

What is heading your way  
in the mining sector?

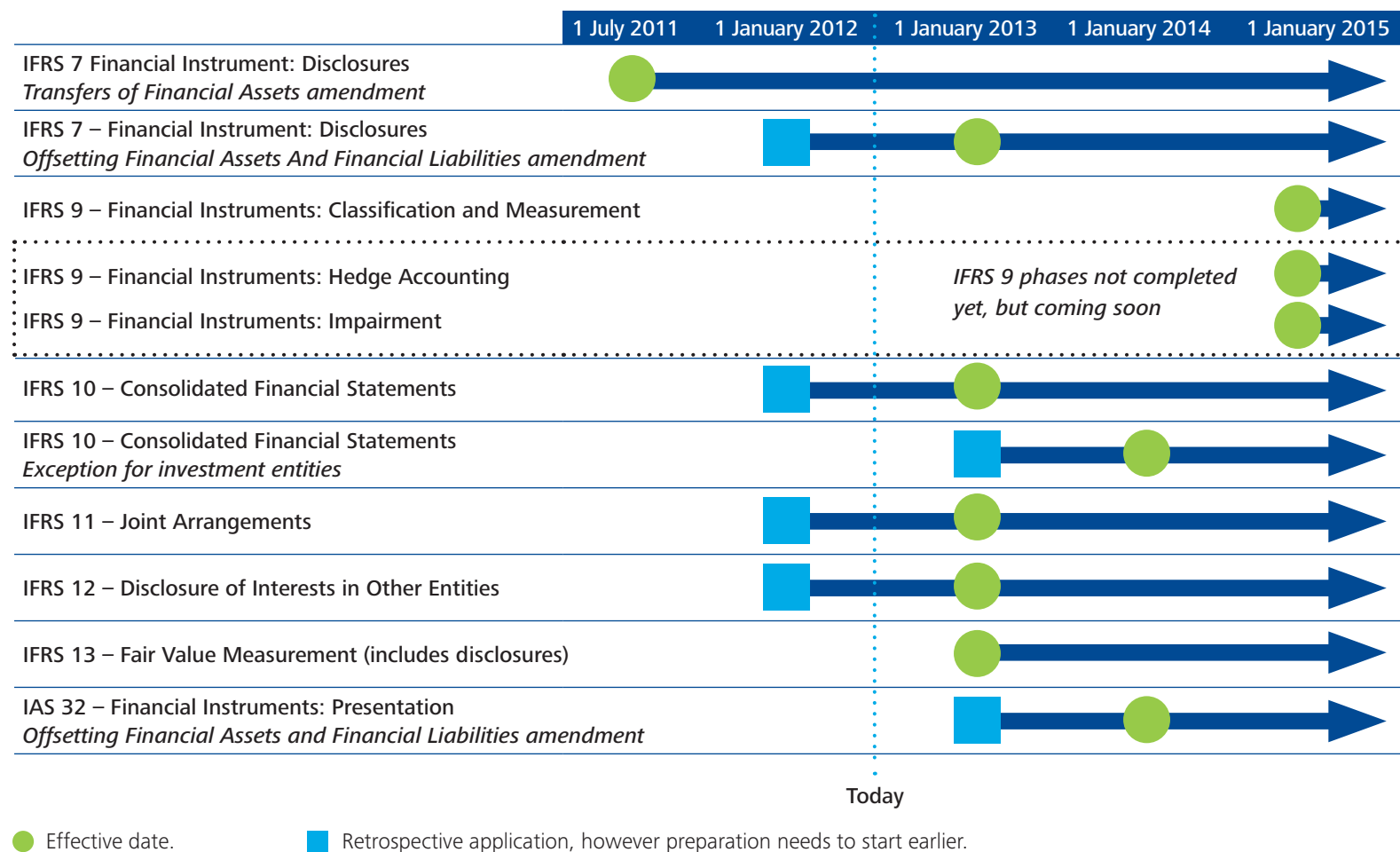
Effective dates that you need  
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# What is heading your way in the mining sector?

## 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 mining 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 Road Map 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 mining industry	What is this about?	Things to think about
<b>IFRS 11 Joint Arrangements</b>	01 Jan 2013	Retrospective	High	<ul style="list-style-type: none"> <li>Replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities: Non-Monetary Contributions by Venturers</li> <li>Distinguishes between: <ul style="list-style-type: none"> <li>an investment in a business reflecting a right to a residual return, which will be classified as a joint venture and equity accounted.</li> <li>an investment in assets and liabilities that yield a return, which will be classified as a joint operation and proportionately consolidated.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Perform assessments to determine classification of any jointly controlled entities</li> <li>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 arrangement is common in the mining industry</li> <li>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. mining rights and properties in one entity and the mining activity in another entity).</li> <li>Consider knock-on effects of using equity accounting over proportional consolidation (e.g. effect on ratios, covenants and KPIs)</li> </ul>

Amendments and new standards	Effective date	Prospective or retrospective application	Impact on the mining industry	What is this about?	Things to think about
<b>IFRS 10 Consolidated Financial Statements</b>	01 Jan 2013	Retrospective with transitional relief	Medium	<ul style="list-style-type: none"> <li>• Replaces IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation: Special Purpose Entities</li> <li>• A single model for consolidation based on control over the relevant activities.</li> <li>• Returns from the business may be fixed, variable or negative</li> <li>• Explains protective and substantive rights</li> <li>• Introduces notion that a controlled business does not need to be a separate legal entity (silo/division)</li> <li>• Clarifies that the majority of the voting rights may not be a prerequisite to control where the remaining shareholders are dispersed (de facto control)</li> </ul>	<ul style="list-style-type: none"> <li>• Consider whether assessment of consolidated SPEs used in funding structures should change under IFRS 10 (particularly BEE structures)</li> <li>• Consider the ability of contractor miners to control the mine plan (relevant activity) and their exposure to variable returns from the mine. This may also impact the assessment of the mine as a leased asset</li> <li>• Consider project financing and the rights of funding providers.</li> <li>• Evaluate the entities funding of rehabilitation funds through cell captives</li> <li>• Evaluate large shareholdings in entities where the remaining shareholders are dispersed</li> </ul>
<b>IFRS 7 New Disclosures for Offset Financial Assets and Financial Liabilities</b>	01 Jan 2013	Retrospective	Medium	<ul style="list-style-type: none"> <li>• Disclosures about the rights of set-off and related arrangements on an entity's financial position</li> <li>• Disclosure of the gross financial asset and financial liability subject to an offsetting arrangement</li> </ul>	<ul style="list-style-type: none"> <li>• Consider how information will be collected, aggregated and presented in the financial statements and the overall message to users of the accounts</li> </ul>

Amendments and new standards	Effective date	Prospective or retrospective application	Impact on the mining industry	What is this about?	Things to think about
<b>IAS 32 Amended Guidance on Offsetting of Financial Assets and Financial Liabilities</b>	01 Jan 2014	Retrospective	Medium	<ul style="list-style-type: none"> <li>Clarify the meaning of "currently has a legally enforceable right of set-off"</li> </ul>	<ul style="list-style-type: none"> <li>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)</li> <li>Consider accounting policies and whether amendments change the application of offsetting under IAS 32 (e.g. for transactions with clearing houses)</li> </ul>
<b>IFRS 13 Fair Value Measurement (includes disclosures)</b>	01 Jan 2013	Prospective	Low	<ul style="list-style-type: none"> <li>Single standard that provides guidance on determining fair value where any IFRS requires fair value measurement</li> <li>Requires the assessment of counterparty credit risk in fair value measurement</li> <li>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</li> <li>Extends IFRS 7 fair value hierarchy disclosures to non-financial assets measured at fair value</li> </ul>	<ul style="list-style-type: none"> <li>Consider whether the new guidance changes current valuation inputs, assumptions and methodologies</li> <li>Consider knock-on effects of changes in valuation (e.g. effectiveness of hedging relationships)</li> <li>Consider the sensitivity of information, particularly in business combinations where mining rights and resources are fair valued</li> <li>Consider how information will be collected, aggregated and presented in the financial statements and the overall message to users of the accounts</li> </ul>
<b>IFRS 12 Disclosure of Interests in Other Entities</b>	01 Jan 2013	Retrospective	Low	<ul style="list-style-type: none"> <li>Disclosures about interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities</li> </ul>	<ul style="list-style-type: none"> <li>Consider whether unconsolidated BEE vehicles would meet the definition of an unconsolidated structured entity</li> </ul>

Amendments and new standards	Effective date	Prospective or retrospective application	Impact on the mining industry	What is this about?	Things to think about
<b>IFRS 10 Consolidated Financial Statements Exemption for Investment Entities</b>	01 Jan 2014	Retrospective	Low	<ul style="list-style-type: none"> <li>Provides a mandatory exemption from the normal consolidation principles for investment entities. Investees will be measured at fair value through profit or loss</li> </ul>	<ul style="list-style-type: none"> <li>Consider the impact of full fair value measurement on profit or loss, the balance sheet and performance metrics (EPS)</li> <li>Consider how information will be collected, aggregated and presented in the financial statements and the overall message to users of the accounts</li> </ul>
<b>IFRS 9 Financial Instruments: Classification and Measurement</b>	01 Jan 2015	Retrospective with transitional relief	Low	<ul style="list-style-type: none"> <li>Classification and measurement requirements for financial instruments based on a combined business model and contractual cash flow test</li> <li>Entities may recognise changes in their own credit risk for fair valued financial liabilities in Other Comprehensive Income</li> </ul>	<ul style="list-style-type: none"> <li>Consider the appropriate classification of assets carried to fund rehabilitation obligations in terms of the entities business model and the cash flow characteristics of the instrument</li> <li>Administration and cost of fair value hedging of the entities own liabilities may be reduced as the fair value movements on the liability will automatically offset with the fair value movements on the hedging instrument in profit or loss</li> </ul>
<b>IFRS 7 Amended Disclosures for Transfers of Financial Assets</b>	01 Jul 2011	Prospective	Low	<ul style="list-style-type: none"> <li>Disclosures about financial assets that are transferred but not derecognised and continuing involvement in transferred financial assets that have been derecognised</li> </ul>	

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