Implementing IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities

Wednesday 27 June 2012—at the Frankfurt Marriott (Germany)

To assist you to prepare for the implementation of IFRS 11 Joint Arrangements and the related disclosures set out in IFRS 12 Disclosure of Interests in Other Entities, the IFRS Foundation will hold an intensive half-day session immediately before the IFRSs conference, on the morning of 27 June 2012.

Programme

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Presenter(s)</th>
<th>Position/Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>09:00</td>
<td>Registration and refreshments</td>
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<tr>
<td>09:30</td>
<td>Introduction</td>
<td>Jan Engström</td>
<td>Member, IASB</td>
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<tr>
<td>09:35</td>
<td>IFRS 11 Joint Arrangements</td>
<td>Alan Teixeira</td>
<td>Senior Director, Technical Activities, IASB</td>
</tr>
<tr>
<td>10:15</td>
<td>Preparer's perspective</td>
<td>Terry Thornton</td>
<td>R&amp;M Head of Accounting Policy, BP Oil UK Ltd</td>
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<tr>
<td>10:45</td>
<td>Preparer's perspective</td>
<td>Olivia Larmaraud</td>
<td>Chief Accounting Officer, PSA Peugeot Citroen, France</td>
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<tr>
<td>11:15</td>
<td>Round-table Q&amp;A</td>
<td>Panellists:</td>
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<td></td>
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<td>Jan Engström, Member, IASB</td>
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<td>Alan Teixeira, Senior Director, Technical Activities, IASB</td>
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<td>Terry Thornton, R&amp;M Head of Accounting Policy, BP Oil UK Ltd</td>
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<td></td>
<td>Olivia Larmaraud, Chief Accounting Officer, PSA Peugeot Citroen, France</td>
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<tr>
<td>11:55</td>
<td>Concluding comments</td>
<td>Jan Engström</td>
<td>Member, IASB</td>
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<tr>
<td>12:00</td>
<td>Close session</td>
<td></td>
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</table>
Special Interest Session

Implementing IFRS 11
Joint Arrangements and
IFRS 12 Disclosure of Interests in Other Entities

ALAN TEIXEIRA
Senior Director, Technical Activities
IASB

TERRY THORNTON
R&M Head of Accounting Policy
BP Oil UK Ltd

OLIVIA LARMARAUD
Chief Accounting Officer
PSA Peugeot Citroen, France

Chair:
JAN ENGSTRÖM
Member
IASB
Overview

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

Convergence
IAS 31: What needed to be improved

The structure of the arrangement is the only driver for the accounting

- Not structured through an entity
- Structured through an entity

- Jointly controlled operations
- Jointly controlled assets
- Jointly controlled entities

- Accounting for assets, liabilities, revenues and expenses in accordance with the contractual arrangements
- Proportionate consolidation
- Equity method

When arrangements are structured in entities, preparers have an accounting option
The principle in IFRS 11

IFRS 11 establishes a principle-based approach for the accounting for joint arrangements:

Parties to a joint arrangement recognise their rights and obligations arising from the arrangement.

IFRS 11: The assessments required

1st assessment

JOINT CONTROL
Do all the parties, or a group of the parties, have joint control of the arrangement?

No
Outside the scope of IFRS 11

Yes

2nd assessment

Classification of the JOINT ARRANGEMENT
Analysis of the parties’ rights and obligations arising from the arrangement

Joint Operation

Joint Venture
Assess the parties’ rights and obligations arising from the arrangement by considering:

(a) the legal form of the separate vehicle
(b) the terms of the contractual arrangement, and, if relevant,
(c) other facts and circumstances

Parties have rights to the assets and obligations for the liabilities

Joint operation

Parties have rights to the net assets

Joint venture

Accounting for assets, liabilities, revenues and expenses in accordance with the contractual arrangements

Accounting for an investment using the equity method

Structured in separate vehicles

Legal form of the separate vehicle

Does the legal form of the separate vehicle give the parties rights to the assets, and obligations for the liabilities, relating to the arrangement?

Yes

Terms of the contractual arrangement

Do the terms of the contractual arrangement specify that the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement?

Yes

Joint Operation

No

Other facts and circumstances

Have the parties designed the arrangement so that

a) its activities primarily aim to provide the parties with an output (i.e., the parties have rights to substantially all the economic benefits of the assets held in the separate vehicle) and
b) it depends on the parties on a continuous basis for settling the liabilities relating to the activity conducted through the arrangement?

Yes

Joint Venture

No

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Structured in separate vehicles

continued

• Why the Board chose not to have a rebuttable presumption that a joint arrangement in a separate vehicle is a joint venture.

• Will there be many joint operations structured through separate vehicles? How common will the following two instances be?

  a) contractual terms reverse the legal feature of the separate vehicle, or
  b) ‘other facts and circumstances’ convey the parties with rights to the assets and obligations for the liabilities relating to the arrangement

Example - Contractual terms reverse the legal features of the separate vehicle

• A and B (the parties) set up a separate vehicle (entity H) and a Joint Operating Agreement (JOA) to undertake oil and gas exploration, development and production activities.

• The main feature of entity H’s legal form is that it causes the separate vehicle to be considered in its own right.

• The JOA specifies that the rights and obligations arising from the exploration, development and production activities shall be shared between the parties (ie the permits, the production obtained, all costs associated with the activities, taxes payable etc).
Example - Other facts and circumstances

- Two parties structure a joint arrangement in an incorporated entity (entity C) in which each party has a 50 per cent ownership interest. The purpose of the arrangement is to manufacture materials required by the parties for their own individual manufacturing processes.

- The legal form of entity C (an incorporated entity) through which the activities are conducted initially indicates that the assets and liabilities held in entity C are the assets and liabilities of entity C.

- The contractual arrangement between the parties does not specify that the parties have rights to the assets or obligations for the liabilities of entity C.

- The parties are each obliged to purchase half of the output produced by entity C. Entity C cannot sell any of the output to third parties, unless this is approved by the two parties to the arrangement. Because the purpose of the arrangement is to provide the parties with output they require, such sales to third parties are expected to be uncommon and not material.

- The price of the output is set at a level that is designed to cover the costs of production and administrative expenses incurred by entity C. On the basis of this operating model, the arrangement is intended to operate at a break-even level.
Improvements

Enhanced verifiability and understandability

- the accounting reflects more faithfully the economic phenomena that it purports to represent

Improved consistency

- it provides the same accounting outcome for each type of joint arrangement

More comparability among financial statements

- it will enable users to identify and understand similarities in, and differences between, different arrangements

Other features

Effective Date

- Aligned effective date for IFRS 10, IFRS 11 and IFRS 12
  - Annual periods beginning on or after 1 January 2013
  - Earlier application permitted if applied as a package

Simplified transition

- Amendment to IFRS 11 published in June 2012 will simplify the transition requirements by:
  - requiring an entity to present the quantitative information required by paragraph 28(f) of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, for the immediately preceding period when the IFRS is first applied (instead of requiring adjustments to the beginning of the earliest period presented).
Scope

Combined disclosure standard for:

- Subsidiaries
- Joint arrangements
- Associates
- Unconsolidated structured entities
Disclosure objective

To disclose information that helps users of financial statements evaluate:

(a) the nature of, and risks associated with, an entity’s interests in other entities, and

(b) the financial effects of those interests on the entity’s financial position, financial performance and cash flows

Meeting the disclosure objective

Disclosures

• significant judgements and assumptions made
• information about interests in:
  – subsidiaries
  – joint arrangements and associates
  – unconsolidated structured entities
• any additional information that is necessary to meet the disclosure objective

Strike a balance between overburdening financial statements with excessive detail and obscuring information as a result of too much aggregation
Joint arrangements and associates

Nature, extent and financial effects of interests in joint arrangements and associates, eg

- List and nature of interests in individually-material joint arrangements and associates
- Detailed quantitative summarised financial information for each individually-material JV and associate, and in total for all others
- Fair value of investments in individually material JVs and associates (if published quoted prices available)
- Unrecognised share of losses of JVs and associates
- Nature and extent of any significant restrictions on transferring funds

Nature of, and changes in, the risks associated with the involvement

- Commitments and contingent liabilities
Areas where differences will still persist

<table>
<thead>
<tr>
<th></th>
<th>IFRS 11</th>
<th>US GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint arrangement</td>
<td>An arrangement of which two or more parties have joint control.</td>
<td>The US GAAP glossary defines ‘corporate joint venture’. ‘Joint control’ is not included in that definition.</td>
</tr>
<tr>
<td>Joint control</td>
<td>The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.</td>
<td>There is not an authoritative, defined concept of ‘joint control’. The term is referred to only in the industry guidance for real estate. The term is defined in the US GAAP Glossary: ‘Joint control occurs if decisions regarding the financing, development, sale or operations require the approval of two or more of the owners.’</td>
</tr>
<tr>
<td>Accounting</td>
<td>Accounting depends on the classification of the arrangements which is based on the rights and obligations of the parties.</td>
<td>Accounting depends very closely on the legal form of the entity in which the arrangements have been structured and it varies by industries.</td>
</tr>
</tbody>
</table>

Convergence continued

- It is expected that convergence will increase for arrangements structured in **separate vehicles** that can be considered in their own right such as corporations.

- In this case, US GAAP requires the use of the **equity method**.

- We expect the majority of such arrangements to be ‘joint ventures’ in accordance with IFRS 11 and, as a result, to be accounted for using the **equity method**.
Expressions of individual views by members of the IASB and its staff are encouraged. The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.
## BP - our IFRS 11 implementation experience (to date)

**IFRS Foundation Conference**
Terry Thornton: Frankfurt – 27th June 2012

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### Who are we? – BP at a glance

BP is one of the world’s leading international oil and gas companies. We operate or market our products in more than 80 countries, providing our customers with fuel for transportation, energy for heat and light, retail services and petrochemicals products for everyday items.

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>83,400 (at 31 Dec 2011)</td>
</tr>
<tr>
<td>Sales and other operating revenues</td>
<td>$ 375,517 million (year 2011)</td>
</tr>
<tr>
<td>Replacement cost profit (loss)</td>
<td>$ 37,183 million (year 2011)</td>
</tr>
<tr>
<td>Proved reserves</td>
<td>17.748 million barrels of oil equivalent</td>
</tr>
<tr>
<td>Service stations</td>
<td>21,800 (at 31 Dec 2011)</td>
</tr>
<tr>
<td>Exploration and production</td>
<td>Active in over 30 countries (year 2011)</td>
</tr>
<tr>
<td>Refineries (wholly or partly owned)</td>
<td>16</td>
</tr>
<tr>
<td>Refining throughput</td>
<td>2,352 thousand barrels per day</td>
</tr>
</tbody>
</table>
**Downstream:** 12 SPUs operating across 73 countries

- Lubricants
- Petrochemicals
- Fuels**

** includes Global Fuels SPU, Refining, trading and optimization and the Fuels Value Chain SPUs.

**Business Models in Downstream**
- Lubricants
- Petrochemicals
- Fuels**

**Jointly Controlled Assets**
- More than 250 arrangements in total
- More than 200 JCEs* and Associates
- More than 50 Jointly Controlled Assets*

28 reviewed centrally under IFRS 11 (90% of our share of non-current assets)

*As defined in IAS 31
Approach to Classification Process (1)

Reviews led by the “Central” team:

Classification process started in mid-2011

Obtained & reviewed contracts

Understood business model of each arrangement (e.g. customers, financing etc)

Documented detailed analysis and conclusions

Ensured alignment with business and auditors

Approach to Classification Process (2)

Reviews by the “Business” teams:

A coordinator was identified in the business

Education

Reviews performed by local business teams with support from central team

Materiality threshold
Challenges of Classification Process

- Volume of arrangements to review
- Ability to dedicate resources (central team and business teams)
- Availability and language of contracts
- Understanding business model of arrangements
- Communication of principles to non-technical specialists
  - Other Facts and Circumstances
  - Change in terminology
- Judgement required to classify certain arrangements
- Engagement with joint arrangement partners

Outcome of “central” review

**IAS 31 Classification**

- Jointly Controlled Assets: 2
- Jointly Controlled Operations: 0
- Jointly Controlled Entities: 6
- Associates: 15
- Joint Operations: 1
- Joint Ventures: 3
- Associates: 1

**IFRS 11 Classification**

- Jointly Controlled Assets: 8
- Jointly Controlled Operations: 18
- Jointly Controlled Entities: 2
Accounting for JOLEs: Accounting Challenges

Elimination of transactions with Joint Operator on Consolidation

- Vast majority of transactions of a JOLE are likely to be with the owners - e.g. purchases and sales of inputs and outputs; operator fees.
- Which transactions to fully eliminate and which to partially eliminate?

Entity ownership share = share of non-current assets?
- ‘Sole risk’ capex projects & other arrangements

Differences to local GAAP

- Maintain separate ledgers for local reporting e.g. equity accounting under US GAAP for downstream activities
- Have all historic adjustments to IFRS been made?

Accounting for JOLEs: Information Challenges

Are all parties to the JOLE IFRS reporters?

- Agreement of all parties to JOLE performing additional work required
- Sharing of additional costs incurred by JOLE
- Differences in timing of adopting IFRS 11 between parties

Availability of information from the operating party

- Additional resources required in JOLE to provide quarterly information
- Ability to meet close deadlines
- Additional disclosure requirements for listed company reporting compared to previous local statutory accounts reporting
- Re-statement of Group comparative data
Accounting for JOLEs: Systems Challenges

Group reporting coding and reporting unit changes

- New reporting unit required for share of each JOLE
- New balance sheet, income statement codes for transactions and balances between Joint Operator and JOLE to ensure appropriate eliminations are made
- Changes in reporting for other Group companies
- Impact of segmentation

Taking partial feed from underlying Legal Entity ledger

- Method of extraction of data from underlying legal entity ledger for Group reporting feed
- Systems compatibility of non-operated JOLEs

Cost Considerations

- Estimated Downstream total implementation cost: $3m+
  - Staff costs
    - Approx 30-40 BP staff (equivalent to approx. 10 FTEs) involved in Downstream classification and implementation process
  - Travel costs
    - Training courses, implementation assurance visits
- Ongoing costs post 1 January 2013:
  - Costs of implementing more frequent reporting by non-operated JOs
  - Additional staff time needed to review JO submissions and eliminations versus equity accounting
  - Additional disclosure
Disclosures

- Comparative data re-statement, 2008-2012 quarter by quarter
- Full disclosure set for Joint Operation Legal Entities
  - Ability to obtain timely data from non-operated JOs
  - Additional disclosures required e.g. lease, capital and other contractual commitments
- Unrecorded commitments of and to Joint Ventures

Lessons learned

- Start early
- Engagement with joint arrangement partners is vital
- Focus on understanding the arrangement in detail
- Accounting for transactions with JOLEs is complex
- Comparative data re-statement can be challenging
Who are we?: PSA Peugeot Citroën at a glance

- PSA Peugeot Citroën is a car maker:
  - 2011 key figures: Sale and Revenue = € 59,912 Million (M), Recurring operating income = € 1,315 M; Operating income = € 898 M
  - Consolidated profit = € 784 M
  - Number of employees = 209,019 people under permanent of fixed-term contracts

- Operating Segments – 2011 Revenue with third parties:
  - Automotive Division (design, manufacture and sale of passenger cars and light commercial vehicles under Peugeot and Citroën Brands) – revenue € 42,662 M
  - Automotive Equipment Division (Faurecia Group) – revenue € 14,092 M
  - Transportation and Logistics Division (Gefco Group) – revenue € 1,451 M
  - Finance Division (Banque PSA Finance Group, wich provides retail financing to customers of the Peugeot and Citroën brands and wholesale financing to the two brands’dealer network – revenue € 1,583 M

- The geographical segment figures:
  - 2011 Sales and Revenue: Europe € 43,836 M, Russia € 1,698 M, Asia € 2,833 M, Latin America € 5,495 M, Rest of the world € 6,140 M
  - 2011 Number of employees: France 101,330, Rest of Europe 59,790, Rest of the world 25,100

- The geographical presence of our jointly controlled entities (JCES)
  - Our JCES are located mainly in Europe for the up-partnerships (<10 entities in Automotive Division), and in China for the down-partnerships (2 entities in Automotive Division).
Main matters considered when implementing IFRS 11

- IFRS 11 was analysed and presented to all operating segment (Automotive, Transportation and logistics, Automotive Equipment, Finance division) by the Group accounting standards department

- Most significant and complex contracts in the Group are in the Automotive Division:
  - Group Accounting Standards department and Group controlling department were specially involved in the analysis of the contracts.
  - All arrangements in Automotive Division are material and each of the corresponding contracts was analysed individually.

- All other business units analysed their own contracts based on the requirements of the standard

- IFRS 11 principles were also presented to the Top management and to the specific department negotiating contracts

Main matters considered when implementing IFRS 11

- An internal implementation guidance was prepared for the analysis of the contracts in the Automotive Division

  - The analysis of our contracts helped us putting together the implementation guidance

  - This guidance will be also helpful for the analysis of new potential partnerships

  In all cases, the analysis should be made considering all the terms of the contract

- Changes in the system’s settings

  - When a contract is a “Joint Operation”, the recognition of assets / liabilities / revenues/ expenses is not always equal to “proportionate consolidation”, specially when the ownership interest in the JO does not equal the company’s share in the assets / liabilities / revenues/ expenses.

  - The share of assets / liabilities / revenues/ expenses recognised is assumed to be the Group’s own share.

  => transactions with the Group are fully eliminated
Main matters considered when implementing IFRS 11

- To be done: auditing data and data collection with a shorter deadline for Joint Operation
  - Data have to be obtained for the open data of the first year presented and for periods after:
    - Assets / liabilities, revenue / expenses, flows (opening to closing balance)
    - More information needed than before if the entities were accounted for under “Equity method”
    - Audit of new data to be organised
  - Time reduced for reporting (longer deadlines were given to entities under “equity method”)
  - Collection x 2 for one year (limited information available for “equity method”, but more extensive information for IFRS11 purposes)
- 2 consolidations to be run in the system for the year N-1
  For Financial Statements prepared in accordance with IAS31 in year N-1 in order to provide information in the notes about the effect of IFRS11 (standard applied in year N ⇒ comparative figures for year N-1).

How did we analyse these contracts?

- Analysis process contract by contract:
  - Step 1: assessment of control and confirmation of joint control
  - Step 2 (if joint control is confirmed):
    - Classification as Joint Operation or Joint Venture by analysing:
      - Entity’s legal form when applicable
      - Contractual terms of the agreements and, when relevant, analysis of other facts and circumstances
  - Analyses performed with operational and finance departments involved in the management of these partnerships.
  - Identification of:
    - How the partnership has been negotiated, and how it is financed
    - How the partnership is operated, how the outputs are shared, is there sole and joint activities

As of today, the classification exercise has not been a huge challenge
IFRS 11 is clear enough to classify our on-going arrangements in the Automotive Division as Joint Venture or Joint Operation

In the Automotive: 2 types of partnerships
structured through a contract or through a separate entity
Our “contract partnerships” business model

Through a contract – no separate entity:
- Joint decision on development of engines
- Partner A is responsible to operate the development and the production of engine X
- Partner B is responsible to operate the development and the production of engine Y
- Each partner is responsible of its own assets and costs – including at the end of the contract – and its own liabilities
- The partners share the outputs (engines)

Our “contract partnerships” : IFRS 11 analysis

IFRS 11.B17

The contractual arrangement often describes the nature of the activities that are the subject of the arrangement and how the parties intend to undertake those activities together. For example, the parties to a joint arrangement could agree to manufacture a product together, with each party being responsible for a specific task and each using its own assets and incurring its own liabilities. The contractual arrangement could also specify how the revenues and expenses that are common to the parties are to be shared among them. In such a case, each joint operator recognises in its financial statements the assets and liabilities used for the specific task, and recognises its share of the revenues and expenses in accordance with the contractual arrangement.

⇒ Partner A
  - recognises its own assets (Engine X)
  - no derecognition of a share of its assets in relation with the production capacity reserved by B
  - no recognition of a share of B's assets

& Partner B
  - recognises its own assets (Engine Y)
  - no derecognition of a share of its assets in relation with the production capacity reserved by A
  - no recognition of a share of A's assets
**DOWN-partnership entities: business model**

- **DOWN-partnerships**:  
  - 2 car makers have joint control over the entity (unanimous consent on investment, budget, dividends, strategy, business model ... )  
  - The partners do not share the outputs  
  - The entity is exposed to Market Risks (prices, inventories, ... )

[Diagram showing the business model of DOWN-partnership entities]

**=> Classified as JOINT VENTURE**

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**DOWN-partnership entities: change in presentation**

- A big change for companies applying proportionate method to investments in countries where partnership are mandatory because of local law, and due to the fact that it cannot be classified as Joint Operation when applying IFRS11.  
- A solution could be to present the share in net result of companies at equity as operating results, but:
  - May concern both operating and financing entities at equity  
  - But as Revenue is not recognised, this would not permit to show the increase of activity in those countries, and would affect the % of operating margin (Margin/Revenue)
UP- partnership entities: business model

- **UP-Partnerships:**
  - 2 car makers have joint control over the entity (unanimous consent on investments, budget, cost + business model...)
  - The separate entity undertakes Research & Development or manufactures vehicles for both car makers and might also manufacture sole products for one of the partners
  - Nearly all the outputs are shared by the partners (except for sole products)
  - The entity could be, or not, financed by the partners (loans from partners)
  - The entity is often managed at cost + margin. Results are more or less important.

![Diagram]

**Separate entity**
- R&D or Vehicles production

**External suppliers**
- Purchases
- Investments

**Partner A**
- Financing
- Outputs sold at cost + margin

**Partner B**
- Financing

=> Classified as JOINT OPERATION

Impact of IFRS11 on the balance sheet

1. **Entity financed through capital**
   - With no external debt

<table>
<thead>
<tr>
<th>Joint Operation at 100%</th>
<th>Partner A</th>
<th>Partner B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets 100 000 Capital 50 000</td>
<td>50 000 Partner A</td>
<td>50 000 Partner B</td>
</tr>
<tr>
<td>JO investment 50 000</td>
<td>Financial debt 50 000</td>
<td></td>
</tr>
</tbody>
</table>

**Consolidated financial statements**

| Assets 50 000 | Capital 50 000 | Financial debt 50 000 |

- % of assets, liabilities recognised 50%
- No new debt

=> No new debt
=> Industrial assets instead of investment in equity
## Impact of IFRS11 on the balance sheet

### 2 – Entity
- with capital and external debt guaranteed by the partners

<table>
<thead>
<tr>
<th>Joint Operation at 100%</th>
<th>Partner A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets 100 000 Capital</td>
<td>25 000 Partner A 25 000 Partner B</td>
</tr>
<tr>
<td></td>
<td>50 000 External Debt guaranteed by the partners</td>
</tr>
</tbody>
</table>

**Consolidated financial statements**

| Assets 50 000 Capital | Partner A Financial Debt 25 000 | JO Financial Debt 25 000 |

⇒ New debt recognised
⇒ Industrial assets recognised instead of investment in equity

### 3 – Entity essentially financed by external debt not guaranteed by partners
- A small amount of capital
- External Debt not guaranteed by the partners
- The only way to settle down the liabilities is through the cash flows from the sale of the out-puts

<table>
<thead>
<tr>
<th>Joint Operation at 100%</th>
<th>Partner A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets 100 000 Capital</td>
<td>50 000 Partner A 50 000 Partner B</td>
</tr>
<tr>
<td></td>
<td>99 000 External Debt not guaranteed by the partners</td>
</tr>
</tbody>
</table>

**Consolidated financial statements**

| Assets 50 000 Capital | Partner A Financial Debt 49 500 | JO Financial Debt 500 |

⇒ New recognition of Assets and liabilities
Impact of IFRS11 on the P&L

<table>
<thead>
<tr>
<th>Before (equity method)</th>
<th>After (IFRS 11 joint operation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>125</td>
</tr>
<tr>
<td>Cost of Sales - cost of acquisition to the JO</td>
<td>100</td>
</tr>
<tr>
<td>Net operating profit / margin</td>
<td>25</td>
</tr>
<tr>
<td>Share in net result of companies at equity</td>
<td>2</td>
</tr>
<tr>
<td>Revenues</td>
<td>125</td>
</tr>
<tr>
<td>Cost of Sales - cost of production by the JO</td>
<td>98</td>
</tr>
<tr>
<td>Net operating profit / margin</td>
<td>27</td>
</tr>
<tr>
<td>Share in net result of companies at equity</td>
<td>-</td>
</tr>
</tbody>
</table>

- Limited impact on P&L when UP-partnerships generates a small margin

Lessons learned

- Recommendation on implementation
  - Take the time to examine all terms of each material contract within the department involved in those contracts
  - Check your analysis
    - with Top Management
    - with your external auditors
  - If necessary, plan any changes to your consolidation system
- Assess any changes to your external communications

Any questions?

Thank you