AASB 10 replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. The Standard introduces a single definition of control that applies to all entities. It focuses on the need to have power, rights or exposure to variable returns and ability to use the power to affect the returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Further variable returns are determined to be created by certain entities and absorbed by others, this is known as the creator absorber guidance. There is also new guidance on participating and protective rights, de-facto control and on agent vs. principal relationships. AASB 2012-10 provides relief from restating prior year comparatives when AASB 10 is applied for the first time. Relief is available when the accounting outcome under the current guidance is the same as applying AASB 10 as at the date of initial application. In all other situations, comparatives are to be restated retrospectively using AASB 10.

AASB 11 introduces a principles-based approach to accounting for joint arrangements. The focus is no longer on the legal structure, but rather on rights and obligations being shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement is classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate is no longer permitted. Parties to a joint operation account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous Standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

AASB 12 sets out disclosures for interests in entities that are subsidiaries, associates, joint ventures and unconsolidated structured entities. Whilst the new Standard will not affect any of the amounts recognised in the financial statements, it will require additional disclosures of interests in these entities. AASB 2012-10 provides relief from disclosing comparatives for interests in unconsolidated structured entities when AASB 12 is applied for the first time.

AASB 127 (August 2011) is renamed *Separate Financial Statements* and now deals solely with separate financial statements.

AASB 128 (August 2011) clarifies that an entity continues to apply the equity method for its retained interest where on a change of ownership a joint venture becomes an associate, and vice versa. The amendments also clarify that where a portion of an associate or joint venture is to be sold, that part to be sold is accounted for under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, and the equity method is applied to the retained portion until the portion held for sale is sold.

The Standards are effective for annual reporting periods beginning on or after 1 January 2013. The Consolidated Entity will first apply the Standards in the financial year beginning 1 April 2013.

The effect of applying AASB 10 is expected to result in consolidation of certain entities where client monies are invested and while those investors have the majority of risks and rewards, the Consolidated Entity has significant variable returns from its fee arrangement and has the power to affect these returns through its management activities.

It is also expected to result in no longer consolidating certain other entities where clients monies are invested and the investors absorb substantially all the variable returns of the entity (leaving the Consolidated Entity with insignificant returns). Further, the Consolidated Entity acts as an agent for these investors due to their substantive right to remove the Consolidated Entity from its role as manager. For other entities, the Consolidated Entity has a majority of the risk of loss through its derivatives, the purpose of the derivatives is to create exposure that is absorbed by investors. Consequently, the Consolidated Entity has insignificant variable returns in these entities.

The effect of these changes are expected to result in a decrease in Life investment contracts and other unitholder investment assets of $6,037 million (2012: $4,612 million) with a corresponding decrease in Life investment contracts and other unitholder liabilities. Further possible changes are still under consideration by the AASB and could result in an additional decrease in Life investment contracts and other unitholder investment assets of $1,189 million (2012: $1,287 million) with a corresponding decrease in Life investment contracts and other unitholder liabilities.

Initial application of AASB 11, AASB 12, AASB 127 (August 2011), AASB 128 (August 2011) and AASB 2012-10 is not expected to result in any material impact.

AASB 13 Fair Value Measurement

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures, and is effective for annual reporting periods beginning on or after 1 January 2013. The Consolidated Entity will first apply the Standard in the financial year beginning 1 April 2013. Initial application is not expected to result in any material impact.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities and AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2012-2 amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of enforceable master netting arrangements and their effect, even if assets and liabilities may not be set off on the statement of financial position under AASB 132 *Financial Instruments: Presentation*.