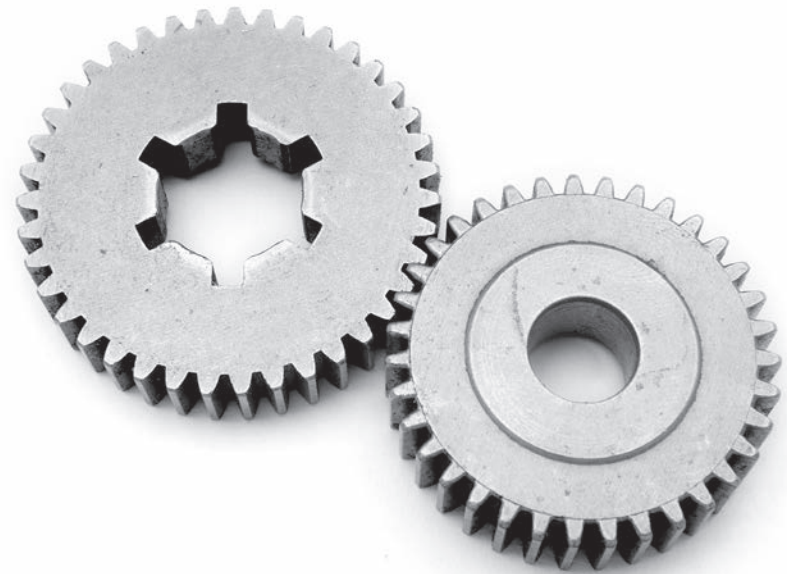


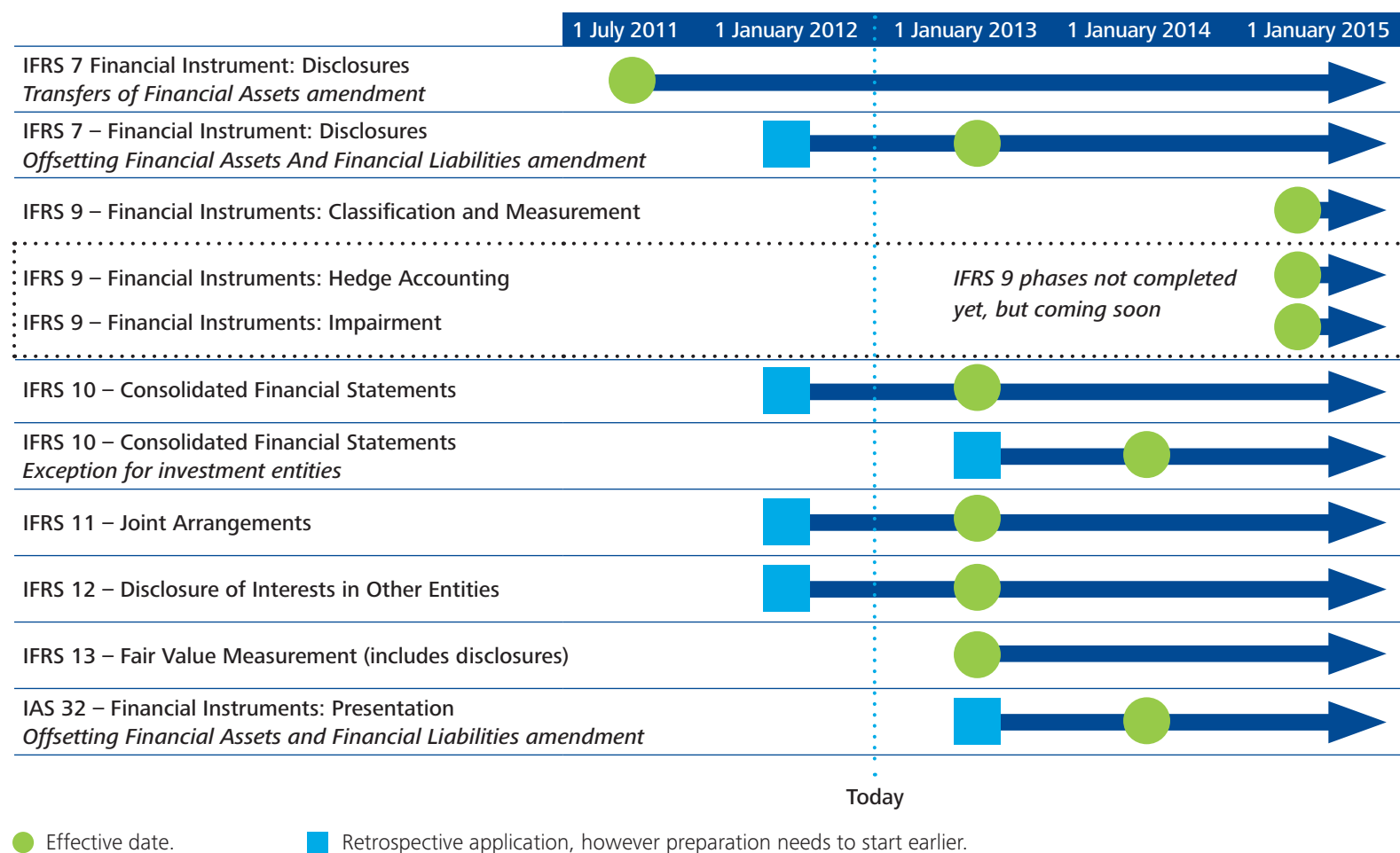
What is heading your way
in the manufacturing sector?
Effective dates that you need
to think about



What is heading your way in the manufacturing sector?

Effective dates that you need to think about

Over the last two years, the International Accounting Standards Board (IASB) has completed a range of significant projects resulting in new accounting and disclosure requirements. The effective dates for these requirements are fast approaching and now is the time to plan for implementation. The chart below details these dates and whether or not the requirements apply retrospectively.



The following tables provide a summary on each amendment or new IFRS, what the requirements are and the key things to think about when preparing to implement the changes in the manufacturing sector. Whilst this is not intended as a comprehensive planning toolkit, it may help you think about the revised accounting implications and kick start your planning process if you have not already started. We will be releasing the Roadmap to the IFRS Future in early 2013 which is a detailed interactive planning toolkit to assist preparers in the implementation of each of the amendments and new IFRS.

Amendments and new standards	Effective date	Prospective or retrospective application	Impact on the manufacturing industry	What is this about?	Things to think about
IFRS 11 Joint Arrangements	01 Jan 2013	Retrospective	High	<ul style="list-style-type: none"> Replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities: Non-Monetary Contributions by Venturers Distinguishes between: <ul style="list-style-type: none"> an investment in a business reflecting a right to a residual return, which will be equity accounted. an investment in assets and liabilities that yield a return, which will be proportionately consolidated. 	<ul style="list-style-type: none"> Perform assessments to determine classification of any jointly controlled entities Notwithstanding the legal structure of a joint arrangement, the sale of significantly all the output to the joint venturers may result in the arrangement being classified as a joint operation. This may arise from exclusive supplier agreements or "contract manufacturing" Consider classifications of arrangements where a single relevant activity is carried out across two entities which would be classified as a joint operation and a joint venture if assessed in isolation (e.g. contract manufacturing). Consider knock-on effects of using equity accounting over proportional consolidation (e.g. effect on ratios, covenants and KPIs)

Amendments and new standards	Effective date	Prospective or retrospective application	Impact on the manufacturing industry	What is this about?	Things to think about
IFRS 10 Consolidated Financial Statements	01 Jan 2013	Retrospective with transitional relief	Medium	<ul style="list-style-type: none"> • Replaces IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation: Special Purpose Entities • A single model for consolidation based on control over the relevant activities. Returns from the business may be fixed, variable or negative • Introduces notion that a controlled business does not need to be a separate legal entity (silo/division) • Clarifies that the majority of the voting rights may not be a prerequisite to control where the remaining shareholders are dispersed (de facto control) 	<ul style="list-style-type: none"> • Consider whether assessment of consolidated SPEs used in funding structures should change under IFRS 10 (particularly BEE structures) • Consider long-term exclusive supplier agreements or "contract manufacturing", whereby the entity may have control over the supplier's relevant activities. This may also impact the assessment of the underlying asset as a lease • Consider project financing and the rights of funding providers. • Evaluate the entities funding of rehabilitation or other funds through cell captives • Evaluate large shareholdings in entities where the remaining shareholders are dispersed
IFRS 7 New Disclosures for Offset Financial Assets and Financial Liabilities	01 Jan 2013	Retrospective	Medium	<ul style="list-style-type: none"> • Disclosure of the gross financial asset and financial liability subject to an offsetting arrangement 	<ul style="list-style-type: none"> • Disclosures about the rights of set-off and related arrangements on an entity's financial position
IAS 32 Amended Guidance on Offsetting of Financial Assets and Financial Liabilities	01 Jan 2014	Retrospective	Medium	<ul style="list-style-type: none"> • Clarify the meaning of "currently has a legal enforceable right of set-off" 	<ul style="list-style-type: none"> • Consider whether accounts with the same financial institution may be offset and reflected as a net financial asset or liability at the reporting date (e.g. cash management systems and cash sweeps)

Amendments and new standards	Effective date	Prospective or retrospective application	Impact on the manufacturing industry	What is this about?	Things to think about
IFRS 13 Fair Value Measurement (includes disclosures)	01 Jan 2013	Prospective	Low	<ul style="list-style-type: none"> • Single standard that provides guidance on determining fair value where any IFRS requires fair value measurement • Requires the assessment of counterparty credit risk in fair value measurement • Requires disclosure of assumptions applied in determining certain fair value measurements and the sensitivity of the fair value measurement to reasonable changes in those assumptions • Extends IFRS 7 fair value hierarchy disclosures to non-financial assets measured at fair value. 	<ul style="list-style-type: none"> • Consider whether the new guidance changes current valuation inputs, assumptions and methodologies. The highest and best use and principal market assumption may be particularly relevant for long lived assets • Consider knock-on effects of changes in valuation (e.g. effectiveness of hedging relationships) • Consider the sensitivity of information, particularly in business combinations where manufacturing lines, intellectual property, brands and resources (e.g. plantations) are fair valued • Consider how information will be collected, aggregated and presented in the financial statements and the overall message to users of the accounts
IFRS 10 Consolidated Financial Statements Exemption for Investment Entities	01 Jan 2014	Retrospective	Low	<ul style="list-style-type: none"> • Provides a mandatory exemption from the normal consolidation principles for investment entities. Investees will be measured at fair value through profit or loss 	<ul style="list-style-type: none"> • Consider the impact of full fair value measurement on profit or loss, the balance sheet and performance metrics (EPS)
IFRS 12 Disclosure of Interest in Other Entities	01 Jan 2013	Retrospective	Low	<ul style="list-style-type: none"> • Disclosures about interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities 	<ul style="list-style-type: none"> • Consider whether unconsolidated BEE vehicles would meet the definition of an unconsolidated structured entity • Consider how information will be collected, aggregated and presented in the financial statements and the overall message to users of the accounts

Amendments and new standards	Effective date	Prospective or retrospective application	Impact on the manufacturing industry	What is this about?	Things to think about
IFRS 9 Financial Instruments: Classification and Measurement	01 Jan 2015	Retrospective with transitional relief	Low	<ul style="list-style-type: none"> • Classification and measurement requirements for financial instruments based on a combined business model and contractual cash flow test • Entities may recognise changes in their own credit risk for fair valued financial liabilities in Other Comprehensive Income 	<ul style="list-style-type: none"> • Consider the appropriate classification of assets carried to fund rehabilitation or other obligations in terms of the entities business model and the cash flow characteristics of the instrument. • Administration and cost of fair value hedging of the entities own liabilities may be reduced as the fair value movements on the liquidity will automatically offset with the fair value movements on the hedging instrument in profit or loss
IFRS 7 Amended Disclosures for Transfers of Financial Assets	01 Jul 2011	Prospective	Low	<ul style="list-style-type: none"> • Disclosures about financial assets that are transferred but not derecognised and continuing involvement in transferred financial assets that have been derecognised 	

If you would like to discuss any aspect of this publication please get in touch with one of the contacts below:



Graeme Berry
Partner – Assurance A&A Technical
+27 (0) 11 806 5813
+27 (0) 82 410 8529
gberry@deloitte.co.za



Andrew van der Burgh
Manager – Assurance A&A Technical
+27 (0) 11 209 8715
+27 (0) 82 483 7774
avanderburgh@deloitte.co.za

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (DTTL), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200 000 professionals, all committed to becoming the standard of excellence.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2013 Deloitte & Touche. All rights reserved. Member of Deloitte Touche Tohmatsu Limited

Designed and produced by Creative Solutions at Deloitte, Johannesburg. (805032/jomaris)