Purpose

To establish decisions, directions and precedents which act as a reference for financial reporting and are the basis from which the University’s accounting procedures are determined.

Scope

This Policy should be consistently applied by the University, as well as all of its controlled entities, for both their financial reporting responsibilities and group consolidation purposes.

This Policy is applied in accounting for investments in associates and joint ventures. This Policy is not applied to investments in associates and joint ventures classified as held for sale, which is covered by the policy Non-Current Assets Held for Sale and Discontinued Operations.

Investments in Associates

Measurement

Investments in an associate are accounted for in the University’s financial statements using the cost method and in the consolidated financial statements using the equity method from the effective date of acquisition of the associate.

Under the equity method, the investment is initially recognised at cost. Cost is the fair value of the consideration paid by the Group. The Group’s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The carrying amount of the investment is increased or decreased to recognise the Group’s share of the profit or loss of the investee after the date of acquisition. The profit or loss of the investee is reflected in the Group’s total profit or loss for the period, in accordance with the interest share the Group has in the investee. Distributions received from associates are recognised in the University’s income statement, while in the consolidated financial statements they reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group’s proportionate interest in the investee arising from changes in the investee’s equity that have not been recognised in the
investee’s profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group’s share of those changes is recognised directly in equity of the Group.

When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

**Equity Accounting Adjustments**

Adjustments similar to those required for the purposes of including controlled entities in the consolidated financial statements should be made when the associates are incorporated into the Group’s consolidated financial statements. The following adjustments should be made:

- to achieve consistency of accounting policies where the accounting policies of the University and its associates are inconsistent;
- to notionally set up goodwill arising on the acquisition of the associate and to deal with fair value adjustments;
- to eliminate unrealised gains (to the extent of the Group’s interest in the associates) or losses on transactions between the Group and its associates; and
- to translate the results of overseas associates if it is applicable.

**Discontinuing Equity Accounting**

The Group ceases to use the equity method from the date on which the Group ceases to have significant influence over the associate or on the date the investment is classified as held for sale.

When the Group ceases to have significant influence over the associate, the carrying value of the remaining interest in the entity should be regarded as its cost on initial measurement as a financial asset based on the percentage retained of the final carrying amount for the associated entity at the date that it ceases to be an associate.

**Impairment**

After application of the equity method, including recognising the losses of the associate, the University should assess whether it is necessary to recognise any additional impairment loss with respect to the Group’s net investment in the associate.

Because goodwill included in the carrying amount of an investment in an associate is not separately recognised, the entire carrying amount of the investment is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.
Investments in Joint Ventures

Cooperative Research Centres

The main form of joint venture the University enters into is Cooperative Research Centres (CRC). The Group has interests in CRC which requires the Group to contribute in cash and in kind based on the proportion of the interest the Group has in the CRC.

Contributions in cash and in-kind are expensed and included in the income statement. The Group's share of contributions is not included in the balance sheet. In the event that a CRC's research results in a move to commercialisation, a separate legal entity is established and the Group's share of the new entity is treated as an available-for-sale financial asset, joint venture, associate or controlled entity, as appropriate.

Definitions

An associate is an entity, including an unincorporated entity such as a partnership, over which the University has significant influence and that is neither a controlled entity nor an interest in a joint venture, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group’s share of net assets of the investee. The profit or loss of the Group includes the Group's share of the profit or loss of the investee.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The Group means the University and its controlled entities.

The University means the University of New South Wales.

References

AASB 127 – Consolidated and Separate Financial Statements
AASB 128 – Interests in Associates
AASB 131 – Interests in Joint Ventures
AASB 136 – Impairment of Assets
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