



International Financial Reporting Bulletin

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Status: Final
Effective date:
Immediate
Accounting impact:
Disclosure

IAS 8 disclosures of standards and interpretations not yet adopted, and the effect of EU endorsement

Background

IFRB 2/2007 highlights the requirement in IAS 8.30 for entities to disclose information about new standards and interpretations that are in issue, but that are not yet mandatory and which they have not yet adopted.

IAS 8's requirements relate to all standards and interpretations that have been issued by the IASB, but it makes no reference to the European Union's endorsement process. This process can take 6-9 months following the issue by the IASB of a new standard or interpretation. As a result, questions have arisen as to which standards should be disclosed – should reference be made to all issued by not yet adopted standards and interpretations, or only those which have been endorsed by the EU?

We consider that entities should disclose information about all standards and interpretations issued by the IASB that they have not yet adopted. In addition, there should be a brief description of the status of EU endorsement.

Requirements

Example wording is noted below. However, this disclosure should be modified and updated for each entity's own circumstances and for the status of EU endorsement up to the point at which the financial statements are approved. Where possible, the amounts involved should be quantified. (For up-to-date information on endorsement, consult the Endorsement Status Report at <http://www.efrag.org>.)

It is common practice to include this disclosure either as part of, or immediately after, the entity's current accounting policies. The extent of disclosure should be tailored, with greater emphasis being placed where it is expected that new requirements will have an effect on reported results.

A practical means of doing this is to split the disclosures into two sections, being those related to new standards and interpretations which may affect the entity's reported results or financial position, and those which will not.

Action required

Entities reporting in accordance with IFRS (whether EU-adopted or otherwise) need to ensure that they are making adequate and up to date disclosures about the IFRSs and IFRICs that will be adopted in future periods.

Noted below are example disclosures for a Group preparing financial statements for the year ended 31 December 2006. Disclosures must be tailored to the specific circumstances of the reporting entity

Accounting standards issued but not adopted

The following new standards and interpretations, which have been issued by the IASB and the IFRIC, are effective for future periods and have not been adopted early in these financial statements. A description of these standards and interpretations, together with (where applicable) an indication of the effect of adopting them, is set out below.

Standards and interpretations that may affect the Group's reported results or financial position

IFRIC 7 Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies

was issued in November 2005 and is effective for annual periods beginning on or after 1 March 2006. It clarifies how to account for non-monetary assets and deferred tax when hyperinflation is first identified. The adoption of this standard in the next financial statements may mean that the results for this year will be restated when presented as comparatives. This is because the Group has a number of minor subsidiaries in parts of the developing world that are currently subject to high rates of inflation, but which are not yet regarded as being hyperinflationary. These jurisdictions may become hyperinflationary in future periods. The amounts involved cannot be estimated at present but they are not expected to have a significant effect on the Group financial statements.

IFRIC 10 Interim Financial Reporting and Impairment

was issued in July 2006 and is effective for periods beginning on or after 1 November 2006. IFRIC 10 prohibits impairment losses recognised in Interim Reports from being reversed in the next annual financial statements. However, it is not possible to quantify the financial affects of adopting this IFRIC in advance.

IFRIC 11: IFRS 2 – Group and Treasury Share Transactions

was issued in November 2006 and is effective for periods beginning on or after 1 March 2006. IFRIC 11 clarifies the accounting for share based transactions which fall within the scope of IFRS 2, and its adoption could reduce reported profits. Net assets will only be reduced if a transaction is classified as a cash-settled share-based payment. The Group is currently assessing the effect of the adoption of IFRIC 11.

IFRIC 12 Service Concession Arrangements was issued in November 2006 and is effective for periods beginning on or after 1 January 2008. IFRIC 12 prohibits private sector operators from recognising as their own those infrastructure assets which are owned by the grantor. Revenues and costs are recognised in accordance with IAS 11 and amounts receivable by the operator are recognised as financial or intangible assets, depending on whether certain criteria are met. The Group is currently assessing the effect of the adoption of IFRIC 12.

Standards and interpretations that are not expected to affect the Group's reported results or financial position

IFRS 7 Financial Instruments: Disclosures and Amendment to IAS 1: Capital Disclosures

were issued in August 2005 and are effective for annual periods beginning on or after 1 January 2007. They revise and enhance previous disclosures required by IAS 32 Financial Instruments: Disclosure and Presentation and IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions. Their adoption will not affect the results or net assets of the Group.

IFRS 8 Operating Segments

was issued in November 2006 and is effective for annual periods beginning on or after 1 January 2009. It requires reportable operating segments to be based on the entity's own internal reporting structure. It also extends the scope and disclosure requirements of IAS 14 Segmental Reporting. The adoption of IFRS 8 will not affect the results or net assets of the Group.

Status of EU-endorsement

Entities in EU Member States which report in accordance with EU-endorsed IFRS can only apply IFRSs and IFRICs where the endorsement process has been completed at the date of approval of their financial statements. Of the standards and interpretations listed above, the following had not yet been endorsed by the European Union at the date these financial statements were authorised for issue:

- IFRS 8 *Operating Segments*;
- IFRIC 10 *Interim Financial Reporting and Impairment*;
- IFRIC 11 *IFRS 2 - Group and Treasury Share Transactions*; and
- IFRIC 12 *Service Concession Arrangements*.

These are expected to be endorsed during 2007.