



## Solution 121.27

<b>Component</b>	Investment entities
<b>Index</b>	The Group
<b>Short title</b>	Consolidation – SPE set up to enjoy tax benefit

Attention: This guidance is based on the revised standards and interpretations that are mandatory for accounting periods commencing 1 January 2005. A company may early adopt an individual revised standard, but only in its entirety. Guidance based on the previous version of the standards is included in the “Applying IFRS 2004” guidance.

### Issue

An entity may control an SPE and should consolidate the SPE when in substance the activities of the SPE are being conducted on behalf of the entity according to its specific business needs, so that the entity obtains benefits from the operations [SIC-12.10(a)-(d)].

Should an entity consolidate an SPE if the activities of the SPE are managed by another party?

### Background

A Bermudan trust, A, holds 60% of the units of a Cyprus trust, C. Trust C was created by A to hold A’s investments in Russian companies.

Independent trustees (directors of a third party bank, B) have been appointed in accordance with the trust deed to govern the day-to-day operations of trust C. The independent trustees hold 100% of the voting shares of C. The trust deed can only be amended by the trustees with the agreement of A. The investment objectives of Trust C are narrowly defined.

### Solution

Yes. Trust A should consolidate C.

Trust C is likely to meet the definition of an SPE. Trust C’s objective is narrowly defined. The independent trustees have no decision making power. Trust A will receive the majority of the benefits of C and is exposed to the majority of the risks in C.