

PRESS RELEASE

31 October 2012

IASB issues *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27)

The International Accounting Standards Board (IASB) has today issued *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27).

The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term ‘investment entity’ to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under IFRS 10 *Consolidated Financial Statements*, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the *Investment Entities* amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

Hans Hoogervorst, chairman of the IASB, said:

These amendments have been introduced as a result of requests from preparers and users in the investment entity industry. Having listened to the feedback we received, we expect the changes to significantly improve the quality of financial reporting in this area, enhancing transparency and comparability both within and between investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted. This is one year later than the 1 January 2013 effective date of IFRS 10, but the IASB has permitted early adoption in order to allow investment entities to apply the *Investment Entities* amendments at the same time they first apply the rest of IFRS 10.

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Press enquiries:

Mark Byatt, Director of Communications and External Affairs, IFRS Foundation
Telephone: +44 (0)20 7246 6472
Email: mbyatt@ifrs.org

Chris Welsh, Communications Manager, IFRS Foundation
Telephone: +44 (0)20 7246 6495
Email: cwelsh@ifrs.org

Notes to editors:

About the IFRS Foundation

The IFRS Foundation is the oversight body of the International Accounting Standards Board (IASB). The Foundation, through the IASB, is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements.

The Trustees of the IFRS Foundation promote the work of the [International Accounting Standards Board \(IASB\)](#) and the rigorous application of IFRSs but are not involved in any technical matters relating to the standards. This responsibility rests solely with the IASB.