

S02.03-EL-01-I.2

I - Total Equity (Share Capital + Reserves + Non-controlling interests): General principles

2. Content

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2.1. Share capital (L10100)

Share capital should be accounted for in accordance with legal requirements.

Shares should be recognized at the moment the right is transferred to the shareholder.

2.2. Issue premiums (L11000)

In case shares are issued above par value, the nominal value of the shares issued should be recorded as share capital. The surplus paid over the par value is to be included in issue premium

2.3. Profit / Loss for the period (L12000)

Profit/loss of the year as shown in the income statement. The amount shown in the balance sheet should be **after** interim dividends and transfers and **before** appropriation of the profit/loss for the year.

2.4. Retained earnings (L12800)

This accounts is used to report:

- the accumulated profit/losses from prior years after distributions
- the reduction of equity linked to interim dividends
- all the other equity reserves not incorporated into the share capital, such as:
 - **Legal reserves:** This is composed of drawings on income.
In Belgium, for example, these drawings must by law represent at least 5% of income, up to a maximum of 10% of share capital.
 - **Unavailable reserves:** These are reserves that, under the terms of the company's articles of association, are not available for allocation by a simple majority decision of the general shareholders' meeting, or to which partners have no claim in the event of resignation or dismissal.
 - **Tax-exempt reserves:** These comprise that share of increases in value and earnings which is tax-exempt or taxed at reduced rates as long as they remain part of the company's capital.
 - **Available reserves:** Any other reserves the company constitutes by a decision of the general shareholders' meeting.

2.5. Treasury shares reserves (L12801)

The acquisition of treasury shares should be presented in the financial statements as a reduction in equity with a corresponding cash out disclosed in the cash flow statement. No gain or loss should be recognized in the income statement on the sale, issuance, or cancellation of own shares.

An obligation of an enterprise to issue or deliver its own equity instruments, such as a share option or warrant, is itself an equity instrument, not a financial liability, since the enterprise is not obliged to deliver cash or another financial asset. Similarly, **the cost incurred by an enterprise to purchase a right to re-acquire its own equity instruments from another party is a deduction from its equity, not a financial asset.**

Normally, only Solvay Stock Options is concerned by the Treasury shares reserves.

Share options (IAS 32, par 22)

A contract that will be settled by the entity (receiving or) delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is an **equity instrument**.

For example, an issued share option that gives the counterparty a right to buy a fixed number of the entity's shares for a fixed price or for a fixed stated principal amount of a bond is an equity instrument.

(...) Any consideration received (such as the premium received for a written option or warrant on the entity's own shares) is **added directly to equity**.

Any consideration paid (such as the premium paid for a purchased option) is **deducted directly from equity**. Changes in the fair value of an equity instrument are not recognised in the financial statements.

See also the note to the consolidated financial statements related to [29. Share-based payments](#)

2.6. Other Comprehensive Income

- **Cash flow hedge:** Unrealized gains and losses related to a hedge instrument in a cash flow hedge to the extent the hedge is effective.

Changes in the fair value of these financial instruments are recorded in the income statement for their ineffective part, or when the hedged item affects the income statement (sale for instance), or if the effectiveness test of the hedging instrument shows it to be ineffective.

The use of the headings **L12805**, **L12810**, **L12820** is based on the underlying hedged item (commodities, interest rates and exchange rates respectively) and cover the variation of fair value on financial instruments qualified as Cash Flow Hedge.

See also the note to the consolidated financial statements related to [23. Hedge accounting](#)

The related deferred tax is recorded under **L12860**.

- **Variation of equity instruments measured at fair value through OCI (L12830):**

It covers the variation of fair value accounted for in Equity on assets qualified as equity instruments measured at fair value through OCI.

The related deferred tax is recorded under **L12870**

- **Actuarial gain/losses on post-employment benefits (L12850)**

The defined benefits obligations are fully recognized in the Statement of Financial Position.

Actuarial gains and losses on post-employment benefits are accounted for directly in Equity under this heading, instead of amortizing unrecognized actuarial gains and losses in P&L.

See also the note to the consolidated financial statements related to Actuarial gains and losses in [9. Provisions for retirement obligations and other long-term employee benefits](#)

Deferred taxes on actuarial variations that are classified in equity are recorded under **L12840**.

2.7. Translation reserve (L12200)

This is a consolidation caption only used centrally.

The translation differences result from the conversion of balance sheets and income statements of subsidiaries with a currency other than that of the parent company.

(IAS 21, par 41)

The exchange differences (...) result from:

- (a) translating **income and expenses at the exchange rates at the dates of the transactions and assets and liabilities at the closing rate**.
- (b) translating the **opening net assets at a closing rate that differs from the previous closing rate**.

These exchange differences are not recognised in profit or loss because the changes in exchange rates have little or no direct effect on the present and future cash flows from operations. The cumulative amount of the **exchange differences** is presented in a **separate component of equity until disposal of the foreign operation**. When the exchange differences relate to a foreign operation that is consolidated but not wholly-owned, accumulated exchange differences arising from translation and attributable to **non-controlling interests** are allocated to, and recognised as part of, non-controlling interests in the consolidated statement of financial position.

See also the note to the consolidated financial statements related to [8. Foreign currencies](#)

2.8. Non-controlling interests (NCI) (L120)

(IAS 27, par 27)

Non-controlling interests shall be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

(IAS 27, par 28)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.



Note

Accumulated exchange differences arising from translation and attributable to non-controlling interests are reported as part of the non-controlling interest in the consolidated balance sheet, and not under "currency translation differences".