



# International Financial Reporting Bulletin

19 September 2007

**Effective date:**

Immediate, This IFRB updates and replaces Issue 5/2007. It is tailored to June 2007 balance sheet dates.

**Accounting impact:**

Disclosure

New and revised standards and interpretations and local endorsement

**Background**

When new standards have been issued, but are not yet effective, there are additional disclosures to be made depending on whether the entity has, or has not, adopted the standards early.

Additionally, companies reporting within the European Union must take into consideration that adoption must await endorsement by the European Commission.

**New standards**

If a new standard is being adopted early then this fact should be disclosed, with, where appropriate, disclosures required for any related change in accounting policy.

When new or revised standards or interpretations have been issued, are not yet effective and have not been adopted early, then IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors paragraph 30 requires an entity to estimate and disclose the effects of adopting that standard in the future.

IAS 8.31 states that this disclosure should consider the following points:

- (a) the title of the new Standard or Interpretation;
- (b) the nature of the impending change or changes in accounting policy;
- (c) the date by which application of the Standard or Interpretation is required;
- (d) the date as at which it plans to apply the Standard or Interpretation initially; and
- (e) either:
  - (i) a discussion of the impact that initial application of the Standard or Interpretation 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.

These disclosures should cover all relevant standards in issue at the date that the financial statements are approved and authorised for issue.

### Examples of disclosure

The disclosure is normally included immediately after the accounting policies note. Three examples of these disclosures are noted below. In the first example the company is unable to quantify the effect of a new standard, whereas in the second example the effect is quantified. In the third example the standard is a disclosure standard and so there is no effect on reported net assets or profits.

#### Note X

##### 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.

**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 intends to adopt this IFRIC in the financial year commencing 1 April 2008. The Group is currently assessing the financial effects of adopting IFRIC 12, but is currently unable to quantify this.

**IFRIC 13 *Customer Loyalty programmes*** was issued in June 2007 and is effective for periods beginning on or after 1 July 2008. IFRIC 13 requires the fair value of revenue relating to customer loyalty awards to be deferred until all related obligations to the customer have been fulfilled. The Group intends to adopt this IFRIC in the financial year commencing 1 April 2009. If this IFRIC had been adopted in the current year revenues and profits would not have been significantly affected, although a £3m provision for deferred income would be recognised at the year-end.

**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 Group intends to adopt IFRS 8 in the financial year commencing 1 April 2009. Because IFRS 8 is a disclosure standard, its adoption will not affect the results or net assets of the Group.

**EU endorsement**

When considering the adoption of new standards and interpretations, companies reporting within the European Union should take into consideration that adoption must await endorsement by the European Commission. There is typically a period of 6 to 9 months from the date of issue of a new standard or interpretation by the IASB and its endorsement by the European Commission. The process consists of a technical review by the European Financial Reporting Advisory Group (EFRAG) and the Accounting Regulatory Committee (ARC). If both EFRAG and ARC recommend endorsement then European Commission endorsement will normally follow soon afterwards, but it is not automatic. (EFRAG represents the European accounting profession and ARC represents member states' administrations responsible for accounting issues.)

**EU endorsement:  
Guidance on early adoption**

Entities applying EU-adopted IFRS should consider whether a standard has been formally endorsed by the EU before adopting it. (Companies may use standards endorsed before the accounts have been approved, not just those endorsed by the year-end.) Normally the "effective" date for an IFRS is sufficiently far in the future that the standard will have been endorsed before it becomes mandatory.

However, if it is proposed that a new standard or interpretation is adopted early then it may not have been endorsed before the accounts are approved. An unendorsed new standard or interpretation can be applied by an entity which reports in accordance with EU-endorsed IFRS only if:

- it is consistent with existing endorsed standards, and
- it is consistent with IAS 8 paragraph 10, which requires accounting policies to be relevant and reliable.

In practice this means that:

- An unendorsed new standard replacing an existing standard probably cannot be adopted. The new standard will normally conflict with the existing one it is replacing.
- An unendorsed standard on a new area not previously addressed by an accounting standard can be adopted provided that it does not conflict with any existing standards.

An IFRIC on the interpretation of an endorsed IFRS can normally be adopted early, although any transitional relief in the IFRIC could not be applied. This could make its application more onerous than it would be if the entity waited for the interpretation to be endorsed.

**EU endorsement:  
IAS 8.30 disclosures**

For EU companies, and other companies operating in jurisdictions where standards have to be endorsed locally before adoption, the question arises as to whether the IAS 8.30 disclosures should include standards issued by the IASB but not yet endorsed for local use.

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

A simple way to do this is to add, for each standard still awaiting local endorsement, a descriptive sentence such as this:

"IFRS 8 has not yet been endorsed for use in the European Union. Final endorsement is not expected until after September 2007."

**EU endorsement:  
Current Status**

For up-to-date information on endorsement, please consult the Endorsement Status Report at <http://www.efrag.org>.

At the date this IFRB was issued, all standards, interpretations and amendments issued by the IASB had been endorsed for use in the European Union apart from those noted below:

	<b>When might endorsement be expected?</b>
IFRS 8 Operating Segments	Sometime after September 2007
IFRIC 12 Service concession arrangements	Not yet clear
IFRIC 13 Customer loyalty programmes	Not yet clear
IFRIC 14 "IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction"	Not yet clear
Amendment to IAS 23 <i>Borrowing Costs</i>	December 2007