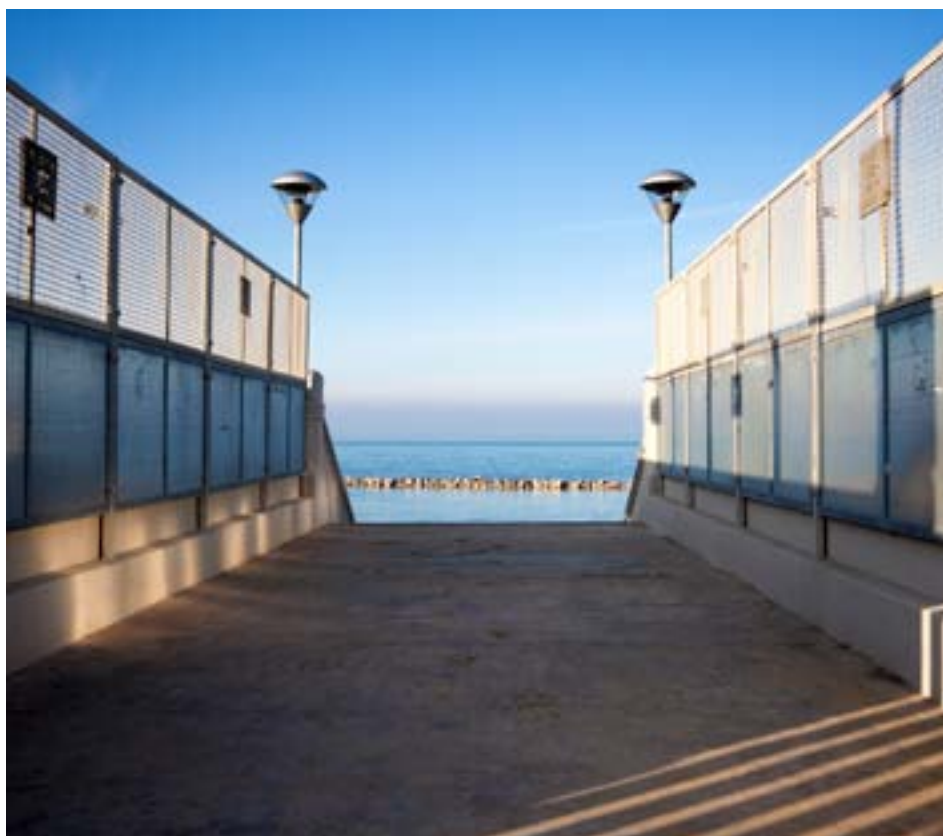
BHP appears to have performed a detailed impact analysis of AASB 11, disclosing information as follows:

- Arrangements that no longer meet the definition of unanimous consent
- Arrangements that meet the definition of joint operation under IFRS 11 (AASB 11) and will continue to be accounted for using the line by line consolidation method (proportionate consolidation)
- Arrangements that do not fall within the scope of either IFRS 10 (AASB 10) or IFRS 11 (AASB 11) and will be accounted for under other IFRSs.

Arrangements that no longer meet the definition of unanimous consent

Their Antamina, Cerrejón, Newcastle Infrastructure Group, Cleopatra Oil Pipeline and Caesar Oil Pipeline arrangements no longer meet the definition of unanimous consent under IFRS 11 (AASB 11) and therefore will be accounted for under the requirements of the revised IAS 28 (AASB 128) *Investments in Associates and Joint Ventures*. Their Samarco and Richards Bay Minerals arrangements will be classified as joint ventures under IFRS 11 (AASB 11) and therefore will be accounted for under the requirements of the revised IAS 28 (AASB 128) *Investments in Associates and Joint Ventures*.

They also disclose the implications of this, i.e. that the group will no longer be able to recognise its proportionate share of the revenue, expenses, assets, liabilities and cash flows of each of the above operations and that, commencing 1 July 2013, the group will recognise its share of net assets on a single line in the Consolidated Balance Sheet, and will recognise its share of net profit on a single line in the Consolidated Income Statement and cash flows from dividends in the Consolidated Cash Flow Statement. However, despite 30 June 2012 being transition date, BHP have **not**



quantified the impact on the relevant line items in the financial statements when IFRS 11 is first adopted.

Arrangements that meet the definition of joint operation under IFRS 11 (AASB 11) and will continue to be accounted for using the line by line consolidation method (proportionate consolidation)

BHP also identify the Petroleum Joint Arrangements (including Onshore US), Alumina, Worsley, Central Queensland Coal Associates, Gregory, Guinea Alumina, Mozal and Phola Coal Processing as joint arrangements that will meet the definition of joint operations under IFRS 11, and as a result, the group will continue to recognise its share of assets, liabilities, revenues, expenses and cash flows.

Arrangements that do not fall within the scope of either IFRS 10 (AASB 10) or IFRS 11 (AASB 11) and will be accounted for under other IFRSs

BHP identify that the WAIO and EKATI contractual arrangements do not fall within the scope of either IFRS 10 (AASB 10) or IFRS 11 (AASB 11) and as a result, these operations will be accounted for under other IFRSs. The group will continue to recognise its share of revenues, expenses, assets, liabilities and cash flows on a line by line basis in the financial statements.

Newcrest Mining Limited (Newcrest)

By contrast Newcrest stated that they have yet to determine the impact of AASB 11 *Joint Arrangements* on their financial statements when it is first adopted.

Other larger miners

Most of the other larger miners by market capitalisation were also non-committal, either saying they were continuing to assess the impact or they did not expect a material impact.

Smaller explorers

From the significant number of explorers that we signed audit reports for in late September, we also noticed a trend of not being very far down the track of analysing AASB 11 impacts.

Conclusion

In summary, our further research indicates that other than a gold star for BHP's disclosures, Australian listed miners and explorers do not appear to have made much progress with determining the financial impact of AASB 11 *Joint Arrangements*. Given that the transition date for both 31 December and 30 June balancing companies has now passed (1 January 2012 and 1 July 2012 respectively), we urge companies to commence a detailed impact assessment as soon as possible.