CHAPTER NINE
Group accounts

9.1 GROUP ACCOUNTS

Adaptation, interpretation and application for the public sector context

9.1.1.3 The following adaptation of IFRS 10 and of IAS 28 for the public sector context applies:

- Where an authority has investments in associates and/or interests in joint ventures but no interests in subsidiaries, Group Accounts that include these interests in associates and joint ventures shall still be prepared (see paragraphs 9.1.2.42 and 9.1.4.43).

9.1.1.4 The following interpretation of IAS 27 for the public sector context applies:

- Where an authority has investments in subsidiaries, associates or interests in joint ventures the option to equity account in the separate financial statements (known as single entity financial statements in the Code) is withdrawn.

9.1.1.5 The following adaptation of IFRS 3 for the public sector context applies:

- Combinations of public sector bodies (ie local government reorganisation and other transfers of function from one public sector body to another) are deemed to be combinations of businesses under common control and as such are excluded from the scope of this section of the Code. For the accounting treatment of combinations of public sector bodies see section 2.5 of the Code.

9.1.1.6 Local authority pension funds shall not be considered for consolidation in Group Accounts (see section 6.4 of the Code). Authorities in Scotland should consider the consolidation of Common Goods Fund within Group Accounts.

9.1.1.7 Authorities with interests in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered not material.

9.1.1.8 Where Group Accounts are required, authorities shall produce the financial statements as set out in section 3.4 of the Code and the disclosures, as required by paragraphs 9.1.4.1 to 9.1.4.31.

9.1.1.9 The accounting for business combinations (ie subsidiaries and associates) covered by this section of the Code does not apply to the formation of a joint venture, the acquisition of an asset or a group of assets that does not constitute a business[1] and a combination of entities or businesses under common control (ie the combination of two or more public sector bodies into one new body, or the transfer of functions from the responsibility of one part of the public sector to another). Merger accounting should be applied where the entity in which the interest has been acquired was 100% in public sector ownership both before and after acquisition by the local authority.

9.1.1.10 The disclosure requirements of paragraphs 9.1.4.1 to 9.1.4.31 of this chapter shall be applied by a reporting authority, as appropriate, that has an interest in any of the following:

a) subsidiaries

b) joint arrangements (ie joint operations or joint ventures)

c) associates

d) unconsolidated structured entities.

9.1.1.11 Except as described in paragraph B17 of IFRS 12, the disclosure requirements in this Section of the Code apply to an authority's interests listed in paragraph 9.1.1.10 that are classified (or included in a disposal group that is classified) as held for sale or discontinued operations in accordance with section 4.9 of the Code and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

9.1.1.~~11~~12 The disclosure requirements of paragraphs 9.1.4.1 to 9.1.4.31 of this chapter do not include the following:

a) Post-employment benefit plans or other long-term employee benefit plans to which IAS 19 *Employee Benefits* applies.

b) An authority's single entity financial statements. However, if a reporting authority has interests in unconsolidated structured entities and prepares single entity financial statements as its only financial statements, it shall apply the requirements in paragraphs 9.1.4.24 to 9.1.4.~~31~~ 32 of this chapter when preparing those single entity financial statements.

c) An interest held by a reporting authority that participates in, but does not have joint control of, a joint arrangement unless that interest results in significant influence over the arrangement or is an interest in a structured entity.

d) An interest in another entity that is accounted for in accordance with chapter seven. However, a reporting authority shall apply the disclosures in paragraphs 9.1.4.1 to 9.1.4.~~31~~ 32 of this chapter:

[1] An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic or service benefits directly to investors or other owners, members or participants.

i) when that interest is an interest in an associate or a joint venture that, in accordance with IAS 28 *Investments in Associates and Joint Ventures*, is measured at fair value through profit or loss, or

ii) when that interest is an interest in an unconsolidated structured entity.

9.1.4 Disclosure Requirements

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9.1.4.31 A reporting authority shall disclose any current intentions to provide financial or other support to an unconsolidated structured entity, including intentions to assist the structured entity in obtaining financial support.

Transition for Scope Disclosure Amendments

9.1.4.32 An authority shall apply the scope disclosure amendments introduced to the Code by paragraph 9.1.1.11 and by the amended paragraph B17 of IFRS 12 (in accordance with *Annual Improvements to IFRS Standards 2014-2016 Cycle*) retrospectively in accordance with section 3.3 of and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* from 1 April 2018.

Business combinations

9.1.4.~~32~~33 An acquirer (ie reporting authority) shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of business combinations that were effected:

a) during the period

b) after the Balance Sheet date but before the financial statements are authorised for issue (see section 3.8 of the Code).

To meet the disclosure requirements in 9.1.4.32 above, the acquirer shall refer to paragraphs B64 to B66 of IFRS 3.

9.1.4.~~33~~34 An acquirer (ie reporting authority) shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognised in the current period that relate to business combinations that occurred in the period or in previous reporting periods.

To meet the disclosure requirements in 9.1.4.33 above, the acquirer shall refer to paragraph B67 of IFRS 3.

9.1.6 Changes since the ~~2016~~2017/~~17~~18Code

9.1.6.1 ~~Th~~ The Group Accounts Chapter of the Code has been amended to include the scope clarifications for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* ~~ere have been no changes to the Group Accounts chapter of the Code since the 2016/17 Code~~introduced by the *Annual Improvements to IFRSs 2014 to 2016 Cycle*.