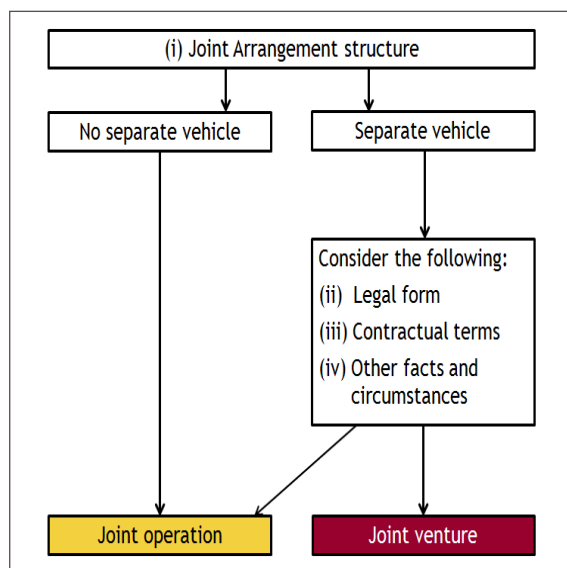


SCOPE	
<p>NZ IFRS 11 applies to all parties subject to a joint arrangement. A joint arrangement (JA):</p> <ul style="list-style-type: none"> • Binds the parties by way of contractual agreement (does not have to be in writing, instead it is based on the substance of the dealings between the parties) • Gives two (or more) parties joint control. 	<p>Joint arrangements are classified either as:</p> <ul style="list-style-type: none"> • Joint operation - parties have rights to the assets, and obligations for the liabilities of the JA • Joint venture - parties have rights to only the net assets of the JA.

JOINT CONTROL (JOINT DE-FACTO CONTROL, SUBSTANTIVE RIGHTS, PROTECTIVE RIGHTS)	
<p>Joint control</p> <p>Joint control is based on the same control principle as NZ IFRS 10 <i>Consolidation</i> (i.e. Power, exposure to variable returns, ability to use power to affect variable returns).</p> <p>Joint control is the contractually agreed sharing of control in relation to decisions regarding the relevant activities and requires the unanimous consent of the controlling parties (refer to NZ IFRS 10 for definition of relevant activities). This can be explicit or implicit:</p> <ul style="list-style-type: none"> • E.g. joint control exists if two parties hold 50% voting rights, and a 51% majority is required to make decisions regarding relevant activities • E.g. joint control does not exist if, after considering all contractual agreements, the minimum required majority of voting rights can be achieved by more than one combination of parties agreeing together. 	<p>Joint de-facto control</p> <p>Joint de-facto control is based on the same de-facto control principle as NZ IFRS 10. Joint de-facto control only exists if the parties are contractually bound to vote together in relation to decisions on relevant activities. In assessing joint de-facto control, an entity may consider previous voting attendance, but not previous voting results (i.e. whether other parties historically voted the same way as the entity).</p> <p>Substantive and protective rights</p> <p>The assessment of substantive and protective rights is based on the same principles as NZ IFRS 10:</p> <ul style="list-style-type: none"> • Substantive rights (rights that can be practically exercised) are considered in assessing power • Protective rights (rights designed to protect the interests of the holder) are not considered in assessing power.
<p>Arrangements are not within the scope of NZ IFRS 11 if joint control (or joint de-facto control) does not exist (i.e. no contractual unanimous consent required for decisions that relate to the relevant activities of the arrangement).</p>	

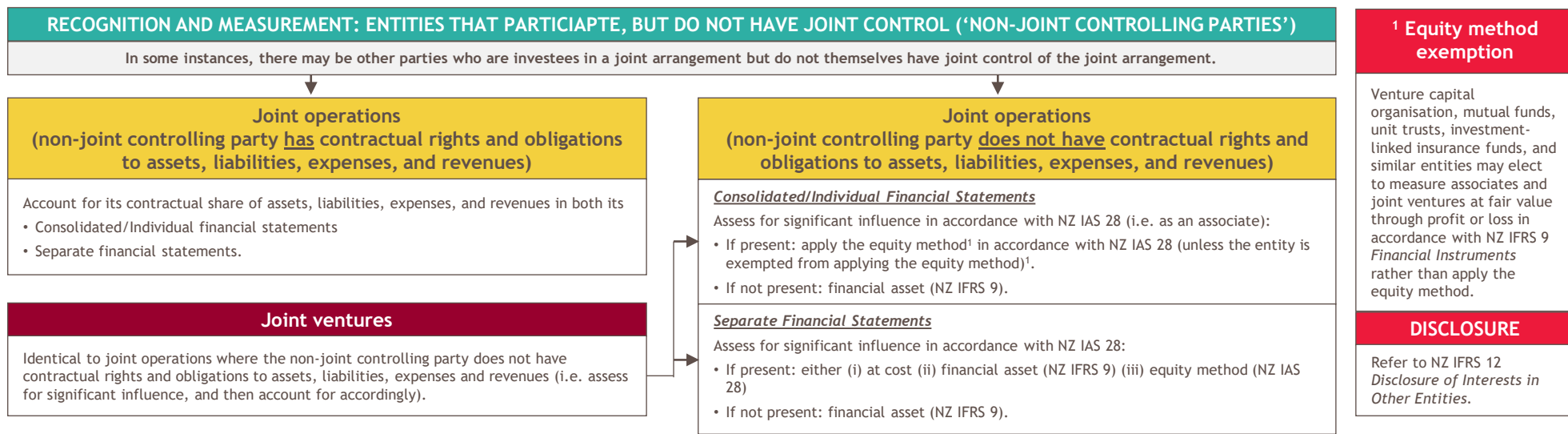
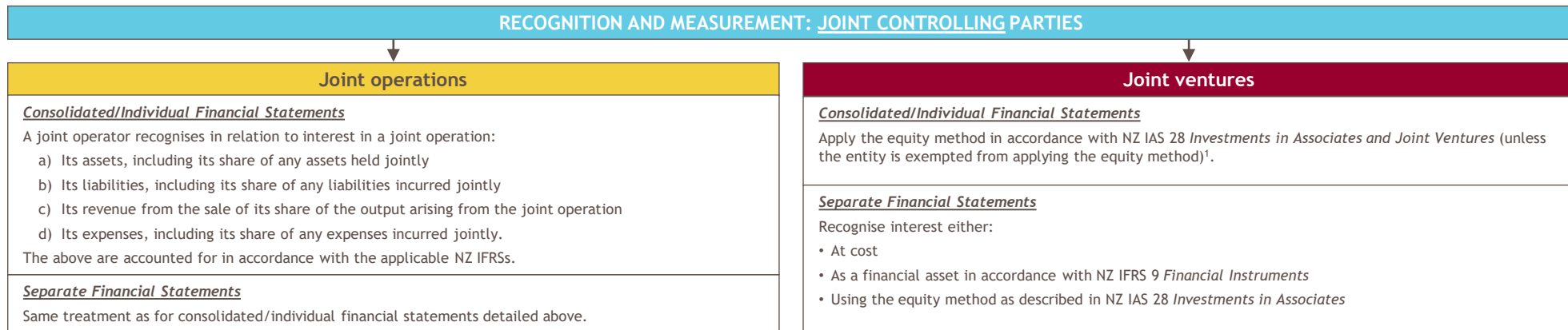
CLASSIFICATION OF JOINT ARRANGEMENTS (AS EITHER JOINT OPERATIONS OR JOINT VENTURES)

Classification depends upon the assessment of the rights and obligations of the parties, and considers the JA's: (i) Structure; (ii) Legal form; (iii) Contractual terms; (iv) Other facts and circumstances (refer to boxes below).



(i) Structure	
<p>JAs not structured through a separate vehicle are classified as a joint operation.</p> <p>JAs structured through a separate vehicle may be classified as either a joint operation or joint venture depending on analysis of (i),(ii),(iii) below.</p>	
(ii) Legal form	
<p>The legal form of the separate vehicle may be relevant in determining whether parties have rights to assets and obligations for liabilities, or the rights to net assets of the JA. However, must consider whether any contractual terms (iii) and/or other facts and circumstances (iv) impact the rights of the parties conferred by the legal form.</p>	
<p>Partnerships: Legal form that may give parties rights to assets and liabilities, rather than net assets. JA is therefore classified as a joint operation or joint venture depending on the rights and obligations that the parties to the arrangement have and the legal environment of in the country of incorporation. .</p>	<p>Unlimited liability vehicles: Legal form does not give parties rights to assets, merely guarantees liabilities. JA is therefore classified as a joint venture.</p>
(iii) Contractual terms	
<p>Usually, the rights and obligations agreed in the contractual terms are consistent, or do not conflict, with those conferred by legal form (ii). However parties must assess contractual terms to confirm is in fact the case.</p> <p>On their own, guarantees provided to third parties, and obligations for unpaid or additional capital do not result in an obligation for liabilities and hence classification as a joint operation.</p>	
(iv) Other facts and circumstances	
<p>Other facts and circumstances may:</p> <ul style="list-style-type: none"> • Give parties rights to substantially all economic benefits from the JA • Cause the JA to depend on the parties to continuously settle its liabilities. <p>E.g. JAs designed to primarily sell output to the parties give the parties substantially all economic benefits, and means the JA relies on cash flows from the parties to settle its liabilities. JA is therefore classified as a joint operation.</p>	

Although every effort is made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular facts and circumstances of the situation.
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¹ Equity method exemption

Venture capital organisation, mutual funds, unit trusts, investment-linked insurance funds, and similar entities may elect to measure associates and joint ventures at fair value through profit or loss in accordance with NZ IFRS 9 *Financial Instruments* rather than apply the equity method.

DISCLOSURE

Refer to NZ IFRS 12 *Disclosure of Interests in Other Entities*.

JOINT OPERATION AND BUSINESS COMBINATION

- An entity is required to apply all of the principles of NZ IFRS 3 *Business Combinations* when it acquires an interest in a joint operation that constitutes a business as defined by NZ IFRS 3.
- A joint operator might increase its interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in NZ IFRS 3, by acquiring an additional interest in the joint operation. In such cases, previously held interests in the joint operation are not remeasured if the joint operator retains joint control.

TIER 2 NZ IFRS RDR REPORTERS

Are required to comply with NZ IFRS 11 in full.

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