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IFRS: An overview

International Financial Reporting Standards

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About this publication

IFRS: An overview is an executive summary of the key requirements of IFRSs. This edition is based on IFRSs in issue at 1 August 2009 that are applicable for financial periods beginning on or after 1 January 2009. A list of these standards and interpretations is included in Appendix I. In addition, a list of recent amendments to IFRSs that currently are effective for annual periods beginning 1 January 2009 is included in Appendix III.

When a significant change will occur as a result of a standard or interpretation that is in issue at 1 August 2009, but which is not required to be adopted by an entity with an annual period ending 31 December 2009, the impact of these "forthcoming requirements" is discussed briefly. In addition, section 2.6A is included as forthcoming requirements in its entirety. A list of the standards and interpretations in issue at 1 August 2009 that are forthcoming requirements is included in Appendix II.

This publication does not consider the requirements of IAS 26 *Accounting and Reporting by Retirement Benefit Plans*. In addition, this publication does not address the requirements included in the *IFRS for Small and Medium-sized Entities*.

For ease of reference, the overview is organised by topic, following the typical presentation of items in financial statements. Separate sections deal with **general issues** such as business combinations, specific **statement of financial position** and **statement of comprehensive income items** and with **special topics** such as leases. A separate section is focused on issues relevant to entities making the **transition to IFRSs**.

Other ways KPMG member firm professionals can help

This publication has been produced by the KPMG International Standards Group. We have a range of publications that can assist you further, including *Insights into IFRS: KPMG's practical guide to International Financial Reporting Standards*, illustrative financial statements for annual and interim reporting, *First Impressions* publications and an IFRS disclosure checklist.

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1. Background

1.1 Introduction

(IASC Foundation Constitution, Preface to IFRSs, IAS 1, IAS 8)

IFRSs is the term used to indicate the whole body of IASB authoritative literature.

IFRSs are designed for use by profit-oriented entities.

Any entity claiming compliance with IFRSs must comply with all standards and interpretations, including disclosure requirements.

Both the bold- and plain-type paragraphs of IFRSs have equal authority.

The overriding requirement of IFRSs is for the financial statements to give a fair presentation (or true and fair view).

A hierarchy of alternative sources is specified when IFRSs do not cover a particular issue.

1.2 The Framework
(IASB Framework)

The IASB uses its conceptual framework when developing new or revised IFRSs or amending existing IFRSs.

The Framework is a point of reference for preparers of financial statements in the absence of specific guidance in IFRSs.

IFRSs do not apply to items that are "immaterial".

Transactions should be accounted for in accordance with their substance, rather than only their legal form.

Transactions with shareholders in their capacity as shareholders are recognised directly in equity.

Forthcoming requirements
IAS 27 (2008) requires changes in a parent's ownership interest in a subsidiary after control is obtained that do not result in a loss of control to be accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). As a result no gain or loss on such changes is recognised in profit or loss.

Also, see section 2.5.

2. General issues

2.1 Form and components of financial statements
(IAS 1, IAS 27)

The following are presented: a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and notes including accounting policies.

In addition, a statement of financial position as at the beginning of the earliest comparative period is presented when an entity restates comparative information following a change in accounting policy, correction of an error, or reclassification of items in the financial statements.

Comparative information is required for the preceding period only, but additional periods and information may be presented.

An entity presents consolidated financial statements unless specific criteria are met.

An entity without subsidiaries but with an associate or jointly controlled entity prepares individual financial statements unless specific criteria are met.

In its individual financial statements, generally an entity accounts for an investment in an associate using the equity method, and an investment in a jointly controlled entity using the equity method or proportionate consolidation.

An entity is permitted, but not required, to present separate financial statements in addition to consolidated or individual financial statements.

2.2 Changes in equity
(IAS 1)

An entity presents a statement of changes in equity as part of a complete set of financial statements.

All owner-related changes in equity are presented in the statement of changes in equity, separately from non-owner changes in equity.

Forthcoming requirements
IAS 27 (2008) amended IAS 1 to require presentation in the statement of changes in equity of a reconciliation, for each component of equity, between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

- profit or loss
- each item of other comprehensive income
- transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

2.3 Statement of cash flows
(IAS 7)

The statement of cash flows presents cash flows during the period classified by operating, investing and financing activities.

Net cash flows from all three categories are totalled to show the change in cash and cash equivalents during the period, which then is used to reconcile opening and closing cash and cash equivalents.

Cash and cash equivalents includes certain short-term investments and, in some cases, bank overdrafts.

Cash flows from operating activities may be presented using either the direct method or the indirect method.

Foreign currency cash flows are translated at the exchange rates at the dates of the cash flows (or using averages when appropriate).

Generally all financing and investing cash flows are reported gross. Cash flows are offset only in limited circumstances.

Forthcoming requirements

IAS 27 (2008) amended IAS 7 to specify that cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control (e.g., a subsequent purchase or a sale by a parent of a subsidiary's equity instruments) are classified as cash flows from financing activities because such changes in ownership interests are accounted for as equity transactions.

The *Improvements to IFRSs 2009* amended IAS 7 to state explicitly that only expenditure that results in the recognition of an asset can be classified as a cash flow from investing activities.

2.4 Basis of accounting
(IAS 1, IAS 21, IAS 29, IFRIC 7)

Financial statements are prepared on a modified historical cost basis, with a growing emphasis on fair value.

When an entity's functional currency is hyperinflationary, its financial statements should be adjusted to state all items in the measuring unit current at the reporting date.

2.5 Consolidation
(IAS 27, SIC–12)

Consolidation is based on control, which is the power to govern, either directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities.

The ability to control is considered separately from the exercise of that control.

The assessment of control may be based on either a power-to-govern or a *de facto* control model.

Potential voting rights that are currently exercisable are considered in assessing control.

A special purpose entity (SPE) is an entity created to accomplish a narrow and well-defined objective. SPEs are consolidated based on control. The determination of control includes an analysis of the risks and benefits associated with an SPE.

All subsidiaries are consolidated, including subsidiaries of venture capital organisations and unit trusts, and those acquired exclusively with a view to subsequent disposal.

A parent and its subsidiaries generally use the same reporting date when consolidated financial statements are prepared. If this is not practicable, then the difference between the reporting date of a parent and its subsidiary cannot be more than three months. Adjustments are made for the effects of significant transactions and events between the two dates.

Uniform accounting policies are used throughout the group.

Minority interests are recognised initially based on the minority's share of the amounts recognised in the purchase accounting, excluding goodwill.

An entity recognises a liability for the present value of the (estimated) exercise price of put options held by minority interests, but there is no detailed guidance on the accounting for such put options.

Losses in a subsidiary may create a debit balance in minority interests only if the minority has an obligation to fund the losses.

Minority interests in the statement of financial position are classified as equity but are presented separately from the parent shareholders' equity.

Minority interests in profit or loss are presented as an allocation of the net profit or loss for the period.

Intra-group transactions are eliminated in full.

There is no guidance on accounting for acquisitions or disposals of minority interests.

There is no guidance on accounting for the dilution of a parent's interest in a subsidiary.

Forthcoming requirements

Under IFRS 3 (2008) an acquirer can elect to measure any non-controlling (minority) interests at:

- fair value at the date of acquisition, which means that goodwill includes a portion attributable to the non-controlling interests; or
- its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, which means that goodwill relates only to the controlling interest acquired by the parent.

IAS 27 (2008):

- replaces the term "minority interests" with "non-controlling interests", which is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent"

- requires that losses applicable to non-controlling interests be allocated to non-controlling interests even if doing so causes non-controlling interests to be in a deficit position
- requires changes in a parent's ownership interest in a subsidiary after control is obtained that do not result in a loss of control, and the acquisition of non-controlling interests, to be accounted for as transactions with equity holders in their capacity as equity holders
- requires that when control of a subsidiary is lost, any resulting gain or loss is recognised in profit or loss and any retained non-controlling equity investment in the former subsidiary is remeasured to its fair value at the date that control is lost.

2.6 Business combinations

(IFRS 3, IAS 38)

All business combinations are accounted for using the purchase method, with limited exemptions.

A business combination is the bringing together of separate entities or businesses into one reporting entity.

A business can be an operation managed for the purpose of providing a return to investors or lower costs. An entity in its development stage can meet the definition of a business.

In some cases the legal acquiree is identified as the acquirer for accounting purposes ("reverse acquisition").

The acquisition date is the date on which control is transferred to the acquirer.

The cost of acquisition is the amount of cash or cash equivalents paid, plus the fair value of other purchase consideration given, plus any costs directly attributable to the acquisition.

The fair value of securities issued by the acquirer is determined at the date of acquisition.

A liability for contingent consideration is recognised as soon as payment becomes probable and the amount can be measured reliably.

The assets acquired and liabilities and contingent liabilities assumed generally are recognised at fair value.

While there is general guidance on measuring fair values, there is no detailed guidance on valuation methodologies.

Acquired non-current assets (disposal groups) classified as held for sale are recognised at fair value less costs to sell.

An intangible asset is recognised separately from goodwill when it is identifiable, the entity has control over it, and its fair value can be measured reliably.

A restructuring provision is recognised only when it is an existing liability of the acquiree at the acquisition date.

Any change in the assessment of the recoverability of the acquirer's deferred tax assets as a result of the business combination is recognised in profit or loss.

Except in respect of goodwill, deferred tax is recognised on temporary differences arising from fair value adjustments recognised as part of the purchase accounting.

Subject to limited exceptions, adjustments to goodwill can be made only within 12 months of the acquisition.

If additional deferred tax assets of the acquiree that were not recognised at the date of acquisition are realised subsequently, then the adjustment is recognised in profit or loss in the income tax line, and goodwill is adjusted with a corresponding amount recognised in profit or loss.

When the acquirer's interest in the net fair value of the assets acquired and liabilities and contingent liabilities assumed exceeds the cost of acquisition (negative goodwill), any excess is recognised in profit or loss immediately after reassessing the identification and measurement of the assets acquired.

"Push down" accounting, whereby fair value adjustments are recognised in the financial statements of the acquiree, is not permitted.

When an acquisition is achieved in successive share purchases, the assets acquired and liabilities and contingent liabilities assumed are recognised at full fair value when control is obtained, i.e., the share of the identifiable assets, liabilities and contingent liabilities acquired in previous transactions is revalued. Each exchange transaction is considered separately in determining goodwill.

There is no guidance on accounting for common control transactions, combinations by contract alone or combinations involving two or more mutual entities.

Forthcoming requirements

IFRS 3 (2008) supersedes the current version of the standard. See section 2.6A.

IAS 39 includes a scope exemption in that it does not apply to contracts between an acquirer and a seller in a business combination to buy an acquiree at a future date. As part of the *Improvements to IFRSs 2009,* IAS 39 was amended to clarify that the term of a forward contract qualifying for the scope exemption should not exceed a "reasonable period normally necessary to obtain any required approvals and to complete the transaction." The amendment also clarifies that the exemption does not apply to option contracts.

IFRIC 17 provides guidance on accounting for distributions of non-cash assets to owners. Common control transactions are outside the scope of IFRIC 17, as are distributions of part of the ownership interest in a subsidiary while retaining control. However, a de-merger or spin-off, in which a business is distributed to shareholders on a *pro rata* basis, is within the scope of IFRIC 17 if certain criteria are met. A de-merger within the scope of IFRIC 17 is accounted for on a fair value basis. Also see section 3.11.

2.6A Business combinations
(IFRS 3 (2008))

Forthcoming requirements

All business combinations are accounted for using the acquisition method, with limited exceptions.

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses.

A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to investors (or other owners, members or participants) by way of dividends, lower costs, or other economic benefits.

An entity in its development stage can meet the definition of a business.

In some cases the legal acquiree is identified as the acquirer for accounting purposes ("reverse acquisition").

The acquisition date is the date on which control is transferred to the acquirer.

Consideration transferred is the sum of the fair values of the assets transferred, liabilities incurred to the previous owners of the acquiree, equity interests issued, and contingent consideration.

The fair value of securities issued by the acquirer is determined at the date of acquisition.

Consideration transferred does not include acquisition-related costs.

Transaction costs, other than share and debt issue costs, are expensed as incurred.

Contingent consideration is recognised initially at fair value. Contingent consideration classified as a liability generally is remeasured to fair value each period until settlement, with changes recognised in profit or loss. Contingent consideration classified as equity is not remeasured.

An intangible asset is recognised separately from goodwill when it is identifiable. An intangible asset is identifiable if it meets either the separability criterion, or the contractual-legal criterion.

A restructuring provision is recognised only when it is an existing liability of the acquiree at the acquisition date.

Any change in the assessment of the recoverability of the acquirer's deferred tax assets as a result of the business combination is recognised in profit or loss.

If additional deferred tax assets of the acquiree that were not recognised at the date of acquisition are realised subsequently, then the adjustment is recognised in profit or loss.

The measurement principle in accounting for the identifiable assets acquired and liabilities assumed in a business combination is fair value, with limited exceptions.

There is only limited guidance on measuring fair values, and no detailed guidance on valuation methodologies.

Acquired non-current assets (disposal groups) classified as held for sale are recognised at fair value less costs to sell.

At the acquisition date the acquirer measures any non-controlling interest at fair value, or at its proportionate interest in the fair value of the identifiable assets and liabilities assumed in the acquisition accounting. This choice can be made by the acquirer on a transaction-by-transaction basis.

When the sum of the fair value of the consideration transferred, the fair value of any previously held equity interest in the acquiree and the recognised amount of non-controlling interests exceeds the fair value of the identifiable assets acquired and liabilities assumed, the excess is recognised as goodwill. Any deficit is a bargain purchase that is recognised in profit or loss after reassessing the identification and measurement of the above-listed items.

When an acquisition is achieved in stages (step acquisition), the identifiable assets and liabilities are recognised at full fair value when control is obtained, and a gain or loss is recognised in profit or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree.

Adjustments to provisionally determined amounts in a business combination can be made only within the "measurement period", which cannot exceed 12 months from the acquisition date. Adjustments are made retrospectively and comparative information is revised.

There is no guidance on accounting for common control transactions.

2.7 Foreign currency translation
(IAS 21, IAS 29)

An entity measures its assets, liabilities, revenues and expenses in its functional currency, which is the currency of the primary economic environment in which it operates.

An entity may present its financial statements in a currency other than its functional currency.

All transactions that are not denominated in an entity's functional currency are foreign currency transactions; exchange differences arising on translation generally are recognised in profit or loss.

The financial statements of foreign operations are translated for the purpose of consolidation as follows: assets and liabilities are translated at the closing rate, revenues and expenses are translated at actual rates or appropriate averages, and equity components (excluding the current year movements, which are translated at actual rates) are translated at historical rates.

If the functional currency of a foreign operation is hyperinflationary, then current purchasing power adjustments are made to its financial statements prior to translation. The financial statements then are translated at the closing rate at the end of the current period.

When an investment in a foreign operation is disposed of, the cumulative exchange differences previously recognised in other comprehensive income are transferred to profit or loss.

When financial statements are translated into a presentation currency other than the entity's functional currency, the entity uses the same method as for translating the financial statements of a foreign operation. There are special requirements for translation when financial statements have been restated for changes in price levels.

Forthcoming requirements

IAS 27 (2008) amended the requirements of IAS 21 regarding the disposal or partial disposal of a foreign operation. The amendments were made in conjunction with the publication of IFRS 3 (2008). The amendments to IAS 21 clarify which types of transaction should be recognised as disposals and partial disposals of a foreign operation, to be consistent with IFRS 3 (2008), and discusses the treatment of cumulative exchange differences attributable to non-controlling interests in such transactions.

2.8 Accounting policies, errors and estimates
(IAS 1, IAS 8)

An accounting policy is changed in response to a new or revised IFRS, or on a voluntary basis if the new policy is more appropriate.

Generally accounting policy changes and corrections of prior period errors are made by adjusting opening equity and restating comparatives unless this is not practicable.

Changes in accounting estimates are accounted for prospectively.

When it is difficult to determine whether a change is a change in accounting policy or a change in estimate, it is treated as a change in estimate.

Comparatives are restated unless impracticable if the classification or presentation of items in the financial statements is changed.

A statement of financial position as at the beginning of the earliest comparative period is presented when an entity restates comparative information following a change in accounting policy, correction of an error, or reclassification of items in the financial statements.

2.9 Events after the reporting period
(IAS 1, IAS 10)

The financial statements are adjusted to reflect events that occur after the reporting date, but before the financial statements are authorised for issue, if those events provide evidence of conditions that existed at the reporting date.

Financial statements are not adjusted for events that are indicative of conditions that arose after the reporting date, except when the going concern assumption no longer is appropriate.

Dividends declared after the reporting date are not recognised as a liability in the financial statements.

Liabilities generally are classified as current or non-current based on circumstances at the reporting date.

3. Specific statement of financial position items

3.1 General
(IAS 1)

Generally an entity presents its statement of financial position classified between current and non-current assets and liabilities. An unclassified statement of financial position based on the order of liquidity is acceptable only when it provides reliable and more relevant information.

While IFRSs require certain items to be presented in the statement of financial position, there is no prescribed format.

A liability that is payable on demand because certain conditions are breached is classified as current even if the lender has agreed, after the end of the reporting period but before the financial statements are authorised for issue, not to demand repayment.

Some assets and liabilities that are part of working capital are classified as current even if they are due to be settled more than 12 months after the end of the reporting period.

Forthcoming requirements
The *Improvements to IFRSs 2009* amended IAS 1 to state that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments.

3.2 Property, plant and equipment
(IAS 16, IFRIC 1, IFRIC 18)

Property, plant and equipment is recognised initially at cost.

Cost includes all expenditure directly attributable to bringing the asset to the location and working condition for its intended use.

Cost includes the estimated cost of dismantling and removing the asset and restoring the site.

Changes to an existing decommissioning or restoration obligation generally are added to or deducted from the cost of the related asset and depreciated prospectively over the remaining useful life of the asset.

Borrowing costs that are directly attributable to the acquisition, construction or production of a "qualifying" asset form part of the cost of that asset.

Property, plant and equipment is depreciated over its useful life.

An item of property, plant and equipment is depreciated even if it is idle, but not if it is held for sale either individually or as part of a disposal group.

Estimates of useful life and residual value, and the method of depreciation are reviewed at least at each annual reporting date. Any changes are accounted for prospectively as a change in estimate.

When an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is depreciated separately.

Subsequent expenditure is capitalised only when it is probable that it will give rise to future economic benefits.

Property, plant and equipment may be revalued to fair value if fair value can be measured reliably. All items in the same class are revalued at the same time and the revaluations are kept up to date.

Compensation for loss or impairment cannot be offset against the carrying amount of the asset lost or impaired.

The gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.

3.3 Intangible assets and goodwill
(IFRS 3, IAS 38, SIC–32)

An intangible asset is an identifiable non-monetary asset without physical substance.

An intangible asset is identifiable if it is separable or arises from contractual or legal rights.

Intangible assets generally are recognised initially at cost.

The initial measurement of an intangible asset depends on whether it has been acquired separately, as part of a business combination, or was generated internally.

Goodwill is recognised only in a business combination and is measured as a residual.

Acquired goodwill and other intangible assets with indefinite useful lives are not amortised, but instead are subject to impairment testing at least annually.

Intangible assets with finite useful lives are amortised over their expected useful lives.

Subsequent expenditure on an intangible asset is capitalised only if the definition of an intangible asset and the recognition criteria are met.

Intangible assets may be revalued to fair value only if there is an active market.

Internal research expenditure is expensed as incurred. Internal development expenditure is capitalised if specific criteria are met. These capitalisation criteria are applied to all internally developed intangible assets.

Advertising and promotional expenditure is expensed as incurred.

Expenditure on relocation or reorganisation is expensed as incurred.

The following are not capitalised as intangible assets: internally generated goodwill, costs to develop customer lists, start-up costs and training costs.

Forthcoming requirements

Under IFRS 3 (2008) an entity can elect to measure any non-controlling (minority) interests at fair value, which means that goodwill will include a portion attributable to the non-controlling interests, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, which means that goodwill will relate only to the interest acquired by the parent. Also, see section 2.5.

In addition, in conjunction with IFRS 3 (2008) the "reliability of measurement" criterion and the rebuttable presumption that the fair value of intangible assets can be measured reliably in a business combination have been removed from IAS 38. Also, see section 2.6A.

The *Improvements to IFRSs 2009* amended guidance in IAS 38 on accounting for intangible assets acquired in a business combination as a consequence of guidance contained in IFRS 3 (2008). The amendments clarify that an intangible asset that is separable only together with a related contract, identifiable asset or liability is recognised separately from goodwill together with the related item. The amendments also clarify that complementary intangible assets with similar useful lives may be recognised as a single asset.

3.4 Investment property
(IAS 17, IAS 40)

Investment property is property held to earn rentals or for capital appreciation, or both.

Property held by a lessee under an operating lease may be classified as investment property if the rest of the definition of investment property is met and the lessee measures all its investment property at fair value.

A portion of a dual-use property is classified as investment property only if the portion could be sold or leased out under a finance lease. Otherwise the entire property is classified as property, plant and equipment, unless the portion of the property used for own use is insignificant.

When a lessor provides ancillary services, a property is classified as investment property if such services are a relatively insignificant component of the arrangement as a whole.

Investment property is recognised initially at cost.

Subsequent to initial recognition, all investment property should be measured using either the fair value model (subject to limited exceptions) or the cost model. When the fair value model is chosen, changes in fair value are recognised in profit or loss.

Disclosure of the fair value of all investment property is required, regardless of the measurement model used.

Subsequent expenditure is capitalised only when it is probable that it will give rise to future economic benefits.

Transfers to or from investment property can be made only when there has been a change in the use of the property. The intention to sell an investment property without redevelopment does not justify reclassification from investment property into inventory.

Forthcoming requirements

The *Improvements to IFRSs 2009* amended IAS 17 to remove guidance stating that a lease of land normally would be classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendment states that when a lease includes both land and building elements, an entity should determine the classification of each element based on the classification criteria of IAS 17.

3.5 Investments in associates and joint ventures
(IAS 28, IAS 31, SIC–13)

The definition of an associate is based on significant influence, which is the power to participate in the financial and operating policies of an entity.

There is a rebuttable presumption of significant influence if an entity holds 20 to 50 percent of the voting rights of another entity.

Potential voting rights that are currently exercisable are considered in assessing significant influence.

A joint venture is an entity, asset or operation that is subject to contractually established joint control.

Associates are accounted for using the equity method in the consolidated financial statements.

Jointly controlled entities may be accounted for either by proportionate consolidation or using the equity method in the consolidated financial statements.

An investor is prohibited from applying the equity method or proportionate consolidation in any separate financial statements that are prepared, but should do so in any individual financial statements.

In applying the equity method or proportionate consolidation, an associate's or jointly controlled entity's accounting policies should be consistent with those of the investor.

The reporting date of an associate or jointly controlled entity may not differ from the investor's by more than three months, and should be consistent from period to period. Adjustments are made for the effects of significant events and transactions between the two dates.

When an equity accounted investee incurs losses, the carrying amount of the investor's interest is reduced to zero. Further losses are recognised by the investor only to the extent that the investor has an obligation to fund losses or has made payments on behalf of the investee.

Unrealised profits and losses on transactions with associates or jointly controlled entities are eliminated to the extent of the investor's interest in the investee.

Gains and losses on non-monetary contributions in return for an equity interest in a jointly controlled entity generally are recognised to the extent of the other investors' interests in the investee.

For jointly controlled assets, the investor accounts for its share of the jointly controlled assets, the liabilities and expenses it incurs, and its share of any income or output.

For jointly controlled operations, the investor accounts for the assets it controls, the liabilities and expenses it incurs, and its share of the income from the joint operation.

Equity accounting or proportionate consolidation is not applied to an investee that is acquired with a view to its subsequent disposal if the criteria are met for classification as held for sale.

Venture capital organisations, mutual funds, unit trusts and similar entities may elect to account for investments in associates and jointly controlled entities as financial assets.

Forthcoming requirements

IFRIC 17 provides guidance on accounting for distributions of non-cash assets to owners. Such distributions may include interests in associates and joint ventures. See section 3.11.

The consequential amendments to IAS 28 and IAS 31 arising from IAS 27 (2008) require that upon the loss of significant influence or joint control of an associate or jointly controlled entity, any retained investment is remeasured to fair value and a gain or loss is recognised in profit or loss. Also, see section 2.5.

The consequential amendments do not provide guidance on:

- whether any previously held equity investment in an acquiree should be remeasured upon obtaining significant influence or joint control
- how an entity accounts for additional investments while still maintaining significant influence, or additional investments while still maintaining joint control.

The *Improvements to IFRSs 2009* amended IFRS 2 to confirm that the contribution of a business upon the formation of a joint venture is outside the scope of IFRS 2.

3.6 Financial instruments
(IAS 21, IAS 32, IAS 39, IFRIC 9)

Financial assets and financial liabilities, including derivative instruments, should be recognised in the statement of financial position at trade date. However, "regular way" purchases and sales of financial assets are recognised either at trade date or at settlement date.

An embedded derivative is one or more implicit or explicit terms in a host contract that affect the cash flows of the contract in a manner similar to a stand-alone derivative instrument.

A host contract may be a financial or a non-financial contract.

An embedded derivative is not accounted for separately from the host contract when it is closely related to the host contract, or when the entire contract is measured at fair value through profit or loss.

An embedded derivative is accounted for separately from the host contract when it is not closely related to the host contract.

Financial assets should be classified into one of four categories: at fair value through profit or loss; loans and receivables; held-to-maturity; or available-for-sale. Financial liabilities are categorised as either at fair value through profit or loss or "other" liabilities. The categorisation determines whether and where any remeasurement to fair value is recognised.

Financial assets are measured at fair value except for loans and receivables, held-to-maturity investments, and unlisted equity instruments in the rare circumstances that fair value cannot be measured reliably.

All derivatives (including separated embedded derivatives) are measured at fair value. Fair value gains and losses on derivatives are recognised immediately in profit or loss unless they qualify as hedging instruments in a cash flow hedge or in a net investment hedge.

An entity may reclassify a non-derivative financial asset out of the held-for-trading category in certain circumstances if it is no longer held for the purpose of being sold or repurchased in the near term. An entity also may reclassify, if certain conditions are met, a non-derivative financial asset from the available-for-sale category to the loans and receivables category.

A financial asset is derecognised only when the contractual rights to the cash flows from the financial asset expire or when the financial asset is transferred and the transfer meets certain specified conditions.

A financial asset is considered to have been transferred if an entity transfers the contractual rights to receive the cash flows from the financial asset, or enters into a qualifying "pass-through" arrangement.

If a transfer meets the above conditions, then an entity evaluates whether or not it has retained the risks and rewards of ownership of the transferred financial asset.

An entity derecognises a financial asset if it has transferred substantially all of the risks and rewards of ownership, or if it has not retained substantially all of the risks and rewards of ownership and it has not retained control of the financial asset; otherwise it continues to recognise the asset.

An entity continues to recognise a financial asset to the extent of its continuing involvement if it has neither retained nor transferred substantially all of the risks and rewards of ownership, and it has retained control of the financial asset.

A financial liability is derecognised when it is extinguished or when its terms are modified substantially.

When there is objective evidence that a financial asset measured at amortised cost, or at fair value with changes recognised in other comprehensive income, may be impaired, the amount of any impairment loss should be calculated and recognised in profit or loss.

Forthcoming requirements

IFRS 3 (2008) removed the IAS 39 scope exclusion for contracts for contingent consideration in a business combination. Such contracts may be accounted for as financial assets or financial liabilities under IAS 39 in certain circumstances.

IAS 39 includes a scope exemption in that it does not apply to contracts between an acquirer and a seller in a business combination to buy an acquiree at a future date. As part of the *Improvements to IFRSs 2009* IAS 39 was amended to restrict the scope exclusion to forward contracts between an acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date. The term of such forward contract should not exceed "a reasonable period normally necessary to obtain any required approvals and to complete the transaction". The amendment also clarifies that the exemption does not apply to option contracts.

As part of the *Improvements to IFRSs 2009* IAS 39 was amended to make an exception, in respect of embedded prepayment options, to the examples in IAS 39 of embedded derivatives that are not closely related to the underlying. Pursuant to this amendment, a call, put, or prepayment option embedded in a host debt contract or host insurance contract is closely related to the host contract if the exercise price of the prepayment option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract.

3.7 Hedge accounting
(IAS 39, IFRIC 16)

Hedge accounting allows an entity to selectively measure assets, liabilities and firm commitments on a basis different from that otherwise stipulated in IFRSs, or to defer the recognition in profit or loss of gains or losses on derivatives.

Hedge accounting is permitted only when strict documentation and effectiveness requirements are met.

There are three hedge accounting models: fair value hedges of fair value exposures, cash flow hedges of cash flow exposures, and net investment hedges of currency exposure on a net investment in a foreign operation.

Qualifying hedged items can be recognised assets, liabilities, unrecognised firm commitments, highly probable forecast transactions or net investments in foreign operations.

Only derivative instruments – and for hedges of foreign exchange risk only, non-derivative financial instruments – entered into with an external party qualify as hedging instruments.

Effectiveness testing is conducted on both a prospective and retrospective basis. In order for a hedge to be effective, changes in the fair value or cash flows of the hedged item should be offset by changes in the fair value or cash flows of the hedging instrument within a range of 80-125 percent.

Forthcoming requirements

The *Improvements to IFRSs 2009* amended IAS 39 to clarify that when the hedged item is a forecast transaction that subsequently results in the recognition of a financial item, the gain or loss on the hedging instrument should be reclassified from other comprehensive income to profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss.

IAS 27 (2008) amended the requirements of IAS 21 regarding the disposal or partial disposal of a foreign operation and the related requirements in IAS 39 regarding the reclassification of the effective portion of the changes in fair value of the hedging instrument from other comprehensive income to profit or loss on the disposal or partial disposal of a foreign operation.

An amendment to IAS 39 clarifies that:

- changes in the cash flows or fair value of a hedged item above or below a specified price or variable (a one-sided risk) can be designated in a hedging relationship
- an amount other than the entire fair value or cash flow changes of a financial instrument can be designated in a hedging relationship, for example, either all or some of the cash flows of a financial instrument may be designated for cash flow or fair value changes attributable to all or only some risks
- inflation cannot be designated as a risk or a portion of a financial instrument, as it is not separately identifiable or reliably measurable, unless it is a contractually specified portion of the cash flows of a recognised inflation-linked bond and the other cash flows of the instrument are not affected by the inflation portion
- designating only the changes in the intrinsic value of an option as a hedging instrument in the hedge of a one-sided risk on a forecast transaction may achieve perfect hedge effectiveness if the principal terms of the forecast transaction and the hedging instrument are the same.

The *Improvements to IFRSs 2009* amended IFRIC 16 to remove the prohibition for the foreign operation that itself is being hedged to hold the hedging instrument.

3.8 Inventories
(IAS 2)

Generally inventories are measured at the lower of cost and net realisable value.

Cost includes all direct expenditure to get inventory ready for sale, including attributable overheads.

The cost of inventory generally is determined using the FIFO (first-in, first-out) or weighted average method. The use of the LIFO (last-in, first-out) method is prohibited.

Other cost formulas, such as the standard cost or retail method, may be used when the results approximate actual cost.

The cost of inventory is recognised as an expense when the inventory is sold.

Inventory is written down to net realisable value when net realisable value is less than cost.

If the net realisable value of an item that has been written down subsequently increases, then the write-down is reversed.

3.9 Biological assets
(IAS 41)

Biological assets are measured at fair value less costs to sell unless it is not possible to measure fair value reliably, in which case they are measured at cost.

All gains and losses from changes in fair value are recognised in profit or loss.

Agricultural produce harvested from a biological asset is measured at fair value less costs to sell at the point of harvest.

3.10 Impairment
(IAS 36, IFRIC 10)

IAS 36 covers the impairment of a variety of non-financial assets, including property, plant and equipment, intangible assets and goodwill; investment property and biological assets carried at cost less accumulated depreciation; and investments in subsidiaries, joint ventures and associates.

Impairment testing is required when there is an indicator of impairment.

Annual impairment testing is required for goodwill and intangible assets that either are not yet available for use or have an indefinite useful life. This impairment test may be performed at any time during the year provided that it is performed at the same time each year.

Goodwill is allocated to cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the business combination from which it arose. The allocation is based on the level at which goodwill is monitored internally, restricted by the size of the entity's segments.

Whenever possible an impairment test is performed for an individual asset. Otherwise, assets are tested for impairment in CGUs. Goodwill always is tested for impairment at the level of a CGU or a group of CGUs.

A CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof.

The carrying amount of goodwill is grossed up for impairment testing if minority interests are involved.

An impairment loss is recognised if an asset's (CGU's) carrying amount exceeds the greater of its fair value less costs to sell and value in use, which is based on the net present value of future cash flows.

Estimates of future cash flows used in the value in use calculation are specific to the entity, and need not be the same as the market's assessment.

The discount rate used in the value in use calculation is a pre-tax rate that reflects the market's assessment of the risks specific to the asset.

An impairment loss for a CGU is allocated first to any goodwill and then *pro rata* to other assets in the CGU.

An impairment loss generally is recognised in profit or loss, However, an impairment loss on a revalued asset is recognised in other comprehensive income, and presented in the revaluation reserve within equity, to the extent that it reverses a previous revaluation surplus relating to the same asset. Any excess is recognised in profit or loss.

Reversals of impairment are recognised, other than for impairments of goodwill.

A reversal of an impairment loss generally is recognised in profit or loss. However, a reversal of an impairment loss on a revalued asset is recognised in profit or loss only to the extent that it reverses a previous impairment loss recognised in profit or loss relating to the same asset. Any excess is recognised in other comprehensive income and presented in the revaluation reserve.

Forthcoming requirements

The *Improvements to IFRSs 2009* clarified IAS 36 to state that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 *before* applying the aggregation criteria of IFRS 8. For many entities this may be the level at which impairment testing was performed before this amendment.

Under IFRS 3 (2008) an entity can elect to measure non-controlling (minority) interests at fair value or at its proportionate interest in the identifiable assets and liabilities of the acquiree. Also, see section 2.5. If an entity chooses to measure non-controlling interests at fair value, then the carrying amount of the goodwill allocated to the CGU is not grossed up for the purpose of impairment testing.

3.11 Equity and financial liabilities
(IAS 32, IAS 39, IFRIC 2)

An instrument, or its components, should be classified on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset or an equity instrument.

A financial instrument is a financial liability if the issuer can be obliged to settle it in cash or by delivering another financial instrument.

A financial instrument is a financial liability if it will or may be settled in a variable number of the entity's own equity instruments.

As an exception to the general principle, puttable instruments and instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation are classified as equity instruments if certain conditions are met.

The contractual terms of preference shares and similar instruments are evaluated to determine whether they have the characteristics of a financial liability. Such characteristics will lead to the classification of these instruments, or a component of them, as financial liabilities.

The components of compound financial instruments, which have both liability and equity characteristics, are accounted for separately.

A non-derivative contract that will be settled by an entity delivering its own equity instruments is an equity instrument if, and only if, it is settleable by exchanging a fixed number of its own equity instruments for a fixed amount of cash or another financial asset. A derivative contract that can be settled by the entity delivering a fixed number of own equity instruments for a fixed amount of cash, but which contains settlement options, is an equity instrument only if all settlement alternatives lead to equity classification.

An obligation for an entity to acquire its own equity instruments gives rise to a financial liability.

Incremental costs that are directly attributable to issuing or buying back own equity instruments are recognised directly in equity.

Treasury shares are presented as a deduction from equity.

Gains and losses on transactions in an entity's own equity instruments are reported directly in equity, not in profit or loss.

Dividends and other distributions to the holders of equity instruments (in their capacity as owners) are recognised directly in equity.

Minority interests are classified within equity, but separately from equity attributable to shareholders of the parent.

Forthcoming requirements

IFRIC 17 applies to non-reciprocal distributions of non-cash assets to owners, and distributions in which the owner has a choice between non-cash assets and a cash alternative. Common control transactions are outside the scope of IFRIC 17, as are distributions of part of the ownership interests in a subsidiary while retaining control. IFRIC 17 requires that the liability for the dividend payable arising from non-cash distributions within its scope be measured at the fair value of the assets to be distributed, i.e., the fair value method.

A consequential amendment arising from IFRIC 17 expands the scope of IFRS 5. Also, see section 5.4.

3.12 Provisions

(IAS 37, IFRIC 1, IFRIC 5, IFRIC 6)

A provision is recognised for a legal or constructive obligation arising from a past event, if there is a probable outflow of resources and the amount can be estimated reliably. "Probable" in this context means "more likely than not".

A constructive obligation arises when an entity's actions create valid expectations of third parties that it will accept and discharge certain responsibilities.

A provision is measured at the "best estimate" of the expenditure to be incurred.

If there is a large population, then the obligation generally is measured at its expected value.

Provisions are discounted if the effect of discounting is material.

A reimbursement right is recognised as a separate asset when recovery is virtually certain, capped at the amount of the related provision.

A provision is not recognised for future operating losses.

A provision for restructuring costs is not recognised until there is a formal plan and details of the restructuring have been communicated to those affected by the plan.

Provisions are not recognised for repairs or maintenance of own assets or for self-insurance prior to an obligation being incurred.

A provision is recognised for a contract that is onerous, i.e., one in which the unavoidable costs of meeting the obligations under the contract exceed the benefits to be derived.

3.13 Income taxes

(IAS 12, SIC–21, SIC–25)

Income taxes are taxes based on taxable profits and taxes that are payable by a subsidiary, associate or joint venture upon distribution to investors.

The total income tax expense recognised in a period is the sum of current tax plus the change in deferred tax assets and liabilities during the period, excluding tax recognised outside profit or loss (i.e., either in other comprehensive income or directly in equity) or arising from a business combination.

Current tax represents the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for a period.

Deferred tax is recognised for the estimated future tax effects of temporary differences and tax loss carry-forwards.

A temporary difference is the difference between the tax base of an asset or liability and its carrying amount in the financial statements.

A deferred tax liability is not recognised if it arises from the initial recognition of goodwill.

A deferred tax liability (asset) is not recognised if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting profit nor taxable profit.

Deferred tax is not recognised in respect of investments in subsidiaries, associates and joint ventures if certain conditions are met.

A deferred tax asset is recognised if it is probable that it will be realised.

Income tax is measured based on rates that are enacted or substantively enacted at the reporting date and, in the case of deferred tax, the expected manner of settlement (liability) or recovery (asset).

Deferred tax is measured on an undiscounted basis.

Deferred tax is classified as non-current in a classified statement of financial position.

Income tax relating to items recognised outside profit or loss is itself recognised outside profit or loss.

Forthcoming requirements

IFRS 3 (2008) changed the accounting requirements in respect of directly attributable transaction costs in a business combination, in that capitalisation of such costs would no longer be permitted. As such, tax deductible transaction costs no longer will give rise to a tax deductible component of goodwill. Instead, deductible temporary differences may arise if the transaction costs are capitalised and amortised for tax purposes.

IFRS 3 (2008) amended IAS 12 such that, after the measurement period, any subsequent recognition of any deferred tax benefits acquired in a business combination that did not satisfy the criteria for recognition at the acquisition date would be recognised in profit or loss. Also, see section 2.6A.

3.14 Contingent assets and liabilities (IAS 37)

Contingent liabilities are present obligations with uncertainties about either the probability of outflows of resources or the amount of the outflows, and possible obligations when the existence of an obligation is uncertain.

Contingent liabilities are not recognised other than in connection with a business combination.

Details of contingent liabilities are disclosed in the notes to the financial statements unless the probability of an outflow is remote.

Contingent assets are possible assets whose existence is uncertain.

Contingent assets are not recognised in the statement of financial position. If an inflow of economic benefits is probable, then details are disclosed in the notes.

Forthcoming requirements

Under IFRS 3 (2008) only contingent liabilities that are *present* obligations are recognised in the acquisition accounting because they meet the definition of a liability. A *possible* obligation is not recognised even if its fair value can be measured reliably.

4. Specific statement of comprehensive income items

4.1 General

(IAS 1)

A statement of comprehensive income is presented as either a single statement or an income statement (displaying components of profit or loss) with a separate statement of comprehensive income (beginning with profit or loss and displaying components of other comprehensive income).

An analysis of expenses is required, either by nature or by function, in the statement of comprehensive income or in the notes.

While IFRSs require certain items to be presented in the statement of comprehensive income, there is no prescribed format.

Material items of income or expense are presented separately either in the notes or, when necessary, in the statement of comprehensive income.

The presentation or disclosure of items of income and expense characterised as "extraordinary items" is prohibited.

Items of income and expense are not offset unless required or permitted by another IFRS, or when the amounts relate to similar transactions or events that are not material.

Components of profit or loss are not presented net of tax unless required specifically.

Reclassification adjustments from other comprehensive income to profit or loss are disclosed in the statement of comprehensive income or in the notes to the financial statements.

Amounts of income tax relating to each component of other comprehensive income are disclosed in the statement of comprehensive income or in the notes.

4.2 Revenue

(Framework, IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18, SIC–27, SIC–31)

Revenue is recognised only if it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

Revenue includes the gross inflows of economic benefits received by an entity for its own account. In an agency relationship, amounts collected on behalf of the principal are not recognised as revenue by the agent.

When an arrangement includes more than one component, it may be necessary to account for the revenue attributable to each component separately.

Revenue from the sale of goods is recognised when the entity has transferred the significant risks and rewards of ownership to the buyer and it no longer retains control or has managerial involvement in the goods.

Revenue from service contracts is recognised in the period that the service is rendered, generally using the percentage of completion method.

Construction contracts are accounted for using the percentage of completion method. The completed contract method is not permitted.

Revenue recognition does not require cash consideration. However, when goods or services exchanged are similar in nature and value, the transaction does not generate revenue.

4.3 Government grants
(IAS 20, IAS 41, SIC–10)

Unconditional government grants related to biological assets measured at fair value less costs to sell are recognised in profit or loss when they become receivable; conditional grants for such assets are recognised in profit or loss when the required conditions are met.

Government grants that relate to the acquisition of an asset, other than a biological asset measured at fair value less costs to sell, may be recognised either as a reduction in the cost of the asset or as deferred income, and are amortised as the related asset is depreciated or amortised.

Other government grants are recognised in profit or loss when the entity recognises as expenses the related costs that the grants are intended to compensate.

4.4 Employee benefits
(IAS 19, IFRIC 14)

IFRSs specify accounting requirements for all types of employee benefits, and not just pensions. IAS 19 deals with all employee benefits, except those to which IFRS 2 applies.

Liabilities for employee benefits are recognised on the basis of a legal or constructive obligation.

Liabilities and expenses for employee benefits generally are recognised in the period in which the services are rendered.

Costs of providing employee benefits generally are expensed unless other IFRSs permit or require capitalisation, for example, IAS 2 or IAS 16.

A defined contribution plan is a post-employment benefit plan under which the employer pays fixed contributions into a separate entity and has no further obligations. All other post-employment plans are defined benefit plans.

Contributions to a defined contribution plan are expensed as the obligation to make the payments is incurred.

A liability is recognised for an employer's obligation under a defined benefit plan. The liability and expense are measured actuarially using the projected unit credit method.

Assets that meet the definition of plan assets, including qualifying insurance policies, and the related liabilities are presented on a net basis in the statement of financial position.

Actuarial gains and losses of defined benefit plans may be recognised in profit or loss, or alternatively immediately in other comprehensive income.

If actuarial gains and losses of a defined benefit plan are recognised in profit or loss, then as a minimum gains and losses that exceed a "corridor" are required to be recognised over the average remaining working lives of employees in the plan. Faster recognition (including immediate recognition) in profit or loss is permitted.

Liabilities and expenses for vested past service costs under a defined benefit plan are recognised immediately.

Liabilities and expenses for unvested past service costs under a defined benefit plan are recognised over the vesting period.

If a defined benefit plan has assets in excess of the obligation, then the amount of any net asset recognised is limited to available economic benefits from the plan in the form of refunds from the plan or reductions in future contributions to the plan, and unrecognised actuarial losses and past service costs.

Minimum funding requirements give rise to a liability if a surplus arising from the additional contributions paid to fund an existing shortfall with respect to services already received, is not fully available as a refund or reduction in future contributions.

If insufficient information is available for a multi-employer defined benefit plan to be accounted for as a defined benefit plan, then it is treated as a defined contribution plan and additional disclosures are required.

If an entity applies defined contribution plan accounting to a multi-employer defined benefit plan and there is an agreement that determines how a surplus in the plan would be distributed or a deficit in the plan funded, then an asset or liability that arises from the contractual agreement is recognised.

If there is a contractual agreement or stated policy for allocating a group's net defined benefit cost, then participating group entities recognise the cost allocated to them. If there is no agreement or policy in place, then the net defined benefit cost is recognised by the entity that is the legal sponsor.

The expense for long-term employee benefits is accrued over the service period.

Redundancy costs are not recognised until the redundancy has been communicated to the group of affected employees.

4.5 Share-based payments

(IFRS 2, IFRIC 8, IFRIC 11)

Goods or services received in a share-based payment transaction are measured at fair value.

Goods are recognised when they are obtained and services are recognised over the period that they are received.

Equity-settled grants to employees generally are measured based on the grant-date fair value of the equity instruments granted.

Equity-settled grants to non-employees generally are measured based on the fair value of the goods or services received.

For equity-settled transactions an entity recognises compensation cost and a corresponding increase in equity. The cost is recognised as an expense unless it qualifies for recognition as an asset. Equity-settled grants are not remeasured for subsequent changes in the fair value of the equity instruments.

Market conditions for equity-settled transactions are reflected in the initial measurement of fair value. There is no "true up" (adjustment) if the expected and actual outcomes differ because of the market conditions.

Initial estimates of the number of equity-settled instruments that are expected to vest are adjusted to current estimates and ultimately to the actual number of equity-settled instruments that vest unless differences are due to market conditions.

Like market conditions, non-vesting conditions are reflected in the initial measurement of fair value and there is no subsequent true up for differences between the expected and the actual outcome. Choosing not to meet a non-vesting condition within the control of the entity or the counterparty is treated as a cancellation.

For cash-settled transactions an entity recognises the liability incurred. The liability is remeasured, until settlement date, for subsequent changes in the fair value of the liability. The remeasurements are recognised in profit or loss.

Modification of a share-based payment results in the recognition of any incremental fair value but not any reduction in fair value.

Cancellation of a share-based payment results in acceleration of vesting. Replacements are accounted for as modifications.

Classification of grants in which the entity has the choice of equity- or cash-settlement depends on whether or not the entity has the ability and intent to settle in shares.

Grants in which the counterparty has the choice of equity- or cash-settlement are accounted for as compound instruments. Therefore the entity accounts for a liability component and an equity component separately.

Grants of equity instruments of any group entity made by shareholders or other group entities are also share-based payments in the financial statements of the entity that receives the goods or services acquired.

Forthcoming requirements

An amendment to IFRS 2 clarifies which entity in a group share-based payment arrangement accounts for a share-based payment transaction and how.

The amendment redefines share-based payment transactions, and they cover two different types of entities:

- entities that receive goods or services in a share-based payment arrangement (receiving entity)
- entities that incur an obligation to settle the payment with the supplier of the goods or services in a share-based payment arrangement when another entity in the group receives the services (settling entity).

A receiving entity accounts for the goods or services received in its financial statements (separate, individual or consolidated) as an equity-settled share-based payment transaction, when it either settles the payment by transferring its own equity instruments, or when it has no obligation to settle the payment. In all other cases the entity accounts for the goods or services received as a cash-settled share-based payment transaction.

A settling entity accounts for a share-based payment transaction in its financial statements (separate, individual or consolidated) as equity-settled if it settles in its own equity instruments. The settling entity accounts for a share-based payment transaction as cash-settled if it settles in cash or other assets, including equity instruments of another group entity.

IFRS 3 (2008) amends the scope exception in IFRS 2 with regards to business combinations and provides additional guidance on determining whether equity instruments issued in a business combination are:

- part of the consideration transferred in exchange for control of the acquiree, and therefore within the scope of IFRS 3;
- in return for continued service to be recognised in the post-combination period, and therefore within the scope of IFRS 2; or
- a modification of a pre-combination share-based payment.

IFRS 3 (2008) also provides guidance on how to account for acquiree awards, i.e., share-based payments granted by the entity that is acquired, that are replaced by the acquirer in conjunction with a business combination.

The *Improvements to IFRSs 2009* amended IFRS 2. The amendments confirm that the scope exception in IFRS 2 applies to business combinations as defined in IFRS 3 rather than only to those business combinations to which IFRS 3 applies. These amendments also confirm that a combination of entities under common control and the contribution of a business on the formation of a joint venture as defined in IAS 31 are outside the scope of IFRS 2.

4.6 Finance income and finance costs

(IAS 18, IAS 23, IAS 39)

Interest income and interest expense are calculated using the effective interest method, based on estimated cash flows which consider all contractual terms of the financial instrument at the date that the instrument is recognised initially, or at the date of any modification.

Incremental transaction costs directly related to acquiring a financial asset or issuing a financial liability generally are included in the initial measurement of the instrument. However, if the instrument is classified as at fair value through profit or loss, then such costs are recognised in profit or loss.

Interest, which is calculated using the effective interest method, generally is expensed. However, borrowing costs related to "qualifying" assets are capitalised if certain conditions are met.

5. Special topics

5.1 Leases

(IAS 17, IFRIC 4, SIC–15, SIC–27)

An arrangement that at its inception can be fulfilled only through the use of a specific asset or assets, and which conveys a right to use that asset, is a lease or contains a lease.

A lease is classified as either a finance lease or an operating lease.

Lease classification depends on whether substantially all of the risks and rewards incidental to ownership of the leased asset have been transferred from the lessor to the lessee.

Lease classification is made at inception of the lease and is not revised unless the lease agreement is modified.

Under a finance lease, the lessor recognises a finance lease receivable and the lessee recognises the leased asset and a liability for future lease payments.

Under an operating lease, both parties treat the lease as an executory contract. The lessor and the lessee recognise the lease payments as income / expense over the lease term. The lessor recognises the leased asset in its statement of financial position, while the lessee does not.

A lessee may classify a property interest held under an operating lease as an investment property. If this is done, then the lessee accounts for that lease as if it were a finance lease and it measures investment property using the fair value model.

Lessors and lessees recognise incentives granted to a lessee under an operating lease as a reduction in lease rental income / expense over the lease term.

Generally a lease of land is classified as an operating lease unless title transfers to the lessee by the end of the lease term.

A lease of land and a building is treated as two separate leases, a lease of the land and a lease of the building; the two leases may be classified differently.

Immediate gain recognition from the sale and leaseback of an asset depends on whether the leaseback is classified as an operating or finance lease and, if the leaseback is an operating lease, whether the sale takes place at fair value.

A series of linked transactions in the legal form of a lease is accounted for based on the substance of the arrangement; the substance may be that the series of transactions is not a lease.

Special requirements for revenue recognition apply to manufacturer or dealer lessors granting finance leases.

Forthcoming requirements

The *Improvements to IFRSs 2009* amended IAS 17 to remove guidance stating that a lease of land normally would be classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. Under the amendment a land lease may be classified as a finance lease if substantially all risks and rewards are transferred to the lessee, even if at the end of the lease term title will not pass to the lessee.

5.2 Operating segments
(IFRS 8)

IFRS 8 sets out requirements for segment disclosures by entities whose debt or equity instruments are traded in a public market, or that file or are in the process of filing their financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

IFRS 8 introduces the "management approach", which requires segment disclosures based on the components of the entity that management monitors in making decisions about operating matters.

Such components (operating segments) are identified on the basis of internal reports that the entity's chief operating decision maker (CODM) reviews regularly in allocating resources to segments and in assessing their performance.

The aggregation of operating segments is permitted only when the segments are "similar" and meet a number of other specified measures.

Reportable segments are identified based on quantitative thresholds of revenue, profit or loss, and assets.

The amounts disclosed for each reportable segment are the measures reported to the CODM, which are not necessarily based on the same accounting policies as the amounts recognised in the financial statements.

Because IFRS 8 requires disclosure of segment profit or loss, segment assets and segment liabilities as reported to the CODM rather than as they would be reported under IFRSs, it also requires disclosure of how these amounts are measured for each reportable segment.

IFRS 8 requires reconciliations between total amounts for all reportable segments and financial statements amounts with a description of all material reconciling items.

IFRS 8 requires general and entity-wide disclosures, including information about products and services, geographical areas (including country of domicile and individual foreign countries, if material), major customers and factors used to identify an entity's reportable segments. Such disclosures are required even if an entity only has one segment.

Comparative information normally is restated for changes in operating segments.

Forthcoming requirements

The *Improvements to IFRSs 2009* amended IFRS 8 to state that a measure of segment assets should be disclosed only if that amount is regularly provided to the CODM.

5.3 Earnings per share
(IAS 33)

Basic and diluted earnings per share (EPS) for both continuing and total operations are presented in the statement of comprehensive income, with equal prominence, for each class of ordinary shares.

Separate EPS data is disclosed for discontinued operations, either in the statement of comprehensive income or in the notes to the financial statements.

Basic EPS is calculated by dividing the earnings attributable to holders of ordinary equity of the parent by the weighted average number of ordinary shares outstanding during the period.

To calculate diluted EPS, profit or loss attributable to ordinary equity holders, and the weighted average number of shares outstanding, are adjusted for the effects of all dilutive potential ordinary shares.

Contingently issuable ordinary shares are included in basic EPS from the date that all necessary conditions are satisfied and, when not yet satisfied, in diluted EPS based on the number of shares that would be issuable if the end of the reporting period were the end of the contingency period.

When a contract may be settled in either cash or shares at the entity's option, it is treated as a potential ordinary share.

When a contract may be settled in either cash or shares at the holder's option, the more dilutive of cash and share settlement is used to calculate diluted EPS.

For diluted EPS, diluted potential ordinary shares are determined independently for each period presented.

When the number of ordinary shares outstanding changes, without a corresponding change in resources, the weighted average number of ordinary shares outstanding during all periods presented is adjusted retrospectively.

Adjusted basic and diluted EPS based on alternative earnings measures may be disclosed and explained in the notes to the financial statements.

5.4 Non-current assets held for sale and discontinued operations
(IFRS 5)

Non-current assets (and some groups of assets and liabilities known as disposal groups) are classified as held for sale when their carrying amounts will be recovered principally through sale.

Non-current assets (and disposal groups) held for sale generally are measured at the lower of carrying amount and fair value less costs to sell, and are presented separately on the face of the statement of financial position.

Assets classified as held for sale are not amortised or depreciated.

The comparative statement of financial position is not re-presented when a non-current asset (or disposal group) is classified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale.

Discontinued operations are limited to those operations that are a separate major line of business or geographical area, and subsidiaries acquired exclusively with a view to resale.

Discontinued operations are presented separately on the face of the statement of comprehensive income, and related cash flow information is disclosed.

The comparative statement of comprehensive income and cash flow information is re-presented for discontinued operations.

Forthcoming requirements
IFRIC 17 provides guidance on accounting for distributions of non-cash assets to owners. A consequential amendment arising from the issuance of IFRIC 17 expands the scope of IFRS 5 to include non-current assets (disposal groups) held for distribution to owners. Non-current assets (disposal groups) are classified as

held for distribution to owners when the entity is committed to distribute the assets (disposal groups); this is when the assets (disposal groups) are available for immediate distribution in their present condition and the distribution is "highly probable". In assessing the probability shareholder approval is taken into account when such approval is required in the respective jurisdiction.

Assets to be distributed are not remeasured to fair value when the liability with respect to the distribution is recognised. Instead, assets to be distributed that fall within the scope of IFRS 5 are measured in accordance with IFRS 5.

Assets to be distributed that are not within the measurement scope of IFRS 5 (e.g., deferred tax assets) continue to be measured in accordance with other IFRSs (e.g., IAS 12). Assets to be distributed are derecognised when the distribution occurs.

The scope exceptions in IFRIC 17 are not carried forward into IFRS 5, which means that a non-cash asset (disposal group) might fall within the scope of IFRS 5 even though IFRIC 17 does not apply, e.g., assets held for distribution in a common control transaction.

Also, see section 3.11.

The *Improvements to IFRSs 2008* amended IFRS 5 to require an entity which is committed to a sale plan involving loss of control of a subsidiary to classify all the assets and liabilities of that subsidiary as held for sale when the criteria for classification as held for sale in IFRS 5 are met, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale.

The *Improvements to IFRSs 2009* clarified that the disclosure requirements of IFRS 5 apply in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Other IFRSs disclosure requirements do not apply to such assets (disposal groups) unless stated otherwise.

5.5 Related party disclosures
(IAS 24)

Related party relationships are those involving control (direct or indirect), joint control or significant influence.

Key management and their close family members are parties related to an entity.

There are no special recognition or measurement requirements for related party transactions.

The disclosure of related party relationships between a parent and its subsidiaries is required, even if there have been no transactions between them.

No disclosure is required in the consolidated financial statements of intra-group transactions eliminated in preparing those statements.

Comprehensive disclosures of related party transactions are required for each category of related party relationship.

5.6 Financial instruments: presentation and disclosure

(IFRS 7, IAS 1, IAS 32)

A financial asset and a financial liability are offset only when there is a legally enforceable right to offset, and an intention to settle net or to settle both amounts simultaneously.

Disclosure is required about:

- the significance of financial instruments for the entity's financial position and performance; and
- the nature and extent of risks arising from financial instruments and how the entity manages those risks.

For disclosure of the significance of financial instruments the overriding principle is to disclose sufficient information to enable users of financial statements to evaluate the significance of financial instruments for an entity's financial position and performance. Specific details required include disclosure of fair values and assumptions behind the calculations, information on items designated at fair value through profit or loss and on reclassification of financial assets between categories, and details of accounting policies.

Risk disclosures require both qualitative and quantitative information.

Qualitative disclosures describe management's objectives, policies and processes for managing risks arising from financial instruments.

Quantitative data about the exposure to risks arising from financial instruments should be based on information provided internally to key management. However, certain disclosures about the entity's exposures to credit risk, liquidity risk and market risk arising from financial instruments are required, irrespective of whether this information is provided to management.

Forthcoming requirements

IFRS 3 (2008) deleted the scope exemption in IFRS 7 for contracts for contingent consideration in a business combination in the financial statements of the acquirer.

5.7 Non-monetary transactions

(IAS 16, IAS 18, IAS 38, IAS 40, IFRIC 18, SIC–31)

Generally, exchanges of assets are measured at fair value and result in the recognition of gains or losses rather than revenue.

Exchanged assets are recognised based on historical cost if the exchange lacks commercial substance or the fair value cannot be measured reliably.

Revenue is recognised for barter transactions unless the transaction is incidental to the entity's main revenue-generating activities or the items exchanged are similar in nature and value.

Property, plant and equipment that must be used to provide access to a supply of goods or services is recognised as an asset if it meets the definition of an asset and the recognition criteria for property, plant and equipment.

Other donated assets may be accounted for in a manner similar to government grants unless the transfer is, in substance, an equity contribution.

Forthcoming requirements

IFRIC 17 provides guidance on accounting for distributions of non-cash assets to owners. See section 3.11.

5.8 Accompanying financial and other information (IAS 1)

Supplementary financial and operational information may be presented, but is not required.

An entity considers its particular legal or securities listing requirements in assessing what information is disclosed in addition to that required by IFRSs.

5.9 Interim financial reporting

(IAS 34, IFRIC 10)

Interim financial statements contain either a complete or a condensed set of financial statements for a period shorter than a financial year.

The following, as a minimum, are presented in condensed interim financial statements: condensed statement of financial position; condensed statement of comprehensive income, presented as either a condensed single statement or a condensed separate income statement and a condensed statement of comprehensive income; condensed statement of cash flows; condensed statement of changes in equity; selected explanatory notes.

Items, other than income tax, generally are recognised and measured as if the interim period were a discrete period.

Income tax expense for an interim period is based on an estimated average annual effective income tax rate.

Generally, the accounting policies applied in the interim financial statements are those that will be applied in the next annual financial statements.

Forthcoming requirements

In addition to carrying forward the majority of the disclosure requirements of IFRS 3 (2004), IFRS 3 (2008) requires additional disclosures to be presented in condensed interim financial statements.

5.10 Insurance contracts
(IFRS 4)

Generally entities that issue insurance contracts are required to continue their existing accounting policies with respect to insurance contracts except when IFRS 4 requires or permits changes in accounting policies.

An insurance contract is a contract that transfers significant insurance risk. Insurance risk is significant if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding those that lack commercial substance.

A financial instrument that does not meet the definition of an insurance contract (including investments held to back insurance liabilities) is accounted for under the general recognition and measurement requirements for financial instruments.

Changes in existing accounting policies for insurance contracts are permitted only if the new policy, or a combination of new policies, results in information that is more relevant or reliable, or both, without reducing either relevance or reliability.

Financial instruments that include discretionary participation features may be accounted for as insurance contracts although these are subject to the general financial instrument disclosure requirements.

In some cases a deposit element should be "unbundled" (separated) from an insurance contract and accounted for as a financial instrument.

Some derivatives embedded in insurance contracts should be separated from their host insurance contract and accounted for as if they were stand-alone derivatives.

The recognition of catastrophe and equalisation provisions is prohibited for contracts not in existence at the reporting date.

A liability adequacy test is required to ensure that the measurement of an entity's insurance liabilities considers all contractual cash flows, using current estimates.

The introduction of "shadow accounting" for insurance liabilities is permitted for consistency with the treatment of unrealised gains or losses on assets.

An expanded presentation of the fair value of insurance contracts acquired in a business combination or portfolio transfer is permitted.

Significant disclosures are required of the terms, conditions and risks related to insurance contracts, consistent in principle with those required for financial assets and liabilities.

5.11 Extractive activities
(IFRS 6)

Entities identify and account for pre-exploration expenditure, exploration and evaluation (E&E) expenditure and development expenditure separately.

Each type of E&E cost can be expensed as incurred or capitalised, in accordance with the entity's selected accounting policy.

Capitalised E&E costs are segregated and classified as either tangible or intangible assets, according to their nature.

The test for recoverability of E&E assets can combine several cash-generating units, as long as the combination is not larger than an operating segment.

There is no specific guidance on the recognition or measurement of pre-exploration costs or post-exploration development expenditure. Pre-E&E expenditure generally is expensed as incurred.

Forthcoming requirements

The *Improvements to IFRSs 2009* amended IAS 7 by limiting cash flows from investing activities to include only expenditures that result in the recognition of an asset. Therefore an entity that elects to expense E&E expenditure as incurred will not be permitted to classify the related cash flows as investing activities in the statement of cash flows.

5.12 Service concession arrangements
(IFRIC 12, SIC–29)

IFRIC 12 provides guidance on the accounting by private sector entities (operators) for public-to-private service concession arrangements.

IFRIC 12 applies only to those service concession arrangements in which the public sector (the grantor) controls or regulates the services provided with the infrastructure and their prices, and controls any significant residual interest in the infrastructure.

In these circumstances the operator does not recognise the infrastructure as its property, plant and equipment if the infrastructure is existing infrastructure of the grantor, or if the infrastructure is constructed or purchased by the operator as part of the service concession arrangement. Depending on the conditions of the arrangement, the operator recognises either a financial asset or an intangible asset, or both, at fair value as compensation for any construction services that it provides.

If the grantor provides other items to the operator that the operator may retain or sell at its option, then the operator recognises those items as its assets together with a liability for unfulfilled obligations.

The operator recognises and measures revenue for providing construction or upgrade services in accordance with IAS 11 and revenue for other services in accordance with IAS 18.

The operator recognises consideration receivable from the grantor for construction or upgrade services, including upgrades of existing infrastructure, as a financial asset and / or an intangible asset.

The operator recognises a financial asset to the extent that it has an unconditional right to receive cash (or another financial asset) irrespective of the usage of the infrastructure.

The operator recognises an intangible asset to the extent that it has a right to charge for usage of the infrastructure.

Any financial asset recognised is accounted for in accordance with the relevant financial instruments standards, and any intangible asset in accordance with IAS 38. There are no exemptions from these standards for operators.

The operator recognises and measures obligations to maintain or restore infrastructure, except for any construction or upgrade element, in accordance with IAS 37.

The operator generally is required to capitalise attributable borrowing costs incurred during construction or upgrade periods to the extent it has a right to receive an intangible asset. Otherwise the borrowing costs are expensed as incurred.

6. First-time adoption of IFRSs

6.1 First-time adoption
(IFRS 1)

IFRSs include a specific standard that sets out all transitional requirements and exemptions available on the first-time adoption of IFRSs.

An opening statement of financial position is prepared at the date of transition to IFRSs, which is the beginning of the earliest comparative period presented on the basis of IFRSs.

Accounting policies are chosen from IFRSs in effect at the first annual reporting date.

Generally those accounting policies must be applied retrospectively in preparing the opening statement of financial position and in all periods presented on the basis of IFRSs.

A number of exemptions are available from the general requirement for retrospective application of IFRS accounting policies.

Retrospective application of changes in accounting policy is prohibited in some cases, generally when doing so would require hindsight.

At least one year of comparative financial statements must be presented on the basis of IFRSs, including a statement of financial position at the date of transition.

The transitional requirements and exemptions on first-time adoption of IFRSs are applicable to both annual and interim financial statements.

Forthcoming requirements

IAS 27 (2008) replaces the term "minority interests" with "non-controlling interests". In respect of an unrestated business combination, a first-time adopter applies the following requirements of amended IAS 27 (2008) prospectively from the date of transition:

- the attribution of total comprehensive income between non-controlling interests and the owners of the parent
- the accounting for changes in ownership interests without the loss of control
- the accounting for the loss of control in a subsidiary.

Amendments to IFRS 1 provide additional optional exemptions for first-time adopters of IFRSs in the following areas:

- deemed cost for oil and gas assets
- the reassessment of lease determination.

Appendix I

Currently effective requirements

Below is a list of standards and interpretations in issue at 1 August 2009 that are effective for annual reporting periods beginning on 1 January 2009. Also see Appendix III for a list of recent amendments to IFRSs that currently are effective.

IFRS for SMEs	*IFRS for Small and Medium-sized Entities* Not covered; see About this publication
IFRS 1	*First-time Adoption of International Financial Reporting Standards* Issue date: June 2003 Effective date: 1 January 2004
IFRS 2	*Share-based Payment* Issue date: February 2004 Effective date: 1 January 2005
IFRS 3	*Business Combinations* Issue date: March 2004 Effective date: 31 March 2004
IFRS 4	*Insurance Contracts* Issue date: March 2004 Effective date: 1 January 2005
IFRS 5	*Non-current Assets Held for Sale and Discontinued Operations* Issue date: March 2004 Effective date: 1 January 2005
IFRS 6	*Exploration for and Evaluation of Mineral Resources* Issue date: December 2004 Effective date: 1 January 2006

IFRS 7 *Financial Instruments: Disclosures*
Issue date: August 2005
Effective date: 1 January 2007

IFRS 8 *Operating Segments*
Issue date: November 2006
Effective date: 1 January 2009

IAS 1 *Presentation of Financial Statements*
Issue date: revised in September 2007
Effective date: 1 January 2009

IAS 2 *Inventories*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 7 *Statement of Cash Flows*
Issue date: December 1992
Effective date: 1 January 1994

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 10 *Events after the Reporting Period*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 11 *Construction Contracts*
Issue date: December 1993
Effective date: 1 January 1995

IAS 12 *Income Taxes*
Issue date: October 1996
Effective date: 1 January 1998

IAS 16 *Property, Plant and Equipment*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 17 *Leases*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 18 *Revenue*
Issue date: December 1993
Effective date: 1 January 1995

IAS 19 *Employee Benefits*
Issue date: February 1998
Effective date: 1 January 1999

IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*
Issue date: April 1983
Effective date: 1 January 1984

IAS 21 *The Effects of Changes in Foreign Exchange Rates*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 23 *Borrowing Costs*
Issue date: revised in March 2007
Effective date: 1 January 2009

IAS 24 *Related Party Disclosures*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 26 *Accounting and Reporting by Retirement Benefit Plans*
Not covered; see About this publication

IAS 27	*Consolidated and Separate Financial Statements* Issue date: revised in December 2003 Effective date: 1 January 2005
IAS 28	*Investments in Associates* Issue date: revised in December 2003 Effective date: 1 January 2005
IAS 29	*Financial Reporting in Hyperinflationary Economies* Issue date: July 1989 Effective date: 1 January 1990
IAS 31	*Interests in Joint Ventures* Issue date: revised in December 2003 Effective date: 1 January 2005
IAS 32	*Financial Instruments: Presentation* Issue date: revised in December 2003 Effective date: 1 January 2005
IAS 33	*Earnings per Share* Issue date: revised in December 2003 Effective date: 1 January 2005
IAS 34	*Interim Financial Reporting* Issue date: February 1998 Effective date: 1 January 1999
IAS 36	*Impairment of Assets* Issue date: revised in March 2004 Effective date: 31 March 2004
IAS 37	*Provisions, Contingent Liabilities and Contingent Assets* Issue date: September 1998 Effective date: 1 July 1999

IAS 38 *Intangible Assets*
Issue date: revised in March 2004
Effective date: 31 March 2004

IAS 39 *Financial Instruments: Recognition and Measurement*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 40 *Investment Property*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 41 *Agriculture*
Issue date: February 2001
Effective date: 1 January 2003

IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*
Issue date: May 2004
Effective date: 1 September 2004

IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments*
Issue date: November 2004
Effective date: 1 January 2005

IFRIC 4 *Determining whether an Arrangement contains a Lease*
Issue date: December 2004
Effective date: 1 January 2006

IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
Issue date: December 2004
Effective date: 1 January 2006

IFRIC 6	*Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment* Issue date: September 2005 Effective date: 1 December 2005
IFRIC 7	*Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* Issue date: November 2005 Effective date: 1 March 2006
IFRIC 8	*Scope of IFRS 2* Issue date: January 2006 Effective date: 1 May 2006
IFRIC 9	*Reassessment of Embedded Derivatives* Issue date: March 2006 Effective date: 1 June 2006
IFRIC 10	*Interim Financial Reporting and Impairment* Issue date: July 2006 Effective date: 1 November 2006
IFRIC 11	*IFRS 2 – Group and Treasury Share Transactions* Issue date: November 2006 Effective date: 1 March 2007
IFRIC 12	*Service Concession Arrangements* Issue date: November 2006 Effective date: 1 January 2008
IFRIC 13	*Customer Loyalty Programmes* Issue date: June 2007 Effective date: 1 July 2008

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
Issue date: July 2007
Effective date: 1 January 2008

IFRIC 15 *Agreements for the Construction of Real Estate*
Issue date: July 2008
Effective date: 1 January 2009

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
Issue date: July 2008
Effective date: 1 October 2008

IFRIC 18 *Transfers of Assets from Customers*
Issue date: January 2009
Effective date: (transfers on or after) 1 July 2009

SIC–7 *Introduction of the Euro*
Issue date: May 1998
Effective date: 1 June 1998

SIC–10 *Government Assistance – No Specific Relation to Operating Activities*
Issue date: July 1998
Effective date: 1 August 1998

SIC–12 *Consolidation – Special Purpose Entities*
Issue date: December 1998
Effective date: 1 July 1999

SIC–13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*
Issue date: December 1998
Effective date: 1 January 1999

SIC–15 *Operating Leases – Incentives*
Issue date: December 1998
Effective date: 1 January 1999

SIC–21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets*
Issue date: July 2000
Effective date: 15 July 2000

SIC–25 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*
Issue date: July 2000
Effective date: 15 July 2000

SIC–27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*
Issue date: December 2001
Effective date: 31 December 2001

SIC–29 *Service Concession Arrangements: Disclosures*
Issue date: December 2001
Effective date: 31 December 2001

SIC–31 *Revenue – Barter Transactions Involving Advertising Services*
Issue date: December 2001
Effective date: 31 December 2001

SIC–32 *Intangible Assets – Web Site Costs*
Issue date: March 2002
Effective date: 25 March 2002

Appendix II

Forthcoming requirements

Below is a list of standards and interpretations in issue at 1 August 2009 that are effective for annual reporting dates beginning after 1 January 2009. The list highlights the effective date of the requirements.

Revised IFRS 1	*First-time Adoption of International Financial Reporting Standards* Issue date: November 2008 Effective date: 1 July 2009
Amended IFRS 1	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters* Issue date: July 2009 Effective date: 1 January 2010
Amended IFRS 2	*Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions* Issue date: June 2009 Effective date: 1 January 2010
Revised IFRS 3	*Business Combinations* Issue date: January 2008 Effective date: 1 July 2009
Amended IFRS 5	*Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* as a result of *Improvements to IFRSs 2008* Issue date: May 2008 Effective date: 1 July 2009
Amended IAS 27	*Consolidated and Separate Financial Statements* Issue date: January 2008 Effective date: 1 July 2009

Amended IAS 39	*Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement* Issue date: July 2008 Effective date: 1 July 2009
IFRIC 17	*Distributions of Non-cash Assets to Owners* Issue date: November 2008 Effective date: 1 July 2009
Various	*Improvements to IFRSs 2009* Issue date: April 2009 Effective date: Dealt with on a standard-by-standard basis; generally 1 January 2010

Appendix III

Recent amendments to standards and interpretations that currently are effective for annual periods beginning on 1 January 2009

Below is a list of recent amendments to standards and interpretations in issue at 1 August 2009 that currently are effective for annual reporting periods beginning on 1 January 2009. The list highlights the effective date of the amendments.

Amended IFRS 1
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Issue date: May 2008
Effective date: 1 January 2009

Amended IFRS 2
Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations
Issue date: January 2008
Effective date: 1 January 2009

Amended IFRS 7
Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
Issue date: March 2009
Effective date: 1 January 2009

Amended IFRS 7 and IAS 39
Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets
Issue date: October 2008
Effective date: (reclassifications on or after) 1 July 2008

Amended IAS 32 and IAS 1

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
Issue date: February 2008
Effective date: 1 January 2009

Amended IFRIC 9 and IAS 39

Amendments to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
Issue date: March 2009
Effective date: annual periods ending on or after 30 June 2009

Amendments as a result of *Improvements to IFRSs 2008*

The IASB issued amendments to various standards as a result of *Improvements to IFRSs 2008*. The *Improvements to IFRSs 2008*, issued May 2008, includes two parts: Part I – amendments that result in accounting changes for presentation, recognition or measurement purposes; and Part II – terminology or editorial amendments that the IASB expects to have either no or only minimal effects on accounting. Included below is a list of standards that were amended as a result of Part I, of which the amendments are effective for annual periods beginning 1 January 2009.

- IAS 1 *Presentation of Financial Statements*
- IAS 16 *Property, Plant and Equipment*
- IAS 19 *Employee Benefits*
- IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*
- IAS 23 *Borrowing Costs*
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 28 *Investments in Associates*
- IAS 29 *Financial Reporting in Hyperinflationary Economies*
- IAS 31 *Interests in Joint Ventures*
- IAS 36 *Impairment of Assets*

- IAS 38 *Intangible Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IAS 40 *Investment Property*
- IAS 41 *Agriculture*

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