



IFRS 10 Consolidated Financial Statements

Uphold public interest

Presentation by:
CPA Anthony M. Njiru
Lead Consultant Capacity Scape LLC
March 2021

Objective



The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.



Overview



- IFRS 10 outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls.

Effective Date



- IFRS 10 was issued in May 2011 and applies to annual periods beginning on or after 1 January 2013

Consolidated financial statements



- The financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity

Control of an investee



- An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee

Parent

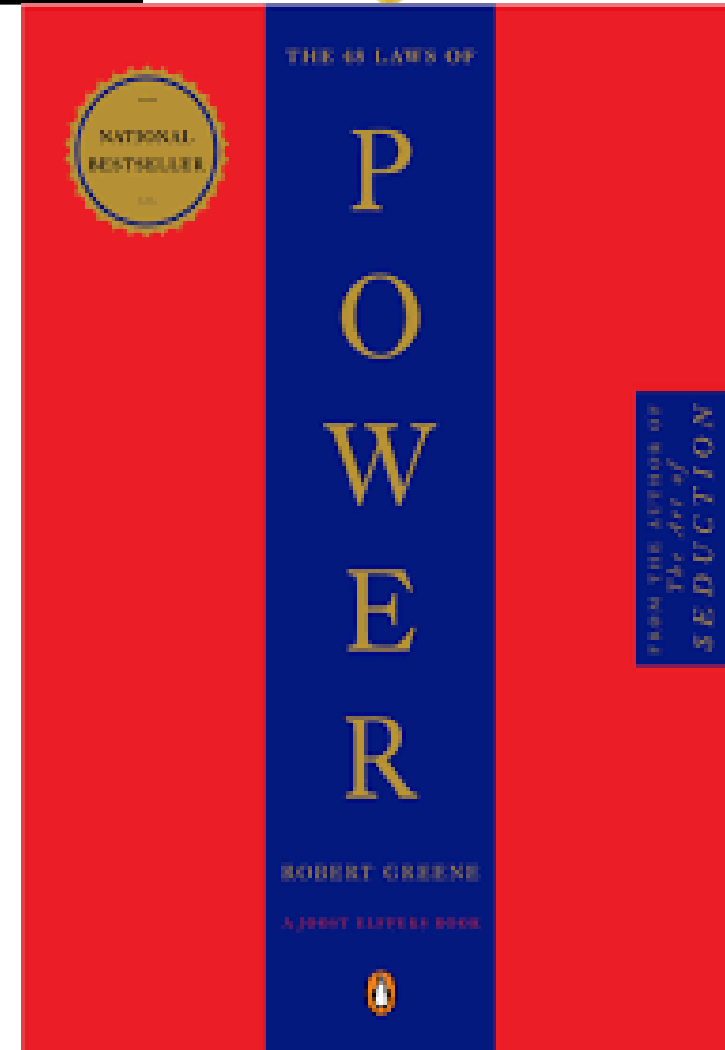


- An entity that controls one or more entities

Power



- Existing rights that give the current ability to direct the relevant activities



Protective rights



- Rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate

Relevant activities



- Activities of the investee that significantly affect the investee's returns

Investment entity



An entity that:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

Control

An investor determines whether it is a parent by assessing whether it controls one or more investees.

An investor considers all relevant facts and circumstances when assessing whether it controls an investee.

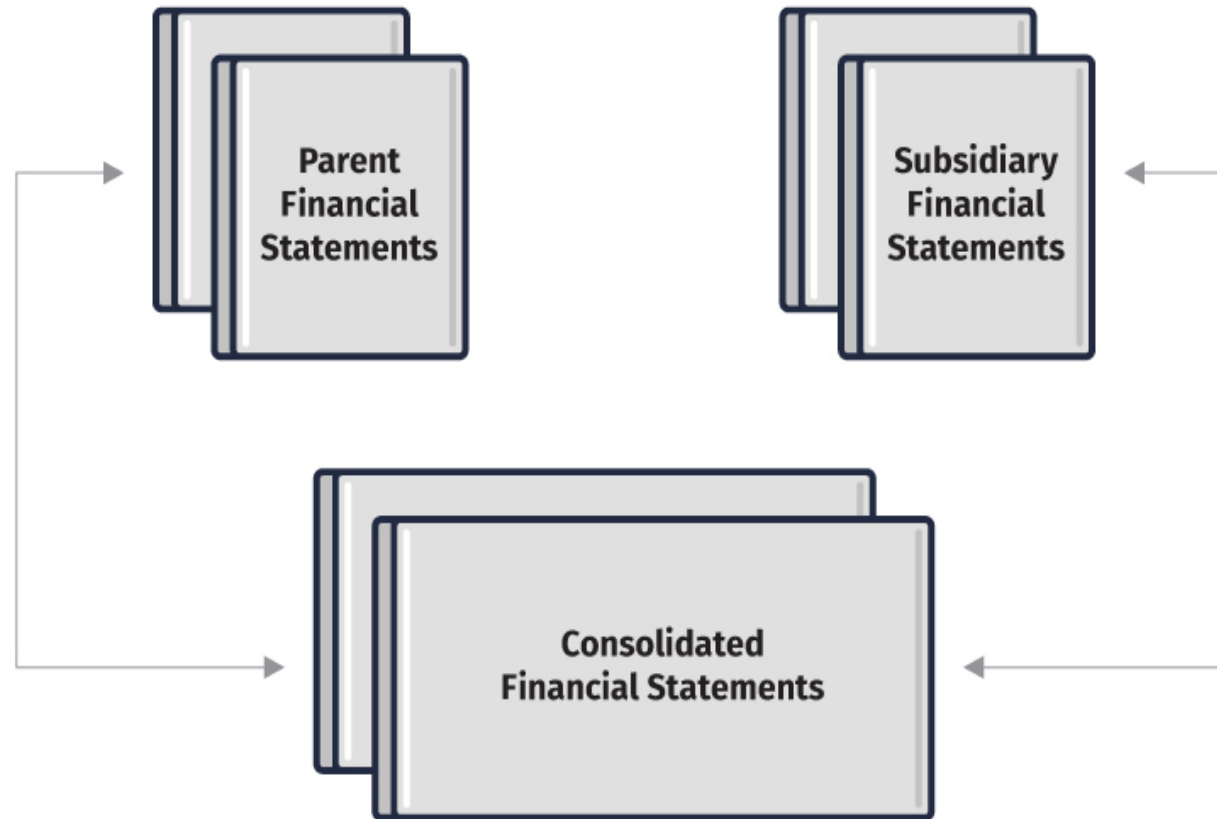
An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee

Evidence of Control

An investor controls an investee if and only if the investor has all of the following elements:

- power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect the amount of the investor's returns.

Preparation Of Consolidated Financial Statements



Accounting policies



A parent prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances



Exceptions To Consolidation

A parent need not present consolidated financial statements if it meets ALL of the following conditions:

1. It is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements

2. Its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets)
3. It did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market, and
4. Its ultimate or any intermediate parent of the parent produces financial statements available for public use that comply with IFRSs, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10

- Investment entities are prohibited from consolidating particular subsidiaries.
- Furthermore, post-employment benefit plans or other long-term employee benefit plans to which [IAS 19](#) *Employee Benefits* applies are not required to apply the requirements of IFRS 10

Consolidated financial statements



Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries

offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary ([IFRS 3](#) *Business Combinations* explains how to account for any related goodwill)

eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full).

A reporting entity includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the reporting entity ceases to control the subsidiary

The parent and subsidiaries are required to have the same reporting dates, unless impracticable.

Where impracticable, the most recent financial statements of the subsidiary are used, adjusted for the effects of significant transactions or events between the reporting dates of the subsidiary and consolidated financial statements.

The difference between the date of the subsidiary's financial statements and that of the consolidated financial statements shall be no more than three months

Non-controlling interests (NCIs)



A parent presents non-controlling interests in its consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

Changes in ownership interests

- Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transaction

- Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

Changes in ownership interests



- If a parent loses control of a subsidiary, the parent
- ❖ derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position
 - ❖ recognises any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant IFRSs

- ❖ Recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

Investment entities consolidation exemption



- The investment entity consolidation exemption was introduced by *Investment Entities*, issued on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014

an investment entity should have the following typical characteristics

- it has more than one investment
- it has more than one investor
- it has investors that are not related parties of the entity
- it has ownership interests in the form of equity or similar interests.

- An investment entity is required to measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments*

- However, an investment entity is still required to consolidate a subsidiary where that subsidiary provides services that relate to the investment entity's investment activities.

Statement of financial position

	Notes	Group		Company	
		2020 KShs'm	2019 KShs'm	2020 KShs'm	2019 KShs'm
Share capital	14	2,003.3	2,003.3	2,003.3	2,003.3
Share premium	14	2,200.0	2,200.0	2,200.0	2,200.0
Retained earnings		82,785.2	65,218.9	81,038.6	63,846.0
Proposed dividend	15	56,091.6	74,922.4	56,091.6	74,922.4
Total equity		143,080.1	144,344.6	141,333.5	142,971.7
Non-current liabilities					
Payables and accrued expenses	28(a)	985.4	1,131.0	985.4	1,131.0
Contract liabilities	29(b)	983.4	739.5	983.4	739.5
Lease liability	22(b)	11,675.3	–	11,675.3	–
		13,644.1	1,870.5	13,644.1	1,870.5
Total equity and non-current liabilities		156,724.2	146,215.1	154,977.6	144,842.2
Non-current assets					

		15,044.1	1,070.5	15,044.1	1,070.5
Total equity and non-current liabilities		156,724.2	146,215.1	154,977.6	144,842.2
Non-current assets					
Deferred income tax	17	1,104.7	1,602.9	937.4	1,566.4
Property, plant and equipment	18	129,337.2	125,217.8	128,968.7	124,820.8
Right of use (ROU) assets	22(a)	15,242.9	–	15,242.9	–
Indefeasible rights of use (IRUs)	19	3,252.1	3,553.1	3,252.1	3,553.1
Investment property	20	845.0	845.0	845.0	845.0
Intangible assets	21	6,026.2	7,385.4	6,021.8	7,379.7
Investment in subsidiaries	23(a)	–	–	431.3	431.2
Investment in associate and joint venture	23(b)	4,965.1	150.3	4,965.1	150.3
Prepaid operating lease rentals		–	56.8	–	56.8
Contract assets	29(a)	881.7	964.5	881.7	964.5
Restricted cash	26(b)	1,911.7	1,845.5	1,911.7	1,845.5
Deferred restricted cash asset	26(c)	836.1	895.5	836.1	895.5
		164,402.7	142,516.8	164,293.8	142,508.8
Current assets					
Cash and cash equivalents	26(a)	26,759.7	20,030.1	25,859.7	19,828.1
Other financial assets	27	188.6	8,043.0	–	7,866.8
Receivables and prepayments	25	17,190.3	18,126.3	16,801.9	17,206.1
Inventories	24	1,859.4	1,774.6	1,793.1	1,774.6
Current income tax		260.4	–	251.8	–
Contract assets	29(a)	2,563.8	1,984.6	2,563.8	1,984.6
		48,822.2	49,958.6	47,270.3	48,660.2

(a) Investment in subsidiaries

All subsidiaries are unlisted and have the same year end as the Company except for Safaricom Money Transfer Services Limited which has a 31 December year-end. They are all incorporated in Kenya. The investments relate to cost of shares held in the subsidiaries.

	Company	
	2020 KShs'm	2019 KShs'm
At start of year	431.2	24.0
Additional investment (Instaconnect Limited)		407.2
Additional investment (DigiFarm Limited)	0.1	–
At end of year	431.3	431.2

As at 31 March 2020, the Company's interest in its subsidiaries was as follows:

	Year end	% interest held	2020 KShs'm	2019 KShs'm
One Communications Limited and its subsidiaries ¹	31 March	100	–	–
Packet Stream Data Networks Limited	31 March	100	–	–
IGO Wireless Limited	31 March	100	–	–
Instaconnect Limited	31 March	100	411.2	411.2
East Africa Tower Company Limited	31 March	100	–	–
DigiFarm Kenya Limited ²	31 March	100	0.1	–
Safaricom Money Transfer Services Limited	31 December	100	20.0	20.0
			431.3	431.2

1 Comtec Training Management Service Limited, Comtec Integrations System Limited, and Flexible Bandwidth Service Limited.

2 In October 2019, DigiFarm was incorporated as a 100% owned subsidiary by Safaricom PLC. The nominal share capital of the Company is 100,000 divided into 1,000 ordinary shares of KShs 100 each. The entity is primarily designed to offer agribusiness tech support services to Kenyan farmers linking the entire

- 1 Comtec Training Management Service Limited, Comtec Integrations System Limited, and Flexible Bandwidth Service Limited.
- 2 In October 2019, DigiFarm was incorporated as a 100% owned subsidiary by Safaricom PLC. The nominal share capital of the Company is 100,000 divided into 1,000 ordinary shares of KShs 100 each. The entity is primarily designed to offer agribusiness tech support services to Kenyan farmers linking the entire production chain by connecting producers to buyers and cushioning farmers from middlemen. Other expected value addition to the DigiFarm model will be filling the gaps below:
 - Access to financial services – credit & insurance.
 - Access to Quality inputs.
 - Knowledge on best farming practices through Extension services.
 - Access to market and post-harvest loss management.

The subsidiary is still in its initial set up stages operationally.



Consolidated Statement of Financial Position

at 31 December

	Notes	2020 \$m	2019 \$m	2018 \$m
Assets				
Non-current assets				
Property, plant and equipment	7	8,251	7,688	7,421
Right-of-use assets	8	666	647	–
Goodwill	9	11,845	11,668	11,707
Intangible assets	10	20,947	20,833	21,959
Investments in associates and joint ventures	11	39	58	89
Other investments	12	1,108	1,401	833
Derivative financial instruments	13	171	61	157
Other receivables	14	720	740	515
Deferred tax assets	4	3,438	2,718	2,379
		47,185	45,814	45,060
Current assets				
Inventories	15	4,024	3,193	2,890
Trade and other receivables	16	7,022	5,761	5,574
Other investments	12	160	849	849
Derivative financial instruments	13	142	36	258
Income tax receivable		364	285	207
Cash and cash equivalents	17	7,832	5,369	4,831
Assets held for sale	18	–	70	982
		19,544	15,563	15,591
Total assets		66,729	61,377	60,651
Liabilities				
Current liabilities				

AstraZeneca has assessed the impact of the uncertainty presented by the COVID-19 pandemic on the Financial Statements, specifically considering the impact on key judgements and significant estimates along with several other areas of increased risk.

A detailed assessment has been performed, focusing on the following areas:

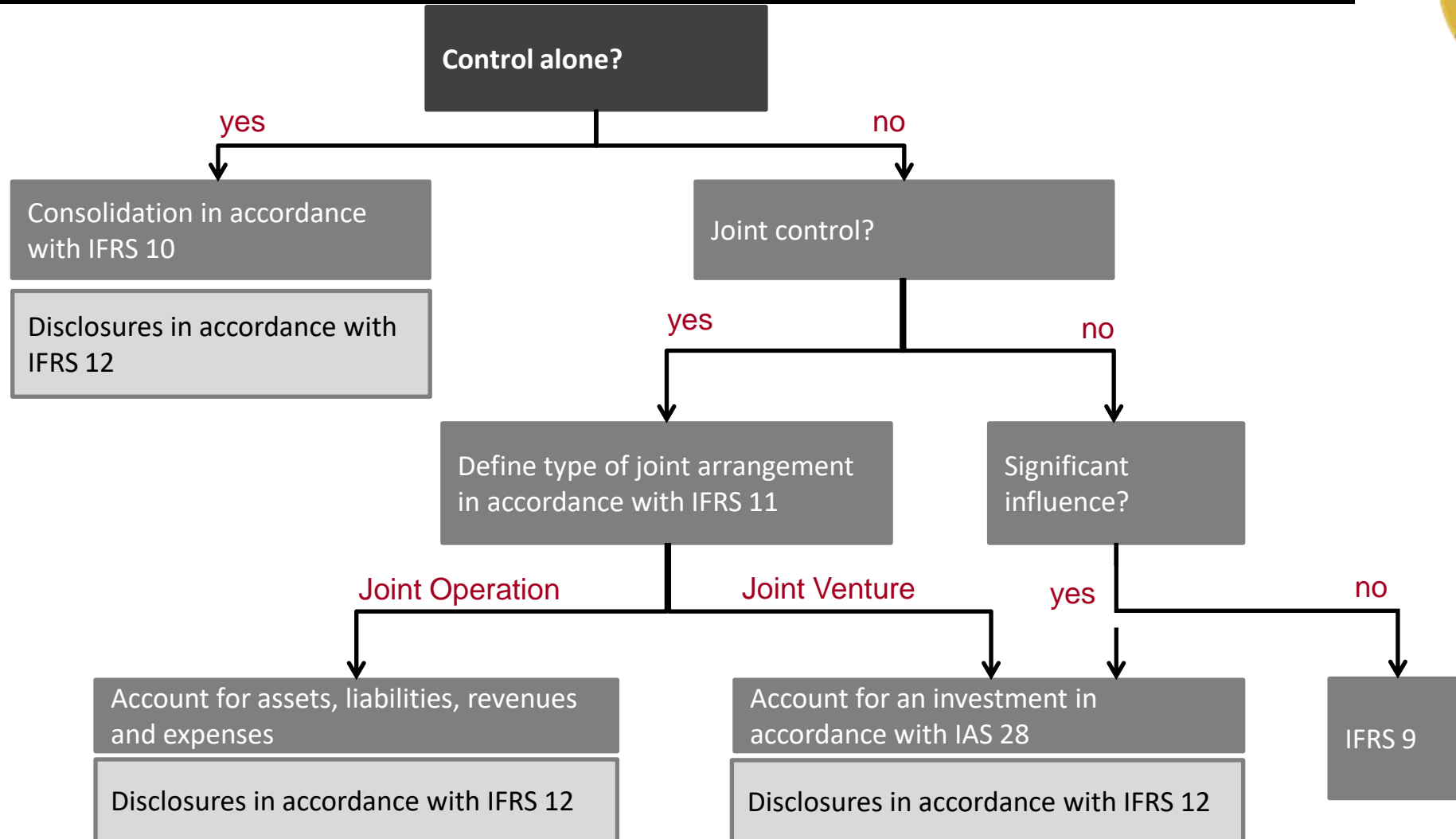
- > recoverable value of goodwill, intangible assets and property, plant and equipment
- > impact on key assumptions used to estimate contingent consideration liabilities
- > key assumptions used in estimating the Group's defined benefit pension obligations
- > basis for estimating clinical trial accruals
- > key assumptions used in estimating rebates and chargebacks for US Product Sales
- > valuations of unlisted equity investments
- > expected credit losses associated with changes in credit risk relating to trade and other receivables
- > net realisable value of inventories
- > fair value of certain financial instruments
- > recoverability of deferred tax assets
- > effectiveness of hedge relationships.

No material accounting impacts relating to the areas assessed above were recognised in the year.

The Group will continue to monitor these areas of increased judgement, estimation and risk for material changes.



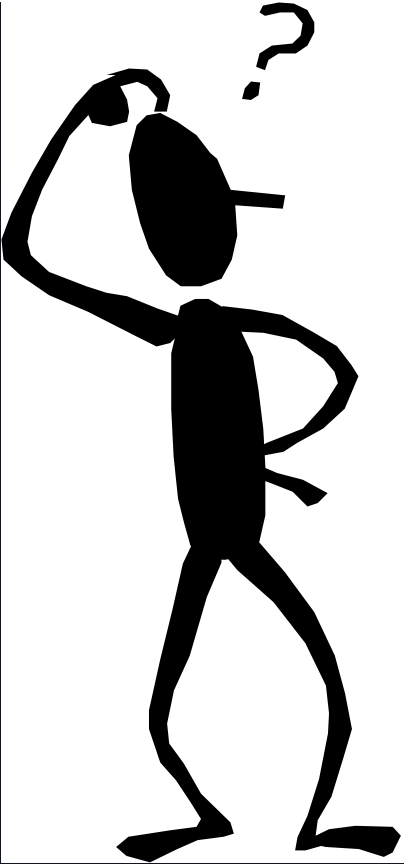
Interaction between IFRS 10,11,12, and IAS 28





Execution/Implementation

The Capacity Fountain Action renews the world.



Questions and
discussions

.....

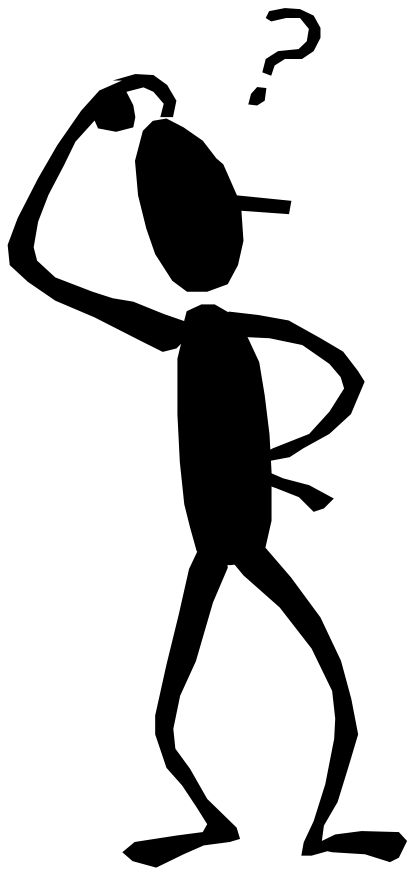
CPA Anthony
Muthee Njiru

0722 241 005



Capacity Scape LLC... Your partner in
Corporate training
Strategic planning
Policy formulation
Team Building

The Capacity Fountain Action renews the world..... 0713 086 026



Questions and discussions

CPA Anthony M. Njiru

0722 241 005

toniemnjiru@gmail.com

Capacity Scape LLC... Your partner in
Corporate training
Strategic planning
Policy formulation
Team Building



The Capacity Fountain Action renews the world.