



लेखामान बोर्ड

ACCOUNTING STANDARDS BOARD

(Formed by the Government of Nepal under the Nepal Chartered Accountants Act, 1997)

September 2026

Exposure Draft

Nepal Financial Reporting Standards

**NFRS 19: Subsidiaries without Public Accountability:
Disclosures**

Comments to be received by 24 November 2026

Preface

Introduction

The Accounting Standards Board, Nepal (ASB Nepal) was formed by the Government of Nepal on July 8, 2002 (2059 Ashad 24) through an amendment to the Nepal Chartered Accountants Act, 1997, with a mandate to formulate and issue accounting standards for business enterprises in line with the International Financial Reporting Standards (IFRSs) and to provide interpretations of those standards. Since its establishment, ASB Nepal has issued various frameworks, including multiple versions of Nepal Financial Reporting Standards (NFRSs), standards for SMEs, Micro Entities and Not for Profit Organizations, along with implementation guidelines and application guidance notes. The Board consists of 13 members, including a Chairman nominated by the Government of Nepal from among the Fellow Chartered Accountants, and representatives from key government and regulatory institutions, along with nominated Chartered Accountants and a Registered Auditor.

The International Accounting Standards Board (IASB) issued *IFRS 19: Subsidiaries without Public Accountability: Disclosures*, in May 2024. IFRS 19 permits eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements, thereby reducing the cost of preparing their financial statements while maintaining the usefulness of information for users. It becomes effective for annual reporting periods beginning on or after January 1, 2027, with early application permitted. The proposed NFRS 19 is based on IFRS 19 and reflects ASB Nepal's commitment to alignment with global standards and to enhancing the relevance, transparency, comparability and decision-usefulness of financial information in Nepal.

ASB Nepal is committed to strengthening the financial reporting framework in Nepal in line with international best practices. In response to the need for reduced disclosure requirements for eligible subsidiaries, ASB Nepal is releasing the **Exposure Draft on NFRS 19: Subsidiaries without Public Accountability: Disclosures**.

Rationale for the Proposed Standard

Eligible subsidiaries often face the burden of preparing two sets of accounting records—one for group reporting purposes using NFRS and another for their statutory financial statements using the NFRS for SMEs or local GAAP. NFRS 19 addresses this challenge by permitting eligible subsidiaries to apply NFRS with reduced disclosure requirements, enabling them to maintain a single set of accounting records while meeting the needs of both their parent company and the users of their financial statements. This reduces reporting costs and simplifies reporting systems and processes for eligible subsidiaries. The proposed standard draws on internationally recognized frameworks and best practices. Through its development, ASB Nepal aims to

strengthen the financial reporting landscape in Nepal, enhance investor confidence and support sustainable economic development.

Stakeholder Engagement

ASB Nepal emphasizes the importance of a transparent and inclusive standard-setting process. A comprehensive gap analysis was undertaken to assess Nepal's existing financial reporting regulatory landscape and to benchmark it against international best practices. In developing the draft version of NFRS 19, the Board has built upon globally accepted standards that have undergone extensive deliberation and completed the due process of standard-setting as per the laid down procedures of the Board. The development of this Exposure Draft has followed the due process of the Board, including technical discussions, review and approval prior to its issuance.

Participation of stakeholders remains central to this standard-setting process. Feedback from preparers, users, regulators, auditors and other stakeholders is essential to ensure that the standard is relevant, practical and capable of meeting users' expectations for complete, sufficient, dependable and faithful information. ASB Nepal will consider such feedback carefully in refining and finalizing the standard.

Expectations from Stakeholders

Feedback from stakeholders will play a critical role in finalizing the standard and ensuring its effective implementation. ASB Nepal plans to redeliberate the Exposure Draft within its Standards Development and Revision Technical Committee and the Board based on feedback or comments from stakeholders, with a view to issuing the final standard expeditiously. Stakeholder comments will be most useful if they are specific (with reference to particular paragraphs), provide clear rationale, highlight any wording that is unclear or difficult to understand and suggest any alternative that ASB Nepal should consider.

Submission of Feedback

Concerned stakeholders are encouraged to participate in the standard-setting process by providing valuable and constructive comments, feedback or suggestions either directly (in person or via letter) to the Board's Secretariat or by sending an email to secretariat@asbnepal.gov.np within two months from the date of release of this Exposure Draft, i.e., on or before Mangsir 08, 2083 (24 November 2026).

Message from Chairman

Accounting Standards Board (ASB), Nepal is pleased to issue the Exposure Draft of NFRS 19: Subsidiaries without Public Accountability: Disclosures, for public comment.

NFRSs are developed in alignment with IFRS Accounting Standards issued by the International Accounting Standards Board (IASB). In May 2024, the IASB issued IFRS 19, providing eligible subsidiaries with a reduced set of disclosure requirements while applying the recognition, measurement and presentation requirements of other IFRS Accounting Standards.

ASB Nepal has developed NFRS 19 based on IFRS 19, with the effective date to be decided later by the Board.

The introduction of NFRS 19 represents an important development in financial reporting for eligible subsidiaries without public accountability. By providing a proportionate disclosure framework, the Standard aims to reduce the disclosure burden while maintaining useful and transparent financial information for users of financial statements.

ASB Nepal therefore encourages all stakeholders, including preparers, auditors, investors, regulators, professional bodies, academics and other users of financial statements, to carefully review the Exposure Draft and provide their valuable comments and suggestions.

Your feedback is an important part of the standard-setting process and will assist the ASB Nepal in finalizing NFRS 19 in a manner that is appropriate and effective for Nepal.

Ramesh Kumar Dhital, FCA
Chairman
Accounting Standards Board, Nepal

**NFRS 19 SUBSIDIARIES WITHOUT PUBLIC ACCOUNTABILITY:
DISCLOSURES**

Exposure Draft of NFRS 19

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NFRS 19 *Subsidiaries without Public Accountability: Disclosures* is set out in paragraphs 1–276 and Appendices A–C. All the paragraphs have equal authority. Cross-references refer to paragraphs in NFRS 19 unless another NFRS Accounting Standard is specified by name. For example, ‘paragraph 7’, by itself, refers to ‘paragraph 7 of NFRS 19’. Definitions of terms are given in the Glossary for NFRS Accounting Standards. The Standard should be read in the context of its objective, the *Preface to NFRS Accounting Standards* and the *Conceptual Framework for Financial Reporting*.

Exposure Draft of NFRS 19

Nepal Financial Reporting Standard 19

Subsidiaries without Public Accountability: Disclosures

Objective

- 1 NFRS 19 *Subsidiaries without Public Accountability: Disclosures* specifies the disclosure requirements an entity is permitted to apply instead of the disclosure requirements in other NFRS Accounting Standards.

Meeting the objective

- 2 An entity electing to apply this Standard applies the requirements in other NFRS Accounting Standards, except for the disclosure requirements. Instead, the entity applies the requirements in this Standard.
- 3 Therefore, unless specified otherwise (see paragraph 4), an entity applying this Standard need not apply the disclosure requirements in other NFRS Accounting Standards nor apply any statements about, or references to, those disclosure requirements. For example, paragraph 35 of NAS 12 *Income Taxes* contains requirements about the criteria for recognising a deferred tax asset arising from the carryforward of unused tax losses and tax credits. The paragraph ends with 'in such circumstances, paragraph 82 requires disclosure of the amount of the deferred tax asset and the nature of the evidence supporting its recognition'. An entity that applies this Standard would not apply paragraph 82 of NAS 12. Such an entity need not apply the statement at the end of paragraph 35 of NAS 12 about paragraph 82.
- 4 Notwithstanding paragraphs 2–3:
- (a) disclosure requirements in other NFRS Accounting Standards that remain applicable to an entity applying this Standard are specified in this Standard.
 - (b) if an entity applying this Standard applies NFRS 8 *Operating Segments*, NFRS 17 *Insurance Contracts* or NAS 33 *Earnings per Share*, it shall apply all the disclosure requirements in those Standards.
 - (c) a new or amended NFRS Accounting Standard may include disclosure requirements about an entity's transition to that Standard. Any relief available to an entity applying this Standard from disclosure requirements about the entity's transition to that new or amended Standard will be set out in the new or amended NFRS Accounting Standard.
- 5 In accordance with paragraph 19 of NFRS 18 *Presentation and Disclosure in Financial Statements*, an entity applying this Standard need not provide a specific disclosure required by this Standard if the information resulting from that disclosure would not be material.

- 6 An entity shall consider whether to provide additional disclosures when compliance with the specific requirements in this Standard is insufficient to enable users of financial statements to understand the effect of transactions and other events and conditions on the entity's financial position and financial performance.

Scope

- 7 An entity may elect to apply this Standard in its consolidated, separate or individual financial statements if, and only if, at the end of the reporting period:
- (a) it is a subsidiary;
 - (b) it does not have public accountability (see paragraphs 11–12); and
 - (c) it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with NFRS Accounting Standards.
- 8 A 'subsidiary' and a 'group' are defined in Appendix A of NFRS 10 *Consolidated Financial Statements*.
- 9 An intermediate parent assesses its eligibility to apply this Standard in its separate financial statements, regardless of whether other group entities, or the group as a whole, have public accountability.
- 10 An intermediate parent that does not have public accountability and meets the other eligibility conditions in paragraph 7 may apply this Standard in its separate financial statements even if it does not apply this Standard in its consolidated financial statements.
- 11 An entity has public accountability if:
- (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
 - (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).
- 12 Some entities may hold assets in a fiduciary capacity for a broad group of outsiders because they hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity. However, if they do so for reasons incidental to a primary business (as, for example, may be the case for travel or real estate agents, schools, charitable organisations, co-operative enterprises requiring a nominal membership deposit, and sellers that receive payment in advance of delivery of goods or services such as utility companies), that does not make them publicly accountable.

Electing or revoking an election to apply this Standard

- 13 An entity that elects to apply this Standard in one reporting period may later revoke that election. An entity may elect to apply this Standard more than once—for example, an entity that applied this Standard in a prior period but not in the immediately preceding period may elect to apply this Standard in the current period.
- 14 An entity that applies this Standard in the current reporting period but not in the immediately preceding period shall provide comparative information (that is, information for the preceding period) for all amounts reported in the current period's financial statements, unless this Standard or another NFRS Accounting Standard permits or requires otherwise. The entity shall include comparative information for narrative and descriptive information if it is necessary for an understanding of the current period's financial statements.
- 15 An entity that applied this Standard in the preceding reporting period—but elects not to (or is no longer eligible to) apply it in the current period and continues applying NFRS Accounting Standards—shall provide comparative information with respect to the preceding period for all amounts reported in the current period's financial statements, unless another NFRS Accounting Standard permits or requires otherwise. The entity shall include comparative information for narrative and descriptive information if it is necessary for an understanding of the current period's financial statements. The fact that this Standard did not require the disclosure of amounts in the preceding period for some items that are disclosed in the current period is not a reason to omit comparative information for these items.
- 16 The requirements for changes in accounting policies in NAS 8 *Basis of Preparation of Financial Statements* do not apply to electing or revoking an election to apply this Standard.

Interaction with NFRS 1 *First-time Adoption of Nepal Financial Reporting Standards*

- 17 An entity applies NFRS 1 *First-time Adoption of Nepal Financial Reporting Standards* when it prepares its first NFRS financial statements, or when it is permitted to do so applying paragraph 4A of NFRS 1. An entity that applies this Standard when it prepares its first NFRS financial statements shall apply the disclosure requirements in paragraphs 21–30 of this Standard instead of the disclosure requirements in paragraphs 23–33 of NFRS 1.
- 18 Electing or revoking an election to apply this Standard does not, on its own, result in an entity meeting the definition of a first-time adopter of NFRS Accounting Standards in NFRS 1. For example, an entity that applied NFRS Accounting Standards, but not this Standard, in the immediately preceding reporting period and that applies this Standard in the current period is not a first-time adopter of NFRS Accounting Standards and shall not apply NFRS 1 in the current period.

- 19 Similarly, an entity revoking the election to apply this Standard in the current reporting period does not apply NFRS 1 in the current period if, in the immediately preceding period, it provided an explicit and unreserved statement of compliance with NFRS Accounting Standards as required by paragraph 20.

Disclosure requirements

Compliance with NFRS Accounting Standards

- 20 An entity whose financial statements comply with NFRS Accounting Standards and the requirements in this Standard shall make an explicit and unreserved statement of such compliance in the notes. An entity that applies this Standard shall, as part of that unreserved statement, state that it has applied this Standard. An entity applying this Standard shall not describe financial statements as complying with NFRS Accounting Standards unless the entity complies with the requirements in this Standard and all applicable requirements in other NFRS Accounting Standards.

NFRS 1 *First-time Adoption of Nepal Financial Reporting Standards*

Explanation of transition to NFRS Accounting Standards

- 21 An entity shall explain how the transition from previous GAAP to NFRS Accounting Standards affected its reported financial position, financial performance and cash flows.
- 22 An entity that has applied NFRS Accounting Standards in a previous period, as described in paragraph 4A of NFRS 1, shall disclose:
- (a) the reason it stopped applying NFRS Accounting Standards; and
 - (b) the reason it is resuming the application of NFRS Accounting Standards.
- 23 When an entity, in accordance with paragraph 4A of NFRS 1, does not elect to apply NFRS 1, the entity shall explain the reasons for electing to apply NFRS Accounting Standards as if it had never stopped applying NFRS Accounting Standards.

Reconciliations

- 24 To comply with paragraph 21, an entity's first NFRS financial statements shall include:
- (a) reconciliations of its equity reported in accordance with previous GAAP to its equity in accordance with NFRS Accounting Standards for both:
 - (i) the date of transition to NFRSs; and
 - (ii) the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP.

- (b) a reconciliation to its total comprehensive income in accordance with NFRS Accounting Standards for the latest period in the entity's most recent annual financial statements. The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for the same period or, if an entity did not report such a total, profit or loss under previous GAAP.

25 If an entity becomes aware of errors made under previous GAAP in the reconciliations required by paragraph 24, it shall distinguish the correction of those errors from changes in accounting policies.

26 If, during the period covered by its first NFRS financial statements, an entity changes its accounting policies or its use of the exemptions contained in NFRS 1, it shall explain the changes between its first NFRS interim financial report and its first NFRS financial statements in accordance with paragraph 21, and it shall update the reconciliations required by paragraph 24.

27 If an entity did not present financial statements for previous periods, its first NFRS financial statements shall disclose that fact.

Interim financial reports

28 To comply with paragraph 21, if an entity presents an interim financial report in accordance with NAS 34 *Interim Financial Reporting* for part of the period covered by its first NFRS financial statements, the entity shall satisfy the requirements of NAS 34, unless stated otherwise, as well as these requirements:

- (a) each such interim financial report shall, if the entity presented an interim financial report for the comparable interim period of the immediately preceding financial year, include:
 - (i) a reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity under NFRS Accounting Standards at that date; and
 - (ii) a reconciliation to its total comprehensive income in accordance with NFRS Accounting Standards for that comparable interim period (current and year to date). The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP;
- (b) in addition to the reconciliations required by (a), an entity's first interim financial report in accordance with NAS 34 for part of the period covered by its first NFRS financial statements shall include the reconciliations described in paragraph 24 (supplemented by the details required by paragraph 25) or a cross-reference to another published document that includes these reconciliations; and

- (c) if an entity changes its accounting policies or its use of the exemptions contained in NFRS 1, it shall explain the changes in each such interim financial report in accordance with paragraph 21 and update the reconciliations required by (a)–(b).

29 If a first-time adopter did not, in its most recent annual financial statements in accordance with previous GAAP, disclose information material to an understanding of the current interim period, its interim financial report shall disclose that information or include a cross-reference to another published document that includes it.

Disclosure requirements in NFRS 1 that remain applicable

30 If an entity applies paragraph D2 of NFRS 1, it shall apply the disclosure requirements in that paragraph.

NFRS 2 *Share-based Payment*

31 An entity shall disclose:

- (a) a description of each type of share-based payment arrangement that existed at any time during the reporting period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted and the method of settlement (whether in cash or equity). An entity with substantially similar types of share-based payment arrangements may aggregate this information.
- (b) the number and weighted average exercise prices of share options in each of these groups of options:
 - (i) outstanding at the beginning of the reporting period;
 - (ii) granted during the period;
 - (iii) forfeited during the period;
 - (iv) exercised during the period;
 - (v) expired during the period;
 - (vi) outstanding at the end of the period; and
 - (vii) exercisable at the end of the period.

32 An entity shall disclose information that enables users of the financial statements to understand how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the reporting period was determined.

33 For share-based payment arrangements that were modified during the reporting period, an entity shall explain those modifications.

- 34 An entity shall disclose:
- (a) the total expense recognised for the reporting period arising from share-based payment transactions in which the goods or services received did not qualify for recognition as assets and were therefore recognised immediately as an expense; and
 - (b) the total carrying amount at the end of the reporting period for liabilities arising from share-based payment transactions.

NFRS 3 *Business Combinations*

- 35 The acquirer shall disclose, for each business combination that occurs during the reporting period:
- (a) the name and description of the acquiree;
 - (b) the acquisition date;
 - (c) the percentage of voting equity interests acquired;
 - (d) a qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, intangible assets that do not qualify for separate recognition or other factors;
 - (e) the acquisition-date fair value of the total consideration transferred and description of the components of that consideration, such as:
 - (i) cash;
 - (ii) other tangible or intangible assets, including a business or subsidiary of the acquirer;
 - (iii) liabilities incurred, for example, a liability for contingent consideration; and
 - (iv) equity interests of the acquirer;
 - (f) for contingent consideration arrangements and indemnification assets:
 - (i) the amount recognised as of the acquisition date; and
 - (ii) a description of the arrangement and the basis for determining the amount of the payment;
 - (g) the amounts recognised as of the acquisition date for each class of assets acquired and liabilities assumed;
 - (h) if a contingent liability is not recognised because its fair value cannot be measured reliably, the information required by paragraph 259;
 - (i) in a bargain purchase, the amount of any gain recognised in accordance with paragraph 34 of NFRS 3 *Business Combinations* and the line item in the statement of comprehensive income in which the gain is recognised; and

- (j) for each business combination in which the acquirer holds less than 100 per cent of the equity interests in the acquiree at the acquisition date:
 - (i) the amount of non-controlling interest in the acquiree recognised at the acquisition date and the measurement basis for that amount; and
 - (ii) for each non-controlling interest in an acquiree measured at fair value, the valuation technique(s) and significant inputs used to measure that value.

36 The acquirer shall disclose, for each reporting period after the acquisition date until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires:

- (a) any changes in the recognised amounts, including any differences arising upon settlement; and
- (b) the valuation techniques and key model inputs used to measure contingent consideration.

37 The acquirer shall disclose a reconciliation (comparative information is not required) of the carrying amount of goodwill at the beginning and end of the reporting period showing separately:

- (a) additional goodwill recognised during the reporting period, except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with NFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- (b) goodwill included in a disposal group classified as held for sale in accordance with NFRS 5 and goodwill derecognised during the reporting period without having previously been included in a disposal group classified as held for sale;
- (c) impairment losses recognised during the reporting period in accordance with NAS 36 *Impairment of Assets*; and
- (d) any other changes in the carrying amount during the reporting period.

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

38 An entity shall disclose, in the notes in the reporting period in which a non-current asset (or disposal group) has been either classified as held for sale or sold:

- (a) a description of the non-current asset (or disposal group);
- (b) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal; and
- (c) if applicable, the reportable segment in which the non-current asset (or disposal group) is presented in accordance with NFRS 8.

- 39 If either paragraph 26 of NFRS 5 or paragraph 29 of NFRS 5 applies, an entity shall disclose, in the reporting period of the decision to change the plan to sell the non-current asset (or disposal group), a description of the facts and circumstances leading to the decision and the effect of the decision on the results of operations for the period and any prior periods presented.

Disclosure requirements in NFRS 5 that remain applicable

- 40 An entity shall apply the disclosure requirements in paragraphs 12, 13, 33(a), 33(c) and 34 of NFRS 5. The reference to paragraph 33 in paragraph 13 of NFRS 5 shall be read by the entity as referring to paragraphs 33(a) and 33(c) of NFRS 5.

NFRS 6 *Exploration for and Evaluation of Mineral Resources*

- 41 An entity shall treat exploration and evaluation assets as a separate class of assets and make the disclosures required by either paragraphs 200–202 (under subheading NAS 16 *Property, Plant and Equipment*) or paragraphs 263–266 (under subheading NAS 38 *Intangible Assets*), consistent with how the assets are classified.

NFRS 7 *Financial Instruments: Disclosures*

- 42 Paragraphs 3–5D of NFRS 7 *Financial Instruments: Disclosures* set out the scope of NFRS 7, that is, the financial instruments, contracts to buy or sell a non-financial item and rights to which the disclosure requirements in NFRS 7 apply. An entity applying this Standard shall apply paragraphs 3–5D of NFRS 7 to determine the scope of the disclosure requirements in paragraphs 43–73. The references in:

- (a) paragraph 3(a) of NFRS 7 to the disclosure requirements in NFRS 13 *Fair Value Measurement* shall be read by the entity as referring to paragraphs 95–97; and
- (b) paragraph 5A of NFRS 7 to the disclosure requirements in paragraphs 35A–35N of NFRS 7 shall be read by the entity as referring to paragraphs 65–71.

- 43 An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.

Categories of financial assets and financial liabilities

- 44 The carrying amounts of each of the following categories, as specified in NFRS 9 *Financial Instruments*, shall either be presented in the statement of financial position or disclosed in the notes:

- (a) financial assets measured at fair value through profit or loss;

- (b) financial liabilities at fair value through profit or loss, showing separately:
 - (i) those designated as such upon initial recognition in accordance with paragraph 4.2.2 of NFRS 9 or subsequently in accordance with paragraph 6.7.1 of NFRS 9; and
 - (ii) those that meet the definition of held for trading in NFRS 9;
- (c) financial assets measured at amortised cost;
- (d) financial liabilities measured at amortised cost; and
- (e) financial assets measured at fair value through other comprehensive income, showing separately:
 - (i) financial assets that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of NFRS 9; and
 - (ii) investments in equity instruments designated as such upon initial recognition in accordance with paragraph 5.7.5 of NFRS 9.

Financial liabilities at fair value through profit or loss

45 If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of NFRS 9 and is required to present the effects of changes in that liability's credit risk in other comprehensive income (see paragraph 5.7.7 of NFRS 9), it shall disclose:

- (a) the amount of change, cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13–B5.7.20 of NFRS 9 for guidance on determining the effects of changes in a liability's credit risk); and
- (b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

46 If an entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of NFRS 9 and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in profit or loss (see paragraphs 5.7.7 and 5.7.8 of NFRS 9), it shall disclose:

- (a) the amount of change, during the reporting period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13–B5.7.20 of NFRS 9 for guidance on determining the effects of changes in a liability's credit risk); and
- (b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

Reclassification

47 An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.4.1 of NFRS 9. For each such event, an entity shall disclose:

- (a) the date of reclassification;
- (b) a detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements; and
- (c) the amount reclassified into and out of each category.

48 For each reporting period following reclassification until derecognition, an entity shall disclose, for assets reclassified out of the fair value through profit or loss category so that they are measured at amortised cost or fair value through other comprehensive income in accordance with paragraph 4.4.1 of NFRS 9:

- (a) the effective interest rate determined on the date of reclassification; and
- (b) the interest revenue recognised.

Offsetting financial assets and financial liabilities

49 An entity shall, at the end of the reporting period, disclose separately the gross amounts of those recognised financial assets and recognised financial liabilities that are set off in accordance with paragraph 42 of NAS 32 *Financial Instruments: Presentation*.

50 Financial instruments disclosed in accordance with paragraph 49 may be subject to different measurement requirements (for example, a payable related to a repurchase agreement may be measured at amortised cost, while a derivative will be measured at fair value). An entity shall include financial instruments at their recognised amounts and describe any resulting measurement differences in the related disclosures.

Collateral

51 An entity shall disclose:

- (a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 3.2.23(a) of NFRS 9; and
- (b) the terms and conditions relating to its pledge.

Allowance account for credit losses

52 The carrying amount of financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of NFRS 9 is not reduced by a loss allowance and an entity shall not present the loss allowance separately in the statement of financial position as a reduction of the carrying

amount of the financial asset. However, an entity shall disclose the loss allowance in the notes.

Compound financial instruments with multiple embedded derivatives

- 53 If an entity has issued an instrument that contains both a liability and an equity component (see paragraph 28 of NAS 32) and the instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features.

Defaults and breaches

- 54 For loans payable recognised at the end of the reporting period, an entity shall disclose:

- (a) details of any defaults during the period of principal, interest, sinking fund or redemption terms of those loans payable;
- (b) the carrying amount of the loans payable in default at the end of the reporting period; and
- (c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

- 55 If, during the period, there were breaches of loan agreement terms other than those described in paragraph 54, an entity shall disclose the same information as required by paragraph 54 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period).

Items of income, expense, gains or losses

- 56 An entity shall either present, subject to the presentation requirements in NFRS 18, these items of income, expense, gains or losses in the statement of comprehensive income or disclose them in the notes:

- (a) net gains or net losses on:
 - (i) financial assets or financial liabilities measured at fair value through profit or loss;
 - (ii) financial liabilities measured at amortised cost;
 - (iii) financial assets measured at amortised cost;
 - (iv) investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of NFRS 9; and
 - (v) financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of NFRS 9, showing separately the amount of gain or loss recognised in other comprehensive income during the

reporting period, and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period;

- (b) total interest revenue and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost or that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of NFRS 9, or financial liabilities that are not measured at fair value through profit or loss; and
 - (c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:
 - (i) financial assets and financial liabilities that are not measured at fair value through profit or loss; and
 - (ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions.
- 56A

An entity shall disclose the information required by paragraph 56B by class of financial assets measured at amortised cost or fair value through other comprehensive income and by class of financial liabilities measured at amortised cost. The entity shall consider how much detail to disclose, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate any quantitative information disclosed.

56B

To enable users of financial statements to understand the effect of contractual terms that could change the amount of contractual cash flows based on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in basic lending risks and costs (such as the time value of money or credit risk), an entity shall disclose:

- (a) a qualitative description of the nature of the contingent event;
 - (b) quantitative information about the possible changes to contractual cash flows that could result from those contractual terms (for example, the range of possible changes); and
 - (c) the gross carrying amount of financial assets and the amortised cost of financial liabilities subject to those contractual terms.
- 56C

For example, an entity shall disclose the information required by paragraph 56B for a class of financial liabilities measured at amortised cost whose contractual cash flows change if the entity achieves a reduction in its carbon emissions.

57

Accounting policies

In accordance with paragraph 176, an entity shall disclose material accounting policy information. Information about the measurement basis (or bases) for financial instruments used in preparing the financial statements is expected to be material accounting policy information.

Hedge accounting

- 58 An entity shall disclose separately, for each category of risk exposures that it decides to hedge and for which hedge accounting is applied, a description of:
- (a) the hedging instruments that are used (and how they are used) to hedge risk exposures; and
 - (b) how the entity determines the economic relationship between the hedged item and the hedging instrument for the purpose of assessing hedge effectiveness.
- 59 When an entity designates a specific risk component as a hedged item (see paragraph 6.3.7 of NFRS 9), it shall provide qualitative or quantitative information about how the entity determined the risk component that is designated as the hedged item (including a description of the nature of the relationship between the risk component and the item as a whole).
- 60 An entity shall disclose, in a table, these amounts related to items designated as hedging instruments separately by risk category for each type of hedge (fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation):
- (a) the carrying amount of the hedging instruments (financial assets separately from financial liabilities);
 - (b) the line item in the statement of financial position that includes the hedging instrument;
 - (c) the change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period; and
 - (d) the nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instruments.
- 61 An entity shall disclose, in a table, these amounts related to hedged items separately by risk category for the types of hedges as follows:
- (a) for fair value hedges:
 - (i) the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);
 - (ii) the accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);
 - (iii) the line item in the statement of financial position that includes the hedged item; and
 - (iv) the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period.

- (b) for cash flow hedges and hedges of a net investment in a foreign operation: the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period (for cash flow hedges, this is the change in value used to determine the recognised hedge ineffectiveness in accordance with paragraph 6.5.11(c) of NFRS 9).
- 62 An entity shall disclose, in a table, these amounts separately by risk category for the types of hedges:
- (a) for fair value hedges: hedge ineffectiveness—the difference between the hedging gains or losses of the hedging instrument and the hedged item—recognised in profit or loss (or other comprehensive income for hedges of an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income in accordance with paragraph 5.7.5 of NFRS 9).
- (b) for cash flow hedges and hedges of a net investment in a foreign operation:
- (i) hedging gains or losses of the reporting period that were recognised in other comprehensive income;
- (ii) hedge ineffectiveness recognised in profit or loss; and
- (iii) the amount reclassified from the cash flow hedge reserve or the foreign currency translation reserve into profit or loss as a reclassification adjustment (see NFRS 18)—differentiating between amounts for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur, and amounts that have been transferred because the hedged item has affected profit or loss.
- 63 For hedging relationships to which an entity applies the exceptions set out in paragraphs 6.8.4–6.8.12 of NFRS 9 or paragraphs 102D–102N of NAS 39 *Financial Instruments: Recognition and Measurement*, an entity shall disclose:
- (a) the significant interest rate benchmarks to which the entity's hedging relationships are exposed;
- (b) the extent of the risk exposure the entity manages that is directly affected by the interest rate benchmark reform;
- (c) how the entity is managing the process to transition to alternative benchmark rates;
- (d) a description of significant assumptions or judgements the entity made in applying these paragraphs (for example, assumptions or judgements about when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows); and
- (e) the nominal amount of the hedging instruments in those hedging relationships.

Fair value

In some cases, an entity does not recognise a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (a Level 1 input), nor based on a valuation technique that uses only data from observable markets (see paragraph B5.1.2A of NFRS 9). In such cases, the entity shall disclose by class of financial asset or financial liability:

- 64A
- (a) its accounting policy for recognising in profit or loss the difference between the fair value at initial recognition and the transaction price to reflect a change in factors (including time) that market participants would take into account when pricing the asset or liability (see paragraph B5.1.2A(b) of NFRS 9);
 - (b) the aggregate difference yet to be recognised in profit or loss at the beginning and end of the reporting period and a reconciliation of changes in the balance of this difference; and
 - (c) why the entity concluded that the transaction price was not the best evidence of fair value, including a description of the evidence that supports the fair value.

Contracts referencing nature-dependent electricity

An entity shall disclose in a single note in its financial statements information about its contracts referencing nature-dependent electricity that meet the criteria set out in paragraph 5B of NFRS 7. An entity shall disclose:

- (a) information about contractual features that expose the entity to:
 - (i) variability in the underlying amount of electricity (see paragraph 2.3A of NFRS 9); and
 - (ii) risk that the entity would be required to buy electricity during a delivery interval in which the entity cannot use the electricity (see paragraph B2.7 of NFRS 9).
- (b) information about unrecognised commitments arising from the contracts, as at the reporting date, including:
 - (i) the estimated future cash flows from buying electricity under these contracts. The entity shall apply its judgement when identifying the appropriate time bands within which to disclose the estimated future cash flows.
 - (ii) qualitative information about how the entity assesses whether a contract might become onerous (see NAS 37 *Provisions, Contingent Liabilities and Contingent Assets*), including the assumptions the entity uses in making this assessment.
- (c) qualitative and quantitative information about effects on the entity's financial performance for the reporting period. The disclosure is based on the information that is applicable to the reporting period the entity used to assess whether it has been a net purchaser of electricity (see

paragraph B2.8 of NFRS 9). An entity shall disclose information for the reporting period about:

- (i) the costs arising from purchases of electricity made under the contracts, disclosing separately how much of the purchased electricity was unused at the time of delivery;
- (ii) the proceeds arising from sales of unused electricity; and
- (iii) the costs arising from purchases of electricity made to offset sales of unused electricity.

64B An entity shall disaggregate, for its contracts that meet the criteria set out in paragraph 5C of NFRS 7, the amounts the entity discloses, by risk category, related to items designated as hedging instruments in accordance with paragraph 60.

64C If an entity discloses information about other contracts referencing nature-dependent electricity as described in paragraph 5D of NFRS 7 (including those contracts described in paragraph 64B of this Standard) in other notes in its financial statements, the entity shall include cross-references to those notes in the single note required by paragraph 64A.

Nature and extent of risks arising from financial instruments

Credit risk: all entities

65 An entity shall explain the inputs, assumptions and estimation techniques used to apply the requirements in Section 5.5 of NFRS 9. For this purpose, an entity shall disclose:

- (a) the basis of inputs and assumptions and the estimation techniques used to:
 - (i) measure the 12-month and lifetime expected credit losses;
 - (ii) determine whether the credit risk of financial instruments has increased significantly since initial recognition; and
 - (iii) determine whether a financial asset is a credit-impaired financial asset;
- (b) how forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information; and
- (c) changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.

66 To explain the changes in the loss allowance and the reasons for those changes, an entity shall provide, in a table, by class of financial instrument, a reconciliation from the opening balance to the closing balance of the loss allowance, showing separately the changes during the reporting period for:

the loss allowance measured at an amount equal to 12-month expected credit losses.

- (a) the loss allowance measured at an amount equal to lifetime expected credit losses for:
 - (i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;
 - (ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and
 - (iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of NFRS 9.
- (b) financial assets that are purchased or originated credit-impaired. In addition to the reconciliation, an entity shall disclose the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting period.

67 For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. An entity should disclose information about the changes in the loss allowance for financial assets separately from those for loan commitments and financial guarantee contracts. However, if a financial instrument includes both a loan (financial asset) and an undrawn commitment (loan commitment) component and the entity cannot separately identify the expected credit losses on the loan commitment component from those on the financial asset component, the expected credit losses on the loan commitment should be recognised together with the loss allowance for the financial asset. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognised as a provision.

Credit risk: entities that provide financing to customers as a main business activity

68 The disclosure requirements in paragraphs 69–71 are applicable only to an entity that provides financing to customers as a main business activity, as described in NFRS 18.

69 An entity shall disclose information that enables users of financial statements to understand and evaluate:

- (a) how the entity determined whether the credit risk of financial instruments has increased significantly since initial recognition, including if and how:
 - (i) financial instruments are considered to have low credit risk in accordance with paragraph 5.5.10 of NFRS 9, including the classes of financial instruments to which it applies; and
 - (ii) the presumption in paragraph 5.5.11 of NFRS 9, that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has been rebutted; and

- (b) an entity's definitions of default, including the reasons for selecting those definitions.

70 An entity shall provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance. The information shall be provided separately for financial instruments that represent the loss allowance as listed in paragraph 66(a)–(c) and shall include relevant qualitative and quantitative information. Examples of changes in the gross carrying amount of financial instruments that contributed to the changes in the loss allowance may include:

- (a) changes because of financial instruments originated or acquired during the reporting period;
- (b) the modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets in accordance with NFRS 9;
- (c) changes because of financial instruments that were derecognised (including those that were written off) during the reporting period; and
- (d) changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses.

71 An entity shall disclose, by credit risk rating grades, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts. An entity shall provide this information separately for financial instruments:

- (a) for which the loss allowance is measured at an amount equal to 12-month expected credit losses;
- (b) for which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are:
 - (i) financial instruments for which credit risk has increased significantly since initial recognition, but that are not credit-impaired financial assets;
 - (ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and
 - (iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of NFRS 9.
- (c) that are purchased or originated credit-impaired financial assets.

Liquidity risk

72 An entity shall disclose:

- (a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities.
- (b) a maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows (see paragraph B11B of NFRS 7).
- (c) a description of how it manages the liquidity risk inherent in (a) and (b).

Transfers of financial assets

73 An entity may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. The entity shall disclose, at each reporting date, for each class of transferred financial assets that are not derecognised in their entirety:

- (a) the nature of the transferred assets;
- (b) the nature of the risks and rewards of ownership to which the entity is exposed; and
- (c) when the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities.

NFRS 12 Disclosure of Interests in Other Entities

74 Paragraphs 5–6 of NFRS 12 *Disclosure of Interests in Other Entities* set out the scope of NFRS 12, that is, the interests in other entities to which the disclosure requirements in NFRS 12 apply. An entity applying this Standard shall apply paragraphs 5–6 of NFRS 12 to determine the scope of the disclosure requirements in paragraphs 75–94 of this Standard. However:

- (a) the reference in paragraph 5(b) of NFRS 12 to joint arrangements (that is, joint operations or joint ventures) shall be read by the entity as referring only to joint ventures;
- (b) the phrase ‘except as described in paragraph B17’ in paragraph 5A of NFRS 12 shall be read as ‘except for the disclosures required by paragraph 89 of this Standard’;
- (c) the reference in paragraph 6(b)(i) of NFRS 12 to the disclosure requirements in paragraphs 24–31 of NFRS 12 shall be read as referring to paragraphs 92–94 of this Standard; and
- (d) the reference in paragraph 6(b)(ii) of NFRS 12 to ‘this NFRS’ shall be read as referring to paragraphs 82–94 of this Standard.

75 An entity shall disclose information separately for interests in:

- (a) subsidiaries;
- (b) joint ventures;
- (c) associates; and
- (d) unconsolidated structured entities.

Interests in subsidiaries

76 When the financial statements of a subsidiary used in the preparation of consolidated financial statements are as of a date or for a period that is different from that of the consolidated financial statements (see paragraphs B92–B93 of NFRS 10), an entity shall disclose the date of the end of the reporting period of the financial statements of that subsidiary.

77 An entity shall disclose significant restrictions (for example, statutory, contractual and regulatory restrictions) on its ability to access or use the assets and settle the liabilities of the group, such as:

- (a) those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the group; and
- (b) guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the group.

78 An entity shall disclose the terms of any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated structured entity, including events or circumstances that could expose the reporting entity to a loss (for example, liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity or provide financial support).

79 If during the reporting period a parent or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to a consolidated structured entity (for example, purchasing assets of or instruments issued by the structured entity), the entity shall disclose:

- (a) the type and amount of support provided, including situations in which the parent or its subsidiaries assisted the structured entity in obtaining financial support; and
- (b) the reasons for providing the support.

80 An entity shall disclose any current intentions to provide financial or other support to a consolidated structured entity, including intentions to assist the structured entity in obtaining financial support.

81 An entity shall disclose the gain or loss, if any, calculated in accordance with paragraph 25 of NFRS 10, and:

- (a) the portion of that gain or loss attributable to measuring any investment retained in the former subsidiary at its fair value at the date when control is lost; and

- (b) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

Investment entity status

82 When a parent determines that it is an investment entity in accordance with paragraph 27 of NFRS 10 and it does not have one or more of the typical characteristics of an investment entity (see paragraph 28 of NFRS 10), it shall disclose its reasons for concluding that it is nevertheless an investment entity.

83 When an entity becomes, or ceases to be, an investment entity, it shall disclose the change of investment entity status and the reasons for the change. In addition, an entity that becomes an investment entity shall disclose the effect of the change of status on the financial statements for the period presented, including:

- (a) the total fair value, as of the date of change of status, of the subsidiaries that cease to be consolidated;
- (b) the total gain or loss, if any, calculated in accordance with paragraph B101 of NFRS 10; and
- (c) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

Interests in unconsolidated subsidiaries (investment entities)

84 An investment entity that, in accordance with NFRS 10, is required to apply the exception to consolidation and instead account for its investment in a subsidiary at fair value through profit or loss shall disclose that fact.

85 An investment entity shall disclose:

- (a) the nature and extent of any significant restrictions (for example, resulting from borrowing arrangements, regulatory requirements or contractual arrangements) on the ability of an unconsolidated subsidiary to transfer funds to the investment entity in the form of cash dividends or to repay loans or advances made to the unconsolidated subsidiary by the investment entity; and
- (b) any current commitments or intentions to provide financial or other support to an unconsolidated subsidiary, including commitments or intentions to assist the subsidiary in obtaining financial support.

86 If, during the reporting period, an investment entity or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to an unconsolidated subsidiary (for example, purchasing assets of, or instruments issued by, the subsidiary or assisting the subsidiary in obtaining financial support), the entity shall disclose:

- (a) the type and amount of support provided to each unconsolidated subsidiary; and
- (b) the reasons for providing the support.

- 87 An investment entity shall disclose the terms of any contractual arrangements that could require the entity or its unconsolidated subsidiaries to provide financial support to an unconsolidated, controlled, structured entity, including events or circumstances that could expose the reporting entity to a loss (for example, liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity or to provide financial support).

Interests in joint ventures and associates

- 88 An entity shall disclose, for each joint venture and associate that is material to the reporting entity:
- (a) whether the investment in the joint venture or associate is measured using the equity method or at fair value; and
 - (b) if the joint venture or associate is accounted for using the equity method, the fair value of its investment in the joint venture or associate, if there is a quoted market price for the investment.
- 89 An entity shall disclose, in aggregate, the carrying amount of its interests in joint ventures or associates accounted for using the equity method. An entity shall also disclose separately the aggregate amount of its share of those joint ventures or associates:
- (a) profit or loss from continuing operations; and
 - (b) post-tax profit or loss from discontinued operations.

- 90 An investment entity need not provide the disclosures required by paragraphs 88–89.

- 91 An entity shall disclose the total commitments it has made but not recognised at the reporting date (including its share of commitments made jointly with other investors with joint control of a joint venture) relating to its interests in joint ventures. Commitments may give rise to a future outflow of cash or other resources.

Interests in unconsolidated structured entities

- 92 If during the reporting period an entity has, without having a contractual obligation to do so, provided financial or other support to an unconsolidated structured entity in which it previously had or currently has an interest (for example, purchasing assets of, or instruments issued by, the structured entity), the entity shall disclose:
- (a) the type and amount of support provided, including situations in which the entity assisted the structured entity in obtaining financial support; and
 - (b) the reasons for providing the support.
- 93 An entity shall disclose any current intentions to provide financial or other support to an unconsolidated structured entity, including intentions to assist the structured entity in obtaining financial support.

- 94 An investment entity need not provide the disclosures required by paragraphs 92–93 for an unconsolidated structured entity that it controls and for which it presents the disclosures required by paragraphs 84–87.

NFRS 13 Fair Value Measurement

- 95 An entity shall disclose, for each class of assets and liabilities (see paragraph 94 of NFRS 13 for information on determining appropriate classes of assets and liabilities) measured at fair value (including measurements based on fair value within the scope of NFRS 13) in the statement of financial position after initial recognition:

- (a) for recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period;
- (b) for recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3);
- (c) for recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and of the inputs used in the fair value measurement; and
- (d) for recurring fair value measurements categorised within Level 3 of the fair value hierarchy:
 - (i) total gains or losses for the period recognised in profit or loss, and the line item(s) in profit or loss in which those gains or losses are recognised; and
 - (ii) total gains or losses for the period recognised in other comprehensive income, and the line item(s) in other comprehensive income in which those gains or losses are recognised.

- 96 If an entity makes an accounting policy decision to use the exception in paragraph 48 of NFRS 13, it shall disclose that fact.

- 97 An entity shall present the quantitative disclosures required by paragraph 95 in a table unless another format is more appropriate.

NFRS 14 Regulatory Deferral Accounts

Explanation of activities subject to rate regulation

- 98 An entity shall disclose, for each type of rate-regulated activity:

- (a) a brief description of the nature and extent of the rate-regulated activity and the nature of the regulatory rate-setting process; and
- (b) the identity of the rate regulator(s). If the rate regulator is a related party (as defined in NAS 24 *Related Party Disclosures*), the entity shall disclose that fact, together with an explanation of how it is related.

- 99 The disclosures required by paragraph 98 shall be given in the financial statements either directly in the notes or incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time. If the information is not included in the financial statements directly or incorporated by cross-reference, the financial statements are incomplete.

Explanation of recognised amounts

- 100 An entity shall disclose the basis on which regulatory deferral account balances are recognised and derecognised and how they are measured initially and subsequently, including how regulatory deferral account balances are assessed for recoverability and how any impairment loss is allocated.
- 101 For each type of rate-regulated activity, an entity shall disclose, for each class of regulatory deferral account balance, a reconciliation of the carrying amount at the beginning and the end of the reporting period in a table, unless another format is more appropriate. The entity shall apply judgement in deciding the level of detail necessary (see paragraphs 28–29 of NFRS 14 *Regulatory Deferral Accounts*), but these components would usually be relevant:
- (a) the amounts that have been recognised in the current period in the statement of financial position as regulatory deferral account balances;
 - (b) the amounts that have been recognised in the statement(s) of profit or loss and other comprehensive income relating to balances that have been recovered (sometimes described as amortised) or reversed in the current period; and
 - (c) other amounts, separately identified, that affected the regulatory deferral account balances, such as impairments, items acquired or assumed in a business combination, items disposed of, or the effects of changes in foreign exchange rates or discount rates.
- 102 When an entity concludes that a regulatory deferral account balance is no longer fully recoverable or reversible, it shall disclose that fact, the reason why it is not recoverable or reversible and the amount by which the regulatory deferral account balance has been reduced.

NFRS 15 Revenue from Contracts with Customers

Contracts with customers

Disaggregation of revenue

- 103 An entity shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Examples of categories that might be appropriate include:
- (a) type of good or service (for example, major product lines);
 - (b) geographical region (for example, country or region);

- (c) market or type of customer (for example, government and non-government customers);
- (d) type of contract (for example, fixed-price and time-and-materials contracts);
- (e) contract duration (for example, short-term and long-term contracts);
- (f) timing of transfer of goods or services (for example, revenue from goods or services transferred to customers at a point in time and revenue from goods or services transferred over time); and
- (g) sales channels (for example, goods sold directly to consumers and goods sold through intermediaries).

104 In addition, an entity shall disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue (in accordance with paragraph 103) and revenue information that is disclosed for each reportable segment, if the entity applies NFRS 8.

Contract balances

105 An entity shall disclose:

- (a) the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed;
- (b) revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period; and
- (c) revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods (for example, changes in transaction price).

Impairment losses

106 Unless presented separately in the statement of comprehensive income in accordance with other NFRS Accounting Standards, an entity shall disclose any impairment losses recognised for the reporting period (in accordance with NFRS 9) on any receivables or contract assets arising from an entity's contracts with customers, which the entity shall disclose separately from impairment losses from other contracts.

Performance obligations

107 An entity shall disclose information about its performance obligations in contracts with customers, including a description of:

- (a) when the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement;

- (b) the significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained in accordance with paragraphs 56–58 of NFRS 15 *Revenue from Contracts with Customers*);
- (c) obligations for returns, refunds and other similar obligations; and
- (d) types of warranties and related obligations.

Transaction price allocated to the remaining performance obligations

108 An entity shall disclose:

- (a) the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period; and
- (b) an explanation of when the entity expects to recognise as revenue the amount disclosed in accordance with (a), which the entity shall disclose:
 - (i) on a quantitative basis using the time bands that would be most appropriate for the duration of the remaining performance obligations; or
 - (ii) by using qualitative information.

109 As a practical expedient, an entity need not disclose the information in paragraph 108 for a performance obligation if either of the following conditions is met:

- (a) the performance obligation is part of a contract that has an original expected duration of one year or less; or
- (b) the entity recognises revenue from the satisfaction of the performance obligation in accordance with paragraph B16 of NFRS 15.

Significant judgements in the application of NFRS 15

110 An entity shall disclose the judgements, and changes in the judgements, made in applying NFRS 15 that significantly affect the determination of the amount and timing of revenue from contracts with customers.

Determining the timing of satisfaction of performance obligations

111 For performance obligations that an entity satisfies over time, an entity shall disclose the methods used to recognise revenue (for example, a description of the output methods or input methods used and how those methods are applied).

Determining the transaction price and the amounts allocated to performance obligations

- 112 An entity shall disclose information about the methods, inputs and assumptions used for assessing whether an estimate of variable consideration is constrained.

Assets recognised from the costs to obtain or fulfil a contract with a customer

- 113 An entity shall disclose:
- (a) the closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraph 91 or 95 of NFRS 15), by main category of asset (for example, costs to obtain contracts with customers, pre-contract costs and setup costs); and
 - (b) the amount of amortisation and any impairment losses recognised in the reporting period.

Practical expedients

- 114 If an entity elects to use the practical expedient in either paragraph 63 of NFRS 15 (about the existence of a significant financing component) or paragraph 94 of NFRS 15 (about the incremental costs of obtaining a contract), the entity shall disclose that fact.

NFRS 16 Leases

Lessees

- 115 A lessee shall disclose the following amounts for the reporting period:
- (a) depreciation charge for right-of-use assets by class of underlying asset.
 - (b) interest expense on lease liabilities.
 - (c) the expense relating to short-term leases accounted for applying paragraph 6 of NFRS 16 *Leases*. This expense need not include the expense relating to leases with a lease term of one month or less.
 - (d) the expense relating to leases of low-value assets accounted for applying paragraph 6 of NFRS 16. This expense shall not include the expense relating to short-term leases of low-value assets included in (c).
 - (e) the expense relating to variable lease payments not included in the measurement of lease liabilities.
 - (f) total cash outflow for leases.
 - (g) additions to right-of-use assets.
 - (h) gains or losses arising from sale and leaseback transactions.
 - (i) the carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset.

116 A lessee shall disclose the amount of its lease commitments for short-term leases accounted for applying paragraph 6 of NFRS 16 if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed applying paragraph 115(c) relates.

117 If right-of-use assets meet the definition of investment property, a lessee shall apply the disclosure requirements in NAS 40 *Investment Property*. In that case, a lessee is not required to provide the disclosures in paragraph 115(a), 115(g) or 115(i) for those right-of-use assets.

118 If a lessee measures right-of-use assets at revalued amounts applying NAS 16, the lessee shall disclose the information required by paragraph 202 for those right-of-use assets.

119 A lessee shall disclose a maturity analysis of lease liabilities applying paragraph 72 separately from the maturity analyses of other financial liabilities.

120 A lessee shall disclose qualitative or quantitative information about:

- (a) the nature of the lessee's leasing activities;
- (b) future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities, including exposure arising from:
 - (i) variable lease payments;
 - (ii) extension options and termination options;
 - (iii) residual value guarantees; and
 - (iv) leases not yet commenced to which the lessee is committed;
- (c) restrictions or covenants imposed by leases; and
- (d) sale and leaseback transactions.

Lessors

121 A lessor shall disclose qualitative or quantitative information about:

- (a) the nature of the lessor's leasing activities.
- (b) how the lessor manages the risk associated with any rights it retains in underlying assets. In particular, a lessor shall disclose its risk management strategy for the rights it retains in underlying assets, including any means by which the lessor reduces that risk. Such means may include, for example, buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits.

Finance leases

122 A lessor shall disclose:

- (a) a maturity analysis of the lease payments receivable, showing the undiscounted lease payments to be received:
 - (i) no later than one year from the reporting date;
 - (ii) later than one year and up to five years from the reporting date; and
 - (iii) later than five years from the reporting date; and
 - (b) a reconciliation between the undiscounted lease payments and the net investment in the lease. The reconciliation shall identify the unearned finance income relating to the lease payments receivable and any discounted unguaranteed residual value.
- 123 A lessor shall disclose income for the reporting period relating to variable lease payments not included in the measurement of the net investment in the lease.

Operating leases

- 124 A lessor shall disclose a maturity analysis of lease payments, showing the undiscounted lease payments to be received:
- (a) no later than one year from the reporting date;
 - (b) later than one year and up to five years from the reporting date; and
 - (c) later than five years from the reporting date.
- 125 A lessor shall disclose income for the reporting period relating to variable lease payments that do not depend on an index or a rate.
- 126 A lessor shall apply the disclosure requirements in paragraphs 200–202, 250–256 and 263–275 for assets subject to operating leases.

Disclosure requirements in NFRS 16 that remain applicable

- 127 A lessee shall apply the disclosure requirements in paragraph 47 of NFRS 16.

NFRS 18 *Presentation and Disclosure in Financial Statements*

Identification of the financial statements

- 128 An entity shall clearly identify each primary financial statement and the notes. In addition, an entity shall disclose prominently, and repeat when necessary for the information provided to be understandable:
- (a) the name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period;
 - (b) whether the financial statements are of an individual entity or a group of entities;
 - (c) the date of the end of the reporting period or the period covered by the financial statements;

- (d) the presentation currency, as defined in NAS 21 *The Effects of Changes in Foreign Exchange Rates*; and
- (e) the level of rounding used for the amounts in the financial statements (see paragraph B11 of NFRS 18).

Change in accounting policy, retrospective restatement or reclassification

129 If an entity changes the presentation, disclosure or classification of items in its financial statements, it shall reclassify comparative amounts unless reclassification is impracticable. When an entity reclassifies comparative amounts, it shall disclose (including as at the beginning of the preceding period):

- (a) the nature of the reclassification;
- (b) the amount of each item or class of items that is reclassified; and
- (c) the reason for the reclassification.

130 When it is impracticable to reclassify comparative amounts, an entity shall disclose:

- (a) the reason for not reclassifying the amounts; and
- (b) the nature of the adjustments that would have been made if the amounts had been reclassified.

131 When an entity is required to present a third statement of financial position applying paragraph 37 of NFRS 18, it shall disclose the information required by paragraphs 129–130, 178–181 and 186. However, it need not provide the related notes to the statement of financial position as at the beginning of the preceding period.

Statement of profit or loss

Entities with specified main business activities

132 If an entity:

- (a) invests in assets as a main business activity, it shall disclose that fact.
- (b) provides financing to customers as a main business activity, it shall disclose that fact.
- (c) identifies a different outcome from its assessment of whether it invests in assets or provides financing to customers as a main business activity (see paragraph B41 of NFRS 18), it shall disclose:
 - (i) the fact that the outcome of the assessment has changed and the date of the change.
 - (ii) the amount and classification of items of income and expense before and after the date of the change in the outcome of the assessment in the current period and the amount and classification in the prior period for the items for which the

classification has changed because of the changed outcome of the assessment, unless it is impracticable to do so. If an entity does not disclose the information because it is impracticable to do so, the entity shall disclose that fact.

Presentation and disclosure of expenses classified in the operating category

133 An entity that presents one or more line items comprising expenses classified by function in the operating category of the statement of profit or loss shall also disclose in a single note:

- (a) the total for each of:
 - (i) depreciation, comprising the amounts required to be disclosed by paragraphs 115(a), 200(e)(vii) and 271(d)(iv);
 - (ii) amortisation, comprising the amount required to be disclosed by paragraph 263(e)(vi);
 - (iii) employee benefits, comprising the amount for employee benefits recognised by an entity applying NAS 19 *Employee Benefits* and the amount for services received from employees recognised by an entity applying NFRS 2 *Share-based Payment*;
 - (iv) impairment losses and reversals of impairment losses, comprising the amounts required to be disclosed by paragraph 250(a)–(b); and
 - (v) write-downs and reversals of write-downs of inventories, comprising the amounts required to be disclosed by paragraph 164(d)–(e); and
- (b) for each total listed in (a)(i)–(v):
 - (i) the amount related to each line item in the operating category (see paragraph 136); and
 - (ii) a list of any line items outside the operating category that also include amounts relating to the total.

134 Paragraph 41 of NFRS 18 requires an entity to disaggregate items to provide material information. However, an entity that applies paragraph 133 is exempt from disclosing:

- (a) in relation to function line items presented in the operating category of the statement of profit or loss—disaggregated information about the amounts of nature expenses included in each line item, beyond the amounts specified in paragraph 133; and
- (b) in relation to nature expenses specifically required by an NFRS Accounting Standard to be disclosed in the notes—disaggregated information about the amounts of the expenses included in each function line item presented in the operating category of the statement of profit or loss, beyond the amounts specified in paragraph 133.

- 135 The exemption in paragraph 134 relates to disaggregation of operating expenses. However, it does not exempt an entity from applying specific disclosure requirements relating to those expenses in this Standard.

Use of characteristics of nature and function

- 136 An entity will either present expenses by nature, or applying paragraph 133, disclose some expenses by nature. The amounts presented or disclosed need not be the amounts recognised as an expense in the period. They could include amounts that have been recognised as part of the carrying amount of an asset. If an entity:

- (a) presents amounts that are not the amounts recognised as an expense in the period, it will also present an additional line item for the change in the carrying amount of the affected assets. For example, applying paragraph 39 of NAS 2 *Inventories*, an entity might present a line item for changes in inventories of finished goods and work in progress.
- (b) discloses, applying paragraph 133(b), amounts that are not the amounts recognised as an expense in the period, the entity shall give a qualitative explanation of that fact, identifying the assets involved.

Statement of financial position

Right to defer settlement for at least 12 months

- 137 In applying paragraphs 101–102 and B96–B103 of NFRS 18 an entity might classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within 12 months after the reporting period (see paragraph B100(b) of NFRS 18). In such situations, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liabilities could become repayable within 12 months after the reporting period, including:

- (a) information about the covenants (including the nature of the covenants and when the entity is required to comply with them) and the carrying amount of related liabilities.
- (b) facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants—for example, the entity having acted during or after the reporting period to avoid or mitigate a potential breach. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants if they were to be assessed for compliance based on the entity's circumstances at the end of the reporting period.

Statement of changes in equity

- 138 An entity shall either present in the statement of changes in equity or disclose in the notes the amount of dividends recognised as distributions to owners during the reporting period, and the related amount of dividends per share.

Notes

Structure

- 139 An entity shall disclose in the notes:
- (a) information about the basis of preparation of the financial statements (see paragraphs 20 and 173–175) and the specific accounting policies used (see paragraphs 176–177);
 - (b) information required by this Standard that is not presented in the primary financial statements; and
 - (c) other information that is not presented in the primary financial statements, but is necessary for an understanding of any of them (see paragraph 20 of NFRS 18).
- 140 An entity shall, as far as practicable, present notes in a systematic manner (see paragraph B112 of NFRS 18). In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial statements. An entity shall cross-reference each item in the primary financial statements to any related information in the notes. If amounts disclosed in the notes are included in one or more line items in the primary financial statements, an entity shall disclose in the note the line item(s) in which the amounts are included.
- 141 If not disclosed elsewhere in information published with the financial statements, an entity shall disclose in the notes:
- (a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office); and
 - (b) a description of the nature of the entity's operations and its principal activities.

Management-defined performance measures

- 142 The objective of the disclosures for management-defined performance measures is for an entity to provide information to help a user of financial statements understand:
- (a) the aspect of financial performance that, in management's view, is communicated by a management-defined performance measure; and
 - (b) how the management-defined performance measure compares with the measures defined by NFRS Accounting Standards.
- 143 An entity shall disclose information about all measures that meet the definition of management-defined performance measures in paragraph 117 of NFRS 18 in a single note (see paragraph 147). This note shall include a statement that the management-defined performance measures provide management's view of an aspect of the financial performance of the entity as a whole and are not necessarily comparable with measures sharing similar labels or descriptions provided by other entities.

144 An entity shall label and describe each management-defined performance measure in a clear and understandable manner that does not mislead users of financial statements (see paragraphs 148–149). For each management-defined performance measure, the entity shall disclose:

- (a) a description of the aspect of financial performance that, in management's view, is communicated by the management-defined performance measure. This description shall include explanations of why, in management's view, the management-defined performance measure provides useful information about the entity's financial performance.
- (b) how the management-defined performance measure is calculated.
- (c) a reconciliation between the management-defined performance measure and the most directly comparable subtotal listed in paragraph 118 of NFRS 18 or total or subtotal specifically required to be presented or disclosed by NFRS Accounting Standards (see paragraphs 150–154).
- (d) the income tax effect (determined by applying paragraph 155) and the effect on non-controlling interests for each item disclosed in the reconciliation required by (c).
- (e) a description of how the entity applies paragraph 155 to determine the income tax effect required by (d).

145 If an entity changes how it calculates a management-defined performance measure, adds a new management-defined performance measure, ceases using a previously disclosed management-defined performance measure or changes how it determines the income tax effects of the reconciling items required by paragraph 144(d), it shall disclose:

- (a) an explanation that enables users of financial statements to understand the change, addition or cessation and its effects.
- (b) the reasons for the change, addition or cessation.
- (c) restated comparative information to reflect the change, addition or cessation unless it is impracticable to do so. An entity's selection of a management-defined performance measure is not an accounting policy choice. Nonetheless, in assessing whether restating the comparative information is impracticable, an entity shall apply the requirements in paragraphs 50–53 of NAS 8.

146 If an entity does not disclose the restated comparative information required by paragraph 145(c) because it is impracticable to do so, it shall disclose that fact.

Single note for information about management-defined performance measures

- 147 Paragraph 143 requires an entity to include in a single note all information about management-defined performance measures required by paragraphs 142–146. If an entity also discloses other information in that note, the information in the note shall be labelled in a way that clearly distinguishes the information required by paragraphs 142–146 from the other information.

A clear and understandable manner

- 148 Paragraph 144 requires an entity to label and describe its management-defined performance measures in a clear and understandable manner that does not mislead users of financial statements. To provide such a description, an entity shall disclose information that enables a user of financial statements to understand the items of income or expense included and excluded from the subtotal. Therefore, an entity shall:

- (a) label and describe the measure in a way that faithfully represents its characteristics in accordance with paragraph 43 of NFRS 18 (see paragraph 149); and
- (b) provide information specific to management-defined performance measures—that is:
 - (i) if the entity has calculated the measure other than by using the accounting policies it used for items in the statement(s) of financial performance, the entity shall state that fact and the calculations it has used for the measure; and
 - (ii) if, in addition, the calculation of the measure differs from accounting policies required or permitted by NFRS Accounting Standards, the entity shall state that additional fact and, if necessary, an explanation of the meaning of terms it uses (see paragraph 149(b)).

- 149 To label and describe the measure in a way that faithfully represents its characteristics, an entity shall:

- (a) label the measure in a way that represents the characteristics of the subtotal (for example, using the label ‘operating profit before non-recurring expenses’ only for a subtotal that excludes from operating profit all expenses identified by the entity as non-recurring); and
- (b) explain the meaning of terms it uses in its descriptions that are necessary to understand the aspect of financial performance being communicated (for example, explaining how the entity defines ‘non-recurring expenses’).

Reconciliation to the most directly comparable total or subtotal

- 150 Paragraph 144(c) requires an entity to reconcile each management-defined performance measure to the most directly comparable subtotal listed in paragraph 118 of NFRS 18 or total or subtotal specifically required to be presented or disclosed by NFRS Accounting Standards. For example, an entity

that discloses in the notes a management-defined performance measure of adjusted operating profit or loss shall reconcile that measure to operating profit or loss. In aggregating or disaggregating the reconciling items disclosed, an entity shall apply the requirements in paragraphs 41–43 of NFRS 18.

151 For each reconciling item an entity shall disclose:

- (a) the amount(s) related to each line item in the statement(s) of financial performance; and
- (b) a description of how the item is calculated and contributes to the management-defined performance measure providing useful information (see paragraphs 152–154), if necessary to provide the information required by paragraph 144(a) and 144(b).

152 The description required in paragraph 151(b) is required if there is more than one reconciling item and each item is calculated using a different method or contributes to providing useful information in a different way. For example, an entity might exclude from a management-defined performance measure several items of expense, some because they were identified as outside management's control and others because they were identified as non-recurring. In such cases, disclosure of which items contributed to which type of adjustment would be required to explain how the management-defined performance measure provides useful information.

153 A single explanation might apply to more than one item or might apply to all reconciling items collectively. For example, an entity might exclude several items of income or expense in calculating a management-defined performance measure based on an entity-specific application of 'non-recurring'. In such a case, a single explanation that includes the entity's definition of 'non-recurring' that applies to all reconciling items might satisfy the requirement in paragraph 151(b).

154 Applying paragraph 144(c), an entity is permitted to reconcile a management-defined performance measure to a total or subtotal that is not presented in the statement(s) of financial performance. In such cases, an entity:

- (a) shall reconcile that total or subtotal to the most directly comparable total or subtotal presented in the statement(s) of financial performance; and
- (b) is not required to disclose the information required by paragraph 144(d) and 144(e) for the reconciliation in (a).

Income tax effect for each item disclosed in the reconciliation

155 An entity is required by paragraph 144(d) to disclose the income tax effect for each item disclosed in the reconciliation between a management-defined performance measure and the most directly comparable subtotal listed in paragraph 118 of NFRS 18 or total or subtotal specifically required to be presented or disclosed by NFRS Accounting Standards. An entity shall determine the income tax effect required by paragraph 144(d) by calculating the income tax effects of the underlying transaction(s):

- (a) at the statutory tax rate(s) applicable to the transaction(s) in the tax jurisdiction(s) concerned;
- (b) based on a reasonable pro rata allocation of the current and deferred tax of the entity in the tax jurisdiction(s) concerned; or
- (c) by using another method that achieves a more appropriate allocation in the circumstances.

156 If, applying paragraph 155, an entity uses more than one method to calculate the income tax effects of reconciling items, it shall disclose how it determined the tax effects for each reconciling item.

Subtotals of income and expenses

157 A financial ratio is not a management-defined performance measure because it is not a subtotal of income and expenses. However, a subtotal that is the numerator or denominator in a financial ratio is a management-defined performance measure if the subtotal would meet the definition of a management-defined performance measure if it were not part of a ratio. Accordingly, an entity shall apply the disclosure requirements in paragraphs 142–146 to such a numerator or denominator.

Public communications

158 An entity shall consider only public communications related to the reporting period to identify management-defined performance measures for the reporting period, unless as part of its financial reporting process it routinely issues such public communications after the date of issue of its financial statements. If that is the case, an entity shall consider public communications related to the previous reporting period to identify management-defined performance measures for the current reporting period.

159 However, a measure used in the public communications related to the previous reporting period is not required to be identified as a management-defined performance measure for the current reporting period if there is evidence that indicates it will not be included in the public communications to be issued relating to the current reporting period. If such a measure had been disclosed as a management-defined performance measure in the previous reporting period and is not identified as such for the current reporting period, that would be a change to, or a cessation of, a management-defined performance measure to which the disclosure requirements in paragraph 145 apply.

Other disclosures

160 An entity shall either present in the statement of financial position or the statement of changes in equity or disclose in the notes:

- (a) for each class of share capital:
 - (i) the number of shares authorised;
 - (ii) the number of shares issued and fully paid, and issued but not fully paid;

- (iii) par value per share, or a statement that the shares have no par value;
 - (iv) a reconciliation (comparative information is not required) of the number of shares outstanding at the beginning and at the end of the reporting period;
 - (v) the rights, preferences and restrictions attaching to that class, including restrictions on the distribution of dividends and the repayment of capital;
 - (vi) shares in the entity held by the entity or by its subsidiaries or associates; and
 - (vii) shares reserved for issue under options and contracts for the sale of shares, including terms and amounts; and
- (b) a description of the nature and purpose of each reserve within equity.
- 161 An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 160(a), showing changes during the reporting period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.
- 162 An entity shall disclose in the notes:
- (a) the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to owners during the reporting period, and the related amount per share; and
 - (b) the amount of any cumulative preference dividends not recognised.

Disclosure requirements in NFRS 18 that remain applicable

- 163 An entity shall apply the disclosure requirements in paragraphs 19, 20, 28, 41, 42, 43, 82, 90, 92, B8, B11, B14, B26(b) and B28 of NFRS 18.

NAS 2 Inventories

- 164 An entity shall disclose:
- (a) the accounting policies adopted in measuring inventories, including the cost formula used;
 - (b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;
 - (c) the amount of inventories recognised as an expense during the reporting period;
 - (d) the amount of any write-down of inventories recognised as an expense in the period in accordance with paragraph 34 of NAS 2;
 - (e) the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as an expense in the period in accordance with paragraph 34 of NAS 2; and
 - (f) the carrying amount of inventories pledged as security for liabilities.

NAS 7 Statement of Cash Flows

Non-cash transactions

- 165 Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. An entity shall disclose such transactions elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

Changes in liabilities arising from financing activities

- 166 An entity shall disclose a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including:

- (a) changes from financing cash flows;
- (b) changes arising from obtaining or losing control of subsidiaries or other businesses;
- (c) the effect of changes in foreign exchange rates;
- (d) changes in fair values; and
- (e) other changes.

Supplier finance arrangements

- 167 An entity shall disclose information about its supplier finance arrangements (as described in paragraph 44G of NAS 7 *Statement of Cash Flows*) that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk.

- 168 To meet the objectives in paragraph 167, an entity shall disclose in aggregate for its supplier finance arrangements:

- (a) the terms and conditions of the arrangements (for example, extended payment terms and security or guarantees provided). However, an entity shall disclose separately the terms and conditions of arrangements that have dissimilar terms and conditions.
- (b) as at the beginning and end of the reporting period:
 - (i) the carrying amounts, and associated line items presented in the entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement.
 - (ii) the carrying amounts, and associated line items, of the financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers.

- (iii) the range of payment due dates (for example, 30–40 days after the invoice date) for both the financial liabilities disclosed under (i) and comparable trade payables that are not part of a supplier finance arrangement. Comparable trade payables are, for example, trade payables of the entity within the same line of business or jurisdiction as the financial liabilities disclosed under (i). If ranges of payment due dates are wide, an entity shall disclose explanatory information about those ranges or disclose additional ranges (for example, stratified ranges).
- (c) the type and effect of non-cash changes in the carrying amounts of the financial liabilities disclosed under (b)(i). Examples of non-cash changes include the effect of business combinations, exchange differences or other transactions that do not require the use of cash or cash equivalents (see paragraph 165).

Components of cash and cash equivalents

169 An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts in its statement of cash flows with the equivalent items reported in the statement of financial position.

170 In view of the variety of cash management practices and banking arrangements around the world and in order to comply with NAS 8, an entity shall disclose the policy which it adopts in determining the composition of cash and cash equivalents.

Other disclosures

171 An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group.

Disclosure requirement in NAS 7 that remains applicable

172 An entity shall apply the disclosure requirement in paragraph 36 of NAS 7.

NAS 8 Basis of Preparation of Financial Statements

Accounting policies

Fair presentation and compliance with NFRS Accounting Standards

173 When an entity departs from a requirement of an NFRS Accounting Standard in accordance with paragraph 6E of NAS 8, it shall disclose:

- (a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;
- (b) that it has complied with applicable NFRS Accounting Standards, except that it has departed from a particular requirement to achieve a fair presentation;

- (c) the title of the NFRS Accounting Standard from which the entity has departed, the nature of the departure, including the treatment that the NFRS Accounting Standard would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the *Conceptual Framework for Financial Reporting (Conceptual Framework)*, and the treatment adopted; and
- (d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.

174 When an entity has departed from a requirement of an NFRS Accounting Standard in a prior reporting period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph 173(c)–173(d).

175 In the extremely rare circumstances in which management concludes that compliance with a requirement in an NFRS Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:

- (a) the title of the NFRS Accounting Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the *Conceptual Framework*; and
- (b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.

Disclosure of selection and application of accounting policies

176 An entity shall disclose material accounting policy information.

177 An entity shall disclose, along with its material accounting policy information or other notes, the judgements, apart from those involving estimations (see paragraph 182), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Examples of judgements that an entity may be required to disclose include how management determines:

- (a) appropriate classes of assets and liabilities for which disclosures about fair value measurements are provided;
- (b) that the entity has control of another entity;
- (c) that the entity has joint control of an arrangement or significant influence over another entity;

- (d) the type of joint arrangement (that is, a joint operation or joint venture) when the arrangement has been structured through a separate vehicle; and
- (e) that the entity is an investment entity.

Disclosure of changes in accounting policies

178 When initial application of an NFRS Accounting Standard has an effect on the current period or any prior reporting period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose (financial statements for subsequent periods need not repeat these disclosures):

- (a) the title of the NFRS Accounting Standard;
- (b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
- (c) the nature of the change in accounting policy;
- (d) when applicable, a description of the transitional provisions;
- (e) when applicable, the transitional provisions that might have an effect on future periods;
- (f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
 - (i) for each financial statement line item affected; and
 - (ii) if NAS 33 applies to the entity for basic and diluted earnings per share;
- (g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
- (h) if retrospective application required by paragraph 19(a) or 19(b) of NAS 8 is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

179 When a voluntary change in accounting policy has an effect on the current reporting period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose (financial statements for subsequent periods need not repeat these disclosures):

- (a) the nature of the change in accounting policy;
- (b) the reasons why applying the new accounting policy provides reliable and more relevant information;
- (c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
 - (i) for each financial statement line item affected; and

- (ii) if NAS 33 applies to the entity, for basic and diluted earnings per share;
 - (d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
 - (e) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.
- 180 When an entity has not applied a new NFRS Accounting Standard that has been issued but is not yet effective, the entity shall disclose:
- (a) this fact; and
 - (b) known or reasonably estimable information relevant to assessing the possible effect that applying the new NFRS Accounting Standard will have on the entity's financial statements in the period of initial application.
- 181 In complying with paragraph 180, an entity considers disclosing:
- (a) the title of the new NFRS Accounting Standard;
 - (b) the nature of the impending change or changes in accounting policy;
 - (c) the date by which application of the NFRS Accounting Standard is required;
 - (d) the date as at which it plans to apply the NFRS Accounting Standard initially; and
 - (e) either:
 - (i) a discussion of the impact that initial application of the NFRS Accounting Standard is expected to have on the entity's financial statements; or
 - (ii) if that impact is not known or reasonably estimable, a statement to that effect.

Disclosure of sources of estimation uncertainty

- 182 An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:
- (a) their nature; and
 - (b) their carrying amount as at the end of the reporting period.

183 The disclosures in paragraph 182 are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the end of the reporting period, they are measured at fair value based on a quoted price in an active market for an identical asset or liability. Such fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period.

Changes in accounting estimates

184 An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current reporting period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

185 If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.

Errors

186 In applying paragraph 42 of NAS 8, an entity shall disclose (financial statements for subsequent periods need not repeat these disclosures):

- (a) the nature of the prior period error;
- (b) for each prior period presented, to the extent practicable, the amount of the correction:
 - (i) for each financial statement line item affected; and
 - (ii) if NAS 33 applies to the entity, for basic and diluted earnings per share;
- (c) the amount of the correction at the beginning of the earliest prior period presented; and
- (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Disclosure requirements in NAS 8 that remain applicable

187 An entity shall apply the disclosure requirements in paragraphs 6A, 6C(c) and 6K of NAS 8.

NAS 10 Events after the Reporting Period

Date of authorisation for issue

188 An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact.

Updating disclosure about conditions at the end of the reporting period

- 189 If an entity receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions, in the light of the new information.

Non-adjusting events after the reporting period

- 190 An entity shall disclose, for each material category of non-adjusting event after the reporting period:

- (a) the nature of the event; and
- (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

- 191 Examples of non-adjusting events after the reporting period that would generally result in disclosure include:

- (a) a major business combination after the reporting period or disposing of a major subsidiary;
- (b) announcing a plan to discontinue an operation;
- (c) major purchases of assets, classification of assets as held for sale in accordance with NFRS 5, other disposals of assets, or expropriation of major assets by government;
- (d) the destruction of a major production plant by a fire after the reporting period;
- (e) announcing, or commencing the implementation of, a major restructuring (see NAS 37 *Provisions, Contingent Liabilities and Contingent Assets*);
- (f) major ordinary share transactions and potential ordinary share transactions after the reporting period;
- (g) abnormally large changes after the reporting period in asset prices or foreign exchange rates;
- (h) changes in tax rates or tax laws enacted or announced after the reporting period that have a significant effect on current and deferred tax assets and liabilities (see NAS 12);
- (i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and
- (j) commencement of major litigation arising solely out of events that occurred after the reporting period.

NAS 12 Income Taxes

- 192 An entity shall disclose separately the major components of tax expense (income).

- 193 Components of tax expense (income) may include:
- (a) current tax expense (income);
 - (b) any adjustments recognised in the period for current tax of prior periods;
 - (c) the amount of deferred tax expense (income) relating to the origination and reversal of temporary differences;
 - (d) the amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes;
 - (e) the amount of the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce current tax expense;
 - (f) the amount of the benefit from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce deferred tax expense;
 - (g) deferred tax expense arising from the write-down, or reversal of a previous write-down, of a deferred tax asset in accordance with paragraph 56 of NAS 12; and
 - (h) the amount of tax expense (income) relating to those changes in accounting policies and errors that are included in profit or loss in accordance with NAS 8, because they cannot be accounted for retrospectively.
- 194 An entity shall also disclose separately:
- (a) the aggregate current and deferred tax relating to items that are charged or credited directly to equity (see paragraph 62A of NAS 12);
 - (b) the aggregate amount of income tax relating to components of other comprehensive income (see paragraph 62 of NAS 12 and paragraph 93 of NFRS 18);
 - (c) an explanation of the relationship between tax expense (income) and accounting profit in either or both of these forms:
 - (i) a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s), disclosing also the basis on which the applicable tax rate(s) is (are) computed; or
 - (ii) a numerical reconciliation between the average effective tax rate and the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed;
 - (d) an explanation of changes in the applicable tax rate(s) compared to the previous reporting period;

- (e) the amount (and expiry date, if any) of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the statement of financial position; and
- (f) in respect of each type of temporary difference, and in respect of each type of unused tax losses and unused tax credits:
 - (i) the amount of the deferred tax assets and liabilities recognised in the statement of financial position for each period presented; and
 - (ii) the amount of the deferred tax income or expense recognised in profit or loss, if this is not apparent from the changes in the amounts recognised in the statement of financial position.

195 In the circumstances described in paragraph 52A of NAS 12, an entity shall disclose the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders.

International tax reform—Pillar Two model rules

196 An entity shall disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes (see paragraph 4A of NAS 12).

197 An entity shall disclose separately its current tax expense (income) related to Pillar Two income taxes.

198 In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation.

199 To meet the disclosure objective in paragraph 198, an entity shall disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. This information does not have to reflect all the specific requirements of the Pillar Two legislation and can be provided in the form of an indicative range. To the extent information is not known or reasonably estimable, an entity shall instead disclose a statement to that effect and disclose information about the entity's progress in assessing its exposure.

NAS 16 Property, Plant and Equipment

200 An entity shall disclose, for each class of property, plant and equipment:

- (a) the measurement bases used for determining the gross carrying amount;
- (b) the depreciation methods used;
- (c) the useful lives or the depreciation rates used;

- (d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period; and
- (e) a reconciliation (comparative information is not required) of the carrying amount at the beginning and end of the period showing:
 - (i) additions;
 - (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with NFRS 5 and other disposals;
 - (iii) acquisitions through business combinations;
 - (iv) increases or decreases resulting from revaluations under paragraphs 31, 39 and 40 of NAS 16, and from impairment losses recognised or reversed in other comprehensive income in accordance with NAS 36;
 - (v) impairment losses recognised in profit or loss in accordance with NAS 36;
 - (vi) impairment losses reversed in profit or loss in accordance with NAS 36;
 - (vii) depreciation; and
 - (viii) other changes.

201 An entity shall also disclose:

- (a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities; and
- (b) the amount of contractual commitments for the acquisition of property, plant and equipment.

202 If items of property, plant and equipment are stated at revalued amounts, an entity shall disclose, in addition to the disclosures required by paragraphs 95–97:

- (a) the effective date of the revaluation;
- (b) whether an independent valuer was involved;
- (c) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and
- (d) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

NAS 19 Employee Benefits

Post-employment benefits: defined contribution plans

- 203 An entity shall disclose the amount recognised as an expense for defined contribution plans.

Post-employment benefits: defined benefit plans

- 204 An entity shall assess whether all or some disclosures required by paragraphs 205–215 should be disaggregated to distinguish plans or groups of plans with materially different risks.

Characteristics of defined benefit plans

- 205 An entity shall disclose information about the characteristics of its defined benefit plans.

Explanation of amounts in the financial statements

- 206 An entity shall provide a reconciliation (comparative information is not required) from the opening balance to the closing balance for each of the following, if applicable:

- (a) the net defined benefit liability (asset), showing separate reconciliations for:
 - (i) plan assets; and
 - (ii) the present value of the defined benefit obligation; and
- (b) any reimbursement rights.

- 207 Each reconciliation listed in paragraph 206 shall show, if applicable:

- (a) current service cost;
- (b) interest income or expense;
- (c) remeasurements of the net defined benefit liability (asset), showing separately the return on plan assets, excluding amounts included in interest in (b);
- (d) past service cost;
- (e) contributions to the plan; and
- (f) payments from the plan.

- 208 An entity shall disaggregate the fair value of the plan assets into classes that distinguish the nature and risks of those assets. For example, an entity could distinguish between:

- (a) equity instruments;
- (b) debt instruments;
- (c) real estate; and
- (d) other assets.

209 An entity shall disclose the fair value of the entity's own transferable financial instruments held as plan assets, and the fair value of plan assets that are property occupied by, or other assets used by, the entity.

210 An entity shall disclose the significant actuarial assumptions used to determine the present value of the defined benefit obligation (see paragraph 76 of NAS 19).

Amount, timing and uncertainty of future cash flows

211 An entity shall disclose:

- (a) a description of any funding arrangements and funding policy that affect future contributions; and
- (b) the expected contributions to the plan for the next annual reporting period.

Multi-employer plans

212 If an entity participates in a multi-employer defined benefit plan and accounts for that plan as if it were a defined contribution plan in accordance with paragraph 34 of NAS 19, it shall disclose (instead of the information required by paragraphs 205–211):

- (a) the fact that the plan is a defined benefit plan;
- (b) the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan; and
- (c) information about any deficit or surplus in the plan that may affect the amount of future contributions, including the implications, if any, for the entity.

Defined benefit plans that share risks between entities under common control

213 If an entity participates in a defined benefit plan that shares risks between entities under common control, it shall disclose:

- (a) the contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy;
- (b) the policy for determining the contribution to be paid by the entity;
- (c) if the entity accounts for an allocation of the net defined benefit cost as noted in paragraph 41 of NAS 19, all the information about the plan as a whole required by paragraphs 204–211; and
- (d) if the entity accounts for the contribution payable for the period as noted in paragraph 41 of NAS 19, the information about the plan as a whole required by paragraphs 205 and 208–211.

214 The information required by paragraph 213(c)–(d) can be disclosed by cross-reference to disclosures in another group entity's financial statements if:

- (a) that group entity's financial statements separately identify and disclose the information required about the plan; and
- (b) that group entity's financial statements are available to users of the financial statements on the same terms as the financial statements of the entity and at the same time as, or earlier than, the financial statements of the entity.

Contingent liabilities arising from post-employment benefit obligations

215 Where required by paragraphs 259 and 261–262, an entity shall disclose information about contingent liabilities arising from post-employment benefit obligations.

NAS 20 Accounting for Government Grants and Disclosure of Government Assistance

216 An entity shall disclose:

- (a) the accounting policy adopted for government grants, including the methods of presentation adopted in the financial statements;
- (b) the nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and
- (c) unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Disclosure requirements in NAS 20 that remain applicable

217 An entity shall apply the disclosure requirements in paragraphs 21–22, 28 and 31 of NAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

NAS 21 The Effects of Changes in Foreign Exchange Rates

218 An entity shall disclose:

- (a) the amount of exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with NFRS 9; and
- (b) net exchange differences recognised in other comprehensive income and accumulated in a separate component of equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the reporting period.

219 When the presentation currency is different from the functional currency, an entity shall disclose that fact together with the functional currency and the reason for using a different presentation currency.

220 When there is a change in the functional currency of either the reporting entity or a significant foreign operation, an entity shall disclose that fact and the reason for the change in functional currency.

Disclosure when a currency is not exchangeable

- 221 When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency (see paragraph 19A of NAS 21), the entity shall disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. To achieve this objective, an entity shall disclose information about:
- (a) the nature and financial effects of the currency not being exchangeable into the other currency;
 - (b) the spot exchange rate(s) used;
 - (c) the estimation process; and
 - (d) the risks to which the entity is exposed because of the currency not being exchangeable into the other currency.
- 222 An entity shall consider how much detail is necessary to satisfy the disclosure objective in paragraph 221. An entity shall disclose the information specified in paragraphs 223–224 and any additional information necessary to meet the disclosure objective in paragraph 221.
- 223 In applying paragraph 221, an entity shall disclose:
- (a) the currency and a description of the restrictions that result in that currency not being exchangeable into the other currency;
 - (b) a description of affected transactions;
 - (c) the carrying amount of affected assets and liabilities;
 - (d) the spot exchange rates used and whether those rates are:
 - (i) observable exchange rates without adjustment (see paragraphs A12–A16 of NAS 21); or
 - (ii) spot exchange rates estimated using another estimation technique (see paragraph A17 of NAS 21);
 - (e) a description of any estimation technique the entity has used, and qualitative and quantitative information about the inputs and assumptions used in that estimation technique; and
 - (f) qualitative information about each type of risk to which the entity is exposed because the currency is not exchangeable into the other currency, and the nature and carrying amount of assets and liabilities exposed to each type of risk.
- 224 When a foreign operation's functional currency is not exchangeable into the presentation currency or, if applicable, the presentation currency is not exchangeable into a foreign operation's functional currency, an entity shall also disclose:

- (a) the name of the foreign operation; whether the foreign operation is a subsidiary, joint operation, joint venture, associate or branch; and its principal place of business;
- (b) summarised financial information about the foreign operation; and
- (c) the nature and terms of any contractual arrangements that could require the entity to provide financial support to the foreign operation, including events or circumstances that could expose the entity to a loss.

NAS 23 Borrowing Costs

225 An entity shall disclose:

- (a) the amount of borrowing costs capitalised during the reporting period; and
- (b) the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.

NAS 24 Related Party Disclosures

226 Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose:

- (a) the name of its parent and, if different, the ultimate controlling party; and
- (b) the name of the ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with NFRS Accounting Standards, as required by paragraph 7(c) and which results in the entity being eligible to apply this Standard.

227 An entity shall disclose key management personnel compensation in total.

228 If an entity obtains key management personnel services from another entity (the management entity), the entity is not required to apply the requirements in paragraph 227 to the compensation paid or payable by the management entity to the management entity's employees or directors.

229 Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.

230 If an entity has had related party transactions during the reporting periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to paragraph 227. At a minimum, disclosures shall include:

- (a) the amount of the transactions;

- (b) the amount of outstanding balances, including commitments, and:
 - (i) their terms and conditions, including whether they are secured and the nature of the consideration to be provided in settlement; and
 - (ii) details of any guarantees given or received;
 - (c) provisions for doubtful debts related to the amount of outstanding balances; and
 - (d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.
- 231 The disclosures required by paragraph 230 shall be made separately for:
- (a) the parent;
 - (b) entities with joint control of, or significant influence over, the entity;
 - (c) subsidiaries;
 - (d) associates;
 - (e) joint ventures in which the entity is a joint venturer;
 - (f) key management personnel of the entity or its parent; and
 - (g) other related parties.
- 232 A reporting entity is exempt from the disclosure requirements in paragraph 230 in relation to related party transactions and outstanding balances, including commitments, with:
- (a) a government that has control or joint control of, or significant influence over, the reporting entity; and
 - (b) another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.
- 233 If an entity applies the exemption in paragraph 232, it shall disclose the following about the transactions and related outstanding balances referred to in paragraph 232:
- (a) the name of the government and the nature of its relationship with the reporting entity (control, joint control or significant influence).
 - (b) the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:
 - (i) the nature and amount of each individually significant transaction.
 - (ii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent. Types of transactions include those listed in paragraph 234.

- 234 Examples of transactions that are disclosed if they are with a related party include:
- (a) purchases or sales of goods (finished or unfinished);
 - (b) purchases or sales of property and other assets;
 - (c) the rendering or receiving of services;
 - (d) leases;
 - (e) transfers of research and development;
 - (f) transfers under licence agreements;
 - (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);
 - (h) provision of guarantees or collateral; and
 - (i) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party.
- 235 Participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities in a transaction between related parties (see paragraph 42 of NAS 19, which requires an entity to disclose the information required by paragraph 213).
- 236 An entity shall disclose that related party transactions were made on terms equivalent to those that prevail in arm's length transactions only if such terms can be substantiated.
- 237 Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.

NAS 27 *Separate Financial Statements*

- 238 When a parent, in accordance with paragraph 4(a) of NFRS 10, elects not to prepare consolidated financial statements and instead prepares separate financial statements, it shall disclose in those separate financial statements:
- (a) the fact that the financial statements are separate financial statements; that the exemption from consolidation has been used; the name and principal place of business (and country of incorporation, if different) of the entity whose consolidated financial statements that comply with NFRS Accounting Standards have been produced for public use; and the address where those consolidated financial statements are obtainable; and
 - (b) a description of the method used to account for its investments in subsidiaries, joint ventures and associates.

239 When an investment entity that is a parent (other than a parent covered by paragraph 238) prepares, in accordance with paragraph 8A of NAS 27 *Separate Financial Statements*, separate financial statements as its only financial statements, it shall disclose that fact. The investment entity shall also present the disclosures relating to investment entities required by paragraphs 82–94.

240 When a parent (other than a parent covered by paragraphs 238–239) or an investor with joint control of, or significant influence over, an investee prepares separate financial statements, the parent or investor shall identify the financial statements prepared in accordance with NFRS 10, NFRS 11 *Joint Arrangements* or NAS 28 *Investments in Associates and Joint Ventures* to which they relate. The parent or investor shall also disclose in its separate financial statements:

- (a) the fact that the statements are separate financial statements; and
- (b) a description of the method used to account for its investments in subsidiaries, joint ventures and associates.

NAS 29 Financial Reporting in Hyperinflationary Economies

241 An entity shall disclose:

- (a) the fact that the financial statements and the corresponding figures for previous periods have been restated for the changes in the general purchasing power of the functional currency and, as a result, are stated in terms of the measuring unit current at the end of the reporting period; and
- (b) the identity and level of the price index at the end of the reporting period and the movement in the index during the current and the previous reporting period.

NAS 32 Financial Instruments: Presentation

Disclosure requirements in NAS 32 that remain applicable

242 An entity shall apply the disclosure requirements in paragraphs 34 and 40 of NAS 32.

NAS 34 Interim Financial Reporting

Content of an interim financial report

Significant events and transactions

243 An entity shall include in its interim financial report an explanation of events and transactions significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Information disclosed in relation to those events and transactions shall update the relevant information presented in the most recent annual financial report.

244 Events and transactions for which disclosures would be required if they are significant (the list is not exhaustive) include:

- (a) the write-down of inventories to net realisable value and the reversal of such a write-down;
- (b) recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, assets arising from contracts with customers, or other assets, and the reversal of such an impairment loss;
- (c) the reversal of any provisions for the costs of restructuring;
- (d) acquisitions and disposals of items of property, plant and equipment;
- (e) commitments for the purchase of property, plant and equipment;
- (f) litigation settlements;
- (g) corrections of prior period errors;
- (h) changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost;
- (i) any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period;
- (j) related party transactions;
- (k) changes in the classification of financial assets as a result of a change in the purpose or use of those assets; and
- (l) changes in contingent liabilities or contingent assets.

245 When an event or transaction is significant to an understanding of the changes in an entity's financial position or performance since the last annual reporting period, its interim financial report should provide an explanation of and an update to the relevant information included in the financial statements of the last annual reporting period.

Other disclosures

246 An entity shall disclose the information specified in (a)–(m) of this paragraph either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete. The further information shall normally be reported on a financial year-to-date basis, and consists of:

- (a) a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change.
- (b) explanatory comments about the seasonality or cyclicity of interim operations.
- (c) the nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.
- (d) the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.
- (e) issues, repurchases and repayments of debt and equity securities.
- (f) dividends paid (aggregate or per share) separately for ordinary shares and other shares.
- (g) the basis for preparing and presenting information about segments, if the entity chooses to disclose information about segments. If the entity chooses to disclose information about segments that does not comply with NFRS 8, it shall not describe the information as segment information.
- (h) events after the interim period that have not been reflected in the financial statements for the interim period.
- (i) the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings and discontinued operations. In the case of business combinations, the entity shall disclose the information required by paragraphs 35–37.
- (j) for financial instruments, the disclosures about fair value required by paragraphs 64 and 95–97.
- (k) for entities becoming, or ceasing to be, investment entities, as defined in NFRS 10, the disclosures required by paragraph 83.
- (l) the disaggregation of revenue from contracts with customers required by paragraphs 103–104.
- (m) the disclosures about management-defined performance measures required by paragraphs 142–146.

Disclosure of compliance with NFRS Accounting Standards

247

An entity whose interim financial report complies with NAS 34 and the requirements in paragraphs 1–19 and 243–249 shall make an explicit and unreserved statement of such compliance in the notes. An entity that applies this Standard shall, as part of that unreserved statement, state that it has applied NAS 34 and the requirements in paragraphs 1–19 and 243–249.

An entity applying this Standard shall not describe an interim financial report as complying with NFRS Accounting Standards unless the entity complies with the requirements in this Standard and all applicable requirements in other NFRS Accounting Standards.

Disclosure in annual financial statements

- 248 If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year but a separate financial report is not published for that final interim period, an entity shall disclose the nature and amount of that change in estimate in a note to the annual financial statements for that financial year.

Disclosure requirements in NAS 34 that remain applicable

- 249 An entity shall apply the disclosure requirements in paragraph 41 of NAS 34.

NAS 36 Impairment of Assets

- 250 An entity shall disclose, for each class of assets:

- (a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of comprehensive income in which those impairment losses are included; and
- (b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of comprehensive income in which those impairment losses are reversed.

- 251 A class of assets is a grouping of assets of similar nature and use in an entity's operations.

- 252 An entity shall disclose, for a cash-generating unit for which an impairment loss has been recognised or reversed during the period:

- (a) a description of the cash-generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, or a reportable segment as defined in NFRS 8); and
- (b) if the aggregation of assets for identifying the cash-generating unit has changed since the previous estimate of the cash-generating unit's recoverable amount (if any), a description of the current and former way of aggregating assets and the reasons for changing the way the cash-generating unit is identified.

- 253 If, in accordance with paragraph 84 of NAS 36, any portion of the goodwill acquired in a business combination during the period has not been allocated to a cash-generating unit (group of units) at the end of the reporting period, the amount of the unallocated goodwill shall be disclosed together with the reasons why that amount remains unallocated.

Estimates used to measure recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives

254

An entity shall disclose, for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives:

- (a) the carrying amount of goodwill allocated to the unit (group of units).
- (b) the carrying amount of intangible assets with indefinite useful lives allocated to the unit (group of units).
- (c) the basis on which the unit's (group of units') recoverable amount has been determined (that is, value in use or fair value less costs of disposal).
- (d) if the unit's (group of units') recoverable amount is based on value in use:
 - (i) each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets or forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.
 - (ii) the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets or forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated.
 - (iii) the discount rate(s) applied to the cash flow projections.
- (e) if the unit's (group of units') recoverable amount is based on fair value less costs of disposal, the valuation technique(s) used to measure fair value less costs of disposal. An entity is not required to provide the disclosures required by paragraphs 95–97. If fair value less costs of disposal is not measured using a quoted price for an identical unit (group of units), an entity shall disclose:
 - (i) each key assumption on which management has based its determination of fair value less costs of disposal. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.
 - (ii) the level of the fair value hierarchy (see NFRS 13) within which the fair value measurement is categorised in its entirety (without giving regard to the observability of costs of disposal).
- (f) if fair value less costs of disposal is measured using discounted cash flow projections:

- (i) the growth rate used to extrapolate cash flow projections; and
- (ii) the discount rate(s) applied to the cash flow projections.

255 If some or all of the carrying amount of goodwill or intangible assets with indefinite useful lives is allocated to multiple cash-generating units (groups of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, that fact shall be disclosed, together with the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to those units (groups of units). In addition, if the recoverable amounts of any of those units (groups of units) are based on the same key assumption(s) and the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to them is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, an entity shall disclose that fact, together with:

- (a) the aggregate carrying amount of goodwill allocated to those units (groups of units);
- (b) the aggregate carrying amount of intangible assets with indefinite useful lives allocated to those units (groups of units); and
- (c) a description of the key assumption(s).

256 The most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit (group of units) may, in accordance with paragraph 24 of NAS 36 or paragraph 99 of NAS 36, be carried forward and used in the impairment test for that unit (group of units) in the current period, provided specified criteria are met. When this is the case, the information for that unit (group of units) that is incorporated into the disclosures required by paragraphs 254–255 relates to the carried forward calculation of recoverable amount.

NAS 37 Provisions, Contingent Liabilities and Contingent Assets

257 An entity shall disclose, for each class of provision (comparative information is not required):

- (a) the carrying amount at the beginning and end of the reporting period;
- (b) additional provisions made in the period, including increases to existing provisions;
- (c) amounts used (incurred and charged against the provision) during the period;
- (d) unused amounts reversed during the period; and
- (e) the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

258 An entity shall also disclose, for each class of provision (comparative information is not required):

- (a) a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits.
- (b) an indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph 48 of NAS 37.
- (c) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

259 Unless the possibility of any outflow in settlement is remote, an entity shall disclose, for each class of contingent liability at the end of the reporting period, a brief description of the nature of the contingent liability and, where practicable:

- (a) an estimate of its financial effect, measured under paragraphs 36–52 of NAS 37;
- (b) an indication of the uncertainties relating to the amount or timing of any outflow; and
- (c) the possibility of any reimbursement.

260 Where an inflow of economic benefits is probable, an entity shall disclose a brief description of the nature of the contingent assets at the end of the reporting period and, where practicable, an estimate of their financial effect, measured using the principles set out for provisions in paragraphs 36–52 of NAS 37.

261 Where any of the information required by paragraphs 259–260 is not disclosed because it is not practicable to do so, an entity shall state that fact.

262 In extremely rare cases, disclosure of some or all of the information required by paragraphs 257–260 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

NAS 38 Intangible Assets

263 An entity shall disclose, for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:

- (a) whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortisation rates used;
- (b) the amortisation methods used for intangible assets with finite useful lives;

- (c) the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period;
- (d) the line item(s) of the statement of comprehensive income in which any amortisation of intangible assets is included; and
- (e) a reconciliation (comparative information is not required) of the carrying amount at the beginning and end of the period showing:
 - (i) additions, indicating separately those from internal development, those acquired separately, and those acquired through business combinations;
 - (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with NFRS 5 and other disposals;
 - (iii) increases or decreases during the period resulting from revaluations under paragraphs 75 and 85–86 of NAS 38 and from impairment losses recognised or reversed in other comprehensive income in accordance with NAS 36 (if any);
 - (iv) impairment losses recognised in profit or loss during the period in accordance with NAS 36 (if any);
 - (v) impairment losses reversed in profit or loss during the period in accordance with NAS 36 (if any);
 - (vi) any amortisation recognised during the period; and
 - (vii) other changes in the carrying amount during the period.

264 An entity shall also disclose:

- (a) for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life.
- (b) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements.
- (c) for intangible assets acquired by way of a government grant and initially recognised at fair value (see paragraph 44 of NAS 38):
 - (i) the fair value initially recognised for these assets;
 - (ii) their carrying amounts; and
 - (iii) whether they are measured after recognition under the cost model or the revaluation model.

- (d) the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities.
 - (e) the amount of contractual commitments for the acquisition of intangible assets.
- 265 If intangible assets are accounted for at revalued amounts, an entity shall disclose:
- (a) by class of intangible assets:
 - (i) the effective date of the revaluation;
 - (ii) the carrying amount of revalued intangible assets; and
 - (iii) the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model in paragraph 74 of NAS 38; and
 - (b) the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the reporting period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders.
- 266 An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the reporting period.

NAS 40 Investment Property

Fair value and cost model

- 267 The disclosures in paragraphs 268–271 apply in addition to those required for leases in paragraphs 115–127. The owner of an investment property provides lessors' disclosures about leases into which it has entered. A lessee that holds an investment property as a right-of-use asset provides lessees' disclosures and lessors' disclosures for any operating leases into which it has entered.
- 268 An entity shall disclose:
- (a) whether it applies the fair value model or the cost model.
 - (b) the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact shall be disclosed.
 - (c) the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used (see paragraph 32C of NAS 40).
 - (d) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.

- (e) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Fair value model

269 In addition to the disclosures required by paragraph 268, an entity that applies the fair value model in paragraphs 33–55 of NAS 40 shall disclose a reconciliation (comparative information is not required) between the carrying amounts of investment property at the beginning and end of the reporting period, showing:

- (a) additions;
- (b) acquisitions through business combinations;
- (c) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with NFRS 5 and other disposals;
- (d) net gains or losses from fair value adjustments;
- (e) transfers to and from inventories and owner-occupied property; and
- (f) other changes.

270 In the exceptional cases referred to in paragraph 53 of NAS 40, when an entity measures investment property using the cost model in NAS 16 or in accordance with NFRS 16, the reconciliation required by paragraph 269 shall disclose amounts relating to that investment property separately from amounts relating to other investment property. In addition, an entity shall disclose:

- (a) a description of the investment property; and
- (b) an explanation of why fair value cannot be measured reliably.

Cost model

271 In addition to the disclosures required by paragraph 268, an entity that applies the cost model in paragraph 56 of NAS 40 shall disclose:

- (a) the depreciation methods used;
- (b) the useful lives or the depreciation rates used;
- (c) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period; and
- (d) a reconciliation (comparative information is not required) of the carrying amount of investment property at the beginning and end of the period, showing:
 - (i) additions;
 - (ii) acquisitions through business combinations;
 - (iii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with NFRS 5 and other disposals;
 - (iv) depreciation;

- (v) the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with NAS 36;
 - (vi) transfers to and from inventories and owner-occupied property; and
 - (vii) other changes.
- (e) the fair value of investment property. In the exceptional cases described in paragraph 53 of NAS 40, when an entity cannot measure the fair value of the investment property reliably, it shall disclose:
- (i) a description of the investment property;
 - (ii) an explanation of why fair value cannot be measured reliably; and
 - (iii) if possible, the range of estimates within which fair value is highly likely to lie.

NAS 41 Agriculture

General

- 272 An entity shall provide a description of each group of biological assets.
- 273 An entity shall disclose a reconciliation (comparative information is not required) of changes in the carrying amount of biological assets between the beginning and the end of the current reporting period. The reconciliation shall include:
- (a) the gain or loss arising from changes in fair value less costs to sell;
 - (b) increases due to purchases;
 - (c) decreases attributable to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with NFRS 5;
 - (d) decreases due to harvest;
 - (e) increases resulting from business combinations;
 - (f) net exchange differences arising on the translation of financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity; and
 - (g) other changes.

Additional disclosures for biological assets where fair value cannot be measured reliably

274 If an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30 of NAS 41 *Agriculture*) at the end of the reporting period, the entity shall disclose for such biological assets:

- (a) a description of the biological assets;
- (b) an explanation of why fair value cannot be measured reliably;
- (c) the depreciation method used;
- (d) the useful lives or the depreciation rates used; and
- (e) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.

Government grants

275 An entity shall disclose the following related to agricultural activity covered by NAS 41:

- (a) the nature and extent of government grants recognised in the financial statements; and
- (b) unfulfilled conditions and other contingencies attaching to government grants that have not been recognised in profit or loss.

Other disclosures

276 An entity applying this Standard is not required to apply NFRS 8. If an entity applying this Standard chooses to disclose information about segments that does not comply with NFRS 8, it shall not describe the information as segment information. An entity making such disclosures shall describe the basis for preparing and making those disclosures. An entity choosing to apply NFRS 8 shall apply all its disclosure requirements and shall state that it has applied NFRS 8.

Appendix A—Effective date and transition

This Appendix is an integral part of the Standard.

- A1 An entity may elect to apply this Standard for reporting periods beginning on or after XX XXXX. Earlier application is permitted. If an entity chooses to apply this Standard earlier, it shall disclose that fact. In accordance with paragraph 14, if an entity applies this Standard in the current reporting period but not in the immediately preceding period, it shall provide comparative information (that is, information for the preceding period) for all amounts reported in the current period's financial statements, unless this Standard or another NFRS Accounting Standard permits or requires otherwise.

NFRS 18 Presentation and Disclosure in Financial Statements

- A2 NFRS 18 *Presentation and Disclosure in Financial Statements*, issued in XX XXXX, supersedes NAS 1 *Presentation of Financial Statements*. NFRS 18 applies to annual reporting periods beginning X X X X X X and earlier application is permitted.
- A3 An entity that elects to apply this Standard for a reporting period earlier than the reporting period in which it first applies NFRS 18 shall apply paragraphs B2–B19 of Appendix B instead of paragraphs 128–163 (under subheading NFRS 18 *Presentation and Disclosure in Financial Statements*), 173–177 and 182–183 (under subheading NAS 8 *Basis of Preparation of Financial Statements*) and 246(m) (under subheading NAS 34 *Interim Financial Reporting*). If such an entity also applies NAS 33 *Earnings per Share*, it shall apply paragraphs 73 and 73A of NAS 33 instead of paragraphs 73B and 73C of NAS 33 (as amended by NFRS 18).

Amendments to NAS 21 *The Effect of Changes in Foreign-Exchange Rates*

- A4 ~~Lack of Exchangeability, issued in August 2023, amended NAS 21 *The Effects of Changes in Foreign Exchange Rates*, adding new disclosure requirements in paragraphs 57A–57B of NAS 21. The amendments to NAS 21 apply to annual reporting periods beginning on or after 1 January 2025, and earlier application is permitted. If an entity applies this Standard for an annual reporting period that begins before 1 January 2025 and has not applied the amendments to NAS 21, it need not apply paragraphs 221–224.~~

Amendments to NFRS 7 *Financial Instruments: Disclosures*

- A5 ~~Amendments to the Classification and Measurement of Financial Instruments, issued in May 2024, added paragraphs 56A–56C. The amendments apply to annual reporting periods beginning on or after 1 January 2026, and earlier application is permitted. If an entity applies this Standard for an annual reporting period that begins before 1 January 2026 and has not applied the amendments to the Application Guidance to Section 4.1 of NFRS 9 *Financial Instruments* (Classification of financial assets) for that earlier period, it need not apply paragraphs 56A–56C.~~

~~Amendments to NFRS 9 Financial Instruments and NFRS 7 Financial Instruments: Disclosures~~

~~A6 — Contracts Referencing Nature-dependent Electricity, issued in December 2024, amended NFRS 9 and NFRS 7, adding new disclosure requirements in paragraphs 30A–30C of NFRS 7. These amendments added paragraphs 64A–64C and amended paragraph 42 of this Standard. In accordance with paragraph 4(c) of this Standard, the transition requirements for paragraphs 64A–64C are set out in paragraphs 44OO–44PP of NFRS 7. An entity shall apply these amendments when it applies the amendments to NFRS 9. The amendments to NFRS 9 and NFRS 7 are effective for annual reporting periods beginning on or after 1 January 2026, and early application is permitted. If an entity applies this Standard for an annual reporting period that begins before 1 January 2026 and has not applied the amendments to NFRS 9 early, it need not apply paragraphs 64A–64C.~~

Appendix B—Disclosure requirements if an entity applies NFRS 19 before applying NFRS 18

This Appendix is an integral part of the Standard.

- B1 An entity that elects to apply this Standard for a reporting period earlier than the reporting period in which it first applies NFRS 18 *Presentation and Disclosure in Financial Statements* shall apply paragraphs B2–B19 instead of paragraphs 128–163 (under subheading NFRS 18 *Presentation and Disclosure in Financial Statements*), 173–177 and 182–183 (under subheading NAS 8 *Basis of Preparation of Financial Statements*) and 246(m) (under subheading of NAS 34 *Interim Financial Reporting*). NFRS 18 supersedes NAS 1 *Presentation of Financial Statements* for annual reporting periods beginning on or after XX XXXX. Paragraphs B2–B19 set out disclosure requirements for an entity applying NAS 1 and this Standard.

Fair presentation and compliance with NFRS Accounting Standards

- B2 When an entity departs from a requirement of an NFRS Accounting Standard in accordance with paragraph 19 of NAS 1, it shall disclose:
- (a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;
 - (b) that it has complied with applicable NFRS Accounting Standards, except that it has departed from a particular requirement to achieve a fair presentation;
 - (c) the title of the NFRS Accounting Standard from which the entity has departed; the nature of the departure, including the treatment that the NFRS Accounting Standard would require; the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the *Conceptual Framework for Financial Reporting (Conceptual Framework)* and the treatment adopted; and
 - (d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.
- B3 When an entity has departed from a requirement of an NFRS Accounting Standard in a prior reporting period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph B2(c) and B2(d).
- B4 In the extremely rare circumstances in which management concludes that compliance with a requirement in an NFRS Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum

extent possible, reduce the perceived misleading aspects of compliance by disclosing:

- (a) the title of the NFRS Accounting Standard in question, the nature of the requirement and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the *Conceptual Framework*; and
- (b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.

Change in accounting policy, retrospective restatement or reclassification

B5 When an entity is required to present an additional statement of financial position in accordance with paragraph 40A of NAS 1, it must disclose the information required by paragraphs B6–B7, 178–181 and 186. However, it need not present the related notes to the opening statement of financial position as at the beginning of the preceding period.

B6 If an entity changes the presentation or classification of items in its financial statements, it shall reclassify comparative amounts unless reclassification is impracticable. When an entity reclassifies comparative amounts, it shall disclose (including as at the beginning of the preceding period):

- (a) the nature of the reclassification;
- (b) the amount of each item or class of items that is reclassified; and
- (c) the reason for the reclassification.

B7 When it is impracticable to reclassify comparative amounts, an entity shall disclose:

- (a) the reason for not reclassifying the amounts; and
- (b) the nature of the adjustments that would have been made if the amounts had been reclassified.

Right to defer settlement of liabilities for at least 12 months

B8 In applying paragraphs 69–75 of NAS 1, an entity might classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within 12 months after the reporting period (see paragraph 72B(b) of NAS 1). In such situations, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liabilities could become repayable within 12 months after the reporting period, including:

- (a) information about the covenants (including the nature of the covenants and when the entity is required to comply with them) and the carrying amount of related liabilities.
- (b) facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants—for example, the entity having acted during or after the reporting period to avoid or mitigate a potential breach. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants if they were to be assessed for compliance based on the entity's circumstances at the end of the reporting period.

Information to be presented either in the statement of financial position or in the notes

B9 An entity shall either present in the statement of financial position or disclose in the notes further subclassifications of these line items:

- (a) items of property, plant and equipment are disaggregated into classes in accordance with NAS 16 *Property, Plant and Equipment*;
- (b) receivables are disaggregated into amounts receivable from trade customers, receivables from related parties, prepayments and other amounts;
- (c) inventories are disaggregated, in accordance with NAS 2 *Inventories*, into classifications such as merchandise, production supplies, materials, work in progress and finished goods;
- (d) trade payables are disaggregated, in accordance with NAS 7 *Statement of Cash Flows*, to provide separately the amounts of those payables that are part of supplier finance arrangements;
- (e) provisions are disaggregated into provisions for employee benefits and other items; and
- (f) equity capital and reserves are disaggregated into various classes, such as paid-in capital, share premium and reserves.

B10 An entity shall either present in the statement of financial position or the statement of changes in equity, or disclose in the notes:

- (a) for each class of share capital:
 - (i) the number of shares authorised;
 - (ii) the number of shares issued and fully paid, and issued but not fully paid;
 - (iii) par value per share, or that the shares have no par value;
 - (iv) a reconciliation (comparative information is not required) of the number of shares outstanding at the beginning and at the end of the period;

- (v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;
 - (vi) shares in the entity held by the entity or by its subsidiaries or associates; and
 - (vii) shares reserved for issue under options and contracts for the sale of shares, including terms and amounts; and
- B11 (b) a description of the nature and purpose of each reserve within equity.

An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph B10(a) showing changes during the period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.

Statement of changes in equity

- B12 An entity shall either present in the statement of changes in equity or in the notes the amount of dividends recognised as distributions to owners during the period (in aggregate or per share), separately for ordinary shares and other shares.

Disclosure of accounting policy information

- B13 An entity shall disclose material accounting policy information.
- B14 An entity shall disclose, along with material accounting policy information or other notes, the judgements, apart from those involving estimations (see paragraph B15), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Examples of judgements that an entity may be required to disclose include those determining:
- (a) appropriate classes of assets and liabilities for which disclosures about fair value measurements are provided;
 - (b) that the entity has control of another entity;
 - (c) that the entity has joint control of an arrangement or significant influence over another entity;
 - (d) the type of joint arrangement (that is, a joint operation or joint venture) when the arrangement has been structured through a separate vehicle; and
 - (e) that the entity is an investment entity.

Sources of estimation uncertainty

- B15 An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:
- (a) their nature; and
 - (b) their carrying amount as at the end of the reporting period.
- B16 The disclosures in paragraph B15 are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the end of the reporting period, they are measured at fair value based on a quoted price in an active market for an identical asset or liability. Such fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period.

Other disclosures

- B17 An entity shall disclose in the notes:
- (a) the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to owners during the period, and the related amount per share; and
 - (b) the amount of any cumulative preference dividends not recognised.
- B18 An entity shall disclose, if not disclosed elsewhere in information published with the financial statements:
- (a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office); and
 - (b) a description of the nature of the entity's operations and its principal activities.

Disclosure requirements in NAS 1 that remain applicable

- B19 An entity shall apply the disclosure requirements in paragraphs 15, 17(c), 25, 31, 36, 51, 53, 92, 94, 99, 103, 106(d), 110, 112 and 113 of NAS 1

Appendix C

Amendments to other NFRS Accounting Standards

This Appendix describes the amendments to other Standards that the ASB made when it finalized NFRS 19. An entity shall apply the amendments for annual periods beginning on or after XX XXXX. If an entity applies NFRS 19 for an earlier period, these amendments shall be applied for that earlier period.

* * * * *

The amendments contained in this appendix will be incorporated into the text of the relevant Standards when ASB publishes the next updated volume.