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IFRS in your pocket
2019

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Abbreviations

ARC	Accounting Regulatory Commission
ASAF	Accounting Standards Advisory Forum
DP	Discussion Paper
EC	European Commission
ED	Exposure Draft
EFRAG	European Financial Reporting Advisory Group
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee (predecessor to the IASB)
IFRIC	Interpretation issued by the IFRS Interpretations Committee
IFRS	International Financial Reporting Standard
IFRS Standards	All Standards and Interpretations issued by the IASB (i.e. the set comprising every IFRS, IAS, IFRIC and SIC)
PIR	Post-implementation Review
SEC	US Securities and Exchange Commission
SIC	Interpretation issued by the Standing Interpretations Committee of the IASC
SMEs	Small and Medium-sized Entities
XBRL	Extensible Business Reporting Language
XML	Extensible Markup Language

Foreword

Welcome to the 2019 edition of IFRS in Your Pocket.

It is a concise guide of the IASB's standard-setting activities that has made this publication an annual, and indispensable, worldwide favourite.

At its core is a comprehensive summary of the current Standards and Interpretations along with details of the projects on the IASB work plan. Backing this up is information about the IASB and an analysis of the use of IFRS Standards around the world. It is the ideal guide, update and refresher for everyone involved.

This is another year of important changes in IFRS. IFRS 16 *Leases* is mandatory for annual periods beginning on or after 1 January 2019, along with a new Interpretation on uncertain tax positions and seven amendments to Standards, of which four resulted from the IASB's *Annual Improvement* process.

Further along the horizon IFRS 17 *Insurance Contracts* is effective from 1 January 2021, although that is likely to be deferred until 1 January 2022.

The IASB will also be seeking input on other projects. We expect to see continued activity on the projects under the umbrella of Better Communication in Financial Reporting and a broad range of research projects, including wider corporate reporting.

With so much going on, the best way you can keep up to date continuously with the latest developments in the arenas of international and domestic financial reporting, is through our website www.iasplus.com. It is widely regarded as the most comprehensive source of news, and comment, about international financial reporting available today.

Veronica Poole

Global IFRS Leader

Our IAS Plus website

The screenshot shows the Deloitte IAS Plus website interface. At the top, the Deloitte logo is on the left, and 'IAS Plus' is on the right with a 'Login or Register' link and a language selector for 'Global (English)'. A navigation bar contains links for Home, News, Publications, Meetings, Standards, Projects, Jurisdictions, and Resources. A search bar is positioned on the right side of the navigation bar. Below the navigation, a banner reads 'The #1 website for global accounting news'. The main content area is divided into three columns: 'Latest news', 'Latest publications', and 'Latest meetings'. The 'Latest news' column features a prominent article titled 'IASB decides on further potential amendments to IFRS 17' dated 23 Jan 2019, with a sub-headline 'Onerous contracts'. The article text states: 'At its meeting currently held in London, the IASB discussed IFRS 17 'Insurance Contracts' and 5 of the 25 concerns regarding the standard that were identified in October 2018 as candidates for potential amendments.' Below this, there is a link to an 'Updated preparer's guide to the IFRS Taxonomy' dated 23 Jan 2019, with a sub-headline 'The IFRS Foundation has released an updated version of 'Using the IFRS Taxonomy — A preparer's guide' that is intended to help companies understand the IFRS Taxonomy content.' The 'Latest news' column also includes a partially visible article from 'IASB'. The 'Latest publications' and 'Latest meetings' columns are currently empty. The 'Important dates' section on the right lists: 'January 2019 IFRS Foundation Trustees meeting' (29 Jan 2019 - 31 Jan 2019, Kuala Lumpur), 'February 2019 IASB meeting' (29 Jan 2019 - 31 Jan 2019, Kuala Lumpur), 'Comment deadline on proposed IFRS Taxonomy update' (04 Feb 2019), and 'February 2019 ITCG meeting (conference call)' (04 Feb 2019).

Deloitte's IAS Plus (www.iasplus.com) is one of the most comprehensive sources of global financial reporting news on the Web. It is a central repository for information about International Financial Reporting Standards as well as the activities of the IASB. The site, which is also available in German, includes portals tailored to the United Kingdom, the United States, and Canada (in English and French) each with a focus on local GAAP and jurisdiction-specific corporate reporting requirements.

IAS Plus features:

- News about global financial reporting developments, presented intuitively with related news, publications, events and more
- Pre-meeting summaries of the topics being discussed by the IASB and IFRS Interpretations Committee, and summaries of the meeting discussions and decisions reached
- Summaries of all Standards, Interpretations and projects, with complete histories of developments and standard-setter discussions together with related news and publications
- Rich jurisdiction-specific information, including background and financial reporting requirements, links to country-specific resources, related news and publications and a comprehensive history of the adoption of IFRS Standards around the world
- Detailed personalisation of the site, which is available by selecting particular topics of interest and creating tailored views of the site

- Dedicated resource pages for research and education, sustainability and integrated reporting, accounting developments in Europe, XBRL and Islamic accounting
- Important dates highlighted throughout the site for upcoming meetings, deadlines and more
- A library of IFRS-related publications available for download and subscription including our popular *IFRS in Focus* newsletter and other publications
- Model IFRS financial statements and checklists, with versions available tailored to specific jurisdictions
- An extensive electronic library of both global and jurisdiction-specific IFRS resources
- Expert analysis and commentary from Deloitte subject matter experts, including webcasts, podcasts and interviews
- E-learning modules for most of the IASB's Standards
- Enhanced search functionality, allowing easy access to topics of interest by tags, categories or free text searches, with search results intuitively presented by category with further filtering options
- Deloitte comment letters to the IASB and numerous other bodies
- An interface that is smart-device friendly and updates through Twitter and RSS feeds

IFRS Standards around the world

Most jurisdictions have reporting requirements for listed and other types of entities that include presenting financial statements that are prepared in accordance with a set of generally accepted accounting principles. IFRS Standards are increasingly that prescribed set of principles and are used extensively around the world.

We maintain an up-to-date summary of the adoption of IFRS Standards around the world on IAS Plus at: <http://www.iasplus.com/en/resources/ifrs-topics/use-of-ifrs>

The IFRS Foundation publishes individual jurisdictional profiles which can be found in: <http://www.ifrs.org/Use-around-the-world/Pages/Jurisdiction-profiles.aspx>

Europe

43 jurisdictions in Europe require IFRS Standards to be applied by all or most of their domestic publicly accountable entities. Switzerland permits the use of IFRS Standards.

Europe has a strong endorsement process that requires each new Standard or Interpretation, or amendment to a Standard or Interpretation, be endorsed for use in Europe. That process involves:

- translating the Standards into all European languages;
- the private-sector EFRAG giving its endorsement advice to the EC;
- the EC's ARC making an endorsement recommendation; and
- the EC submitting the endorsement proposal to the European Parliament and to the Council of the EU.

Both must not oppose (or in certain circumstances must approve) endorsement within three months, otherwise the proposal is sent back to the EC for further consideration. Further information on endorsement is available from Deloitte: <http://www.iasplus.com/en/resources/ifrs-topics/europe>. The most recent status on EU endorsement of IFRS Standards can be found at: <http://www.efrag.org/Endorsement>. The UK is considering how the adoption of new IFRS requirements will be undertaken after the UK leaves the EU.

The Americas

27 jurisdictions in the Americas require IFRS Standards to be applied by all or most of their domestic publicly accountable entities. A further 8 jurisdictions permit or require IFRS Standards for at least some domestic publicly accountable entities.

In the United States, foreign private issuers are permitted to submit financial statements prepared using IFRS Standards as issued by the IASB without having to include a reconciliation of the IFRS figures to US GAAP. The SEC does not permit its domestic issuers to use IFRS Standards in preparing their financial statements; rather, they are required to use US GAAP.

Asia-Oceania

25 jurisdictions in Asia-Oceania require IFRS Standards to be applied by all or most of their domestic publicly accountable entities. A further 3 jurisdictions permit or require IFRS Standards for at least some domestic publicly accountable entities.

Africa

36 jurisdictions in Africa require IFRS Standards to be applied by all or most of their domestic publicly accountable entities and one permits or requires IFRS Standards for at least some domestic publicly accountable entities.

Middle East

13 jurisdictions in the Middle East require IFRS Standards to be applied by all or most of their domestic publicly accountable entities.

Filing requirements

The IASB is also gathering information about the filing requirements for financial statements prepared in accordance with IFRS Standards. This includes an assessment of requirements to file electronic versions of the financial statements, and the form of those filings.

There is an increasing use of structured data filings using the XML-based language called XBRL. The SEC requires that foreign filers submit financial data in XBRL for annual periods ending on or after 15 December 2017. Electronic filing requirements using XBRL and the IFRS Taxonomy are scheduled to take effect in Europe in 2020.

The SEC and European electronic filings must use the IFRS Taxonomy maintained by the IASB. More information is available at <http://www.ifrs.org/issued-standards/ifrs-taxonomy/>

The IFRS Foundation and the IASB

IFRS Foundation

The IFRS Foundation is the organisation that develops IFRS Standards for the public interest. It has a staff of around 150 people and has its main office in London and a smaller Asia-Oceania office in Tokyo.

Within the Foundation is the IASB, an independent body of accounting professionals that is responsible for the technical content of IFRS Standards. The staff of the Foundation support the work of the IASB. It has technical staff who analyse issues and help the IASB (and its interpretations body the IFRS Interpretations Committee) make technical decisions. Other staff provide support to adopting jurisdictions, publications, education, communications (including the website), investor relations, fundraising and administration.

International Accounting Standards Board

The IASB is a technical standard-setting body

Membership The IASB has up to 14 members. Most are full-time, so that they commit all of their time to paid employment as an IASB member. Up to three can be part-time, but they are expected to spend most of their time on IASB activities.

All members of the IASB are required to commit themselves formally to acting in the public interest in all matters.

Global balance Four members are appointed from each of Asia-Oceania, Europe and the Americas and one member from Africa.

One additional member can be appointed from any area, subject to maintaining overall geographical balance.

Qualifications of IASB members Members are selected to ensure that at all times the IASB has the best available combination of technical expertise and diversity of international business and market experience to develop high quality, global financial reporting standards. Members include people who have experience as auditors, preparers, users, academics and market and/or financial regulators.

Term	The maximum term is 10 years – an initial term of five years and a second term of three years, or up to five years for the Chair and Vice-Chair.
Meetings	The IASB meets in public to discuss technical matters, usually each month except August.

The current members of the IASB are profiled at <http://www.ifrs.org/groups/international-accounting-standards-board/#members>

IFRS Interpretations Committee

The IFRS Interpretations Committee is responsible for developing Interpretations of IFRS Standards

Membership	The Committee has 14 members, appointed because of their experience with IFRS Standards. They are not paid, but the IFRS Foundation reimburses members for out-of-pocket costs.
Meetings	The Committee meets in public to consider requests to interpret IFRS Standards. It meets every two months.
Interpretations	<p>If the Committee decides that an IFRS Standard is not clear and that it should provide an interpretation of the requirements it either develops an Interpretation or, in consultation with the IASB, develops a narrow-scope amendment to the IFRS Standard.</p> <p>Deciding to develop an Interpretation, or amendment, means that the Committee has taken the matter onto its agenda. The development of an Interpretation follows a similar process to the development of an IFRS Standard. They are developed in public meetings and the Draft Interpretation is exposed for public comment. Once the Interpretation has been completed it must be ratified by the IASB before it can be issued. Interpretations become part of IFRS Standards, so have the same weight as any Standard.</p>
Agenda decisions	If the Committee decides that it need not, or cannot, develop an Interpretation it publishes a tentative Agenda Decision, explaining why it does not intend to develop an Interpretation. Once the Committee has considered feedback on the tentative decision it can decide to finalise that decision, or it could add the matter to its agenda. The final agenda decisions sometimes contain an analysis of the relevant Standard that is helpful to preparers.

Due process

The IASB and its Interpretations Committee follow a comprehensive and open due process built on the principles of transparency, full and fair consultation and accountability. The IFRS Foundation Trustees, through its Due Process Oversight Committee, is responsible for overseeing all aspects of the due process procedures of the IASB and the IFRS Interpretations Committee, and for ensuring that those procedures reflect best practice.

Transparency	All technical discussions are held in public (and usually via webcast) and the staff-prepared IASB papers are publicly available. The purpose of the staff papers is to ensure that the IASB and IFRS Interpretations Committee have sufficient information to be able to make decisions based on the staff recommendations. A final Standard or Interpretation must be approved by at least 9 of the 14 members of the IASB.
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Full and fair consultation	<p>The IASB must:</p> <ul style="list-style-type: none"> • Hold a public consultation on its technical work programme every five years • Evaluate all requests received for possible interpretation or amendment of a Standard • Debate all potential standard-setting proposals in public meetings • Expose for public comment any proposed new Standard, amendment to a Standard or Interpretation • Explain its rationale for proposals in a basis for conclusions, and individual IASB members who disagree publish their alternative views • Consider all comment letters received on the proposals, which are placed on the public record, in a timely manner • Consider whether the proposals should be exposed again • Consult the Advisory Council on the technical programme, major projects, project proposals and work priorities • Ratify any Interpretations developed by the IFRS Interpretations Committee
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Additionally, the IASB must undertake the following steps, or explain why they do not consider them to be necessary for a specific project:

- Publish a discussion document (for example, a DP) before specific proposals are developed
 - Establish a consultative group or other types of specialist advisory group
 - Hold public hearings
 - Undertake fieldwork
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Accountability An effects analysis and basis for conclusions (and dissenting views) are published with each new Standard.

The IASB is committed to conducting post-implementation reviews of each new Standard or major amendment of an existing Standard.

Further information on the IASB due process can be found at <http://www.ifrs.org/about-us/how-we-set-standards/>

Consultative bodies

Advisory groups The IFRS Advisory Council meets twice a year. Its members give advice to the IASB on its work programme, inform the IASB of their views on major standard-setting projects and give other advice to the IASB or the Trustees. The Advisory Council has at least 30 members (and currently has about 45), including a member from Deloitte. Members are appointed by the Trustees and are organisations and individuals with an interest in international financial reporting from a broad range of geographical and functional backgrounds.

The Accounting Standards Advisory Forum (ASAF) meets with the IASB four times a year, in a public meeting, to discuss technical topics. It comprises a standard-setter from Africa, three from each of the Americas, Asia-Oceania and Europe and two from any area of the world at large, subject to maintaining an overall geographical balance.

Standing consultative groups Capital Markets Advisory Committee (users), Global Preparers Forum (preparers), Emerging Economies Group, Islamic Finance Consultative Group, IFRS Taxonomy Consultative Group, SME Implementation Group, World Standard-setters Conference.

Transition Resource Groups	Created for specific new Standards (Impairment of Financial Instruments, Insurance Contracts and Revenue Recognition).
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Project consultative groups	Rate Regulation, Management Commentary
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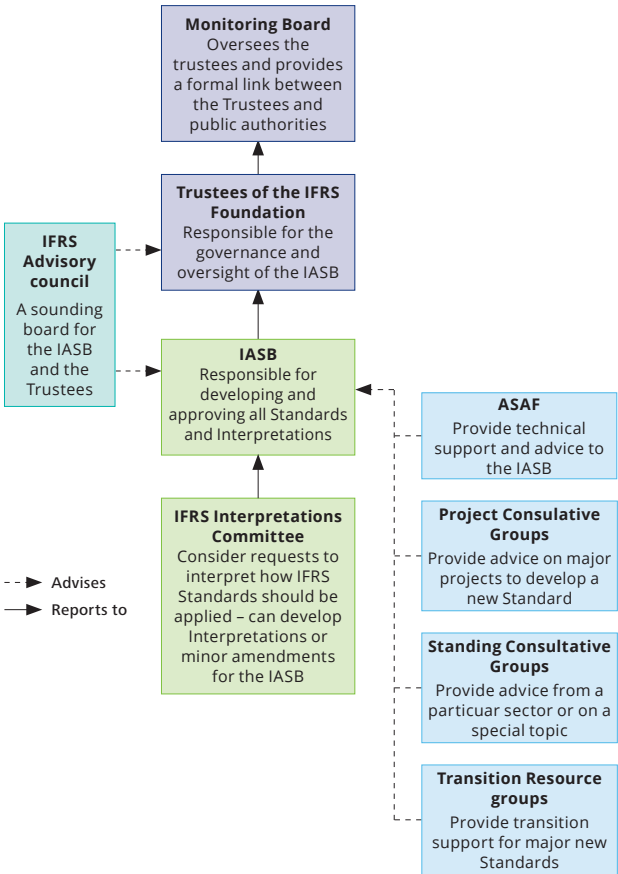
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Governance



Monitoring Board

The Monitoring Board provides formal interaction between capital markets authorities and the IFRS Foundation. It provides public accountability of the IFRS Foundation through a formal reporting line from the Trustees of the Foundation to the Monitoring Board.

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- Responsibilities
- Approves the appointment of the Trustees
 - Reviews the adequacy and appropriateness of Trustee arrangements for financing the IASB
 - Reviews the Trustees' oversight of the IASB's standard-setting process, particularly with respect to its due process arrangements
 - Confers with the Trustees regarding the responsibilities pertinent to the IFRS Foundation's oversight to the IASB, particularly in relation to the regulatory, legal and policy developments
 - Can refer matters of broad public interest related to financial reporting to the IASB through the IFRS Foundation
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Membership

The Monitoring Board currently comprises representatives of the International Organization of Securities Commissions (IOSCO), the IOSCO Growth and Emerging Markets Committee, the European Commission (EC), Financial Services Agency of Japan (JFSA), US Securities and Exchange Commission (SEC), Brazilian Securities Commission (CVM), Financial Services Commission of Korea (FSC) and the Ministry of Finance of the People's Republic of China. The Basel Committee on Banking Supervision is a non-voting observer.

Trustees of the IFRS Foundation

The Foundation's governing body is the Trustees of the IFRS Foundation.

- Responsibilities
- Appoint members of the IASB, the IFRS Interpretations Committee and the IFRS Advisory Council
 - Establishing and amend the operating procedures, consultative arrangements and due process for the IASB, the Interpretations Committee and the Advisory Council
 - Review annually the strategy of the IASB and assess its effectiveness
 - Ensure the financing of the IFRS Foundation and approve its budget annually

The Trustees ensure that the IASB develops IFRS Standards in accordance with its due process requirements, through the Trustee Due Process Oversight Committee.

Membership

There are 22 Trustees, each being appointed for a three-year term, renewable once. The exception is that a trustee can be appointed to serve as Chair or Vice-Chair for a term of three years, renewable once, provided that the total period of service does not exceed nine years.

Trustees are selected to provide a balance of people from senior professional backgrounds who have an interest in promoting and maintaining transparency in corporate reporting globally. To maintain a geographical balance, six trustees are appointed from each of Asia-Oceania, Europe and the Americas, one Trustee is appointed from Africa and three Trustees are appointed from any area, subject to maintaining the overall geographical balance.

Standards and Interpretations

The IASB was established in 2001, replacing the International Accounting Standards Committee (IASC). The IASC, which was established in 1973, was a consensus body and its purpose was to harmonise financial reporting standards. It produced Standards called International Accounting Standards (IAS Standards) and its Interpretations were called SIC Interpretations. One of the first actions of the IASB was to adopt all of the IASC's IAS Standards and SIC Interpretations as its own. The IASB undertook a major project to improve 13 of these IAS Standards, finalising and issuing the revised IAS Standards in 2004.

At the same time, the IASB started to develop new Standards and Interpretations, calling each new Standard an IFRS Standard and each Interpretation an IFRIC Interpretation.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* defines the IASB's full set of requirements as IFRS Standards.

IFRS Standards comprise the IAS Standards, SIC Interpretations, IFRS Standards and IFRIC Interpretations adopted or issued by the IASB. All of these individual requirements have equal authority.

Transition overlap

When the IASB amends or issues new Standards it provides a period of transition before the new requirements are mandatory, but generally allows entities to apply the new requirements before the mandatory date. The effect is that there is sometimes a choice of requirements available to entities. For example, an entity could continue to apply IFRS 4 *Insurance Contracts* in periods beginning 1 January 2019 or it could elect to apply IFRS 17 *Insurance Contracts*.

The IASB produces two volumes of Standards and Interpretations – the **Blue and Red Books**.

Blue Book

The Standards and Interpretations that an entity would apply if it elected not to apply any new requirements before the mandatory date. This volume does not include the versions of Standards or Interpretations that have an effective date after 1 January of that year. For example, the 2019 volume includes IFRS 4 *Insurance Contracts*, but not IFRS 17 *Insurance Contracts*.

Red Book	The Standards and Interpretations that an entity would apply if they applied all of the new requirements earlier than required. This volume does not include the versions of Standards or Interpretations that those new requirements are replacing. For example, the 2019 volume includes IFRS 17 <i>Insurance Contracts</i> , but not IFRS 4 <i>Insurance Contracts</i> .
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The IASB also produces annotated versions of these volumes that reproduce the agenda decisions issued by the IFRS Interpretations Committee and cross-references to the basis for conclusions and related Standards or Interpretations.

Unaccompanied Standards and Interpretations are available on the IFRS Foundation website: <http://www.ifrs.org/issued-standards/list-of-standards/>. The versions are a mixture of extracts from the RED and BLUE Books and are updated at the beginning of each calendar year.

The non-mandatory implementation and illustrative guidance and bases for conclusions that accompany the Standards and Interpretations are not freely available. IASB pronouncements and publications can be purchased in printed and electronic formats from the IFRS Foundation.

IFRS Foundation Publications department orders and enquiries:

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Website: <http://shop.ifrs.org> | e-mail: publications@ifrs.org

In the sections that follow, we have summarised the requirements of the Standards and Interpretations on issue at 1 January 2019. These summaries are intended as general information and are not a substitute for reading the entire Standard or Interpretation.

Preface to International Financial Reporting Standards

Covers, among other things, the objectives of the IASB, the scope of IFRS Standards, due process for developing Standards and Interpretations, equal status of 'bold type' and 'plain type' paragraphs, policy on effective dates and use of English as the official language.

Adopted by the IASB in May 2002, amended in 2007, 2008 and 2010.

Conceptual Framework for Financial Reporting

Overview	Describes the objective of, and the concepts for, general purpose financial reporting.
Purpose and status	<p>Assists the IASB to develop Standards that are based on consistent concepts; preparers to develop consistent accounting policies when no Standard applies to a particular transaction or other event, or when a Standard allows a choice of accounting policy; and all parties to understand and interpret the Standards.</p> <p>It is not a Standard and sits outside of IFRS Standards. Nothing in the <i>Framework</i> overrides any Standard or any requirement in a Standard.</p>
The Objective of General Purpose Financial Reporting	<p>The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity.</p> <p>Those decisions include buying, selling or holding equity and debt instruments, providing or settling loans and other forms of credit, exercising rights to vote on, or otherwise influence, management.</p> <p>General purpose financial reports provide information about the resources of, and claims against, an entity and the effects of transactions and other events on those resources and claims.</p>
Qualitative Characteristics of Useful Financial Information	<p>For financial information to be useful, it needs to meet the qualitative characteristics set out in the <i>Framework</i>. The fundamental qualitative characteristics are relevance and faithful representation.</p> <p>Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent.</p>

Faithful representation means the information must be complete, neutral and free from error. Neutrality is supported by exercising caution when making judgements under conditions of uncertainty, which is referred to in the *Framework* as prudence. Such prudence does not imply a need for asymmetry, for example, a systematic need for more persuasive evidence to support the recognition of assets or income than the recognition of liabilities or expenses. Such asymmetry is not a qualitative characteristic of useful financial information.

Financial information is also more useful if it is comparable, verifiable, timely and understandable.

Financial Statements and the Reporting Entity

Financial statements are prepared from the perspective of an entity as a whole, rather than from the perspective of any particular group of investors, lenders or other creditors (the entity perspective).

Financial statements are prepared on the assumption that the reporting entity is a going concern and will continue in operation for the foreseeable future.

A reporting entity is an entity that chooses, or is required, to prepare financial statements. Obvious examples include a single legal structure, such as an incorporated company, and a group comprising a parent and its subsidiaries.

A reporting entity need not be a legal entity, although this makes it more difficult to establish clear boundaries when it is not a legal entity, or a parent-subsidiary group. When a reporting entity is not a legal entity, the boundary should be set by focusing on the information needs of the primary users. A reporting entity could also be a portion of a legal entity, such as a branch or the activities within a defined region.

The *Framework* acknowledges combined financial statements. These are financial statements prepared by a reporting entity comprising two or more entities that are not linked by a parent-subsidiary relationship. However, the *Framework* does not discuss when or how to prepare them.

The Elements
of Financial
Statements

An **asset** is a present economic resource controlled by the entity as a result of past events.

An economic resource is a set of rights – the right to use, sell, or pledge the object, as well as other undefined rights. In principle, each right could be a separate asset. However, related rights will most commonly be viewed collectively as a single asset that forms a single unit of account.

Control links a right to an entity and is the present ability to direct how a resource is used so as to obtain the economic benefits from that resource (power and benefits). An economic resource can be controlled by only one party at any point in time.

A **liability** is a present obligation of the entity to transfer an economic resource as a result of past events. An obligation is a duty or responsibility that an entity has no practical ability to avoid.

An entity may have no practical ability to avoid a transfer if any action that it could take to avoid the transfer would have economic consequences significantly more adverse than the transfer itself. The going-concern basis implies that an entity has no practical ability to avoid a transfer that could be avoided only by liquidating the entity or by ceasing to trade.

If new legislation is enacted, a present obligation arises only when an entity obtains economic benefits, or takes an action, within the scope of that legislation. The enactment of legislation is not in itself sufficient to give an entity a present obligation.

The focus is on the existence of an asset or liability. It does not need to be certain, or even likely that the asset will produce (or the obligation will require an entity to transfer) economic benefits. It is only necessary that in at least one circumstance it would produce (or require an entity to transfer) economic benefits, however remote that occurrence might be.

The unit of account is the right or the group of rights, the obligation or the group of obligations, or the group of rights and obligations, to which recognition criteria and measurement concepts are applied.

The unit of account, recognition and measurement requirements for a particular item are linked and the IASB will consider these aspects together when developing Standards. It is possible that the unit of account for recognition will differ from that used for measurement for a particular matter – e.g. a Standard might require contracts to be recognised individually but measured as part of a portfolio.

Equity is the residual interest in the assets of the entity after deducting all its liabilities.

Income is increases in assets, or decreases in liabilities, that result in increases in equity, other than those relating to contributions from holders of equity claims.

Expenses are decreases in assets, or increases in liabilities, that result in decreases in equity, other than those relating to distributions to holders of equity claims.

Recognition
and
Derecognition

Recognition is the process of capturing for inclusion in the statement of financial position or the statement(s) of financial performance an item that meets the definition of one of the elements of financial statements – an asset, a liability, equity, income or expenses.

The *Framework* requires recognition when this provides users of financial statements with relevant information and a faithful representation of the underlying transaction.

The recognition criteria do not include a probability or a reliable measurement threshold. Uncertainty about the existence of an asset or liability or a low probability of a flow of economic benefits are circumstances when recognition of a particular asset or liability might not provide relevant information.

There is also a trade-off between a more relevant measure that has a high level of estimation uncertainty and a less relevant measure that has lower estimation uncertainty. Some uncertainties could lead to more supplementary information being required. In limited circumstances the measurement uncertainty associated with all relevant measures could lead to the IASB concluding that the asset or liability should not be recognised.

Derecognition is the removal of all or part of a recognised asset or liability from an entity's statement of financial position and normally occurs when that item no longer meets the definition of an asset or of a liability. The derecognition principles aim to represent faithfully any assets and liabilities retained, and any changes in the entity's assets and liabilities, as a result of that transaction. Sometimes an entity will dispose of only part of an asset or a liability, or retain some exposure. The Framework sets out the factors that the IASB should consider when assessing whether full derecognition is achieved, when derecognition supported by disclosure is necessary and when it might be necessary for an entity to continue to recognise the transferred component.

Measurement Describes two measurement bases: historical cost and current value. It asserts that both bases can provide predictive and confirmatory value to users but one basis might provide more useful information than the other under different circumstances.

Historical cost reflects the price of the transaction or other event that gave rise to the related asset, liability, income or expense. A current value measurement reflects conditions at the measurement date. Current value includes fair value, value in use (for assets) and fulfilment value (for liabilities), and current cost.

In selecting a measurement basis it is important to consider the nature of the information that the measurement basis will produce in both the statement of financial position and the statement of financial performance. The relative importance of the information presented in these statements will depend on facts and circumstances.

The characteristics of the asset or liability and how it contributes to future cash flows are two of the factors that the IASB will consider when it decides which measurement basis provides relevant information. For example, if an asset is sensitive to market factors, fair value might provide more relevant information than historical cost. However, depending on the nature of the entity's business activities, and thus how the asset is expected to contribute to future cash flows, fair value might not provide relevant information. This could be the case if the entity holds the asset solely for use or to collect contractual cash flows rather than for sale.

A high level of measurement uncertainty does not render a particular measurement basis irrelevant. However, as explained in the recognition section, there can be a trade-off between relevance and faithful representation.

The *Framework* does not preclude the use of different measurement bases for an asset or a liability in the statement of financial position and the related income and expenses in the statement of financial performance. However, it notes that in most cases, using the same measurement basis in both statements would provide the most useful information.

It would be normal for the IASB to select the same measurement basis for the initial measurement of an asset or a liability that will be used for its subsequent measurement, to avoid recognising a 'day-2 gain or loss' due solely to a change in measurement basis.

Presentation and Disclosure

Presentation and disclosure objectives in Standards can support effective communication. The *Framework* requires the IASB to consider the balance between giving entities the flexibility to provide relevant information and requiring information that is comparable.

The statement of profit or loss is the primary source of information about an entity's financial performance for the reporting period. The *Framework* presumes that all income and expenses are presented in profit or loss. Only in exceptional circumstances will the IASB decide to exclude an item of income or expense from profit or loss and include it in OCI (other comprehensive income), and only for income or expenses that arise from a change in the current value of an asset or liability.

The *Framework* also presumes that items presented in OCI will eventually be reclassified from OCI to profit or loss, but reclassification must provide more relevant information than not reclassifying the amounts.

Concepts of Capital and Capital Maintenance

Sets out some high-level concepts of physical and financial capital. This chapter has been carried forward unchanged from the 2010 *Framework* (which, in turn, was carried forward from the 1989 *Framework*).

Changes effective this year	None
Pending changes	The IASB has amended the definition of material. This amendment will be effective for annual periods beginning on or after 1 January 2020.
History	<p>Originally approved by the IASC in April 1989, the <i>Conceptual Framework for Financial Reporting</i> was adopted by the IASB in April 2001.</p> <p>In 2005 the IASB started working with the US FASB to develop a common Framework. This led to the IASB issuing a revised Framework in 2010 that included two chapters that were also issued by the FASB (Chapter 1 <i>The objective of general purpose financial reporting</i> and Chapter 3 <i>Qualitative characteristics of useful financial information</i>).</p> <p>In 2018 the IASB issued a revised <i>Framework</i> which came into effect immediately. Five of the chapters are new, or have been revised substantially: Financial statements and the reporting entity; The elements of financial statements; Recognition and derecognition; Measurement; and Presentation and disclosure. It also reintroduces the terms stewardship and prudence.</p> <p>The <i>Framework</i> adopted by the IASB in 2001 and the Framework issued in 2010 are still referred to by some Standards, so remain in effect alongside the new 2018 <i>Framework</i>.</p>

Standards and Interpretations

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting Period
IAS 12	Income Taxes
IAS 16	Property, Plant and Equipment
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 32	Financial Instruments: Presentation
IAS 33	Earnings per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment

IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 17	Insurance Contracts

Interpretations

- SIC-7** Introduction of the Euro
- SIC-10** Government Assistance – No Specific Relation to Operating Activities
- SIC-25** Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
- SIC-29** Service Concession Arrangements: Disclosures
- SIC-32** Intangible Assets – Web Site Costs
- IFRIC 1** Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IFRIC 2** Members' Shares in Co-operative Entities and Similar Instruments
- IFRIC 5** Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6** Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IFRIC 7** Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 10** Interim Financial Reporting and Impairment
- IFRIC 12** Service Concession Arrangements
- IFRIC 14** IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 16** Hedges of a Net Investment in a Foreign Operation
- IFRIC 17** Distributions of Non-cash Assets to Owners
- IFRIC 19** Extinguishing Financial Liabilities with Equity Instruments
- IFRIC 20** Stripping Costs in the Production Phase of a Surface Mine
- IFRIC 21** Levies
- IFRIC 22** Foreign Currency Transactions and Advance Consideration
- IFRIC 23** Uncertainty over Income Tax Treatments

New requirements for 2019

Nine new requirements took effect for annual periods beginning on or after 1 January 2019.

Standards

IFRS 16 Leases

Interpretations

IFRIC 23 Uncertainty over Income Tax Treatments

Amendments

IAS 12 Income Tax Consequences of Payments on Financial Instruments Classified as Equity (*Annual Improvements 2015–2017 Cycle*)

IAS 19 Plan Amendment, Curtailment or Settlement

IAS 23 Borrowing Costs Eligible for Capitalisation (*Annual Improvements 2015–2017 Cycle*)

IAS 28 Long-term Interests in Associates and Joint Ventures

IFRS 3 Previously Held Interest in a Joint Operation (*Annual Improvements 2015–2017 Cycle*)

IFRS 9 Prepayment Features with Negative Compensation

IFRS 11 Previously Held Interest in a Joint Operation (*Annual Improvements 2015–2017 Cycle*)

When an entity has applied a new IFRS Standard, or an amendment to an IFRS Standard, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires the entity to disclose information about that change, if it is material.

When an entity has not applied a new IFRS Standard, or an amendment to an IFRS Standard that has been issued but is not yet mandatory, the entity must state that fact and provide information it knows, or can reasonably estimate, about the possible effect that application will have on its financial statements in the period of initial application.

Annual periods beginning on or after 1 January 2020

Conceptual Framework

Amendments to the *Conceptual Framework for Financial Reporting*, including amendments to references to the *Conceptual Framework* in IFRS Standards

Amendments

IFRS 3	Definition of a Business
IAS 1	Definition of Material
IAS 8	Definition of Material

Annual periods beginning on or after 1 January 2021

Standard

IFRS 17	Insurance Contracts ¹
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Further information on the effective dates of Standards, amendments to Standards and Interpretations can be found at <http://www.iasplus.com/en/standards/effective-dates/effective-ifs>

¹ In 2018, the IASB tentatively decided that the mandatory effective date of IFRS 17 should be deferred by one year, so that entities would be required to apply IFRS 17 for annual periods beginning on or after 1 January 2022 and that the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 should be amended so that all entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2022. An ED proposing these changes is expected in 2019.

Summaries of Standards and Interpretations in effect at 1 January 2019

This section contains the Standards and Interpretations that an entity preparing financial statements for annual periods beginning on 1 January 2019 would apply if it elected not to apply any new requirements before the mandatory date.

New Standards often include consequential amendments to other Standards. In the summaries, only significant consequential amendments are identified as new or pending changes.

IAS 1	<i>Presentation of Financial Statements</i>
Overview	Sets out the overall framework for presenting general purpose financial statements, including guidelines for their structure and the minimum content.
Complete set of financial statements	<p>A complete set of financial statements comprises:</p> <ul style="list-style-type: none"> • A statement of financial position • A statement of profit or loss and other comprehensive income • A statement of changes in equity • A statement of cash flows • Notes <p>Entities may use titles for the individual financial statements other than those used above.</p> <p>Comparative information for the prior period is required for amounts shown in the financial statements and the notes.</p> <p>Financial statements are generally prepared annually. If the end of the reporting period changes, and financial statements are presented for a period other than one year, additional disclosures are required.</p> <p>A third statement of financial position is required when an accounting policy has been applied retrospectively or items in the financial statements have been restated or reclassified.</p>

Materiality	<p>IAS 1 defines what makes information material to the primary users of the financial statements. It also sets out the line items to be presented in each of the statements (with the exception of the statement of cash flows, for which IAS 7 sets out the requirements) and has guidance for when an entity presents additional line items or subtotals.</p> <p>The IASB issued a Practice Statement in 2017 that provides guidance on making materiality judgements when preparing general purpose financial statements in accordance with IFRS Standards.</p>
Statement of Financial Position	<p>In the statement of financial position, assets and liabilities are required to be classified as current or non-current, unless presenting them in order of liquidity provides reliable and more relevant information. Assets and liabilities may not be offset unless offsetting is permitted or required by another IFRS Standard.</p>
Statement of profit or loss and other comprehensive income	<p>The statement of profit or loss and other comprehensive income includes all items of income and expense. It can be presented as either a single statement, with a sub-total for profit or loss, or as separate statements of profit or loss and other comprehensive income. Within the profit or loss section expenses are presented either by their nature (e.g. depreciation) or by function (e.g. cost of sales). If they are presented by function, additional disclosures about their nature are required to be presented in the notes. Items can only be presented in other comprehensive income if permitted by an IFRS Standard, and are grouped based on whether or not they are potentially reclassifiable to profit or loss at a later date. Income and expenses may not be offset unless offsetting is permitted or required by another IFRS Standard.</p> <p>There are special presentation requirements for discontinued activities and assets held for sale – see IFRS 5.</p>
Statement of changes in equity	<p>The statement of changes in equity is required to show the total comprehensive income for the period; the effects on each component of equity of retrospective application or retrospective restatement in accordance with IAS 8; and for each component of equity, a reconciliation between the opening and closing balances, disclosing each change separately.</p>

Notes	The notes must include information about the accounting policies followed; the judgements that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements; sources of estimation uncertainty; and management of capital and compliance with capital requirements.
Fundamental principles	IAS 1 also sets out the fundamental principles for the preparation of financial statements, including the going concern assumption, consistency in presentation and classification and the accrual basis of accounting.
Interpretations	None
Changes effective this year	None
Pending changes	<p>The IASB has amended the definition of material. This amendment is effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.</p> <p>References to the <i>Conceptual Framework</i> have been amended to refer to the new <i>Framework</i>. The amendment is effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.</p> <p>IAS 1 is also being reviewed by the IASB as part of the Disclosure Initiative and Primary Financial Statement projects.</p>
History	Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005. It was revised in 2007 to improve owner equity disclosures and in 2011 to improve OCI disclosure. It was revised in 2014 as part of the Disclosure Initiative.

IAS 2	<i>Inventories</i>
Overview	Prescribes the accounting for inventories.
Initial measurement of inventory	<p>Inventories are stated at the lower of cost and net realisable value (NRV).</p> <p>Costs include purchase cost, conversion cost (materials, labour and overheads), and other costs to bring inventory to its present location and condition, but not foreign exchange differences (see IAS 21).</p> <p>For inventory that is not interchangeable, specific costs are attributed to the specific individual items of inventory. For interchangeable items, cost is determined on either a First In First Out (FIFO) or weighted average basis. Last In First Out (LIFO) is not permitted.</p>
Cost of goods sold	When inventory is sold, the carrying amount is recognised as an expense in the period in which the related revenue is recognised.
Impairment	Write-downs to NRV are recognised as an expense in the period the loss occurs. Reversals arising from an increase in NRV are recognised as a reduction of the inventory expense in the period in which they occur.
Interpretations	None
Changes effective this year	None
Pending changes	None
History	Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.

IAS 7 **Statement of Cash Flows**

Overview Requires a statement of cash flows to present information about changes in cash and cash equivalents, classified as operating, investing and financing activities.

Cash and cash equivalents Cash equivalents include investments that are short-term (less than three months from date of acquisition), readily convertible to a known amount of cash, and subject to an insignificant risk of changes in value.

Operating, investing and financing cash flows Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities. Operating cash flows are reported using either the direct (recommended) or the indirect method. Cash flows from taxes on income are classified as operating unless they can be specifically identified with financing or investing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

Aggregate cash flows from obtaining or losing control of subsidiaries are presented separately and classified as investing activities.

Investing and financing transactions that do not require the use of cash are excluded from the statement of cash flows, but need to be disclosed.

Reconciliation of financing balances Entities must reconcile the opening and closing amounts in the statement of financial position for items classified as financing activities.

Interpretations None

Changes effective this year None

Pending changes None

History

Originally issued for periods beginning on or after 1 January 1994, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005. It was amended to require the disclosures of changes in liabilities arising from financing activities, effective for annual periods beginning on or after 1 January 2017.

IAS 8***Accounting Policies, Changes in Accounting Estimates and Errors*****Overview**

Prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in estimates and correction of errors.

**Selecting
accounting
policies**

Entities must apply the Standards and Interpretations issued by the IASB. In the absence of a directly applicable IFRS Standard, entities must look to the requirements in IFRS Standards that deal with similar and related issues and, failing that, to the Conceptual Framework. Entities may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework, other accounting literature and accepted industry practice.

**Changes in
accounting
policies**

Accounting policies must be applied consistently to similar transactions. Voluntary changes can be made only if the change results in reliable and more relevant information.

When a change in accounting policy is required by an IFRS Standard, the pronouncement's transitional requirements are followed. If the new requirement is not yet mandatory, and the entity has not early-applied the change, the entity must provide information it knows, or can reasonably estimate, about the possible effect that application will have on its financial statements when it plans to apply the new requirements.

If the entity makes a change voluntarily, the new policy must be applied retrospectively and prior periods are restated. The Standard provides relief from retrospective application when it is impracticable to determine period-specific effects.

Changes in accounting estimates	Changes in accounting estimates (e.g. change in useful life of an asset) are accounted for prospectively, in the current year, or future years, or both. The comparative information is not restated.
Prior period errors	All material prior period errors are corrected by restating comparative prior period amounts and, if the error occurred before the earliest period presented, by restating the opening statement of financial position.
Interpretations	None
Changes effective this year	None
Pending changes	<p>The IASB has amended the definition of material. This amendment is effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.</p> <p>References to the <i>Conceptual Framework</i> have been amended to refer to the new <i>Framework</i>. The amendment is effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.</p> <p>The IASB has exposed possible changes to the definitions of an accounting policy and an accounting estimate, with the aim of clarifying the distinction.</p> <p>The IASB has exposed possible changes to make it easier to apply a change in an accounting policy prospectively when they are motivated by an Agenda Decision.</p>
History	Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.

IAS 10		<i>Events after the Reporting Period</i>	
Overview	Prescribes when financial statements must be adjusted for events after the end of the reporting period and what information must be disclosed.		
Events after the end of the reporting period	Events after the end of the reporting period are those that occur between the end of the reporting period and the date when the financial statements are authorised for issue.		
Adjusting events	The financial statements are adjusted for events that provide evidence of conditions that existed at the end of the reporting period (such as the resolution of a court case after the end of the reporting period).		
Non-adjusting events	<p>The financial statements are not adjusted for events that arose after the end of the reporting period (such as a decline in market prices after year end). The nature and effect of such events are disclosed. However, if the events after the end of the reporting period indicate that the going concern assumption is not appropriate, those financial statements are not prepared on a going concern basis.</p> <p>Dividends proposed or declared after the end of the reporting period are not recognised as a liability at the end of the reporting period.</p>		
Interpretations	None		
Changes effective this year	None		
Pending changes	None		
History	Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.		

IAS 12	<i>Income Taxes</i>
Overview	Sets out the accounting for current and deferred tax.
Current and deferred tax	<p>Current tax liabilities and assets are recognised for current and prior period taxes, measured at the rates that have been enacted or substantively enacted by the end of the reporting period.</p> <p>Deferred tax assets and liabilities are the income taxes recoverable or payable in future periods as a result of differences between the amounts attributed to assets and liabilities from applying IFRS Standards and the amounts those assets and liabilities are attributed for tax purposes (called temporary differences).</p>
Deferred tax liabilities	<p>Deferred tax liabilities are recognised for the future tax consequences of all taxable temporary differences with three exceptions:</p> <p>A deferred tax liability is not recognised when the temporary difference arises from the initial recognition of goodwill; when, at the time of the transaction, the initial recognition of an asset or liability does not affect either the accounting or the taxable profit (unless it is a business combination); and for differences arising from investments in subsidiaries, branches, associates and joint arrangements (e.g. due to undistributed profits) when the entity is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.</p>

Deferred tax assets	A deferred tax asset is recognised for deductible temporary differences, unused tax losses and unused tax credits, but only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.
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There are two exceptions: a deferred tax asset is not recognised for temporary differences related to the initial recognition of an asset or liability, other than in a business combination, which, at the time of the transaction, does not affect the accounting or the taxable profit; and deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available to utilise the difference.

A reassessment of unrecognised deferred tax assets must be made at the end of each reporting period.

Measurement of deferred tax	Deferred tax liabilities and assets are measured at the tax rates expected to apply when the liability is settled or the asset is realised, based on tax rates or laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not discounted.
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The measurement must reflect the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities. There is a rebuttable presumption that recovery of the carrying amount of an investment property measured at fair value will be through sale.

Presentation of current and deferred tax	Current and deferred tax is recognised as income or expense in profit or loss unless it relates to a transaction or event that is recognised outside profit or loss or to a business combination.
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Deferred tax assets and liabilities are classified as non-current items.

Interpretations	SIC 25 <i>Income Taxes – Changes in the Tax Status of an Entity or its Shareholders</i> clarifies that the current and deferred tax consequences of changes in tax status are included in profit or loss even when they relate to transactions or events that were previously recognised outside profit or loss.
Changes effective this year	<p>IFRIC 23 <i>Uncertainty over Income Tax Treatments</i> clarifies that entities must assess whether it is probable that a tax authority (with full knowledge of all relevant information) will accept an uncertain tax treatment used in tax filings. If so, tax accounting should be consistent with that treatment. If not, the effect of uncertainty should be reflected in the tax accounting applied (using whichever of a 'most likely amount' or 'expected value' approach is expected to better predict the resolution of the uncertainty). IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019.</p> <p>An amendment included in the <i>Annual Improvements Cycle 2015–2017</i> clarifies that all income tax consequences of dividends are classified in the same way, regardless of how the tax arises, is effective for annual reporting periods beginning on or after 1 January 2019.</p>
Pending changes	The IASB is planning to issue an ED that proposes a narrow-scope amendment to IAS 12. The amendment would narrow the initial recognition exemption in IAS 12 so that it would not apply to transactions that give rise to both taxable and deductible temporary differences, to the extent the amounts recognised for the temporary differences are the same.
History	Originally issued for periods beginning on or after 1 January 1998, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005. It was amended to change how to measure temporary differences when investment properties are measured at fair value. The amendments came into effect for annual periods beginning on or after 1 January 2012 and replaced SIC-21 <i>Income Taxes – Recovery of Revalued Non-Depreciable Assets</i> .

IAS 16***Property, Plant and Equipment*****Overview**

Sets out the principles for accounting for property, plant and equipment (PP&E).

Initial recognition and measurement

PP&E is recognised as an asset when it is probable that its future economic benefits will flow to the entity, and its cost can be measured reliably. This includes bearer plants used in the production or supply of agricultural produce.

Initial recognition is at cost, which includes all costs necessary to get the asset ready for its intended use. Interest on amounts borrowed for the purposes of constructing an asset are included in its cost – see IAS 23.

Exchanges of PP&E are measured at fair value, including exchanges of similar items, unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up can be measured reliably.

Subsequent measurement

After initial recognition PP&E is either carried at cost less accumulated depreciation and impairment (the cost model) or measured at fair value less accumulated depreciation and impairment between revaluations (the revaluation model). Any revaluation surplus on disposal of an asset remains in equity and is not reclassified to profit or loss.

Impairment of PP&E is assessed under IAS 36.

Depreciation

Depreciation is charged systematically over the useful life of the asset, using a method that reflects the pattern of benefit consumption, to its residual value. Different depreciation methods are acceptable (including straight-line, diminishing balance and units of production), but not a method that is based on the revenue the asset generates.

Components of an asset with differing patterns of benefits are depreciated separately.

The residual value is the amount the entity would receive currently if the asset were already of the age and condition expected at the end of its useful life. Useful life and the residual value are reviewed annually.

Major inspections	If operation of an item of PP&E (e.g. an aircraft) requires regular major inspections, the cost of each major inspection is recognised in the carrying amount of the asset, if the recognition criteria are satisfied.
Previously rented PP&E	Entities that routinely sell items of PP&E that they have previously held to rent must transfer the PP&E to inventory, at its carrying amount, when it becomes held for sale. The proceeds from the sale of such assets are recognised in accordance with IFRS 15.
Interpretations	<p>IFRIC 1 <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i> clarifies that the carrying amount of an asset is adjusted when there is a change in the estimated decommissioning or restoration liability related to that asset.</p> <p>IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i> addresses recognition of production stripping costs and measurement (initial and subsequent) of that stripping activity asset.</p>
Changes effective this year	None
Pending changes	An ED proposing that costs of testing an asset be recognised as revenue and not a reduction of the cost of the asset was issued in 2017.
History	Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.

IAS 19

Employee Benefits

Overview

Sets out the accounting and disclosure requirements for employee benefits, including short-term benefits (wages, annual leave, sick leave, annual profit-sharing, bonuses and non-monetary benefits), pensions, post-employment life insurance and medical benefits, other long-term employee benefits (long-service leave, disability, deferred compensation, and long-term profit-sharing and bonuses); and termination benefits.

Basic principle	<p>The cost of providing employee benefits is recognised in the period in which the entity receives services from the employee, rather than when the benefits are paid or payable.</p> <p>Short-term employee benefits (expected to be settled wholly before 12 months after the annual period in which the services were rendered) are recognised as an expense in the period in which the employee renders the service. Unpaid benefit liability is measured at an undiscounted amount.</p> <p>Profit-sharing and bonus payments are recognised only when the entity has a legal or constructive obligation to pay them and the costs can be estimated reliably.</p>
Post-employment benefits	<p>Post-employment benefit plans (such as pensions and health care) are categorised as either defined contribution plans or defined benefit plans.</p>
Defined contribution plans	<p>Expenses are recognised in the period in which the contribution is payable.</p>
Defined benefit plans	<p>A liability (or asset) is recognised equal to the net of the present value of the obligations under the defined benefit plan and the fair value of the plan assets at the end of the reporting period. The present value is calculated using a rate determined with reference to market yields on high-quality corporate bonds.</p> <p>Plan assets include assets held by a long-term employee benefit fund and qualifying insurance policies.</p> <p>A defined benefit asset is limited to the lower of the surplus in the defined benefit plan and present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</p> <p>The change in the defined benefit liability or asset is separated into the service cost, net interest and remeasurements.</p> <p>The service cost is the increase in the present value of the defined benefit obligation resulting from the service of employees in the current period and any change in the present value related to employee service in prior periods that results from plan amendments.</p> <p>The service cost is recognised in profit or loss.</p>

Net interest is the change in the liability (asset) caused by the passage of time and is recognised in profit or loss.

Remeasurements include actuarial gains or losses (such as changes in actuarial assumptions) and the return on plan assets and are recognised in OCI.

For group plans, the net cost is recognised in the separate financial statements of the entity that is legally the sponsoring employer unless a contractual agreement or stated policy for allocating the cost exists.

Other long-term benefits

Other long-term employee benefits are recognised and measured in the same way as post-employment benefits under a defined benefit plan. However, unlike defined benefit plans, remeasurements are recognised immediately in profit or loss.

Termination benefits are recognised at the earlier of when the entity can no longer withdraw the offer of the benefits and when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Interpretations

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* addresses when refunds or reductions in future contributions should be regarded as being 'available', how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability.

Changes effective this year

IAS 19 is amended to require that when a plan amendment or curtailment occurs the current service cost and net interest for the remainder of an annual period are calculated using updated assumptions. The amendments are effective for annual periods beginning on or after 1 January 2019.

Pending changes

The IASB has proposed amending IFRIC 14 to clarify the accounting when other parties have rights to make particular decisions about a company's defined benefit plan.

The IASB has also decided to review the requirements for pension benefits that depend on asset returns.

History	The IASB adopted the 1993 version of IAS 19 as part of the original set of standards in 2005. In 2011 the IASB made several amendments to IAS 19, including eliminating an option (the “corridor method”) that allowed entities to defer the recognition of changes in a defined benefit liability.
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IAS 20	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>
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Overview	Prescribes the accounting for, and disclosure of, government grants and other forms of government assistance.
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Recognition of Government Grants	<p>A government grant is recognised only when there is reasonable assurance that the entity will comply with the conditions attached to the grant and it will be received. Non-monetary grants are usually recognised at fair value, although recognition at nominal value is permitted.</p> <p>The benefit of government loans with a below-market rate of interest is a government grant – measured as the difference between the initial carrying amount of the loan determined in accordance with IFRS 9 and the proceeds received.</p>
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Presentation	<p>Grants are recognised in profit or loss over the periods necessary to match them with the related costs.</p> <p>Income-related grants are either presented separately as income or as a reduction of the related expense.</p> <p>Asset-related grants are either presented as deferred income in the statement of financial position, or deducted in arriving at the carrying amount of the asset.</p>
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Interpretations	<i>SIC-10 Government Assistance – No Specific Relation to Operating Activities</i> clarifies that government assistance to entities that is aimed at encouragement or long-term support of business activities either in specific regions or industry sectors is a government grant.
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Changes effective this year	None

Pending changes	None
History	Originally issued for periods beginning on or after 1 January 1984, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.

IAS 21***The Effects of Changes in Foreign Exchange Rates*****Overview**

Prescribes the accounting for foreign currency transactions and foreign operations.

Functional currency

An entity's functional currency is the currency of the primary economic environment in which the entity operates. All foreign currency items are translated into that currency.

Exchange differences on transactions

Transactions are recognised on the date that they occur using the exchange rate on that date for initial recognition and measurement.

Exchange differences on translation at the end of a reporting period

At the end of a reporting period non-monetary items carried at historical amounts continue to be measured using transaction-date exchange rates, monetary items are retranslated using the closing rate and non-monetary items carried at fair value are measured at valuation-date exchange rates.

Exchange differences arising on settlement or translation of monetary items are included in profit or loss, with one exception. Exchange differences arising on monetary items that are part of the reporting entity's net investment in a foreign operation are recognised in the consolidated financial statements that include the foreign operation in other comprehensive income. Such differences are reclassified from equity to profit or loss on disposal of the net investment.

Translation of the financial statements into the presentation currency	<p>When an entity has a presentation currency that is different from its functional currency, the results and financial position are translated into that presentation currency.</p> <p>Assets (including goodwill arising on the acquisition of a foreign operation) and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the date of each statement.</p> <p>Income and expenses for each period presented (including comparatives) are translated at exchange rates at the dates of the transactions.</p> <p>All resulting exchange differences are recognised as other comprehensive income and the cumulative amount is presented in a separate component of equity until disposal of the foreign operation.</p> <p>Special rules exist for translating the results and financial position of an entity whose functional currency is hyperinflationary.</p>
Interpretations	<p>SIC-7 <i>Introduction of the Euro</i> explains how IAS 21 applied when the Euro was first introduced, and when new EU Members join the Eurozone.</p> <p>The IFRS 9 summary includes a summary of IFRIC 16 <i>Hedges of a Net Investment in a Foreign Operation</i>.</p> <p>IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> clarifies that when consideration denominated in a foreign currency is paid or received in advance, the exchange rate to use on initial recognition is the rate on the date on which the payment in advance is initially recognised.</p>
Changes effective this year	None
Pending changes	None
History	Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.

IAS 23 *Borrowing Costs*

Overview Prescribes the accounting when borrowings are made to acquire or construct an asset.

Recognition of borrowing costs as a cost of construction Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are included in the cost of that asset. All other borrowing costs are expensed when incurred.

A qualifying asset is one that takes a substantial period of time to make it ready for its intended use or sale.

If funds are borrowed generally and used for the purpose of obtaining a qualifying asset, a capitalisation rate (using a weighted average of the borrowing costs over the period) is used. The borrowing costs eligible for capitalisation cannot exceed the amount of borrowing costs incurred.

Interpretations None

Changes effective this year IAS 23 is amended to clarify that when a qualifying asset is ready for its intended use or sale, a company treats any outstanding borrowing to obtain that qualifying asset as part of general borrowings. The amendments are effective for annual periods beginning on or after 1 January 2019.

Pending changes None

History Issued in 1993 it was included in the initial set of Standards adopted for 2005. The option of immediate recognition of borrowing costs as an expense was removed for annual periods beginning on or after 1 January 2009.

IAS 24 *Related Party Disclosures*

Overview Sets out disclosure requirements to make investors aware that the financial position and results of operations may have been affected by the existence of related parties.

Related party	<p>A related party is a person or entity that is related to the reporting entity.</p> <p>A related party includes a person who has, or has a close family member who has, control or joint control of, or significant influence over, the reporting entity or is a member of its, or its parent's, key management personnel. Entities that such a person controls, jointly controls, has significant influence over or of which they are a member of the key management personnel are also related parties.</p> <p>Another entity is related to the reporting entity if it is a member of the same group; either entity is an associate or a joint venture of the other, they are joint ventures of the same third party; one entity is a joint venture of a third entity and the other entity is an associate of the third entity; the other entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; or the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.</p>
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Disclosure	<p>The Standard requires disclosure of relationships involving control, even when there have been no transactions.</p> <p>For related party transactions, disclosure is required of the nature of the relationship and with sufficient information to enable an understanding of the potential effect on the transactions.</p> <p>There is a partial exemption for government-related entities.</p>
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Interpretations	None
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Changes effective this year	None
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Pending changes	None
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History	The 1993 version was Included in the initial set of Standards adopted for 2005. It was revised for annual periods beginning on or after 1 January 2011 to give partial relief for government-related entities.
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IAS 26 ***Accounting and Reporting by Retirement Benefit Plans***

Overview	Specifies the measurement and disclosure principles for the financial reports of retirement benefit plans.
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Summary	Sets out the reporting requirements for the reporting by defined contribution and defined benefit plans, including the need for actuarial valuation of the benefits for defined benefits and the use of fair values for plan investments.
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Interpretations	None
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Changes effective this year	None
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Pending changes	None
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History	Originally issued in 1987, it was included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.
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IAS 27 ***Separate Financial Statements***

Overview	Prescribes the accounting for investments in subsidiaries, joint ventures and associates in separate financial statements.
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Accounting	In separate financial statements, investments in subsidiaries, associates and joint ventures are accounted for either at cost or as investments in accordance with IFRS 9 or using the equity method as described in IAS 28.
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Interpretations	None
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Changes effective this year	None
Pending changes	None
History	<p>Included in the initial set of improved Standards adopted for 2005.</p> <p>In 2011 IAS 27 was revised and renamed when the requirements for consolidated financial statements were moved from IAS 27 into IFRS 10, effective for periods beginning on or after 1 January 2013. It was amended in 2012 to add disclosures about investment entities and in 2014 to allow a parent to use the equity method for its investments in subsidiaries, associates and joint ventures in its separate financial statements.</p>

IAS 28
Investments in Associates and Joint Ventures

Overview

Sets out the accounting when an entity has an investment in an associate or joint venture.

Definition of an associate

An associate is an entity over which the investor has significant influence. There is a rebuttable presumption that an investor that holds an investment, directly and indirectly, of 20 per cent or more of the voting power of the investee has significant influence.

The guidance for assessing joint control and whether an entity has an investment in a joint venture is set out in IFRS 11.

Accounting method

The equity method is used to account for investments in associates and joint ventures.

However, if the investor is a venture capital firm, mutual fund, unit trust or a similar entity, it can elect to measure such investments at fair value through profit or loss in accordance with IFRS 9.

When the investor is presenting its separate financial statements it accounts for an investment in an associate or a joint venture in accordance with IAS 27.

The equity method	<p>The investment is recorded initially at cost and is subsequently adjusted by the investor's share of changes in the investee's net assets.</p> <p>The investor's statement of comprehensive income reflects its share of the investee's post-acquisition profit or loss.</p> <p>The accounting policies of the associate and joint venture need to be the same as those of the investor for like transactions and events in similar circumstances. However, if an entity that is not itself an investment entity but has an interest in an associate or joint venture that is an investment entity, the entity is permitted to retain the fair value measurements applied by an investment entity associate or joint venture to its interests in subsidiaries.</p> <p>The end of the reporting period of an associate or a joint venture cannot be more than three months different from the investor's end of the reporting period.</p>
Impairment	<p>Equity method investments are assessed for impairment in accordance with IAS 36. The impairment indicators in IFRS 9 apply. An investment in an associate or joint venture is treated as a single asset for impairment purposes.</p>
Changes in ownership interest	<p>When an entity stops using the equity method (for example, as a result of a change in ownership), the investment retained is remeasured to its fair value, with any gain or loss recognised in profit or loss. For transactions involving assets that constitute a business (see IFRS 3), the gain or loss is recognised in full. Thereafter, IFRS 9 is applied to the remaining holding unless the investment becomes a subsidiary in which case the investment is accounted for in accordance with IFRS 3.</p>
Interpretations	None
Changes effective this year	<p>IAS 28 is amended to clarify that an entity's interests long-term interests in an associate or joint venture that form part of its net investment in the associate or joint venture are subject to the impairment requirements in IFRS 9. This amendment is effective for annual periods beginning on or after 1 January 2019.</p>

Pending changes	<p>Amendments issued in September 2014 clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed are a business. However, the IASB decided in December 2015 to defer indefinitely the effective date of the amendments, although entities may elect to apply them.</p> <p>The IASB is planning a research project to assess whether practice problems that arise using the equity method (for investments in associates and joint ventures) could be addressed by amending the equity method or whether a more fundamental review is needed.</p>
History	<p>Included in the initial set of improved Standards adopted for 2005 but revised when IFRS 10 was issued, with effect for annual periods beginning on or after 1 January 2013.</p>

IAS 29	<i>Financial Reporting in Hyperinflationary Economies</i>
Overview	Sets out the requirements for entities reporting in the currency of a hyperinflationary economy.
Hyperinflation	Generally, an economy is hyperinflationary when the cumulative inflation rate over three years is approaching or exceeds 100 per cent.
Change in measurement basis	<p>When an entity's functional currency is the currency of a hyperinflationary economy its financial statements are restated so that all amounts are measured at current amounts at the end of the reporting period. The adjusting gain or loss on the net monetary position is recognised in profit or loss.</p> <p>Comparative figures for prior period(s) are also restated into the same current measuring unit.</p>
When an economy is no longer hyperinflationary	When an economy ceases to be hyperinflationary, the amounts expressed in the measuring unit current at the end of the previous reporting period become the basis for the carrying amounts in subsequent financial statements.

Interpretations	<i>IFRIC 7 Applying the Restatement Approach under IAS 29</i> clarifies that when the economy of an entity's functional currency becomes hyperinflationary, the entity applies the requirements of IAS 29 as though the economy had always been hyperinflationary.
Changes effective this year	None
Pending changes	The IASB plans to examine a scope extension of this Standard to cover economies subject to only high inflation.
History	Originally issued for periods beginning on or after 1 January 1990, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.

IAS 32

Financial Instruments: Presentation

Overview

Prescribes the accounting for classifying and presenting financial instruments as liabilities or equity and for offsetting financial assets and liabilities.

Classification

Classification of an instrument is based on its substance rather than its form and the assessment is made at the time of issue and is not altered subsequently.

An equity instrument is an instrument that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

A financial liability is an instrument that obligates an entity to deliver cash or another financial asset, or the holder has a right to demand cash or another financial asset. Examples are bank loans and trade payables, but also mandatorily redeemable preference shares.

Puttable instruments and instruments that impose on the entity an obligation to deliver a pro-rata share of net assets only on liquidation that are subordinate to all other classes of instruments and meet additional criteria, are classified as equity instruments even though they would otherwise meet the definition of a liability.

	<p>An issuer classifies separately the debt and equity components of a single compound instrument such as convertible debt, at the time of issue.</p> <p>The cost of treasury shares is deducted from equity. Resales of treasury shares are accounted for as equity issuances.</p>
Cost	Costs of issuing or reacquiring equity instruments are accounted for as a deduction from equity.
Offsetting	Financial assets and liabilities can only be offset, and the net amount reported, when an entity has a legally enforceable right to set off the amounts and intends either to settle on a net basis or simultaneously.
Statement of financial performance	Interest, dividends, gains and losses relating to an instrument classified as a liability are reported as income or expense.
Interpretations	IFRIC 2 <i>Members' Shares in Co-operative Entities and Similar Instruments</i> clarifies that these are liabilities unless the co-op has the legal right not to redeem on demand.
Changes effective this year	None
Pending changes	The IASB is exploring whether it can improve the requirements in IAS 32 for classifying financial instruments into equity and liabilities and issued a DP in 2018.
History	Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005. In December 2005 all of the disclosure requirements were moved to IFRS 7. The IASB also amended IAS 32 for puttable financial instruments in October 2009.

IAS 33

Earnings per Share

Overview	Sets out the principles for measuring and presenting earnings per share (EPS).
Scope	Applies to publicly-traded entities, entities in the process of issuing such shares and any other entity voluntarily presenting EPS.

EPS	<p>Requires the presentation of basic and diluted EPS for each class of ordinary share that has a different right to share in profit for the period. The measures must be presented with equal prominence.</p> <p>EPS is reported for profit or loss attributable to equity holders of the parent entity, for profit or loss from continuing operations attributable to equity holders of the parent entity and for any discontinued operations. EPS on discontinued operations can be presented in the notes.</p>
Basic EPS calculation	<p>The numerator is earnings after deduction of all expenses including tax and after deduction of non-controlling interests and preference dividends.</p> <p>The denominator is the weighted average number of shares outstanding during the period.</p>
Diluted EPS calculation	<p>Dilution is a reduction in EPS on the assumption that convertible instruments are converted, that options or warrants are exercised or that ordinary shares are issued when specified conditions are met.</p> <p>The numerator is the profit for the period attributable to ordinary shares, increased by the after-tax amount of dividends and interest recognised in the period in respect of the dilutive potential ordinary shares (such as options, warrants, convertible securities and contingent insurance agreements) and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.</p> <p>The denominator is adjusted for the number of shares that would be issued on the conversion of all of the dilutive potential ordinary shares into ordinary shares.</p> <p>Anti-dilutive potential ordinary shares are excluded from the calculation.</p>
Interpretations	None
Changes effective this year	None
Pending changes	None
History	Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.

IAS 34	<i>Interim Financial Reporting</i>
Overview	Prescribes the minimum content of an interim financial report and the recognition and measurement principles for an interim financial report.
Scope	<p>An interim financial report is a complete or condensed set of financial statements for a period shorter than an entity's full financial year.</p> <p>IAS 34 applies only when an entity is required by a regulator or elects to publish an interim financial report in accordance with IFRS Standards.</p>
Content	<p>The minimum components of an interim financial report are condensed versions of the primary financial statements.</p> <p>The notes in an interim financial report provide an explanation of events and transactions significant to understanding the changes since the last annual financial statements. IAS 34 lists specific items that are presumed to be necessary in understanding such changes.</p>
Principles	<p>Materiality is based on interim financial data, not forecast annual amounts.</p> <p>The accounting policies are the same as for the annual report.</p> <p>Revenue and costs are recognised when they occur, not if they are anticipated or deferred.</p>
Interpretations	IFRIC 10 <i>Interim Financial Reporting and Impairment</i> clarifies that when an entity has recognised an impairment loss in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment is neither reversed in subsequent interim financial statements nor in annual financial statements.
Changes effective this year	None
Pending changes	None

History	Originally issued in 2000, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.
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IAS 36 ***Impairment of Assets***

Overview	Sets out requirements to ensure that assets are carried at no more than their recoverable amount and to prescribe how recoverable amount and an impairment loss or its reversal are calculated.
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Scope	<p>IAS 36 applies to assets that are not in the scope of other Standards.</p> <p>Assets that have separate requirements are inventories (IAS 2), contract assets and costs to fulfil a contract (IFRS 15), deferred tax assets (IAS 12), assets from employee benefits (IAS 19), financial assets (IFRS 9), investment property measured at fair value (IAS 40), biological assets measured at fair value less costs to sell (IAS 41), contracts in the scope of IFRS 17 and non-current assets classified as held for sale (IFRS 5).</p>
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Identifying impairments	<p>At the end of each reporting period, assets are reviewed to look for any indication that they may be impaired.</p> <p>Intangible assets with an indefinite useful life and goodwill must be tested annually irrespective of whether there is any indication of impairment.</p>
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Recognition	<p>An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.</p> <p>An impairment loss is recognised in profit or loss for assets carried at cost and treated as a revaluation decrease for assets carried at the revalued amount.</p> <p>Reversal of prior years' impairment losses is required in some cases, but is prohibited for goodwill.</p>
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Recoverable amount	<p>Recoverable amount is the higher of an asset's fair value less costs of disposal and its value-in-use.</p> <p>Value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The discount rate used is the pre-tax rate of return that investors would require if they were to choose an investment that would generate cash flows equivalent to those expected from the asset. The discount rate must not reflect risks for which future cash flows have been adjusted.</p> <p>Fair value is defined in IFRS 13. Examples for costs of disposal are set out in IAS 36, for example legal costs, costs of removing an asset and direct incremental costs to bring an asset into condition for its sale.</p>
Cash-generating units (CGUs)	<p>If it is not possible to determine the recoverable amount for an individual asset, then the recoverable amount of the CGU to which the asset belongs is determined. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.</p>
Goodwill	<p>The impairment test for goodwill is performed at the lowest level within the entity at which goodwill is monitored for internal management purposes, provided that the unit or group of units to which goodwill is allocated is not larger than an operating segment as reported in accordance with IFRS 8.</p>
Interpretations	<p>Refer to IAS 34 for a summary of IFRIC 10 <i>Interim Financial Reporting and Impairment</i>.</p>
Changes effective this year	<p>None</p>
Pending changes	<p>The IASB is exploring whether the existing impairment test for goodwill can be improved or simplified.</p>
History	<p>Originally issued to apply to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004 and to all other assets prospectively for periods beginning on or after 31 March 2004, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.</p>

IAS 37***Provisions, Contingent Liabilities and Contingent Assets*****Overview**

Sets out recognition criteria and measurement bases for provisions, contingent liabilities and assets and the related disclosure requirements.

Provisions

A provision is recognised when a past event (the obligation event) has created a legal or constructive obligation, an outflow of resources is probable and the amount of the obligation can be estimated reliably. The amount recognised is the best estimate of the settlement amount at the end of the reporting period.

If the effect of the time value of money is material, such as might be the case for restoration or decommissioning costs that must be settled well into the future, the provision is measured at the present value of the expenditures expected to be required to settle the obligation. The unwinding of the discount is recognised in profit or loss as a finance cost.

Provisions are reviewed at the end of each reporting period to adjust for changes in the estimate, for other than the time-value of money.

Planned future expenditure, even when authorised by the board of directors or equivalent governing body, is excluded from recognition, as are accruals for self-insured losses, general uncertainties and other events that have not yet taken place.

On a similar basis, future operating losses cannot be recognised as a provision, because there is no obligation at the end of the reporting period. The expectation of future operating losses will trigger the need for an impairment review (see IAS 36).

Onerous contracts

An executory contract is a contract (or a portion of a contract) that is equally unperformed – neither party has fulfilled any of its obligations, or both parties have partially fulfilled their obligations to an equal extent. Examples include maintenance or service contracts and employee contracts. The asset and liability are combined so that no asset or liability is recognised in the statement of financial position.

An executory contract becomes onerous when the unavoidable costs of meeting the obligations exceed the expected economic benefits from it. This would be the case, for example, when an entity cannot cancel, and must continue to pay for, a cleaning contract even though it has vacated the premises to which the contract relates. An onerous contract gives rise to a provision. Care must be taken, however, not to include in the provision future operating losses.

Contingent liabilities

Contingent liabilities are not recognised, but are disclosed, unless the possibility of outflow is remote.

They are not recognised because either it is only a possible obligation that is contingent on a future event that is outside the control of the entity or there is a present obligation, but it is not probable that an outflow of resources will be required or the amount cannot be measured with sufficient reliability (which will be rare).

Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by future events not wholly within the control of the entity.

Contingent assets require disclosure only. If the realisation of income is virtually certain, the related asset is not a contingent asset and recognition is required.

Interpretations

IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* clarifies that provisions are adjusted for changes in the amount or timing of future costs and for changes in the market-based discount rate.

IFRIC 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds* deals with the accounting, in the financial statements of the contributor, for interests in decommissioning, restoration and environmental rehabilitation funds established to fund some or all of the costs of decommissioning assets or to undertake environmental rehabilitation.

IFRIC 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment* provides guidance on the accounting for liabilities for waste management costs. The event that triggers liability recognition is participation in the market during a measurement period.

	IFRIC 21 <i>Levies</i> provides guidance on when to recognise a liability for a levy imposed by a government. The obligating event is the activity that triggers the payment of the levy. If that event occurs over a period of time the liability is recognised progressively. If the levy is triggered on reaching a minimum threshold, the liability is recognised when that minimum is reached.
Changes effective this year	One of the more common contracts that can become onerous is an operating lease. With the effective date of IFRS 16 for annual periods beginning on or after 1 January 2019, most leases will require the recognition of a right-of-use asset, which would be subject to the impairment requirements in IAS 36.
Pending changes	<p>The IASB proposed to clarify the onerous contract requirements in an ED issued in 2018.</p> <p>In 2018 the IASB decided to start a project in 2019 or 2020 to review the accounting for pollutant pricing mechanisms (emission rights).</p> <p>The IASB is undertaking a research project to gather evidence around provisions. Based on the findings, the IASB will decide whether to add a standard-setting or maintenance project on provisions.</p>
History	Originally issued for periods beginning on or after 1 July 1999, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.

IAS 38
Intangible Assets

Overview

Prescribes the accounting treatment for recognising, measuring and disclosing intangible assets that are not dealt with in another IFRS Standard.

Definition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include software, brands, music and film rights and development assets.

Recognition	<p>Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.</p> <p>There are specific recognition criteria for internally-generated intangible assets.</p> <p>All research costs are charged to expense when incurred. Development costs are capitalised only after technical and commercial feasibility of the resulting product or service have been established.</p> <p>Internally-generated goodwill, brands, mastheads, publishing titles, customer lists, start-up costs, training costs, advertising costs and relocation costs are never recognised as assets.</p> <p>If an intangible item does not meet the definition and the recognition criteria, the costs are recognised as an expense when incurred.</p> <p>If an entity recognises a prepayment asset for advertising or promotional expenditure, it is only able to do so up to the point at which it has the right to access the goods purchased or up to the point of receipt of services. Mail order catalogues are specifically identified as a form of advertising and promotional activities, and are expensed when they are received.</p>
Subsequent measurement	<p>Intangible assets are classified as having either a finite or indefinite life. Indefinite means that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows, not infinite. Intangible assets may be accounted for using a cost model or, in limited cases, a revaluation model.</p>
Cost model	<p>Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.</p> <p>Normally, subsequent expenditure on an intangible asset after its purchase or completion is recognised as an expense.</p> <p>The cost of an intangible asset with a finite useful life is amortised over that life, normally to a nil residual value. Impairment testing under IAS 36 is required whenever there is an indication that the carrying amount exceeds the recoverable amount of the intangible asset.</p> <p>Intangible assets with indefinite useful lives are not amortised but are tested for impairment on an annual basis. If the recoverable amount is lower than the carrying amount, an impairment loss is recognised. The entity also considers whether the intangible continues to have an indefinite life.</p>

Revaluation model	<p>If an intangible asset has a quoted market price in an active market, a revaluation model can be used. The asset is carried at fair value at revaluation date less any subsequent amortisation or impairment.</p> <p>Revaluations must be carried out regularly. When the revaluation model is used, all items of a given class must be revalued. However, if there is no active market for a particular asset within that class that asset is measured using the cost model.</p> <p>Revaluation increases are recognised in other comprehensive income and accumulated in equity. Revaluation decreases are charged first against the revaluation surplus in equity related to the specific asset, and any excess against profit or loss. When the revalued asset is disposed of, the revaluation surplus remains in equity and is not reclassified to profit or loss.</p>
Interpretations	SIC-32 <i>Intangible Assets – Web Site Costs</i> clarifies which initial infrastructure development and graphic design costs incurred in web site development are capitalised.
Changes effective this year	None
Pending changes	None
History	Originally issued to apply to intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004, and to all other intangible assets prospectively for periods beginning on or after 31 March 2004. It was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.

IAS 39***Financial Instruments: Recognition and Measurement*****Overview**

Sets out the requirements for hedge accounting. An entity can elect to apply these requirements or those in IFRS 9.

Hedge accounting	<p>Hedge accounting (recognising the offsetting effects of both the hedging instrument and the hedged item in the same period's profit or loss) is permitted if the hedging relationship is clearly designated and documented, measurable and effective.</p> <p>Because IFRS 9 includes only general hedge accounting requirements, the requirements on portfolio hedges in IAS 39 remain applicable.</p>
Fair value hedge	<p>When there is a hedge of a change in fair value of a recognised asset or liability or firm commitment, the change in fair values of both the hedging instrument and the hedged item for the designated risk are recognised in profit or loss when they occur and the carrying amount of the hedged item is adjusted to reflect changes in the hedged risk.</p>
Cash flow hedge	<p>When an entity hedges changes in the future cash flows relating to a recognised asset or liability or a highly probable forecast transaction that involves a party external to the entity, or a firm commitment in some cases, then the change in fair value of the hedging instrument is recognised in other comprehensive income to the extent that the hedge is effective until such time as the hedged future cash flows occur.</p>
Hedge of a net investment in a foreign entity	<p>This relates to a net investment in a foreign operation (as defined in IAS 21), including a hedge of a monetary item that is accounted for as part of the net investment. The accounting for such a hedge is similar to a cash flow hedge.</p>
Intragroup hedges	<p>The foreign currency risk of a highly probable forecast intragroup transaction can qualify as the hedged item in a cash flow hedge in the consolidated financial statements, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk will affect the consolidated profit or loss.</p> <p>If the hedge of a forecast intragroup transaction qualifies for hedge accounting, any gain or loss that is recognised in other comprehensive income in accordance with the hedging rules in IAS 39 is reclassified from equity to profit or loss in the same period or periods in which the foreign currency risk of the hedged transaction affects profit or loss.</p>

Portfolio Hedge A portfolio hedge of interest rate risk (hedging an amount rather than a specific asset or liability) can qualify as a fair value hedge or a cash flow hedge if specified conditions are met.

Interpretations None

Changes effective this year None

Pending changes IFRS 9 does not replace the requirements for portfolio fair value hedge accounting for interest rate risk (often referred to as the 'macro hedge accounting' requirements). The IASB expects to have developed a core model in the second half of 2019.

History Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005. It has been amended several times since then and was largely superseded by IFRS 9, which came into effect for annual periods beginning on or after 1 January 2018.

When an entity first applies IFRS 9, it may choose to continue to apply the hedge accounting requirements of IAS 39, instead of the requirements in IFRS 9, to all of its hedging relationships.

However, insurers may continue to apply the original version of IAS 39 and defer application of IFRS 9 until they apply IFRS 17 provided they have predominant insurance activities as defined in the amendment to IFRS 4.

IAS 40 *Investment Property*

Overview Prescribes the accounting when property is held to earn rentals or for capital appreciation rather than being occupied by the owner for the production or supply of goods or services or for administrative purposes.

Investment property	An investment property is land or buildings (or part thereof) or both held (whether by the owner or by a lessee under a finance lease) to earn rentals or for capital appreciation or both.
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IAS 40 does not apply to owner-occupied property, property that is being constructed or developed on behalf of third parties, property held for sale in the ordinary course of business or property that is leased to another entity under a finance lease.

Mixed-use property (partly used by the owner and partly held for rental or appreciation) must be split with components accounted for separately if these portions could be sold separately.

A property interest held by a lessee under an operating lease can qualify as investment property if the lessee applies the fair value model. The lessee accounts for the lease as if it were a finance lease.

Property can be transferred in or out of investment property, but only if the entity has actually changed its use – intention to change is not sufficient. When an investment property carried at fair value is transferred to owner-occupied property or inventories, the property's fair value is the deemed cost for subsequent accounting in accordance with IAS 16 or IAS 2.

Initial measurement	An investment property is measured initially at cost. Transaction costs are included in the initial measurement.
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Subsequent measurement	An entity chooses either the fair value model or the cost model after initial recognition. The chosen measurement model is applied to all of the entity's investment property.
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Change from one model to the other is permitted if it will result in a more appropriate presentation (which is highly unlikely for change from fair value to cost model).

Fair value model	<p>Investment property is measured at fair value and changes in fair value are recognised in profit or loss.</p> <p>If an entity using the fair value model acquires a particular property for which there is clear evidence that the entity will not be able to determine fair value on a continuing basis, the cost model is used for that property – and it must continue to be used until disposal of the property.</p>
Cost model	<p>Investment property is measured at depreciated cost less any accumulated impairment losses unless it is classified as a non-current asset held for sale under IFRS 5. The fair value of the investment property must be disclosed.</p>
Interpretations	None
Changes effective this year	None
Pending changes	None
History	<p>Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.</p>

IAS 41***Agriculture*****Overview**

Prescribes the accounting for agricultural activity.

Agricultural activity

Agricultural activity is the management of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

Bearer plants that are used in the production or supply of agricultural produce and which will not be sold as agricultural produce are accounted for as PP&E, applying IAS 16. These include fruit trees and grape vines.

Measurement	<p>All biological assets are measured at fair value less costs to sell, unless fair value cannot be measured reliably.</p> <p>Agricultural produce is measured at fair value less costs to sell at the point of harvest. Because harvested produce is a marketable commodity, there is no 'measurement reliability' exception for produce. Fair value measurement stops at harvest, after which IAS 2 applies.</p> <p>Any change in the fair value of biological assets during a period is reported in profit or loss.</p>
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Interpretations	None
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Changes effective this year	None
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Pending changes	A proposal to remove the requirement to exclude cash flows from taxation when measuring fair value is planned for inclusion in the next <i>Annual Improvements</i> ED.
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History	Originally issued for periods beginning on or after 1 January 2003, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005. Amendments requiring bearer plants to be accounted for as PP&E became effective on 1 January 2016.
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IFRS 1	<i>First-time Adoption of International Financial Reporting Standards</i>
Overview	Sets out the procedures when an entity adopts IFRS Standards for the first time as the basis for preparing its general purpose financial statements.
Selection of accounting policies	An entity that adopts IFRS Standards for the first time (by an explicit and unreserved statement of compliance with IFRS Standards) in its annual financial statements for the year ended 31 December 2019 would be required to select accounting policies based on IFRS Standards effective at 31 December 2019 (with the early application of any new IFRS Standard not yet mandatory being permitted).
Presentation of financial statements	<p>The entity presents an opening statement of financial position that is prepared at 1 January 2018. That opening statement of financial position is the entity's first IFRS financial statements. Therefore, at least, three statements of financial position are presented.</p> <p>A first time adopter can report selected financial data on an IFRS basis for periods prior to 2018. As long as they do not purport to be full financial statements, the opening IFRS statement of financial position would still be 1 January 2018.</p> <p>The opening statement of financial position, the financial statements for the 2019 financial year and the comparative information for 2018 are prepared as if the entity had always used the IFRS accounting policies it has selected. However, IFRS 1 contains some exceptions and relief from full retrospective application that an entity can elect to apply.</p>
Interpretations	None
Changes effective this year	None
Pending changes	A proposal to simplify the first-time application of IFRS Standards by a subsidiary will be included in the next <i>Annual Improvements</i> ED.
History	The original IFRS 1 was issued in 2003. It was restructured and this version was issued in 2008, effective for first IFRS financial statements for periods beginning on or after 1 July 2009.

IFRS 2	<i>Share-based Payment</i>
Overview	Sets out the accounting for transactions in which an entity receives or acquires goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of its shares or other equity instruments.
Share-based payments	<p>All share-based payment transactions are recognised in the financial statements, using a fair value measurement basis.</p> <p>An expense is recognised when the goods or services received are consumed (including transactions for which the entity cannot specifically identify some or all of the goods or services received).</p>
Fair value	<p>Transactions in which goods or services are received are measured at the fair value of the goods or services received. However, if the fair value of the goods or services cannot be measured reliably, the fair value of the equity instruments is used.</p> <p>Transactions with employees and others providing similar services are measured at the fair value of the equity instruments granted, because it is typically not possible to estimate reliably the fair value of employee services received.</p> <p>Fair value is defined as the “amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm’s length transaction.” Because this definition differs from that in IFRS 13, the specific guidance in IFRS 2 is followed.</p>
Measurement date	<p>The fair value of the equity instruments granted (such as transactions with employees) is estimated at grant date, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.</p> <p>The fair value of the goods or services received is estimated at the date of receipt of those goods or services.</p>
Equity-settled share based payments	Equity-settled share-based payment transactions are recorded by recognising an increase in equity and the corresponding goods or services received at the measurement date.

Cash-settled share based payments

A cash-settled share-based payment transaction is a share-based payment transaction in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity.

Cash-settled share-based payment transactions are recorded by recognising a liability and the corresponding goods or services received at fair value at the measurement date. Until the liability is settled, it is measured at the fair value at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

Vesting conditions

IFRS 2 uses the notion of vesting conditions for service conditions and performance conditions only. If a condition does not meet the definition of these two types of conditions but nevertheless needs to be satisfied for the counterparty to become entitled to the equity instruments granted, this condition is called a non-vesting condition.

A service condition requires the counterparty to complete a specified period of service to the entity.

Performance conditions require the completion of a specified period of service and specified performance targets to be met that are defined by reference to the entity's own operations or activities (non-market conditions) or the price of the entity's equity instruments (market conditions). The period for achieving the performance target must not extend beyond the end of the service period.

When determining the grant date fair value of the equity instruments granted, the vesting conditions (other than market conditions) are not taken into account. However, they are taken into account subsequently by adjusting the number of equity instruments included in the measurement of the transaction.

Market-based vesting conditions and non-vesting conditions are taken into account when estimating the fair value of the shares or options at the relevant measurement date, with no subsequent adjustments made in respect of such conditions.

Group transactions	IFRS 2 includes specific guidance on the accounting for share-based payment transactions among group entities.
Interpretations	None
Changes effective this year	None
Pending changes	None
History	IFRS 2 was issued in 2004, effective for annual periods beginning on or after 1 January 2005. It was amended to incorporate the guidance contained in two related Interpretations (IFRIC 8 <i>Scope of IFRS 2</i> and IFRIC 11 <i>IFRS 2 – Group and Treasury Share Transactions</i>). The amendments applied for annual periods beginning on or after 1 January 2010.

IFRS 3

Business Combinations

Overview

An acquirer of a business recognises the assets acquired and liabilities assumed at their acquisition-date fair values and discloses information that enables users to evaluate the nature and financial effects of the acquisition.

Business combination

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

A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors or other owners, members or participants.

Recognition of assets and liabilities	<p>The acquisition method is used for all business combinations.</p> <p>The acquirer recognises the identifiable assets acquired, the liabilities assumed and any non-controlling interest (NCI) in the acquiree.</p> <p>Intangible assets, including in-process research and development, acquired in a business combination are recognised separately from goodwill if they arise as a result of contractual or legal rights, or if they are separable from the business. In these circumstances the recognition criteria are always considered to be satisfied (see also IAS 38).</p>
Measurement	<p>Assets and liabilities are measured at their fair values (with a limited number of specified exceptions) at the date the entity obtains control of the acquiree. If the initial accounting for a business combination can be determined only provisionally by the end of the first reporting period, the combination is accounted for using provisional values. Adjustments to provisional values relating to facts and circumstances that existed at the acquisition date are permitted within one year.</p> <p>The acquirer can elect to measure the components of NCI in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in liquidation either at fair value or at the NCI's proportionate share of the net assets.</p>
Contingent consideration	<p>Among the items recognised will be the acquisition-date fair value of contingent consideration. Changes to contingent consideration resulting from events after the acquisition date are recognised in profit or loss.</p>
Goodwill and bargain purchases	<p>If the consideration transferred exceeds the net of the assets, liabilities and NCI, that excess is recognised as goodwill. If the consideration is lower than the net assets acquired, a bargain purchase is recognised in profit or loss.</p>
Acquisition costs	<p>All acquisition-related costs (e.g. finder's fees, professional or consulting fees, costs of internal acquisition department) are recognised in profit or loss except for costs to issue debt or equity, which are recognised in accordance with IFRS 9 and IAS 32.</p>

Business combinations achieved in stages	If the acquirer increases an existing equity interest so as to achieve control of the acquiree, the previously-held equity interest is remeasured at acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.
Other guidance	IFRS 3 includes guidance on business combinations achieved without the transfer of consideration, reverse acquisitions, identifying intangible assets acquired, un-replaced and voluntarily replaced share-based payment awards, pre-existing relationships between the acquirer and the acquiree (e.g. reacquired rights); and the reassessment of the acquiree's contractual arrangements at the acquisition date.
Interpretations	None
Changes effective this year	Amendments to clarify that, when an entity gets control of a joint operation that is a business, any previously held interest is remeasured. Those amendments are effective for annual periods beginning on or after 1 January 2019.
Pending changes	As a result of the PIR of IFRS 3 the Standard has been amended for a revised definition of a business. This amendment will be effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. In addition, the IASB currently has a project on business combinations under common control.
History	The IASB issued the original version of IFRS 3 in 2004, effective for periods beginning on or after 1 January 2005. That version of IFRS 3 was replaced in 2008 by a version developed jointly with the FASB and applies to business combinations in periods beginning on or after 1 July 2009.

IFRS 4

Insurance Contracts

Overview

Prescribes the financial reporting for insurance contracts put in place pending the application of IFRS 17.

Recognition and measurement	<p>This Standard applies to insurance contracts that an entity issues.</p> <p>Insurers are exempted from applying the IASB Framework and some Standards.</p> <p>Catastrophe reserves and equalisation provisions are prohibited.</p> <p>The Standard requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets.</p> <p>Insurance liabilities may not be offset against related reinsurance assets.</p> <p>Accounting policy changes are restricted. Some disclosures are required.</p>
Financial guarantees	<p>Financial guarantee contracts are outside the scope of IFRS 4 unless the issuer had previously (prior to initial adoption of IFRS 4) asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts. In such circumstances, the issuer may elect to apply either IAS 32, IFRS 7 and IFRS 9 or IFRS 4, on a contract-by-contract basis. The election is irrevocable.</p>
Interpretations	None
Changes effective this year	None
Pending changes	<p>IFRS 4 will be superseded upon application of IFRS 17, which is effective for annual periods beginning on or after 1 January 2021². Until IFRS 17 comes into effect, IFRS 4 provides special concessions in relation to the application of IFRS 9.</p>
History	<p>The IASB issued IFRS 4 in 2004 for inclusion in the original set of Standards effective for annual periods beginning on or after 1 January 2005.</p>

²In 2018, the IASB tentatively decided that the mandatory effective date of IFRS 17 should be deferred by one year, so that entities would be required to apply IFRS 17 for annual periods beginning on or after 1 January 2022 and that the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 should be amended so that all entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2022. An ED proposing these changes is expected in 2019.

IFRS 5***Non-current Assets Held for Sale and Discontinued Operations*****Overview**

Sets out the accounting for non-current assets held for sale and the presentation and disclosure of discontinued operations.

Non-current assets held for sale

Non-current assets are 'held for sale' either individually or as part of a disposal group when the entity has the intention to sell them, they are available for immediate sale and disposal within 12 months is highly probable.

A disposal group is a group of assets to be disposed of in a single transaction, including any related liabilities that will also be transferred.

Assets and liabilities of a subsidiary are classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

IFRS 5 applies to a non-current asset (or disposal group) that is classified as held for distribution to owners.

Discontinued operations

A discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale. It must represent a separate major line of business or major geographical area of operations, be part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Measurement

Non-current assets 'held for sale' are measured at the lower of the carrying amount and fair value less costs to sell (or costs to distribute). The non-current assets are no longer depreciated.

Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the assets (or all the assets and liabilities in the group) are measured in accordance with applicable IFRS Standards.

Statement of comprehensive income	<p>When there are discontinued operations, the statement of comprehensive income is divided into continuing and discontinued operations.</p> <p>The sum of the post-tax profit or loss from discontinued operations for the period and the post-tax gain or loss arising on the disposal of discontinued operations (or on their reclassification as held for sale) is presented as a single amount.</p>
Statement of financial position	Non-current assets, and the assets and liabilities in a disposal group, are presented separately in the statement of financial position.
Relationship with other Standards	IFRS 5 has its own disclosure requirements. Consequently, disclosures in other Standards do not apply to such assets (or disposal groups) unless those Standards specifically require disclosures or the disclosures relate to the measurement of assets or liabilities within a disposal group that are outside the scope of the measurement requirements of IFRS 5.
Interpretations	None
Changes effective this year	None
Pending changes	The IASB has announced that it plans to undertake a PIR of IFRS 5.
History	The IASB adopted the 1998 version of IAS 35 <i>Discontinuing Operations</i> as part of its original set of Standards. The IASB replaced IAS 35 with IFRS 5 in 2004, for annual periods beginning on or after 1 January 2005.

IFRS 6

Exploration for and Evaluation of Mineral Resources

Overview

Prescribes the financial reporting for the exploration for and evaluation of mineral resources until the IASB completes a comprehensive project in this area.

Continued use of existing policies	<p>An entity can continue to use its existing accounting policies provided that they result in information that is reliable and is relevant to the economic decision-making needs of users. It does not require or prohibit any specific accounting policies for the recognition and measurement of exploration and evaluation assets.</p> <p>The Standard gives a temporary exemption from applying IAS 8:11–12— which specify a hierarchy of sources of authoritative guidance in the absence of a specific IFRS Standard.</p>
Impairment	<p>Exploration and evaluation assets must be assessed for impairment when there is an indication that their carrying amount exceeds their recoverable amount. Exploration and evaluation assets must also be tested for impairment before they are reclassified as development assets.</p> <p>IFRS 6 allows impairment to be assessed at a level higher than the 'cash-generating unit' under IAS 36, but requires measurement of the impairment in accordance with IAS 36 once it is assessed.</p>
Disclosure	IFRS 6 requires disclosure of information that identifies and explains amounts arising from exploration and evaluation of mineral resources.
Interpretations	None
Changes effective this year	None
Pending changes	In 2018, the IASB started a project on Extractive Activities with the objective of replacing IFRS 6. This is a long-term project.
History	Issued for annual periods beginning on or after 1 January 2006.

IFRS 7

Financial Instruments: Disclosures

Overview

Prescribes disclosures to help the primary users of the financial statements evaluate the significance of financial instruments to the entity, the nature and extent of their risks and how the entity manages those risks.

Significance of financial instruments	Requires disclosure of information about the significance of financial instruments to an entity's financial position and performance, including its accounting policies and application of hedge accounting.
Financial position	Entities must disclose information about financial assets and financial liabilities by category; special disclosures when the fair value option or fair value through OCI option is used; reclassifications; offsetting of financial assets and liabilities; collateral; allowance accounts; compound financial instruments with embedded derivatives; defaults and breaches and transfers of financial assets.
Financial performance	Information must be disclosed about financial instruments-related recognised income, expenses, gains and losses; interest income and expense; fee income; and impairment losses.
Other disclosures	The significant accounting policies on financial instruments must be disclosed. When hedge accounting is applied, extensive information about the risk management strategy, the amount, timing and uncertainty of future cash flows and the effects of hedge accounting on financial position and performance must be disclosed. This information is required regardless of whether an entity has applied hedge accounting in accordance with IAS 39 or IFRS 9. Fair values must be disclosed for each class of financial instrument and IFRS 13 also requires information to be disclosed about the fair values.
Risk	Entities must disclose the nature and extent of risks arising from financial instruments. This includes qualitative information about exposures to each class of risk and how those risks are managed and quantitative information about exposures to each class of risk. Extensive disclosures are required for credit risk to assess expected credit losses. This includes reconciliations of the loss allowance and gross carrying amounts and information about credit quality. Additional disclosure requirements relate to liquidity risk and market risk (including sensitivity analyses for market risk).
Interpretations	None

Changes effective this year	None
Pending changes	None
History	<p>The IASB adopted the 1990 version of IAS 30 <i>Disclosures in the Financial Statements of Banks and Similar Financial Institutions</i> as part of the original set of Standards effective for periods beginning on or after 1 January 2005.</p> <p>IFRS 7 replaced IAS 30 and brought together all financial instrument disclosures (from IAS 32) creating a general financial instrument disclosure Standard for annual periods beginning on or after 1 January 2007.</p>

IFRS 8
Operating Segments

Overview	Requires entities to disclose segmental information that is consistent with how it is reported internally to the chief operating decision maker.
Scope	This Standard applies only to entities with debt or equity instruments traded in a public market or is in the process of issuing instruments in a public market.
Operating segments	<p>An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available.</p> <p>Generally, separate information is required if the revenue, profit or loss, or assets of a segment are 10 per cent or more of the equivalent total for all of the operating segments.</p> <p>At least 75 per cent of the entity's revenue must be included in reportable segments.</p>

Disclosure	<p>A measure of profit or loss and a measure of total assets and liabilities must be presented for each reportable segment. Additional measures such as revenue from external customers, interest revenue and expense, depreciation and amortisation expense and tax is required to be presented if they are included in the measure of profit or loss reviewed by the chief operating decision maker or provided to them separately.</p> <p>The segment information need not be prepared in conformity with the accounting policies adopted for the entity's financial statements.</p>
Entity-wide disclosures	<p>Some entity-wide disclosures are required even when an entity has only one reportable segment. These include information about each product and service or groups of products and services, geographical areas, major customers (10 per cent or more of the entity's revenue) and judgements made by management in applying the aggregation criteria for operating segments.</p> <p>Analyses of revenues and some non-current assets by geographical area are required from all entities—with an expanded requirement to disclose revenues/non-current assets by individual foreign country (if material), irrespective of how the entity is organised.</p>
Reconciliation	<p>A reconciliation of the total assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision maker.</p>
Interpretations	None
Changes effective this year	None
Pending changes	None. The IASB completed its PIR of IFRS 8 in 2018 and decided that the Standard is operating as intended.
History	<p>The IASB adopted the 1997 version of IAS 14 Segment Reporting as part of the original set of Standards effective for periods beginning on or after 1 January 2005.</p> <p>IAS 14 was replaced by IFRS 8 in 2006, for annual periods beginning on or after 1 January 2009.</p>

IFRS 9***Financial Instruments***

Overview	Sets out requirements for recognition and measurement of financial instruments, including impairment, derecognition and general hedge accounting.
Initial measurement	All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs.
Equity investments	<p>Equity investments held are measured at fair value. Changes in the fair value are recognised in profit or loss (FVTPL). However, if an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to recognise the fair value changes in OCI (FVTOCI) with only dividend income recognised in profit or loss. There is no reclassification to profit or loss on disposal.</p> <p>The impairment requirements do not apply to equity instruments.</p>
Classification of financial assets	<p>Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flows test) are classified according to the objective of the business model of the entity.</p> <p>If the objective is to hold the financial assets to collect the contractual cash flows, they are measured at amortised cost, unless the entity applies the fair value option. Interest revenue is calculated by applying the effective interest rate to the amortised cost (which is the gross carrying amount minus any loss allowance) for credit-impaired financial assets while for all other instruments, it is calculated based on the gross carrying amount.</p> <p>If the objective is to both collect contractual cash flows and sell financial assets, they are measured at FVTOCI (with reclassification to profit or loss on disposal), unless the entity applies the fair value option.</p> <p>All other financial assets must be measured at fair value through profit or loss (FVTPL).</p>

Fair value option	<p>An entity may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.</p>
Financial liabilities	<p>Financial liabilities held for trading are measured at FVTPL.</p> <p>All other financial liabilities are measured at amortised cost unless the fair value option is applied. The fair value option can be elected at initial recognition if doing so eliminates or significantly reduces an accounting mismatch. In addition, financial liabilities can be designated as at FVTPL if a group of financial instruments is managed on a fair value basis or if the designation is made in relation to embedded derivatives that would otherwise be bifurcated from the liability host.</p> <p>Changes in fair value attributable to changes in credit risk of the liability designated as at FVTPL are presented in OCI (and there is no reclassification to profit or loss).</p>
Derivatives	<p>All derivatives in the scope of IFRS 9, including those linked to unquoted equity investments, are measured at fair value. Value changes are recognised in profit or loss unless the entity has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible hedging relationship.</p>
Embedded derivatives	<p>The contractual cash flows of a financial asset are assessed in their entirety, including those of an embedded derivative that is not closely related to its host. The financial asset as a whole is measured at FVTPL if the contractual cash flow characteristics test is not passed.</p> <p>For financial liabilities, an embedded derivative not closely related to its host is accounted for separately at fair value in the case of financial liabilities not designated at FVTPL.</p> <p>For other non-financial asset host contracts, an embedded derivative not closely related to its host is accounted for separately at fair value.</p>

Hedge accounting

The hedge accounting requirements in IFRS 9 are optional. If the eligibility and qualification criteria are met, hedge accounting allows an entity to reflect risk management activities in the financial statements by matching gains or losses on hedging instruments with losses or gains on the risk exposures they hedge.

There are three types of hedging relationships: (i) fair value hedge; (ii) cash flow hedge and (iii) hedge of a net investment in a foreign operation.

A hedging relationship qualifies for hedge accounting only if the hedging relationship consists only of eligible hedging instruments and eligible hedged items, the hedging relationship is formally designated and documented (including the entity's risk management objective and strategy for undertaking the hedge) at inception and the hedging relationship is effective.

To be effective there must be an economic relationship between the hedged item and the hedging instrument, the effect of credit risk must not dominate the value changes that result from that economic relationship and the hedge ratio of the hedging relationship must be the same as that actually used in the economic hedge.

Impairment

The impairment model in IFRS 9 is based on expected credit losses. It applies to financial assets measured at amortised cost or FVTOCI, lease receivables, contract assets within the scope of IFRS 15 and specified written loan commitments (unless measured at FVTPL) and financial guarantee contracts (unless they are accounted for in accordance with IFRS 4 or IFRS 17).

Expected credit losses (with the exception of purchased or original credit-impaired financial assets) are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses. If the credit risk has increased significantly since initial recognition of the financial instrument, full lifetime expected credit losses are recognised. This is equally true for credit-impaired financial assets for which interest income is based on amortised cost rather than gross carrying amount.

IFRS 9 requires expected credit losses to reflect an unbiased and probability-weighted amount, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Interpretations

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* clarifies that the presentation currency does not create an exposure to which an entity may apply hedge accounting. A parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.

The hedging instrument(s) can be held by any entity within the group as long as the designation, effectiveness and documentation requirements are satisfied.

On derecognition of a foreign operation, IFRS 9 must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, while IAS 21 must be applied in respect of the hedged item.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* clarifies that when a borrower agrees with a lender to issue equity instruments to the lender to extinguish all or part of a financial liability, the issue of equity instruments is the consideration paid. Those equity instruments issued must be measured at their fair value on the date of extinguishment of the liability. If that fair value is not reliably measurable they are measured using the fair value of the liability extinguished.

Any difference between the carrying amount of the liability (or the part) extinguished and the fair value of equity instruments issued is recognised in profit or loss. When consideration is partly allocated to the portion of a liability which remains outstanding, that part is included in the assessment as to whether there has been an extinguishment or a modification of that portion of the liability. If the remaining liability has been substantially modified, the entity should account for the modification as the extinguishment of the original liability and the recognition of a new liability as required by IFRS 9.

Changes effective this year

An amendment to IFRS 9 that extends the measurement at amortised cost to some prepayable financial assets with so-called negative compensation is effective for annual periods beginning on or after 1 January 2019.

Pending changes

A proposal to clarify which fees and costs to include when assessing derecognition (the “10 per cent test”) will be included in the next Annual Improvements ED.

IFRS 9 did not replace the requirements for portfolio fair value hedge accounting for interest rate risk (often referred to as the ‘macro hedge accounting’ requirements). The IASB is continuing to work on that project.

History

Issued in July 2014, IFRS 9 is the replacement of IAS 39 *Financial Instruments: Recognition and Measurement*. The IASB developed IFRS 9 in phases, adding to the Standard as it completed each phase.

The version of IFRS 9 issued in 2014 superseded all previous versions and became effective for annual periods beginning on or after 1 January 2018.

IFRS 10***Consolidated Financial Statements*****Overview**

Sets out the requirements for determining whether an entity (a parent) controls another entity (a subsidiary).

Control

An investor controls an investee when it has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns.

An investor has power when it has existing rights that give it the current ability to direct the relevant activities of the investee—the activities that significantly affect the investee's returns.

Sometimes assessing power is straightforward, such as when power over an investee is obtained directly and solely from the voting rights granted by equity instruments such as shares, and can be assessed by considering the voting rights from those shareholdings. It is possible to have control with less than half the voting rights (sometimes referred to as de-facto control).

In other cases, the assessment will be more complex and require more than one factor to be considered, for example when power results from one or more contractual arrangements.

The Standard includes guidance on distinguishing between rights that give the holder power and rights that are intended to protect the investor's interest in the entity. Protective rights might include a right to vote on major transactions such as significant asset purchases or to approve borrowings above a specified level. Distinguishing between rights that give power and rights that are protective requires an understanding of the relevant activities of the entity.

Sometimes an entity will delegate its power to an agent. The Standard emphasises the importance of identifying when a party that appears to have control over an entity is only exercising power as an agent of a principal.

Consolidated financial statements	<p>When a parent-subsiary relationship exists, consolidated financial statements are required. These are financial statements of a group (parent and subsidiaries) presented as those of a single economic entity.</p> <p>There are two exceptions to this requirement. If, on acquisition, a subsidiary meets the criteria to be classified as held for sale in accordance with IFRS 5, it is accounted for under that Standard. The other exception is for investment entities.</p>
Investment entities	<p>An entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and measures and evaluates the performance of substantially all of its investments on a fair value basis is an investment entity.</p> <p>An investment entity does not consolidate its subsidiaries. Instead it measures the investment at fair value through profit or loss in accordance with IFRS 9.</p>
Consolidation procedures	<p>Intragroup balances, transactions, income and expenses are eliminated.</p> <p>All entities in the group use the same accounting policies and, if practicable, the same reporting date.</p> <p>Non-controlling interests (NCI) are reported in equity separately from the equity of the owners of the parent. Total comprehensive income is allocated between NCI and the owners of the parent even if this results in the NCI having a deficit balance.</p>
Changes in the ownership interest	<p>A change in the ownership interest of a subsidiary, when control is retained, is accounted for as an equity transaction and no gain or loss is recognised.</p> <p>Partial disposal of an investment in a subsidiary that results in loss of control triggers remeasurement of the residual holding to fair value at the date control is lost. Any difference between fair value and carrying amount is a gain or loss on the disposal, recognised in profit or loss.</p>
Interpretations	None

Changes effective this year	None
Pending changes	<p>Amendments issued in September 2014 were intended to clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed are a business. The IASB decided in December 2015 to defer indefinitely the effective date of the amendments, although entities may elect to apply them.</p> <p>The IASB will undertake a PIR of IFRS 10.</p>
History	<p>The IASB included IAS 27 <i>Consolidated Financial Statements and Accounting for Investments in Subsidiaries</i> in the set of improved Standards effective for annual periods beginning on or after 1 January 2005. IFRS 10 replaced most of IAS 27 and was effective for annual periods beginning on or after 1 January 2013. For periods beginning on or after 1 January 2014 an exemption from consolidating investment entities was introduced.</p>

IFRS 11

Joint Arrangements

Overview

Sets out principles for identifying whether an entity has a joint arrangement, and if it does whether it is a joint venture or joint operation.

Definitions

A joint arrangement is one in which two or more parties have joint control over activities.

A joint venture is a joint arrangement in which the venturers have rights to the net assets of the venture.

A joint operation is a joint arrangement whereby each joint operator has rights to assets and obligations for the liabilities of the operation.

The distinction between a joint operation and a joint venture requires assessment of the structure of the joint arrangement, the legal form of any separate vehicle, the terms of the contractual arrangement and any other relevant facts and circumstances.

Accounting	<p>A joint venturer applies the equity method, as described in IAS 28, except joint ventures where the investor is a venture capital firm, mutual fund or unit trust, and it elects or is required to measure such investments at fair value through profit or loss in accordance with IFRS 9.</p> <p>A joint operator accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular asset, liability, revenue and expense.</p> <p>The acquisition of an interest in a joint operation in which the activity constitutes a business should be accounted for using the principles of IFRS 3.</p>
Interpretations	None
Changes effective this year	Amendments to clarify that when an entity obtains joint control of a joint operation that is a business, any previously held interest in that operation is not remeasured are effective for annual periods beginning on or after 1 January 2019.
Pending changes	The IASB will undertake a PIR of IFRS 11.
History	<p>The IASB included IAS 31 Interests in Joint Ventures in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.</p> <p>IFRS 11 replaced IAS 31 and was effective for annual periods beginning on or after 1 January 2013.</p>

IFRS 12

Disclosure of Interests in Other Entities

Overview	Requires an entity to disclose information to help users of its financial statements evaluate the nature of, and risks associated with, its interests in other entities as well as the effects of those interests on its financial position, financial performance and cash flows.
Judgement	Significant judgements and assumptions such as how control, joint control and significant influence has been determined.

Subsidiaries	<p>Details of the structure of the group, the risks associated with consolidated entities such as restrictions on the use of assets and settlement of liabilities.</p> <p>Some summarised financial information is required to be presented for each subsidiary that has non-controlling interests that are material to the group.</p>
Joint arrangements and associates	<p>Details of the nature, extent and financial effects of interests in joint arrangements and associates.</p> <p>The name and summarised financial information is required for each joint arrangement associate that is material to the group.</p>
Structured entities	The nature and extent of interests in structured entities, particularly the extent of potential support the parent might be required to provide.
Investment entities	Information about significant judgements and assumptions it has made in determining that it is an investment entity, and information when an entity becomes, or ceases to be, an investment entity.
Interpretations	None
Changes effective this year	None
Pending changes	The IASB will undertake a PIR of IFRS 12.
History	Issued for annual periods beginning on or after 1 January 2013, as part of the package of Standards revising control (consolidation) and joint control (joint arrangements).

IFRS 13

Fair Value Measurement

Overview

Defines fair value and provides guidance, how to estimate it and the required disclosures about fair value measurements.

	<p>IFRS 13 applies when another Standard requires or permits fair value measurements or disclosures about fair value measurements (and measurements such as fair value less costs to sell) but does not stipulate which items should be measured or disclosed at fair value.</p>
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Fair value	<p>Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.</p> <p>A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants, under current market conditions.</p>
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Fair value hierarchy	<p>When an entity estimates fair value, the estimate is classified on the basis of the nature of the inputs the entity has used.</p> <p>Level 1 inputs are quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date.</p> <p>Level 2 inputs are those other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and interest rates and yield curves observable at commonly quoted intervals.</p> <p>Level 3 inputs are unobservable for the asset or liability. Examples include an entity using its own data to forecast the cash flows of a cash-generating unit (CGU) or estimating future volatility on the basis of historical volatility.</p> <p>Entities are required to use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. However, the objective of estimating the exit price at the measurement date remains the same regardless of the extent to which unobservable inputs are used.</p>
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Disclosure	<p>The disclosures depend on the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.</p> <p>The disclosure requirements are most extensive when level 3 inputs are used, including sensitivity analysis.</p>
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Interpretations	None
Changes effective this year	None
Pending changes	None. The IASB completed its post-implementation review of IFRS 13 in 2018 and decided that the Standard is operating as intended.
History	Issued for annual periods beginning on or after 1 January 2013. It was developed to be aligned with the FASB's equivalent guidance.

IFRS 14

Regulatory Deferral Accounts

Overview

The Standard permits an entity that adopts IFRS Standards after IFRS 14 was issued to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP.

IFRS 14 was issued as a temporary solution pending a more comprehensive review of rate regulation by the IASB (see the IASB project summary).

Regulatory deferral account balances

Regulatory deferral account balances relate to the provision of goods or services to customers at a price or rate that is subject to rate regulation.

Regulatory deferral account balances are presented separately in the statement of financial position and movements in these account balances must also be presented separately in the statement of profit or loss and other comprehensive income. Specific disclosures are also required.

The requirements of other IFRS Standards are required to be applied to regulatory deferral account balances, subject to specific exceptions, exemptions and additional requirements as noted in the Standard.

Interpretations None

Changes effective this year	None
Pending changes	The IASB is developing a new accounting model to give users of financial statements better information about a company's incremental rights and obligations arising from its rate-regulated activities, with the objective of either publishing a second Discussion Paper or an Exposure Draft.
History	Issued to be available for the first annual IFRS financial statements beginning on or after 1 January 2016 with earlier application permitted.

IFRS 15
Revenue from Contracts with Customers

Overview

Prescribes the accounting for revenue from sales of goods and rendering of services to a customer.

The Standard applies only to revenue that arises from a contract with a customer. Other revenue such as from dividends received would be recognised in accordance with other Standards.

Contract with a customer

A contract with a customer is within the scope of this Standard when it has commercial substance, the parties have approved it, the rights of the parties regarding the goods or services to be transferred and the payment terms can be identified, the parties are committed to perform their obligations and enforce their rights and it is probable that the entity will collect the consideration to which it is entitled.

Core principle

The Standard uses a control model.

An entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Five steps

The Standard sets out five steps an entity applies to meet the core principle.

Step 1: Identify the contract with a customer. It is the contract that creates enforceable rights and obligations between the entity and its customer.

Step 2: Identify the performance obligations in the contract. Each promise to transfer to a customer a good or service that is distinct is a performance obligation and is accounted for separately.

Step 3: Determine the transaction price. The transaction price is the amount of consideration to which the entity expects to be entitled in exchange for transferring promised goods or services to the customer. It could be a fixed or variable amount or in a form other than cash. If the consideration is variable, the entity must estimate the amount to which it expects to be entitled, but recognises it only to the extent that it is highly probable that a significant reversal will not occur when the uncertainty is resolved. The transaction price is adjusted for the effects of the time value of money if the contract includes a significant financing component.

Step 4: Allocate the transaction price to the performance obligations in the contract. The transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract. If a stand-alone selling price is not observable, an entity estimates it.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Revenue is recognised when (or as) the performance obligation is satisfied and the customer obtains control of that good or service. This can be at a point in time (typically for goods) or over time (typically for services). The revenue recognised is the amount allocated to the satisfied performance obligation.

Application guidance	<p>The Standard includes application guidance for specific transactions such as performance obligations satisfied over time, methods for measuring progress of performance obligations, sales with a right of return, warranties, principal versus agent considerations, customer options for additional goods or services, non-refundable upfront fees, bill and hold arrangements and customers unexercised rights, licensing, repurchase agreements, consignment arrangements and customer acceptance.</p> <p>The Standard also includes guidance on variable consideration and time value of money and specific disclosure requirements.</p>
Interpretations	None
Changes effective this year	None
Pending changes	None
History	<p>Issued in 2014 for annual periods beginning on or after 1 January 2018, IFRS 15 replaced IAS 11 Construction Contracts and IAS 18 Revenue and related Interpretations, including IFRIC 13 <i>Customer Loyalty Programmes</i>, IFRIC 15 <i>Agreements for the Construction of Real Estate</i>, IFRIC 18 <i>Transfers of Assets from Customers</i>, and SIC 31 <i>Revenue – Barter Transactions Involving Advertising Services</i>.</p> <p>Some clarifications were issued in April 2016, with the same effective date.</p>

IFRS 16

Leases

Overview

Sets out the recognition, measurement, presentation and disclosure requirements for leases.

A lessee recognises a leased asset and lease obligation for all leases. Lessors continue to distinguish between operating and finance leases.

Summary	<p>A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed when the customer has the right to direct the identified asset's use and to obtain substantially its economic benefits from that use.</p>
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Accounting by a lessee	<p>The Standard has a single lessee accounting model, requiring lessees to recognise a right-of-use asset and a lease liability. The right-of-use asset is measured initially at the amount of the lease liability plus any initial direct costs incurred by the lessee.</p> <p>After lease commencement, the right-of-use asset is accounted for in accordance with IAS 16 (unless specific conditions apply).</p> <p>The lease liability is measured initially at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee uses its incremental borrowing rate. Lease payments are allocated between interest expense and repayment of the lease liability.</p> <p>When the lease payments are variable the lessee does not include those when measuring the right-of-use asset and the lease liability, but instead recognises the amounts payable as they fall due. The exception is variable payments that depend on an index or a rate, which are included in the initial measurement of a lease liability and the right-of-use asset.</p> <p>There are optional recognition exemptions when the lease term is 12 months or less or when the underlying asset has a low value when new. If applied, the lease payments are recognised on a basis that represents the pattern of the lessee's benefit (e.g. straight-line over the lease term).</p>
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Accounting by a lessor	<p>The IFRS 16 approach to lessor accounting is substantially unchanged from its predecessor, IAS 17.</p> <p>Lessors classify each lease as an operating lease or a finance lease.</p> <p>A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.</p> <p>A lessor recognises assets held under a finance lease as a receivable at an amount equal to the net investment in the lease upon lease commencement.</p> <p>For sale and leaseback transactions, the seller is required to determine whether the transfer of an asset is a sale by applying the requirements of IFRS 15. If it is a sale the seller measures the right-of-use asset at the proportion of the previous carrying amount that relates to the right of use retained. As a result, the seller only recognises the amount of gain or loss that relates to the rights transferred to the buyer.</p>
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Interpretations	None
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Changes effective this year	This is a new Standard. It replaces IAS 17 <i>Leases</i> and related Interpretations, including IFRIC 4 <i>Determining whether an Arrangement Contains a Lease</i> , SIC-15 <i>Operating Leases – Incentives</i> and SIC-27 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i> .
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Pending changes	The IASB is planning to include an amendment to an Illustrative Example in IFRS 16 in the next <i>Annual Improvements Cycle</i> . The example relates to lease incentives.
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History	Issued in 2016 and effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. It was developed with the FASB, but the IASB and FASB diverged on some aspects of their new standards.
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Additional Interpretations

IFRIC 12 and IFRIC 17 are summarised separately, because they draw from several Standards and are more complex than most Interpretations.

IFRIC 12	<i>Service Concession Arrangements</i>
Overview	To address the accounting by private sector operators involved in the provision of public sector infrastructure assets and services. The Interpretation does not address the accounting for the government (grantor) side of such arrangements.
Infrastructure assets	<p>Infrastructure assets that are not controlled by an operator are not recognised as property, plant and equipment of the operator.</p> <p>Instead, the operator recognises a financial asset when the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement; an intangible asset – when the operator’s future cash flows are not specified (e.g. when they will vary according to usage of the infrastructure asset); or both a financial asset and an intangible asset when the operator’s return is provided partially by a financial asset and partially by an intangible asset.</p>
Interpretations	SIC-29 <i>Service Concession Arrangements: Disclosures</i> sets out disclosure requirements for service concession arrangements.
Changes effective this year	None
Pending changes	None
History	Issued in November 2006, and effective for periods beginning on or after 1 January 2008.
IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>
Overview	To address the accounting when non-cash assets are distributed to owners.

Dividends	<p>A dividend payable must be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.</p> <p>An entity measures the non-cash dividend payable at the fair value of the assets to be distributed. The liability is measured at each reporting date with changes recognised directly in equity.</p> <p>The difference between the dividend paid and the carrying amount of the assets distributed is recognised in profit or loss</p>
Changes effective this year	None
Pending changes	None
History	Issued in November 2006 and effective for annual periods beginning on or after 1 July 2009.

Requirements that are not yet mandatory

IFRS 17	<i>Insurance Contracts</i>
Overview	Establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.
Insurance and reinsurance contracts	<p>IFRS 17 specifies how an entity recognises, measures, presents and discloses insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.</p> <p>An insurance contract is one in which the issuer accepts significant insurance risk by agreeing to compensate the policyholder for the insured event.</p> <p>A reinsurance contract is an insurance contract issued by the reinsurer to compensate another entity for claims arising from one or more insurance contracts it holds as an issuer.</p>

Aggregation of insurance contracts

Entities must identify portfolios of insurance contracts, being those contracts that have similar risks and are managed together, such as within a product line.

Each portfolio is divided into groups of insurance contracts on the basis of, at a minimum, those that at initial recognition are onerous, have no significant possibility of becoming onerous subsequently or do not fall into either category.

Recognition

A group of insurance contracts is recognised from the earlier of the beginning of its coverage period or the date when the first payment from a policyholder in the group becomes due, or for a group of onerous contracts, when the group becomes onerous.

Initial measurement

On initial recognition, an entity measures a group of insurance contracts at the total of the group's fulfilment cash flows (FCF) and the contractual service margin (CSM).

The FCF comprises an estimate of future cash flows, an adjustment to reflect the time value of money and the financial risks associated with the future cash flows and an adjustment for non-financial risk.

The CSM is the unearned profit of the group of insurance contracts that the entity will recognise as it provides services in the future. It is measured on initial recognition at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from the initial recognition of the FCF, the derecognition at that date of any asset or liability recognised for insurance acquisition cash flows and any cash flows arising from the contracts in the group at that date.

Subsequent measurement	<p>The carrying amount of a group of insurance contracts at the end of each reporting period is the sum of the liability for remaining coverage (comprising the FCF related to future services and the CSM at that date) and the liability for incurred claims.</p> <p>The CSM is adjusted at the end of each reporting period to reflect the profit on a group of insurance contracts that relates to the future service to be provided.</p> <p>For groups of contracts with a coverage period of less than one year, or where it is reasonably expected to produce a liability measurement that would not differ materially from the general approach under IFRS 17, a simplified Premium Allocation Approach can be applied.</p> <p>Specific measurement requirements apply to onerous insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.</p>
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Presentation in the statement of financial performance	<p>Amounts recognised in the statement of financial performance are disaggregated into an insurance service result and insurance finance income or expenses.</p> <p>The insurance service result is presented in profit or loss and comprises revenue from the provision of coverage and other services and the incurred claims and other incurred expenses.</p> <p>Insurance finance income or expenses reflects changes from the effect of the time value of money and financial risk (excluding any such changes for groups of insurance contracts with direct participating insurance contracts that would instead adjust the CSM). Entities can choose to present all insurance finance income or expenses in profit or loss or to present in profit or loss only an amount determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of a group of contracts. If the latter option is taken, the remaining insurance finance income or expense is presented in other comprehensive income.</p>
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Presentation in the statement of financial position	Separate presentation is required of insurance and reinsurance contracts issued, further separated into those that are assets and those that are liabilities.
Disclosure	Quantitative and qualitative information is required about the amounts recognised in the financial statements that arise from insurance contracts, the significant judgements, and changes in those judgements, made when applying IFRS 17 and the nature and extent of risks arising from insurance contracts.
Pending changes	The IASB is discussing stakeholder concerns and implementation challenges raised since IFRS 17 was issued and is considering whether there is a need to amend the Standard. This includes the effective date of the Standard.
History	Issued in 2017, it is effective for annual periods beginning on or after 1 January 2021 ³ , and replaces IFRS 4 Insurance Contracts. Earlier application is permitted.

³In 2018, the IASB tentatively decided that the mandatory effective date of IFRS 17 should be deferred by one year, so that entities would be required to apply IFRS 17 for annual periods beginning on or after 1 January 2022 and that the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 should be amended so that all entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2022. An ED proposing these changes is expected in 2019.

IASB projects

The IASB updates its work plan each month, which can be viewed at <http://www.ifrs.org/projects/work-plan/>

You can follow progress on these projects on IAS Plus. Previews of the IASB staff papers are available on IAS Plus about a week before each IASB meeting, and summaries of the discussions and decisions reached are available shortly after each meeting. <https://www.iasplus.com/en/meeting-types/iasb>

The information in the following tables reflects the IASB's work plan at 31 December 2018.

IASB requirement	Topic	Description
IAS 1	Classification of liabilities	An ED proposing amendments related to how to classify debt when there is a right to renew the debt was published in February 2015. The IASB is currently reviewing the comments received.
	Primary financial statements	The IASB is exploring potential changes to the structure and content of the primary financial statements, with a focus on the statement(s) of financial performance. A DP or ED is expected in the second half of 2019.
	Accounting policies	In 2018 the IASB decided to develop guidance and examples to help entities apply materiality judgements to the disclosure of accounting policies.
IAS 8	Accounting policies and accounting estimates	In September 2017 the IASB proposed amendments to IAS 8 to the definitions of an accounting policy and an accounting estimate. The IASB is considering the comments received and expects to decide the project direction in the second quarter of 2019.

IASB requirement	Topic	Description
	Accounting policy changes	The IASB has proposed changes that would result in more voluntary changes in accounting policies that respond to agenda decisions made by the IFRS Interpretations Committee being accounted for prospectively. An ED was issued in 2018 and the IASB is considering the comments received.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	In 2018, the IASB decided to propose a narrow-scope amendment that would narrow the initial recognition exemption in IAS 12 so that it would not apply to transactions that give rise to both taxable and deductible temporary differences, to the extent the amounts recognised for the temporary differences are the same. An ED is expected in the first half of 2019.
IAS 16	Proceeds before intended use	An ED proposing that proceeds from testing an asset be recognised as revenue was published in June 2017. The IASB has reviewed the comments received on the ED and is now planning to finalise the amendments.
IAS 19	Pension benefits that depend on asset returns	<p>The IASB is gathering evidence to help decide whether to develop proposals to make a narrow-scope amendment to IAS 19 for pension benefits that depend on asset returns.</p> <p>To gather evidence for this research project, the IASB is planning to conduct outreach activities during the first half of 2019.</p>

IASB requirement	Topic	Description
IAS 28	Equity method	This project is in the research pipeline. The IASB plans no further work until the PIR of IFRS 11 is undertaken.
IAS 29	Scope	This project is in the research pipeline. If the research establishes that it would not be feasible to extend the scope of IAS 29 in this way, the IASB expects to recommend no work on IAS 29.
IAS 32	Financial instruments with characteristics of equity	The IASB is exploring whether it can improve the existing requirements in IAS 32 for classifying financial instruments that have characteristics of both a liability and equity. A DP was published in 2018, with a six-month comment period.
IAS 36	Goodwill and impairment	The IASB is exploring whether the existing impairment test for goodwill can be improved or simplified. The IASB plans to publish a DP or an ED in the second half of 2019.
IAS 37	Provisions	The IASB has recommenced work on a project to review the implications of the new Conceptual Framework on the accounting for provisions. The IASB is currently reviewing the research.
	Onerous contracts	The IASB proposed to clarify the onerous contract requirements in an ED issued in 2018.
	Pollutant pricing mechanisms	This project is in the research pipeline.

IASB requirement	Topic	Description
IAS 39	Dynamic risk management	The IASB is assessing how to replace the remaining sections of IAS 39, that deal with macro-hedging. A DP was issued in 2014. The IASB expects to have developed a core model sometime in the first half of 2019.
IAS 41	Cash flows from taxation	A proposal to remove the requirement to exclude cash flows from taxation when measuring fair value of agricultural assets will be included in the next Annual Improvements ED.
IFRS 1	Adoption by a subsidiary	A proposal to amend IFRS 1 to require a subsidiary that applies IFRS 1 to measure its cumulative translation differences using the amounts reported by its parent. This amendment will be included in the next Annual Improvements ED.
IFRS 3	Intangible assets, goodwill and impairment	The IASB is exploring whether the initial measurement of intangible assets, and therefore goodwill, can be improved or simplified. A DP or ED is expected in the second half of 2019.
	Business combinations under common control	The IASB is examining how companies should account for combinations of businesses under common control, which are currently outside the scope of IFRS 3. A DP is expected in 2020.
	Updating a Reference to the Conceptual Framework	The IASB is developing proposals to update a reference to the Conceptual Framework in IFRS 3 in a way that avoid conflicts with other IFRS Standards.
IFRS 5	Post-implementation review	In 2018 the IASB decided to undertake a post-implementation review of IFRS 5 in 2019 or 2020.

IASB requirement	Topic	Description
IFRS 6	Extractive activities	In 2018 the IASB started a project to replace IFRS 6.
IFRS 8	Post-implementation Review	Having completed the review, a Feedback Statement is expected to be published in February 2019.
IFRS 9	Dynamic risk management	The IASB is assessing how to replace the remaining sections of IAS 39 that deal with macro-hedging. A DP was issued in 2014. The IASB expects to have developed a core model in the second half of 2019.
	10 per cent test	A proposal to clarify which fees and costs are included in the quantitative '10 per cent' test for assessing whether to derecognise a financial liability is expected to be included in the next Annual Improvements ED.
IFRS 10, 11 and 12	Post-implementation review	The IASB will undertake a post-implementation review of IFRS 10, 11 and 12.
IFRS 14	Rate-regulated Activities	IFRS 14 is a temporary Standard. The IASB has been considering whether entities that operate in rate-regulated environments should recognise assets and liabilities arising from the effects of rate regulation. A DP was published in 2014. A second DP or an ED is expected in the second half of 2019.
IFRS 16	Lease Incentives	A proposal to amend Example 13 of the illustrative examples accompanying IFRS 16 is expected to be included in the next Annual Improvements ED.

IASB requirement	Topic	Description
IFRS 17	Stakeholder concerns and implementation challenges	<p>The IASB is discussing stakeholder concerns and implementation challenges raised since IFRS 17 was issued and is considering whether there is a need to amend the Standard. This includes the effective date of the Standard.</p> <p>An ED is expected in 2019.</p>
IFRIC 14	Availability of a refund	<p>An ED was published in June 2015 to clarify the accounting when other parties have rights to make particular decisions about a company's defined benefit plan. The IASB is undertaking additional analysis before deciding what steps to take next.</p>
Cross-cutting	Discount rates	<p>The IASB has been examining why different standards require different discount rates and identifying ways to be more consistent in how discount rates are used and described. A summary of this research is expected in February 2019.</p>
	Disclosure Initiative – Principles of disclosure	<p>This research project is focused on broader challenges associated with disclosure effectiveness. The IASB plans to publish a summary of the research findings in due course.</p>
	Variable and contingent consideration	<p>This project is in the research pipeline. The IFRS IC has considered this topic but has been unable to conclude on all of the issues because of interactions between several Standards.</p>
	IBOR reform	<p>The IASB is exploring the possible effects on financial reporting of interbank offered rate (IBOR) reform. An ED is expected in the first half of 2019.</p>

IASB requirement	Topic	Description
	Targeted Standards-level review of disclosure requirements	In 2018 the IASB decided to perform a targeted Standards-level review of disclosure requirements.
Management Commentary	Wider corporate reporting	The IASB is reviewing its Practice Statement on Management Commentary as part of a project on wider corporate reporting. An ED is planned for the first half of 2020.
IFRS Taxonomy	Updates	The IASB is proposing a general update to the taxonomy. It is also developing common practice elements for fair value measurement (IFRS 13).

Deloitte IFRS resources

In addition to this publication, we have a range of tools and publications to assist in implementing and reporting under IFRS Standards.

Websites

www.deloitte.com
www.iasplus.com

Publications

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| iGAAP | Deloitte iGAAP publications set out comprehensive guidance for entities reporting under IFRS Standards and for entities considering whether to move to IFRS Standards in the near future. The publications are available in print books or online at https://dart.deloitte.com/iGAAP . |
| IFRS in Focus | Published at the time of release of new and revised Standards and Interpretations, EDs and discussion documents, including summaries of the documents and consideration of the principal amendments/proposals. |
| IFRS Project Insights | A quick overview of the key projects of the IASB, with a summary of the current status, key decisions and proposals, key considerations for entities given the status of the project and the next steps in the project. |
| IFRS Industry Insights | These concise and informative publications provide insights into the potential impacts of recent pronouncements in particular industries, focusing on the key practical implications to be considered. |
| IFRS on Point | A monthly summary of financial reporting developments. |
| Model financial statements and checklists | Model IFRS financial statements illustrate the application of the presentation and disclosure requirements of IFRS Standards.

IFRS compliance, presentation and disclosure checklists assist in ensuring compliance with IFRS requirements. |

Translated material

This IFRS in your pocket guide is available in a number of languages here: www.iasplus.com/pocket.

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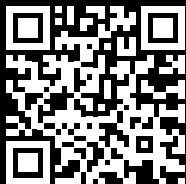
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