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VERIFYING THE FEASIBILITY OF INTERNATIONAL ACCOUNTING STANDARD (28): INVESTING IN AN ASSOCIATE AND JOINT VENTURES IN THE IRAQI SOUTH GAS COMPANY

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Abstract:

One of the most crucial strategies used by companies to address various issues in the productive sectors is the investment in joint ventures. Companies are eager to benefit from the enhanced production of joint ventures, economic development, and access to cutting-edge technology in order to strengthen their market competitiveness. Due to this, the South Gas Company decided to collaborate in joint ventures with investors from the foreign private sector and invest in the Basra Gas Company. The purpose of the study is to apply International Accounting Standard 28 to the Iraqi South Gas Company. The research also adopted the scientific method for its research sample and financial data for the years 2012 and 2013 for both the South Gas Company and the Basra Gas Company. The results of the research played a drastic part in understanding the concept of joint ventures thoroughly, in addition to the fact that this type of investment is distinctive in comparison to other investments in the field of oil and gas in Iraq. It also contributes to supporting and better understanding of investors and executives about the nature of the standard and the relationship between the investing company and the investee company that Standard No. 28 shows but the consolidated accounting system lacks. At the time Iraq recognized applying the international standards, the research presents a practical guide for those applying the standard in the research sample company or other companies interested in applying early international standards and standard 28 as well. On the other hand, the research plays a crucial role in supporting the accounting literature related to investment in joint ventures. Additionally, it uses a novel method of measurement and disclosure and a global and local comparison of the results pertaining to the business activity of the study sample company.

Keywords: international accounting standards, investment in associates and joint ventures.

INTRODUCTION:

The majority of countries adopted IAS and IFRS in order to prepare their financial statements in an effort to standardize the business terminology that had grown as a result of cross-border commercial transactions, dealing with foreign currencies, investments, and partnerships with foreign businesses. For the purpose of standardization and comparability of financial data, this is done by motivating companies in countries around the world to adopt consolidated international standards when preparing their data according to IAS. Companies were interested in expanding the scope of cross-border treatments and increasing the volume of exchange in foreign currencies and investments due to the economic expansion and the openness of the Iraqi market to foreign investments. On one hand, this has made Iraq one of the countries wishing to implement IAS after the Iraqi government approved the text of a law to adopt IAS. On the other hand, the statute of limitations in the practices and accounting treatments of the consolidated accounting system and the Iraqi accounting rules in all companies, especially companies that have investments and shares in other companies, is due to the differences in practices compared to IAS28 in these companies that have investments. It was not classified as investments in associates or joint ventures, especially given the importance of investments as it is one of the important items within the assets. The research title resulted in the verification of the application of IAS 28 in a group of Iraqi companies.

RESEARCH METHODOLOGY

1-1. Research problem :

Iraqi self-financed companies rely, in their accounting treatments, on what is stated in the consolidated accounting system and what the accounting rules and financial instructions lead to. Although the instructions stipulate that international standards be applied in their accounting treatments, especially for those that have investments in foreign companies, the matter does not seem easy. Therefore, the research problem deals with verifying the feasibility of International Accounting Standard 28 for investment in associates and joint ventures.

1-2. Research importance :

The significance of the research becomes clear through the importance of applying international accounting standards, which have become necessarily required in showing consolidated data, the reflection of applying these standards, especially Standard No. 28, on the financial statements, and the transformation of financial statements from local to international. The significance appears through defining the concept of associate companies and joint ventures and distinguishing between them.

1-3 Research objective:

The research aims at verifying the feasibility of the International Accounting Standard 28 "Investment in Associates and Joint Ventures" in the Iraqi South Gas Company. It also aims at showing the accounting treatments in accordance with the aforementioned standard.

1-4 Research Hypothesis:

The research is based on a main hypothesis that there is a possibility to apply IAS28 in the South Gas Company, whose investment rates exceed 20%.

Second: Previous Studies:

1. A study by (Al-Sharaa, 2017)

Employing international financial reporting standards in rationalizing accounting treatments for investments in commercial banks (According to a study conducted by the Arab Institute of Certified Public Accountants.) The study aimed at identifying the rules for preparing financial statements and presenting them in accordance with international accounting standards and Iraqi accounting rules, in addition to the extent of the bank commitment (the study sample), with an explanation of investments and their treatments and international standards related to investment banking. In addition, there is a proposed framework for accounting treatments related to the issue of financial investments. The study reached a key conclusion that there was a fundamental difference among the accounting policies employed in commercial banks in the aspects of investments and what is required by the international standards for the preparation of financial reports. Financial investments were classified according to international standards into: debt securities (maturity, available for sale, and for the purpose of trading), property rights (owner’s equity of less than 20%, between 20% and 50%, or more than 50%).

2. A study by (Obaid, 2018)

Measuring and disclosing investments in the associate companies according to IAS28 and IFRS12 and the role of the external auditor in verifying them. (University of Baghdad - Higher Institute for Accounting and Financial Studies). The purpose of the study is to identify the associate companies and identify deficiencies in the disclosure of investments in the consolidated accounting system. Presenting a proposed model for accounting treatments related to investments comply with Standard 28 and IFRS12, in addition to proposing a model for an audit program for investments in associate companies. The key conclusions were that there are differences in accounting recognition requirements according to the local accounting rules and the consolidated accounting system. Adopting the program to audit investments in associate companies contributes to the audit work in an efficient, effective, and timely manner. This contributes to the availability of trustworthy information that enables investors to decide on investment and associated selling, buying, or retention decisions.

3. A study by (Muhammad, 2018)

Accounting for joint arrangements under the consolidated accounting system. (Arab Institute of Certified Accountants). The study aimed at identifying the joint arrangements and clarifying the concepts and objectives they achieve in exchange for economic challenges. It explains the concept of measurement and accounting disclosure, identifies the deficiencies of the consolidated accounting system in applying the joint arrangement that are related to accounting treatments. It was concluded that the delay in response of professional organizations, accounting and oversight agencies, as well as development and change in the Iraqi environment, prompted the adoption of non-objective judgment and personal judgment, as well as a lack of clarity in accounting treatments for the purpose of joint arrangement in the financial statements.

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2-1. International accounting standards and investment in associate companies and joint ventures.

According to international standards, investment was defined as an asset that is acquired by a company for the purpose of creating wealth represented in distributions, revenues and returns like (interest income, privilege returns, dividends, rental income) or in the form of an increase in the value of the asset or any other advantages the investing company obtains. For example, the benefits that result from commercial relations (IAS 25,2005).

2-2. The concept of associate companies:

Associate companies have a significant influence over the investing company (the investor) but do not provide control. Investments in the associate company are formed when the investor owns (20% - 50%) of the total voting rights of the investee company (Badenhorst, 2014: 2). Another view states that the "associate company" is the company which whereby the investor has a substantial influence (Al-Jaarat, 2017: 580). Another definition is that it is "the establishment over which the investor has significant influence, but it is not a subsidiary or share in a joint venture" (Humaidat, 2019:415). International Public Sector Accounting Standard No. 7 indicated that "an associate company is an entity, including a limited liability entity such as a joint venture, in which the investor has significant influence. It is neither a controlled entity nor a joint venture of the investor (International Accounting Standard No. 7 for the public sector).

2-3. The concept of joint ventures:

From the investor's point of view, a joint venture was defined as "a venture in which two or more parties from two or more countries collaborate in the investment (Khalaf, 2004: 188). The joint arrangement is "an arrangement for two or more parties that have joint control" (Humaidat, 2019: 876). A joint venture is defined in IFRS11 as "a joint arrangement or agreement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are called the joint venture shareholders. That is, there is a legal personality of the joint venture that is controlled by more than one party. International Public Sector Accounting Standard No. (8) indicated that a joint venture "is a binding arrangement whereby two or more parties undertake to undertake an activity that is subject to joint control (IPSAS No. (8)

3. International Accounting Standard 28:

It is an international accounting standard for investments in associate companies and joint ventures. First, IAS28, before its amendment, dealt with investments in associate companies. After 2011, it included joint contracts in addition to associate companies with the same standard (Al-Jaarat, 2017: 579). The standard aims at:

1. Stating the accounting treatment of investments in associate companies in the records of the investing company.
2. Presenting the requirements for applying the owner's equity method when accounting for investments in associates and joint ventures.
3. Defining associates based on the concept of material influence and how to determine influence, as well as defining joint ventures and control and the standard for using the owner's equity method (Humaidat, 2019: 415).

Scope of IAS28 feasibility:

The scope of the international standard 28 included obligating all investing companies that own investments in companies under joint control and associate companies (allied), and investments in which owner's equity rates range from 20%-50% in the investee company (Humaidat, 2019: 414-415). IAS28 indicated that there were three main categories of owner's equity based on the percentage of investment in them:

1. Owner's equity under 20%, in which the investor does not have a significant influence on the investee company. The treatments are mentioned in accordance with IFRS9 "Financial Instruments".
2. Owner's equity between 20%-50%: With this percentage, the investor has a substantial influence on the investee company. These types are treated within the scope of IAS28.
3. Owner's equity of more than 50%: In this case, the investor has control over the investee company. A holding and affiliate relationship is established between the investor and the investor. This type of investment is dealt with under IFRS10. This is shown in the following figure:

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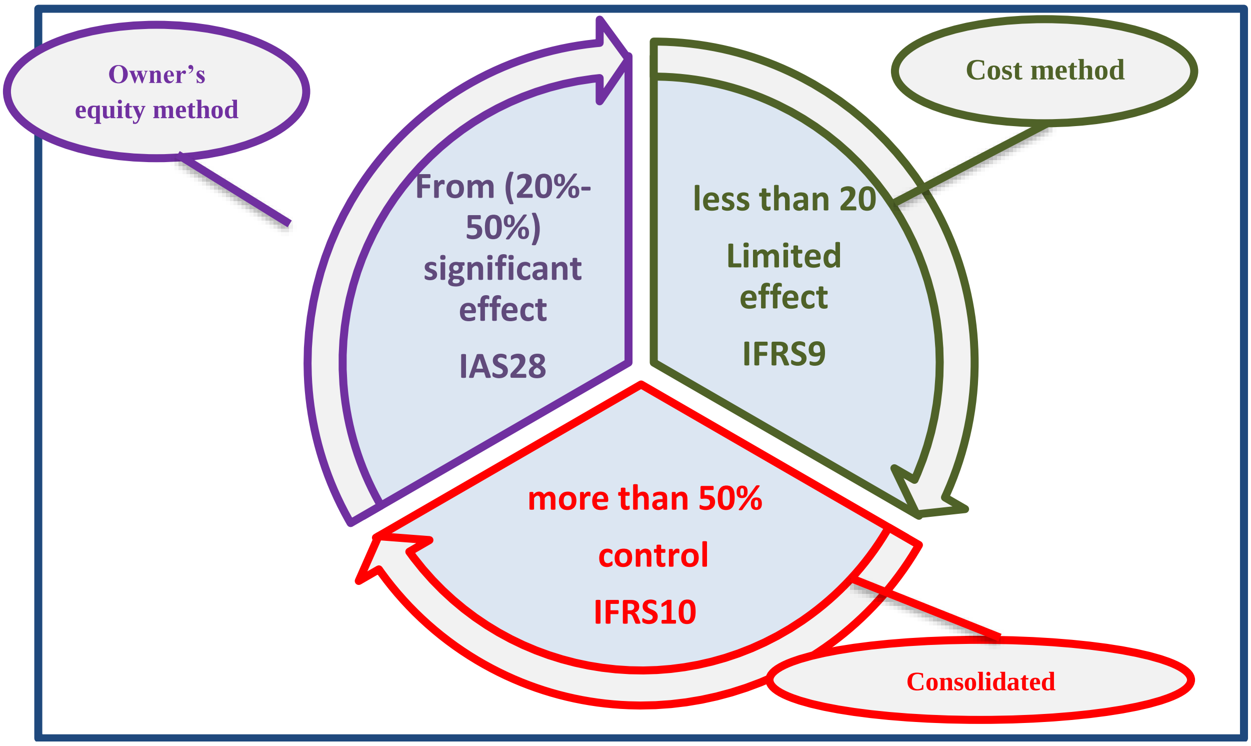
Methods of accounting for investment according to owner's equity percentages in other companies



Source: The diagram was prepared by the researcher depending on the aforementioned international standards

Key terms within IAS28:

A set of definitions are provided for the same standard, while other standards refer to terms related to investments in associates and joint ventures, as in the table below

Table ( ) of terms contained within IAS28

No	Term	The definition
1	Associate company	A company "over which the investor has significant influence but is not a subsidiary or interest in a joint venture"
2	Significant influence	The investor's ability to participate in making decisions related to financial and operational policies
3	Joint arrangement	It is an arrangement in which one or more specific parties have joint control over it
4	The control	It means the authority to manage the financial and operational policy of a specific company to achieve benefit from its activities
5	Joint control	It is the agreement to share control over a particular economic activity
6	Collaborate in a joint venture	It means one of the parties to the joint venture that has joint control over the economic activity (arrangement).
7	Owner's equity method	It is an accounting method according to which investments are recorded upon acquisition at cost, then adjusted later to reflect the investor's percentage of the changes that occurred after acquisition in the net assets of the investee company.

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8	Separate financial statements	They are the financial statements presented by the parent company, or a company invested in a joint venture, as investments in subsidiaries, associates or joint ventures are accounted for in accordance with IFRS9 "Financial Instruments" or the equity method.

Source: The table was prepared by the researcher depending on the international accounting standards.

Standards for using the owner's equity method:
According to "Statement of Opinion (18) of the APB A Guide for Accountants Al-Jijjawi et al, mentioned that "APB" is the Accounting Principles Board. It is the official predecessor body of the American Institute of Certified Public Accountants (AICPA)). By presenting various conditions that indicate the availability of this degree of influence are:

1- The investor is represented by a member of the Board of Directors of the investee company.
2- The investor contributes to the policy-making process of the investee company.
3- There are mutual operations between the two companies of high material importance.
4- Exchange of administrative expertise between the two companies
5- Technical accreditation (technology).
6- Owner's equity is claimed by the investor in relation to the size and considerations of the other owners in the company.

We must consider all of these factors in order to form a judgment about the extent of influence, rather than relying just on one to determine if there is a clear impact on the investor. However, the APB provided a public owner's equity indication by saying, "If the investee company owns between 20-50% of the voting shares of the investee company, this assumes that there would be a significant influence and uses the owner's equity method." (Al-Jajawi et al., 2022: 312). It is worth noting that 50% does not necessarily require consolidated financial statements (Hoyle, et al., 2001: 5). The Norwegian Accounting Standards Board (NASB) has identified four criteria for applying the equity method within the concept of an associate: (4: Bohren et al., 2004)

a. The investor must be strong compared to the other owners.
b. The investment is characterized by the long term.
c. The investment should be one of the investor's strategic elements.
d. When the owner's equity method is approved, it must continue to be used for subsequent years.

((If the investing company owns between 20-50% of the voting shares in the investee company, it is assumed that there is a significant influence using the owner's equity method))" (Al-Jajawi et al., 2022: 313). Possession of more than 20% is an indication of a significant influence on the operating and financing decisions of the investee company. According to International Accounting Standard 28, the entity has a significant influence when it retains, either directly or indirectly. For example, the investee may obtain 20% or more of the investee's voting power through subsidiaries. The entity is assumed to have "significant influence" (Standard 28, 2016: 252).
As Al-Jajjawi stated about using the owner's equity method, "the investor records his share of the net income of the investee company within the year of income generation. The investor moves the investment account up and makes it debit by the amount of his share of the lump sum, credits it by the amount of the deficiency or net loss, or reduces it by the amount of dividends received by placing it on the credit side. (Jeery et al., 2012: 728).

The records of the investing company show the investment account. The investor raises the investment account once the investee company reports the income. Here, the accrual basis and the date the revenue was realized by the investee company are used by the investor to recognize income. On the other hand, if losses are realized, the invested amount with the investee company is decreased in proportion to its owner's equity stake and the amount of the loss that is returned to it. (Al-Jajawi et al., 2022: 314-315).

The third axis: verifying the feasibility of IAS28 in a group of Iraqi companies.
The fundamental prerequisites for implementing Standard 28 must be established, expressed by confirming the percentages of owner's equity, degree of influence, and percentages of control, in order to assess the viability of adopting IAS28 in a group of Iraqi enterprises

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Table No. (1-3) List of companies that have investments in other companies

No	**Company**		**Standard**	**Type of relationship between the two companies / shareholding percentages**	**Investor nationality**	**Notes**
1	invested in it	the investor				
2	Basra Gas Company	South Gas Company	IAS28	Joint ventures %51	**Iraqi General**	Part of the current study sample
3	Citi Bank	Basra Gas Company	IFRS9	Financial investments in a financial deposit)short term financial investments(	**Iraqi mixed**	For the purpose of covering the balance of credit cards for the payment of the wages of the delegates from the company to the United Arab Emirates
4	Al-Ashar Company for Passenger Transport	The General Company for Iraqi Ports	IFRS9	Equity investments 11.2% 14 million dinars	**Iraqi General**	Unable to obtain details from the company
5	Al-Ashar Company for Passenger Transport	General Airlines Company	IFRS9	%10,5	Iraqi	Unable to obtain details from the company
6	Al-Ashar Company for Passenger Transport	The General Company for Transporting Passengers and Delegations	IFRS9	%5,9	General	Unable to obtain details from the company
7	Al-Ashar Company for Passenger Transport	The General Company for Private Transport	IFRS9	%009,	Iraqi	Unable to obtain details from the company
8	Al-Ashar Company for Passenger Transport	The General Company for Maritime Transport	IAS28	%19,8	Iraqi general Iraqi general	Unable to obtain details from the company
9	Alia Trading and Transportation Company	The General Company for Maritime Transport	IAS28	Financial investments in the capital %50	Iraqi general Iraqi general	Unable to obtain details from the company
10	The Iraqi Company for Transporting Petroleum Products	The General Company for Maritime Transport	IAS28	Financial investments in capital of %50	Iraqi general	Unable to obtain details from the company

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11	Al Badia General Transport Company	The General Company for Maritime Transport	IAS28	Financial investments in capital of %50	Iraqi General	Unable to obtain details from the company
12	Oman Navigation Company	The General Company for Maritime Transport	IAS28	Financial investments in capital of %43	Iraqi General	Unable to obtain details from the company
13	Palestine Hotel Company	General Airlines Company	IAS28	Investments %49,1	Iraqi General	Part of the current study sample
14	Basra Hotel Company (Sheraton(	Tourism Authority	IAS28 IFRS11	%38	Iraqi General	Unable to obtain details from the company
15	Basra Hotel Company	Social security	IFRS9	%10-%7	Iraqi General	Unable to obtain details from the company

It is important to note that interests in other companies that fell below the 20% rate are treated in accordance with IFRS 9. Once this number exceeds 20%, companies could be required to follow IAS28. Additionally, even beyond 20%, a significant influence could still be felt. Considerable or majority owner's equity by another investment company does not necessarily prohibit the entity from having significant influence, as stated in IAS28, referring to "significant influence in the margin." (Humaidat, 2019: 416). In order for the South Gas Company to participate in a joint venture with two international companies under the name of the Basra Gas Company, the International Accounting Standard 28 has been chosen and adopted.

First: Accounting treatments for investment according to the consolidated accounting system:

Investing company records / 2013 (South Gas Company):

Based on the annual report of the management of the Basra Gas Company, which states the establishment of the Basra Gas Company on 10/25/2012 Basra / Khor Al-Zubair, the accounting treatment for the investment (purchase) process was as in the entry below:

Under investment (under purchase)				
Date	**Evidence No.**	**Account**	**Creditor**	**Debtor**
2012/10/25	**1513**	From account/ long-term financial investment/mixed sector (BGC)		**12240000000**
	183	To account / cash at banks	**12240000000**	
For investments of 51% of the Basra Gas Company in the amount of 1,224,000,000 dinars for a period of 25 years.				

The investment process was also accompanied by financing with loans granted (without interest) from the shareholders in the joint venture, and the share of the South Gas Company in the joint venture (BGC). The entry treatment of the granted loan is according to the consolidated accounting system in the records of the South Gas Company as follows

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The entry of the loan granted to BGC				
Date	**Evidence No.**	**Account**	**Creditor**	**Debtor**
2012/10/25	**1414**	From account / long-term financial investment/mixed sector (BGC)		**973004629232**
	183	To account / cash at banks	**973004629232**	
For granting a long-term loan, the loan represents the value of fixed assets transferred to the company (Basra Gas Company). It represents 70% of the total loans received in the Basra Gas Company.				

Note: When matching the balance of the loan in the records of the South Gas Company with the Basra Gas Company, it was noticed that the balance of the loan did not match the balance contained in the records of the South Gas Company. The premium difference is calculated as in the following:
The balance as in BGC - the balance as in South Gas = the difference in the loan balance
999895815000 _ 973004629232 = 26891185768 dinars
A special treatment should be made for this difference according to the consolidated accounting system and in the records of the South Gas Company, as shown below

The entry of processing the difference in the loan granted to BGC				
Date	**Evidence No.**	**account name**	**Creditor**	**Debtor**
2013/12/31	**1414**	From account/ long-term financial investment/mixed sector (BGC)		**26891185768**
	183	To account / cash at banks	**26891185768**	
For the premiums of the granted long-term loan transferred to the joint venture (BGC)				

Since the loans and their related treatments are not included in Standard 28, the loan-related treatments are left out, they are limited only to mentioning the amount and percentage of the totals, and a statement of the granted loan balance below

Statement of account of loans granted to (BGC)			
Creditor		**Debtor**	
Details	Sum	Details	Sum
		The balance of the loan granted on 10/25/2012	**973004629232**
		for bonuses in 2013	**26891185768**
		Balance 31/12/2013	**999895815000**

Due to the high ratio of the loan in relation to other sources of financing, especially the ratios of South Gas contribution to the loan, it exceeds the ratios of the partners and the agreed ratios of owner's equity. It was more appropriate to treat the contribution to the loan as an investment, to be treated according to the consolidated accounting system, as shown below

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Under investment (under purchase)				
Date	**Evidence No.**	**Account**	**Creditor**	**Debtor**
2012/10/25	**1513**	From Account/ long-term financial investment/mixed sector (BGC)		**999895815000**
	1414	To Account / Long Term Granted Loans / Mixed Sector (BGC)	**999895815000**	
For processing the transfer of the granted loan into long-term financial investments on the value of the assets transferred to the Basra Gas Company.				

Second: Applying the accounting standard in the records of the South Gas Company in 2013:

A statement of the long-term financing balance for the year 2013 and the of shareholders' percentages from the total balances

Balance		2013			M.C.
		N.C.	S.G.C.	Sum	
1	Paid Capital	10560000000	12240000000	24000000000	1200000000
2	The percentage	%44	%51	0.016	%05
3	Reserves	719277637	7336631897	14385552741	14385552741
4	The percentage	%44	%51	0.0098	%05
5	Received long-term loans	389836193428	999895815000	1434031575076	44299566648
6	The percentage	%27	%70	0.97	%03
7	Total long-term financing sources	406725836634	1019472446897	1472417127817	444914844285
8	The percentage	%27.6	%69.3	%100	%3.1

Treatments according to International Accounting Standard 28:

a. The accounting treatment on 10/25/2012 is according to IAS28 is as follows:

Under investment (under purchase)			
Date	Account	Creditor	Debtor
2012/10/25	From account / owner's equity investments/shares in joint ventures (BGC)		12240000000
	to account /cash	12240000000	
An investment of 51% of the Basra Gas Company in the amount of 1,224,000,000 dinars for a period of 25 years.			

In view of financing a part of this joint venture at a rate of 0.97 as loans granted to the joint venture, and considering the consideration of other partners as applying standard 28, the company should treat these loans. These loans represent the assets of the company as investments in a joint venture, so the treatment will be according to the following:

B. Transferring assets to invest in a joint venture

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Under investment (under purchase)			
Date	Account	Creditor	Debtor
2012/10/25	From account / Owner's equity Investments/ Shares in Joint Venture (BGC)		999895815000
	To account / value (assets transferred to BGC)	999895815000	
Investing the value of the assets transferred to the Joint Basra Gas Company and 70% of the contributions in the loan granted.			

c. The entry of company share for the declared and undistributed profits:

14385552741 * (51%) = 7,336,631,897.91 dinars (South Gas Company share of profits)

Processing the entry on the announcement of profits in the investee company			
Date	Account	Creditor	Debtor
2013\12\31	From account /owner's equity investments/shares in joint ventures (BGC)		7,336,631,897.91
	To account /activity income	7,336,631,897.91	
Declaring the profits in the Basra Gas Company for the year 2013 dealing with the company share according to its percentage.			

D. According to International Accounting Standard 28, the investment is reduced by the amount of the investee company share of depreciation in the investee company (BGC).

The accounting treatment is as follows:
63407980126 * 51% = 32348269864.26

The entry of South Gas Company share out of BCG depreciation			
Date	Account	Creditor	Debtor
2013\12\31	From account /SGC's share of depreciation in BGC		32348269864.26
	From account /owner's equity investments/shares in joint ventures (BGC)	32348269864.26	
For the company share of BGC depreciation and reducing the investment balance by the contribution of the company.			

After completing the treatments for the current year, the investment account in the joint ventures is credited, and then followed by comparison in case of applying the standard with the accounting records according to the consolidated accounting system

Statement of account of investments in joint ventures / Basra Gas Company 2013			
Creditor		Debtor	
Details	Sum	Details	Sum

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Southern Gas share of depreciation in the BGC	32,338,069,864	51% in BGC	12,240,000,000
		70% of the company contribution to BGC for the assets	999,895,815,000
		Declaring earnings in BGC	7,336,631,897
Balance		Balance	987134377033

After completing the accounting treatments in accordance with International Standard 28, the abbreviated financial position of the non-current assets of the South Gas Company is displayed according to the consolidated accounting system, and after applying International Accounting Standard 28, as follows

Assets account in the budget for the year 31/12/2013		
The account	**According to standard 28**	**According to consolidated accounting system**
Fixed assets:	19744533481	19744533481
Ventures under implementation	3616798325	3616798325
Long term loans granted	(999895815000)was transferred	973004629232
Long term financial investments	987134377033	12240000000
(investment in a joint venture)	1010495708839	1008605961038
Total fixed assets:		1889747801

CONCLUSIONS AND RECOMMENDATIONS:

First: Conclusions:

1- Despite the challenges involved in switching from the consolidated accounting system to international standards, the transfer is feasible because a foreign shareholder is present in the joint venture that uses these standards. The South Gas Company application of Standard 28 can be compared to other shareholders ' applications of International Standard 28.

2- The various measurement methods for the shareholders in the joint venture result in differences among the balances of the shareholders ' records. This causes inability to verify and compare.

3- The treatments of the consolidated accounting system miss several treatments mentioned in the text of International Standard 28.

4- Accessing to advanced investments requires generalization in all aspects where financial and accounting developments are in line with technological development.

5- Adopting local systems is a weakness and perhaps an opportunity for other shareholders at the expense of the interests of the South Gas Company and its financial position.

Second: Recommendations:

1. The process of applying international accounting standards should be among the other strategic objectives and the exchange of experiences as well as the exchange of technological and industrial expertise in the

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field of oil and energy. The process of application should be followed by matching and comparison between the records of the shareholders in the joint venture.

2. Adopting accounting treatment in accordance with International Accounting Standard 28 to enable verifiability and comparison, and to enhance the control aspect.
3. The size and type of investment required adopting treatments that exceed or are at a level that accommodates the size and type of investment activity.
4. Before engaging in activities or making investments in the sectors of oil and energy growth and expansion, it is advisable to study the financial elements, expenses, and methods of managing them.
5. Adopting international measurement and disclosure methods for investments in associates and joint ventures is likely to protect the South Gas Company and its financial position from decline or insolvency.

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