IAS PLUS

Deloitte Touche Tohmatsu

International Financial Reporting Standards

A Practical Guide

3rd Edition

December 2002

OUR MISSION: TO HELP OUR CLIENTS AND OUR PEOPLE EXCEL

This guide is one of a series of publications and other resources intended to assist users in understanding International Financial Reporting Standards. These include:

Publication	Description
International Accounting Standards: A Guide to Preparing Accounts	3rd Edition. Written by Deloitte & Touche, United Kingdom. Published by ABG Professional Information: www.abgweb.com
International Financial Reporting Standards - Model Financial Statements and Checklist	Model financial statements and presentation and disclosure checklist prepared under International Financial Reporting Standards.
IAS in your Pocket	2nd Edition. An 80-page pocket-sized guide with summaries of all IASB Standards and Interpretations, updates on agenda projects, and other useful IASB-related information.
IAS Plus Newsletter	A quarterly newsletter on recent developments in International Financial Reporting Standards and accounting updates for individual countries. To subscribe, visit our IAS Plus website.
www.iasplus.com	Our IAS Plus website provides up-to-date news on IASB developments, as well as summaries of International Financial Reporting Standards and Interpretations, and reference materials for download.
Financial Instruments - Applying IAS 32 and IAS 39	Related summaries, guidance, examples, and US GAAP comparisons.
GAAP Differences in your Pocket: IAS and US GAAP	This 20-page booklet identifies and explains 81 differences between International Financial Reporting Standards and US GAAP.
GAAP Differences in your Pocket: IAS and GAAP in the People's Republic of China	This 32-page booklet identifies and explains 108 differences between International Financial Reporting Standards and Chinese GAAP.

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FOREWORD

Since the publication of the second edition of this guide, the restructured International Accounting Standards Board (IASB) has clearly indicated its intention to take international standard setting to a new level. It has issued a number of exposure drafts to amend standards previously issued by the International Accounting Standards Committee (IASC) and has issued exposure drafts on topics previously uncovered. In doing this it has indicated that it will not shy away from its reponsibilities and has evidenced this by including the controversial topic of Share-based Payment on its agenda. It has also clearly indicated that it wishes to be seen as a different body from its predecessor by changing the name of new standards it issues to International Financial Reporting Standards (IFRS).

Globally, thousands of companies will be moving to IFRS as their primary basis of financial reporting over the next several years. In Europe, for example, the European Commission recently issued a regulation that, with a few exceptions, requires all publicly listed companies domiciled within the European Union to prepare their consolidated financial statements in accordance with IFRS from 2005. This requirement will affect approximately 7,000 enterprises, with an indirect effect on the subsidiaries, associates and joint ventures of these entities. Another example is Australia, where the government has approved a proposal that IFRS be adopted as Australian GAAP. Other countries have followed, and I anticipate that this trend will continue, creating an overwhelming move to, and acceptance of, IFRS in the years to come.

Other key developments surrounding the use and acceptability of IFRS include the US Securities and Exchange Commission's Concept Release, *International Accounting Standards*, the endorsement of IFRS by both the International Organization of Securities Commissions and the Basel Committee, and the acceptance of a working relationship with the US Financial Accounting Standards Board to develop future standards using a principles-based approach. These developments have enhanced the credibility of IFRS, resulting in their increased use.

The primary focus of the IASB is convergence of accounting standards worldwide. In order to facilitate convergence of accounting standards, the IASB has seven members who serve as official liaisons to national standard setters. Countries with formal liaisons are Australia (including New Zealand), Canada, France, Germany, Japan, the United Kingdom, and the United States. The liaison function is significant because the IASB, unlike its predecessor (the IASC Board), is now formally linked to national standard setters. As a result, the liaison Board members maintain close contact with their respective national standard setters and are responsible for co-ordinating agendas and ensuring that the IASB and national bodies are working towards convergence.

This publication fills a vital need in providing practical guidance for the application of IFRS in preparing financial statements. It enables readers to see at a glance what their financial statements would look like, provides a quick summary of the standards and interpretations, and details the numerous disclosure requirements in an easy to check tabular format.

I believe that this guide will be a useful tool for those who have been applying IFRS in the past, as well as for those who will be applying IFRS for the first time in the years to come.

Ken Wild, Global Leader
International Accounting Standards
DELOITTE TOUCHE TOHMATSU
December 2002

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ABBREVIATIONS

The following abbreviations have been used throughout this publication:

GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFRIC	International Financial Reporting Interpretations Committee of the IASB
IFRS	International Financial Reporting Standard(s)
SIC	Interpretation issued by the Standing Interpretations Committee of the IASB (predecessor body to the IFRIC)

INTRODUCTION

This publication is intended to assist users in the preparation of financial statements that comply with International Financial Reporting Standards (IFRS). Our third edition incorporates a description of the revised International Accounting Standards Committee (IASC) structure and standard-setting process, together with a summary of current International Accounting Standards Board (IASB) projects.

The remainder of this publication is divided into three sections:

The *Summary of Current Standards* provides a listing of all of the IFRS and Interpretations in issue at 30 November 2002, and an overview of the requirements of each of those Standards and Interpretations. These overviews are intended to provide users unfamiliar with IFRS with an accessible summary of the principal requirements of the Standards.

The *Model Financial Statements* provide an illustrative set of financial statements for a hypothetical listed company, International GAAP Holdings Limited. These are intended to provide a guide as to style and layout for financial statements commencing on 1 January 2002 - assuming that the reporting enterprise has implemented all of the IFRS effective on that date. While the suggested layout provides an acceptable presentation, it should not be viewed as definitive or inflexible, nor should it be assumed that it is intended to reflect the optimum reporting in all given circumstances.

The *Presentation and Disclosure Checklist* is designed to provide assistance in ensuring compliance with the presentation and disclosure requirements of IFRS. It is arranged in the order of presentation of the components referred to in the Model Financial Statements, with separate sections dealing with specialist topics.

Deloitte Touche Tohmatsu
December 2002

What's in a name?

Readers will note that the title of this guide, and the text within, have been amended to refer to International Financial Reporting Standards (IFRS) rather than International Accounting Standards (IAS). This reflects the IASB's decision that their Standards will be called IFRS, and that the term should be taken to encompass both Standards and Interpretations issued by the IASB, and the IAS and Standing Interpretations Committee Interpretations issued by its predecessor standard setter, the IASC Board.

THE INTERNATIONAL ACCOUNTING STANDARDS COMMITTEE

THE OLD STRUCTURE (1973-2000)

The International Accounting Standards Committee (IASC) was established in 1973, through an agreement made by professional accountancy bodies from Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and Ireland, and the United States of America. It was sponsored by 'members' that consisted of all of the professional accountancy bodies that were members of the International Federation of Accountants (IFAC).

Until 2001, accounting standards were set by a part-time, volunteer IASC Board that had 13 country members and up to four additional organisational members. Each member was generally represented by two 'representatives' and one 'technical advisor'. The individuals came from a wide range of backgrounds - accounting practice, business (particularly multinational businesses), financial analysis, accounting education and national accounting standard-setting. The Board also had a number of observer members (including representatives of the International Organisation of Securities Commissions (IOSCO), the US Financial Accounting Standards Board and the European Commission) who participated in the debate but did not vote.

In addition to the Board, other elements of the old IASC structure were:

- the Consultative Group - an advisory body representing a wide range of international organisations with an interest in accounting;
- the Standing Interpretations Committee (SIC) - which developed and invited public comment on interpretations of IASC Standards, subject to final approval by the IASC Board;
- the Advisory Council - an oversight body; and
- Steering Committees - expert taskforces for individual agenda projects.

THE NEW STRUCTURE

After nearly 25 years of achievement, the IASC concluded in 1997 that to continue to perform its role effectively, it must find a way to bring about convergence between national accounting standards and practices and high-quality global accounting standards. To do that, the IASC saw a need to change its structure. In late 1997, a Strategy Working Party was formed to re-examine the IASC's structure and strategy.

The Strategy Working Party published its report in December 1998. After soliciting comments, the Working Party published its final recommendations in late 1999. The IASC Board approved the proposals unanimously in December 1999, and the IASC member bodies did the same in May 2000. A new IASC Constitution took effect on 1 July 2000.

The principal body under the new structure is the International Accounting Standards Board (IASB), which has sole responsibility for establishing International Financial Reporting Standards. Other components of the structure are the Trustees of the IASC Foundation, the International Financial Reporting Interpretations Committee (IFRIC) and the Standards Advisory Council (SAC). The IASB held its first official meeting in London in April 2001, at which meeting it was resolved that all Standards and Interpretations issued by the predecessor IASC Board should continue to be applicable unless and until they are amended or withdrawn. It was agreed that new IASB Standards would be called International Financial Reporting Standards (IFRS).

When the term 'International Financial Reporting Standards' is used in IASB literature, it includes standards and interpretations approved by the IASB, and IAS and Interpretations issued by the predecessor IASC Board.

The revised structure of the IASC is illustrated below.

IASC FOUNDATION

INTERNATIONAL ACCOUNTING STANDARDS BOARD

STANDARDS ADVISORY COUNCIL

INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE

ADVISORY GROUPS
For Major Agenda Projects

KEY
Appoints
Reports to
Advises

Trustees

The governance of the IASC Foundation rests with the Trustees. The initial 19 Trustees include six from North America, seven from Europe, four from Asia Pacific, and one each from Africa and South America. They come from diverse functional backgrounds.

The Trustees have responsibility to:

- appoint the members of the Board, including those who will serve in liaison capacities with national standard setters, and establish their contracts of service and performance criteria;
- appoint the members of the IFRIC and the SAC;
- review annually the strategy of the IASC and its effectiveness;
- approve annually the budget of the IASC and determine the basis for funding;
- review broad strategic issues affecting accounting standards, promote the IASC and its work, and promote the objective of rigorous application of IFRS, provided that the Trustees shall be excluded from involvement in technical matters relating to accounting standards; and
- establish and amend operating procedures for the Board, the IFRIC and the SAC.

The Trustees act by simple majority vote, except for amendments to the Constitution, which require a 75 per cent majority.

Koji Tajika, former Co-Chairman of Deloitte Touche Tohmatsu, is one of the Trustees.

The Board

The IASB is the principal body under the new structure.

The Board has 14 members, of whom 12 serve full-time and two part-time. The Board's principal responsibilities are to:

- develop and issue IFRS and Exposure Drafts; and
- approve Interpretations developed by the IFRIC.

The key qualification for Board membership is technical expertise. The Trustees also must ensure that the Board is not dominated by any particular constituency or regional interest. To achieve a balance of perspectives and experience, at least five members must have backgrounds as practising auditors, at least three as financial statement preparers, at least three as users of financial statements, and at least one as an academic.

Seven of the 14 board members have direct liaison responsibility with one or more national standard setters.

The Board has full discretion over its technical agenda. It may outsource detailed research or other work to national standard setters or other organisations. The Board will normally form Steering Committees or other types of specialist advisory groups to give advice on major projects. The Board is required to consult the Standards Advisory Council on major projects, agenda decisions and work priorities.

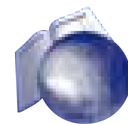
Before issuing a final Standard, the Board must publish an Exposure Draft for public comment. Normally, it will also publish a Draft Statement of Principles or other discussion document for public comment on major projects.

The Board will normally issue bases for conclusions within IFRS and Exposure Drafts. Although there is no requirement to hold public hearings or to conduct field tests for every project, the Board must, in each case, consider the need to do so.

The publication of an Exposure Draft, IFRS or final Interpretation of the IFRIC requires approval by eight of the 14 members of the Board. Other decisions of the Board, including the publication of a Draft Statement of Principles or discussion paper, requires a simple majority of the members of the Board present at a meeting.

The IASB generally meets monthly (except August) for three to five days. It holds several meetings each year with representatives of its liaison standard-setting bodies, and generally three meetings each year with the Standards Advisory Council.

John T. Smith, partner in Deloitte & Touche (USA), was appointed a member of the IASB in September 2002. As a part-time member, he retains his position with our firm.



Standards Advisory Council

The Standards Advisory Council (SAC) currently has 49 members and provides a forum for organisations and individuals with an interest in international financial reporting to participate in the standard-setting process. Members are appointed for a renewable term of three years and have diverse geographical and functional backgrounds. The Chairman of the IASB is also the Chairman of the SAC.

The SAC will normally meet three times each year at meetings open to the public to:

- advise the Board on priorities in the Board's work;
- inform the Board of the implications of proposed standards for users and preparers of financial statements; and
- give other advice to the Board or to the Trustees.

Peter Wilmot, retired managing partner of Deloitte Touche Tohmatsu in South Africa, is Vice Chairman and presides at SAC meetings. Three other Deloitte Touche Tohmatsu partners are also members of SAC: Stig Enevoldsen (Denmark, former IASC Board chairman), Adir Inbar (Israel) and Yezdi Malegam (India).

International Financial Reporting Interpretations Committee

The International Financial Reporting Interpretations Committee (IFRIC) (until 2002 known as the Standing Interpretations Committee) has 12 members appointed by the Trustees for terms of three years. IFRIC members are not salaried but their expenses are reimbursed. The IFRIC is chaired by a non-voting chair who can be one of the members of the IASB, the Director of Technical Activities, or a member of the IASB's senior technical staff. (In fact, the Director of Technical Activities was appointed the chair of the IFRIC.)

The IFRIC's responsibilities are to:

- interpret the application of IFRS and provide timely guidance on financial reporting issues not specifically addressed in IFRS in the context of the IASB's Framework, and undertake other tasks at the request of the Board;
- publish Draft Interpretations for public comment and consider comments made within a reasonable period before finalising an Interpretation; and
- report to the Board and obtain Board approval for final Interpretations.

A Draft or final Interpretation is approved by the IFRIC when not more than three voting members of the IFRIC vote against the Draft or final Interpretation.

By allowing the IFRIC to develop Interpretations on financial reporting issues not specifically addressed in an IFRS, the new IASB constitution has broadened the IFRIC's mandate beyond that of the former Standing Interpretations Committee.

Ken Wild, partner in Deloitte & Touche (UK) and our firm's Global IAS Leader was recently appointed a member of the IFRIC.

Process of Standard Setting

The process of development of an IFRS will generally include the following:

- IASB staff work to identify and review all the issues related to a topic and study other national accounting standards and practices;
- a Steering Committee or advisory group may be formed to give advice on major projects;
- a Draft Statement of Principles or similar discussion document will be developed and published on major projects;
- following receipt of comments on the initial discussion document, if any, the IASB will develop and publish an Exposure Draft; and
- following receipt of comments on the Exposure Draft, the IASB will approve and issue a final Standard.

Each Draft Statement of Principles, Discussion Paper and Exposure Draft of a Standard is issued for public comment. The IASB Constitution does not specify a minimum exposure period, but we expect such documents to be exposed for at least 90 days.

At their discretion on particular projects, the Board may also use public hearings to discuss proposed standards, and field tests to assess the practicability of proposals.

The process of development of an Interpretation of the IFRIC will generally include the following:

- IASB staff work to identify and review all the issues related to a topic and study other national accounting standards and practices;
- a draft Interpretation is published for public comment, if no more than three IFRIC members have voted against the proposal;
- following receipt of comments on the draft Interpretation, a final Interpretation will be approved if no more than three IFRIC members vote against it; and
- the final Interpretation is approved by at least eight members of the Board.

Although no Interpretation has been developed to date by the IFRIC, we expect that draft Interpretations will be exposed for a 60-day comment period.

IASB and IFRIC meetings, and portions of Trustees' meetings, are open to public observation. Agendas for each meeting are published in advance, and a summary of decisions made is published promptly after all relevant meetings.

A principles-based approach

IFRS reflect a principles-based approach to developing accounting standards, rather than a rules-based approach. Principles-based standards focus on establishing general principles derived from the IASB Framework, reflecting the recognition, measurement and reporting requirements for the transactions covered by the Standards. By following a principles-based approach, IFRS tend to limit additional guidance for applying the general principles to typical transactions, encouraging professional judgment in applying the general principles to other transactions specific to an entity or industry.

IASB AGENDA PROJECTS

The following is a brief summary of the major projects on the IASB agenda at 30 November 2002.

Improvements Project

The objective of the improvements project is to add clarity and consistency to the requirements of existing Standards issued by the Board's predecessor, the IASC Board. The issues addressed are those that have been identified by various sources as narrow issues of substance whose resolution could improve the quality of the IASC Standard and/or increase convergence of national and international standards. Also included are issues for which an IASC Standard allows explicit or implicit alternative treatments.

Expected timetable
- Exposure Draft already issued in May 2002, with 16 September 2002 comment deadline
- Standard(s) in the first quarter of 2003

Revisions to IAS 39 and IAS 32

Revisions to IAS 39 and IAS 32 are proposed, based on issues identified by the IAS 39 Implementation Guidance Committee and others. This project includes issues relating to derecognition of financial instruments, and extending the use of fair valuation.

Expected timetable
- Exposure Draft already issued in June 2002, with 14 October 2002 comment deadline
- Standard in the second quarter of 2003

First-Time Application of International Financial Reporting Standards

This project will provide guidance when an entity adopts IFRS as its basis of accounting for the first time, by an explicit and unreserved statement of compliance with IFRS. The project was adopted following the expression of concern regarding the appropriateness of the current guidance on this topic (SIC 8).

Expected timetable
- Exposure Draft already issued in July 2002, with 31 October 2002 comment deadline
- Standard in the second quarter of 2003

Deposit-Taking, Lending and Securities Activities: Disclosure and Presentation

This project is updating the existing requirements (principally IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*) related to disclosing information and presenting financial statements that reflect the specific characteristics of the business activities of banks and other institutions whose business it is to take deposits, grant credit, or provide other financing or investment services.

Expected timetable - Exposure Draft in the first quarter of 2003

- Standard in the second half of 2003

Business Combinations - Phase I

Phase I of this project is intended to converge existing standards on the definition of a business combination, the appropriate method of accounting for a business combination (purchase or pooling/merger accounting), and the accounting treatment for goodwill and intangible assets acquired in a business combination.

Expected timetable - Exposure Drafts of amendments to IAS 22 (revised 1998) B*usiness Combinations*, IAS 37 P*rovisions, Contingent Liabilities and Contingent Assets* and IAS 38 *Intangible Assets* in December 2002

- Standard in the second half of 2003

Share-based Payment

This project seeks to develop a standard on all aspects of accounting for share-based payments to employees (including employee share options and their repricing), suppliers, creditors and others.

Expected timetable - Exposure Draft already issued in November 2002, with 7 March 2003 comment deadline

- Standard in the second half of 2003

Performance Reporting

This project addresses broadly the issues related to the display and presentation in the financial statements of all recognised changes in assets and liabilities from transactions or other events except those related to transactions with owners as owners (sometimes called comprehensive income). Thus, it will consider items that currently are reported in the income statement, cash flow statement and statement of changes in equity. Issues addressed in this project include distinguishing revenues and expenses from other sources of comprehensive income or expense, reporting of holding gains and losses, and distinguishing operating and non-operating items. This is a partnership project with the UK's Accounting Standards Board.

Expected timetable - Exposure Draft in the first quarter of 2003

- Standard in the second half of 2003

Business Combinations - Phase II

This project is addressing:

- issues relating to the application of the purchase method of accounting for business combinations;
- new basis accounting; and
- combinations of entities under common control.

Expected timetable	-	Exposure Draft in the first quarter of 2003
	-	Standard in 2004

Insurance Contracts - Phase I

This project addresses how existing IFRS should be applied to insurance contracts.

Expected timetable	-	Exposure Draft in the first quarter of 2003
	-	Standard in 2004

Convergence Topics (short-term strategy)

This project is focusing on topics where one or more partner standard setters and the IASB have standards that are broadly similar but differ in a limited number of areas. The goal is to achieve convergence either by changes in IFRS or changes in the partners' standards.

The principal focus is on reducing differences between IFRS and US GAAP. In October 2002, the Financial Accounting Standards Board (FASB) and the IASB issued a memorandum of understanding, indicating that an Exposure Draft to address identified differences between US GAAP and IFRS is expected to be released in the second half of 2003.

Insurance Contracts - Phase II

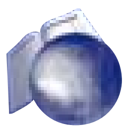
This is a continuation of the former IASC project to develop a comprehensive standard on accounting for insurance contracts that is consistent with the conceptual framework definitions of assets and liabilities. This phase of the insurance contracts project is not constrained by existing IFRS.

Timetable not yet established.

Revenue Recognition and Related Aspects of Liabilities

This project addresses three inter-related issues:

- general principles for determining when revenue should be recognised in the financial statements;
- the distinction between liabilities and equity; and



- liability recognition, including guidance on whether an item meets the definition of a liability and, if so, the criteria for recognising liabilities in the financial statements.

Timetable not yet established.

Consolidation (including Special Purpose Entities)

This project is reconsidering the basis on which an entity should consolidate its investments, including more rigorous guidance around the concept of 'control'. The project is expected to amend IAS 27 (revised 2000) *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*.

Timetable not yet established

The table below summarises the expected timing of the output from the IASB Agenda Projects.

PROJECT TITLE	EXPECTED OUTPUT					
	2002		2003			2004
	Qtr3	Qtr 4	Qtr 1	Qtr 2	Half 2	
Improvements Project			IFRS*			
Revisions to IAS 39 and IAS 32				IFRS*		
First-Time Application of International Financial Reporting Standards				IFRS*		
Deposit-Taking, Lending and Securities Activities: Disclosure and Presentation			ED		IFRS	
Business Combinations - Phase I		ED			IFRS*	
Share-based Payment					IFRS*	
Performance Reporting			ED		IFRS	
Business Combinations - Phase II			ED			IFRS*
Insurance Contracts - Phase I			ED			IFRS*
Convergence Topics (short-term strategy)					ED*	
Insurance Contracts - Phase II	Timetable not yet established.					
Revenue Recognition and Related Aspects of Liabilities	Timetable not yet established.					

* The IASB aims to have these new or revised IFRS effective for periods begining on or after 1 January 2005. Other Standards/amendments issued during 2004 and 2005 will not have a mandatory application date before 2005, but early adoption will be permitted.

For regular updates on the progress of these projects, please refer to our IAS Plus website (www.iasplus.com).

SUMMARY OF CURRENT STANDARDS

Summary of Current Standards

IFRS	TITLE	EFFECTIVE DATE	PAGE
IAS 1	Presentation of Financial Statements	1 July 1998	20
IAS 2	Inventories	1 January 1995	23
IAS 7	Cash Flow Statements	1 January 1994	24
IAS 8	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies	1 January 1995	25
IAS 10	Events After the Balance Sheet Date	1 January 2000	27
IAS 11	Construction Contracts	1 January 1995	28
IAS 12	Income Taxes	1 January 1998	29
IAS 14	Segment Reporting	1 July 1998	31
IAS 15	Information Reflecting the Effects of Changing Prices	1 January 1983	33
IAS 16	Property, Plant and Equipment	1 January 1995	34
IAS 17	Leases	1 January 1999	36
IAS 18	Revenue	1 January 1995	38
IAS 19	Employee Benefits	1 January 1999	40
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 1984	43
IAS 21	The Effects of Changes in Foreign Exchange Rates	1 January 1995	44
IAS 22	Business Combinations	1 July 1999	45
IAS 23	Borrowing Costs	1 January 1995	50
IAS 24	Related Party Disclosures	1 January 1986	50
IAS 26	Accounting and Reporting by Retirement Benefit Plans	1 January 1988	52
IAS 27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries	1 January 1990	52
IAS 28	Accounting for Investments in Associates	1 January 1990	54
IAS 29	Financial Reporting in Hyperinflationary Economies	1 January 1990	56
IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	1 January 1991	57
IAS 31	Financial Reporting of Interests in Joint Ventures	1 January 1992	58
IAS 32	Financial Instruments: Disclosure and Presentation	1 January 1996	59
IAS 33	Earnings Per Share	1 January 1998	61
IAS 34	Interim Financial Reporting	1 January 1999	63
IAS 35	Discontinuing Operations	1 January 1999	66
IAS 36	Impairment of Assets	1 July 1999	67
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 July 1999	71
IAS 38	Intangible Assets	1 July 1999	73
IAS 39	Financial Instruments: Recognition and Measurement	1 January 2001	76
IAS 40	Investment Property	1 January 2001	80
IAS 41	Agriculture	1 January 2003	83

INTERPRETATION	TITLE
SIC 1	Consistency - Different Cost Formulas for Inventories
SIC 2	Consistency - Capitalisation of Borrowing Costs
SIC 3	Elimination of Unrealised Profits and Losses on Transactions with Associates
SIC 5	Classification of Financial Instruments - Contingent Settlement Provisions
SIC 6	Costs of Modifying Existing Software
SIC 7	Introduction of the Euro
SIC 8	First-Time Application of IASs as the Primary Basis of Accounting
SIC 9	Business Combinations - Classification either as Acquisitions or Unitings of Interests
SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 11	Foreign Exchange - Capitalisation of Losses Resulting from Severe Currency Devaluations
SIC 12	Consolidation - Special Purpose Entities
SIC 13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers
SIC 14	Property, Plant and Equipment - Compensation for the Impairment or Loss of Items
SIC 15	Operating Leases - Incentives
SIC 16	Share Capital - Reacquired Own Equity Instruments (Treasury Shares)
SIC 17	Equity - Costs of an Equity Transaction
SIC 18	Consistency - Alternative Methods
SIC 19	Reporting Currency - Measurement and Presentation of Financial Statements under IAS 21 and IAS 29
SIC 20	Equity Accounting Method - Recognition of Losses
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 22	Business Combinations - Subsequent Adjustment of Fair Values and Goodwill Initially Reported
SIC 23	Property, Plant and Equipment - Major Inspection or Overhaul Costs
SIC 24	Earnings Per Share - Financial Instruments that may be Settled in Shares
SIC 25	Income Taxes - Changes in the Tax Status of an Enterprise or its Shareholders
SIC 27	Evaluating the Substance of Transactions in the Legal Form of a Lease
SIC 28	Business Combinations - 'Date of Exchange' and Fair Value of Equity Instruments
SIC 29	Disclosure - Service Concession Arrangements
SIC 30	Reporting Currency - Translation from Measurement Currency to Presentation Currency
SIC 31	Revenue - Barter Transactions Involving Advertising Services
SIC 32	Intangible Assets - Website Costs
SIC 33	Consolidation and Equity Method - Potential Voting Rights and Allocation of Interests

The following is a brief summary of each of the IASB's Standards and Interpretations in issue at 30 November 2002 (details of Interpretations are included with the Standards that are the subject of interpretation). This summary does not address the detailed presentation and disclosure requirements of the Standards - those are dealt with in the Presentation and Disclosure Checklist.

IAS 1 (REVISED 1997)

PRESENTATION OF FINANCIAL STATEMENTS

Objective

The objective of IAS 1 (r1997) is to prescribe the basis for presentation of general purpose financial statements. It sets out the overall framework and responsibilities for the presentation of financial statements, guidelines for their structure and minimum requirements for the content of the financial statements.

Scope

IAS 1 (r1997) applies to all general purpose financial statements prepared in accordance with International Accounting Standards. General purpose financial statements are those intended to serve users who do not have the authority to demand financial reports tailored for their own needs.

Components of Financial Statements

A complete set of financial statements should include a balance sheet, income statement, statement showing changes in equity, cash flow statement, and accounting policies and explanatory notes.

Enterprises are also encouraged to present a financial review by management, outside the financial statements, that describes and explains the main factors and influences of the enterprise's financial performance, its sources of funding, risk management policies, and strengths and resources whose value is not reflected in the balance sheet under IAS.

Reporting Period

There is a presumption that financial statements will be prepared at least annually. If the annual reporting period changes and financial statements are prepared for a different period, the enterprise should disclose the reason for the change and a warning that the corresponding amounts shown may not be comparable.

Balance Sheet

The Standard specifies minimum headings to be presented on the face of the balance sheet and guidance for the identification of additional line items. There is no particular format or order of presentation mandated.

An enterprise may choose, based on the nature of its operations, whether to:

- separate current and non-current assets and liabilities; or
- present assets and liabilities in order of their liquidity (or in reverse order of liquidity) without a current/ non-current distinction.

In either case, if an asset (liability) category combines amounts that will be received (settled) after 12 months with assets (liabilities) that will be received (settled) within 12 months, note disclosure is required that separates the longer-term amounts from the amounts due to be received (settled) within 12 months.

Where a current/non-current distinction is made:

- current assets are cash; cash equivalents; assets held for collection, sale or consumption within the enterprise's normal operating cycle; or assets held for short-term trading within the next 12 months. All other assets are non-current; and
- current liabilities are those to be settled within the enterprise's normal operating cycle or due within 12 months. All other liabilities are non-current. Long-term debt that is refinanced before the financial statements are authorised for issue may be classified as non-current, even if it was originally due for settlement within 12 months of the balance sheet date.

Assets and liabilities should not be offset unless offsetting is required or permitted by another IAS.

Detailed disclosures are also specified for issued share capital and reserves.

Income Statement

The Standard specifies minimum headings to be presented on the face of the income statement and guidance for the identification of additional line items. There is no particular format or order of presentation mandated.

Income and expenses should not be offset unless another IAS requires or permits such offset, or the amounts to be offset arise from the same events and are not material.

Expenses should be analysed either by nature (raw materials, staff costs, depreciation etc.) or by function (cost of sales, selling, administrative etc.), either on the face of the income statement or in the notes. If an enterprise categorises by function, additional information on the nature of expenses (at a minimum depreciation, amortisation and staff costs) should be disclosed.

Cash Flow Statement

Rather than setting out separate standards for presenting the cash flow statement, IAS 1 (r1997) refers to IAS 7 (r1992) *Cash Flow Statements*.

Statement of Changes in Equity

IAS 1 (r1997) requires the presentation of a statement of changes in equity as a separate component of the financial statements, showing:

- the net profit or loss for the period;
- each item of income or expense, and gain or loss, that is recognised directly in equity and the total of those items; and
- the cumulative effect of prior period adjustments.

Either within this statement, or in a separate note, the enterprise is required to disclose:

- capital transactions with owners;
- the balance of accumulated profits at the beginning and at the end of the period, and the movements for the period; and

- a reconciliation between the carrying amount of each class of equity capital, share premium and each reserve at the beginning and at the end of the period, disclosing each movement.

Accounting Policies and Notes to the Financial Statements

At a minimum, the notes to the financial statements should present the accounting policies followed; narrative descriptions or detailed analyses of items shown on the face of the financial statements; information required or encouraged by other IFRS; and other disclosures necessary for an understanding and the fair presentation of the financial statements.

Specifically, comprehensive disclosures are required in respect of Service Concession Arrangements, in the financial statements of both the Concession Operator and the Concession Provider. ***[SIC 29]***

The accounting policies section should describe the measurement basis used in preparing the financial statements and each specific accounting policy that is necessary for an understanding of the financial statements.

Fair Presentation and Compliance with International Financial Reporting Standards

Financial statements are required to present fairly the financial position, financial performance and cash flows of an enterprise. Such fair presentation will generally be achieved by compliance with IFRS. Fair presentation means:

- selecting accounting policies that comply fully with IFRS or, in the absence of an IFRS, result in relevant and reliable information;
- presenting the information to maximise relevance, reliability, comparability and understandability; and
- providing additional disclosures that aid in understanding financial position and performance.

If financial statements comply with IFRS, that fact should be stated. Such a statement should not be made, however, unless there is full compliance with all applicable Standards and Interpretations. In the rare circumstances where non-compliance with IFRS is necessary in order to achieve a fair presentation, the enterprise is required to make comprehensive disclosures in order to justify the non-compliance and to highlight its financial impact.

In the period in which IFRS are applied in full for the first time, the financial statements should be presented as if the enterprise had always applied IFRS. Standards and Interpretations should generally be applied retrospectively - and the resulting adjustment treated as an adjustment to the opening balance of retained earnings. ***[SIC 8]***

The Standard also specifies fundamental principles underlying the preparation of financial statements (going concern, consistency and accruals) and a general requirement for presenting comparative amounts.

If more than one accounting policy is available under an IFRS or Interpretation, the enterprise should choose and apply consistently one of those policies to all similar items, unless the Standard or Interpretation specifically permits categorisation of items (transactions, events, balances or amounts) for which different policies may be appropriate. ***[SIC 18]***

IAS 2 (REVISED 1993)

INVENTORIES

Objective

The objective of IAS 2 (r1993) is to prescribe the accounting treatment for inventories under the historical cost system. It provides guidance on the determination of the cost of inventories and subsequent recognition as an expense, including any write-down to net realisable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Scope

Inventories include assets held for sale in the ordinary course of business (finished goods), assets in the production process for sale in the ordinary course of business (work in progress), and materials and supplies that are consumed in production (raw materials).

However, IAS 2 (r1993) excludes certain inventories from its scope:

- work in progress arising under construction contracts (see IAS 11 (r1993) *Construction Contracts*);
- financial instruments (see IAS 39(r2000) *Financial Instruments: Recognition and Measurement*);
- producers' inventories of agricultural and forest products, mineral ores and agricultural produce to the extent that they are measured at net realisable value (whether above or below cost) in accordance with established industry practices; and
- biological assets related to agricultural activity (see IAS 41 *Agriculture*).

Measurement of Inventories

Inventories are required to be stated at the lower of cost and net realisable value (NRV).

Cost should include all:

- costs of purchase (including taxes, transport and handling), net of trade discounts received;
- costs of conversion (including fixed and variable manufacturing overheads); and
- other costs incurred in bringing the inventories to their present location and condition.

Inventory cost should not include abnormal waste, storage costs, administrative overheads unrelated to production, or selling costs.

The standard cost and retail methods may be used for the measurement of cost, provided that the results approximate actual cost.

For inventory items that are not interchangeable, specific costs are attributed to the specific individual items of inventory. For items that are interchangeable, the **benchmark treatment** allows the FIFO or weighted average cost formulas. The **allowed alternative treatment** permits the use of LIFO.

The same cost formula should be used for all inventories with similar characteristics as to their nature and use to the enterprise. For groups of inventories that have different characteristics, different cost formulas may be justified. ***[SIC 1]***

Write-Down to Net Realisable Value

NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Any write-down to NRV should be recognised as an expense in the period in which the write-down or loss occurs. Any reversal should be recognised in the income statement in the period in which the reversal occurs.

IAS 7 (REVISED 1992)

CASH FLOW STATEMENTS

Objective

The objective of IAS 7 (r1992) is to require the presentation of information about the historical changes in cash and cash equivalents of an enterprise by means of a cash flow statement, which classifies cash flows during the period according to operating, investing and financing activities.

Presentation of the Cash Flow Statement

The cash flow statement analyses changes in cash and cash equivalents during a period. Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value. Guidance notes indicate that an investment normally meets the definition of a cash equivalent when it has a maturity of three months or less from the date of acquisition. Equity investments are normally excluded, unless they are in substance a cash equivalent (e.g. preferred shares acquired within three months of their specified redemption date). Bank overdrafts that are repayable on demand and which form an integral part of the enterprise's cash management are also included as a component of cash and cash equivalents.

Cash flows are analysed between operating, investing and financing activities. Key principles specified by IAS 7 (r1992) for the preparation of a cash flow statement are as follows:

- operating activities are the main revenue-producing activities of the enterprise that are not investing or financing activities. Therefore, operating cash flows include cash received from customers and cash paid to suppliers and employees;
- investing activities are the acquisition and disposal of long-term assets and other investments that are not considered to be cash equivalents;
- financing activities are activities that alter the equity capital and borrowing structure of the enterprise;
- interest and dividends received and paid may be classified as operating, investing or financing cash flows, provided that they are classified consistently from period to period;
- cash flows arising from taxes on income are normally classified as operating, unless they can be specifically identified with financing or investing activities;
- for operating cash flows, the direct method of presentation is encouraged, but the indirect method is acceptable (see the Model Financial Statements for an illustration of both methods);
- cash flows relating to extraordinary items should be classified as operating, investing or financing as appropriate, and should be separately disclosed;

- the exchange rate used for translation of transactions denominated in a foreign currency should be the rate in effect at the date of the cash flows;
- cash flows of foreign subsidiaries should be translated at the exchange rates prevailing when the cash flows took place;
- as regards the cash flows of associates and joint ventures, where the equity method is used, the cash flow statement should report only cash flows between the investor and the investee; where proportionate consolidation is used, the cash flow statement should include the venturer's share of the cash flows of the investee;
- aggregate cash flows relating to acquisitions and disposals of subsidiaries and other business units should be presented separately and classified as investing activities, with specified additional disclosures. The aggregate cash paid or received as consideration should be reported net of cash and cash equivalents acquired or disposed of;
- investing and financing transactions that do not require the use of cash should be excluded from the cash flow statement, but they should be separately disclosed elsewhere in the financial statements;
- the components of cash and cash equivalents should be disclosed, and a reconciliation presented to amounts reported in the balance sheet; and
- the amount of cash and cash equivalents held by the enterprise that is not available for use by the group should be disclosed, together with a commentary by management.

IAS 8 (REVISED 1993)

NET PROFIT OR LOSS FOR THE PERIOD, FUNDAMENTAL ERRORS AND CHANGES IN ACCOUNTING POLICIES

Objective

The objective of IAS 8 (r1993) is to prescribe the classification, disclosure and accounting treatment of certain items in the income statement, so that all enterprises prepare and present an income statement on a consistent basis.

Items to be Included in the Income Statement

All items of income and expense recognised in a period should be included in net profit or loss for the period, unless another IFRS requires or permits otherwise.

The net profit or loss for the period includes the following two components, which should be disclosed separately on the face of the income statement:

- profit or loss from ordinary activities; and
- extraordinary items.

Results of Ordinary Activities

Ordinary activities are the ongoing activities undertaken by an enterprise as part of its business. Ordinary activities include activities that are incidental to, but related to, the ongoing business activities.

Disclosure is required of items within profit or loss from ordinary activities of such size, nature or incidence that their disclosure is relevant to explain the performance for the period. The nature and amount of such items should be separately disclosed (usually in the notes).

Extraordinary Items

Extraordinary items arise from events that are clearly distinct from the ordinary activities of the enterprise and therefore are not expected to recur frequently or regularly. The only examples given are the expropriation of assets, or an earthquake or other natural disaster. These are rare events that are beyond the control of the management of the enterprise. The nature and amount of extraordinary items should be separately disclosed (total on the face of the income statement, analysis in the notes).

Fundamental Errors

Fundamental errors are defined as errors of such significance that the financial statements of one or more prior periods can no longer be considered to have been reliable at the date of their issue. The **benchmark treatment** is to treat the correction of a fundamental error as an adjustment of the opening balance of retained earnings and to restate comparative information. As an **allowed alternative treatment**, the amount of the correction may be included in the current period's results and comparative information presented as previously reported. If this alternative is selected, additional proforma information reflecting the effect as if the benchmark treatment had been adopted is required to be disclosed, unless it is impracticable to do so.

Changes in Accounting Policies

Under IAS 8 (r1993), a change in accounting policy should only be made if required by statute or by a standard-setting body, or so as to give a more appropriate presentation. A change made on the basis of a new IFRS should be accounted for in accordance with the transitional provisions specified in the new Standard.

Under the **benchmark treatment**, changes other than those arising on the implementation of a new IFRS should be applied retrospectively, with an adjustment to the opening balance of retained earnings. Comparative information should be restated, where practicable. The **allowed alternative treatment** for non-mandated changes is that the effect of the retrospective application of the accounting policy may be included in the current period's results and comparative information presented as previously reported. If this alternative is selected, additional proforma information reflecting the effect as if the benchmark treatment had been adopted is required to be disclosed, unless it is impracticable to do so.

A change in accounting policy should be applied prospectively when the adjustment to opening retained earnings cannot be reasonably determined.

The allowed alternative treatment described above (i.e. the inclusion of the cumulative effect of the change in net profit or loss in the period of change) is not applicable in the case of first time application of International Financial Reporting Standards as the primary basis of accounting. In these circumstances, SIC 8 requires that the Standards and Interpretations that are in effect for the period of first-time application of IFRS should be applied retrospectively except when (a) another IFRS or SIC requires or permits a different treatment; or (b) the amount of the adjustment relating to prior periods cannot be reasonably determined.

Changes in Estimates

The effect of a change in accounting estimate should be included in net profit or loss in the period of change and any affected future periods. The nature and amount of a change in accounting estimate that has a material effect in the current period, or that is expected to have a material effect in subsequent periods, should be disclosed. If it is impracticable to quantify the effect, that fact should be disclosed.

When a change in estimate is made, the effect of the change should be included in the same income statement category as had been used previously for the estimate.

IAS 10 (REVISED 1999)

EVENTS AFTER THE BALANCE SHEET DATE

Objective

The objective of IAS 10 (r1999) is to prescribe when an enterprise should adjust its financial statements for events after the balance sheet date, and the disclosures that an enterprise should give about the date when the financial statements are authorised for issue and about events after the balance sheet date.

Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the balance sheet date and the date that the financial statements are authorised for issue.

An adjusting event is an event after the balance sheet date that provides further evidence of conditions that existed at the balance sheet.

A non-adjusting event is an event that is indicative of conditions that arose after the balance sheet date.

Under IAS 10 (r1999):

- financial statements should be adjusted for events after the balance sheet date that provide further evidence of conditions that existed at the balance sheet; and
- financial statements should not be adjusted for events or conditions that arose after the balance sheet date.

Dividends

IAS 10 (r1999) specifies that if dividends to holders of equity instruments are proposed or declared after the balance sheet date, those dividends should not be recognised as a liability at the balance sheet date. However, disclosure of post-balance-sheet-date dividends is required by IAS 1 (r1997) *Presentation of Financial Statements*. That disclosure can be made in the notes or in the equity section of the balance sheet.

Going Concern

In addition, IAS 10 (r1999) specifies that financial statements should not be prepared on a going concern basis if management determines after the balance sheet date either that it intends to liquidate the enterprise or to cease trading, or that it has no realistic alternative but to do so.

IAS 11 (REVISED 1993)

CONSTRUCTION CONTRACTS

Objective

The objective of IAS 11 (r1993) is to prescribe the accounting treatment of revenue and costs associated with construction contracts.

Construction Contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a group of inter-related assets. Construction contracts include contracts for architectural, engineering, demolition and other services related to the construction of an asset.

Under IAS 11 (r1993), if a contract covers two or more assets, the construction of each asset should be accounted for separately if:

- separate proposals were submitted for each asset;
- the portions of the contract relating to each asset were negotiated separately; and
- the costs and revenues of each asset can be measured.

Otherwise, the contract should be accounted for in its entirety.

Two or more contracts should be accounted for as a single contract if they were negotiated together and the work is inter-related.

If a contract gives the customer an option to order one or more additional assets, the construction of each additional asset should be accounted for as a separate contract if either (a) the additional asset differs significantly from the original asset(s), or (b) the price of the additional asset is separately negotiated.

Contract Revenue and Contract Costs

Contract revenue should include the amount agreed in the initial contract, plus revenue from variations in the contract work, plus claims and incentive payments that (a) are expected to be collected, and (b) can be measured reliably.

Contract costs should include costs that relate directly to the specific contract, plus costs that are attributable to the contractor's general contracting activity to the extent that they can be reasonably allocated to the contract, plus any other costs that can be specifically charged to the customer under the terms of the contract.

Recognition of Revenue and Costs

If the outcome of a construction contract can be estimated reliably, revenue and costs should be recognised in proportion to the stage of completion of contract activity. This is known as the percentage-of-completion method of accounting. To be able to estimate the outcome of a contract reliably, the enterprise must be able to make a reliable estimate of total contract revenue, the stage of completion, and the costs to complete the contract.

If the outcome cannot be estimated reliably, no profit should be recognised. Instead, contract revenue should be recognised only to the extent that contract costs incurred are expected to be recoverable, and contract costs should be expensed as incurred.

The stage of completion of a contract can be determined in a variety of ways - including the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, surveys of work performed, or completion of a physical proportion of the contract work.

An expected loss on a construction contract should be recognised as an expense as soon as such loss is probable.

IAS 12 (REVISED 2000)

INCOME TAXES

Objective

The objective of IAS 12 (r2000) is to prescribe the accounting treatment for income taxes.

Definitions

Temporary difference: A difference between the carrying amount of an asset or liability and its tax base.

Taxable temporary difference: A temporary difference that will result in taxable amounts in the future when the carrying amount of the asset is recovered or the liability is settled.

Deductible temporary difference: A temporary difference that will result in amounts that are tax deductible in the future when the carrying amount of the asset is recovered or the liability is settled.

Current Tax

Current tax for the current and prior periods should be recognised as a liability to the extent that it has not yet been settled, and as an asset to the extent that the amounts already paid exceed the amount due. The benefit of a tax loss which can be carried back to recover current tax of a prior period should be recognised as an asset. Current tax assets and liabilities should be measured at the amount expected to be paid to (recovered from) taxation authorities, using the rates/laws that have been enacted or substantively enacted by the balance sheet date.

Recognition of Deferred Tax Liabilities

The general principle established in IAS 12 (r2000) is that deferred tax liabilities should be recognised for all taxable temporary differences. There are three exceptions to the requirement to recognise a deferred tax liability, as follows:

- liabilities arising from goodwill for which amortisation is not deductible for tax purposes;
- liabilities arising from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit; and
- liabilities arising from undistributed profits from investments where the enterprise is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Recognition of Deferred Tax Assets

A deferred tax asset should be recognised for deductible temporary differences to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised, unless the deferred tax asset arises from:

- negative goodwill which is treated as deferred income under IAS 22 (r1998) *Business Combinations*; or
- the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect the accounting or the taxable profit.

Deferred tax assets for deductible temporary differences arising from investments in subsidiaries, associates, branches and joint ventures should be recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference will be utilised.

A deferred tax asset should be recognised for an unused tax loss carryforward or unused tax credit if, and only if, it is considered probable that there will be sufficient future taxable profit against which the loss or credit carryforward can be utilised.

The carrying amount of deferred tax assets should be reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction should be subsequently reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Measurement of Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled (liability method), based on tax rates/laws that have been enacted or substantively enacted by the balance sheet date. The measurement should reflect the enterprise's expectations, as at the balance sheet date, as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

Where a non-depreciable asset is carried at a revalued amount under IAS 16 (r1998), Property, Plant and Equipment, no part of such an asset is considered to be recovered through its use. Therefore, the deferred tax liability or asset that arises from revaluation should be measured based on the tax consequence that would follow from the sale of the asset rather than through use. ***[SIC 21]***

Deferred tax assets and liabilities should not be discounted.

Recognition of Tax Expense or Income

Current and deferred tax should be recognised as income or expense and included in net profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event that is recognised directly in equity; or
- a business combination accounted for as an acquisition.

If the tax relates to items that are credited or charged directly to equity, the tax should also be charged or credited directly to equity.

A change in the tax status of an enterprise or its shareholders does not give rise to increases or decreases in the pre-tax amounts recognised directly in equity. Therefore, the current and deferred tax consequences of such a change in status should be included in net profit or loss for the period, unless those consequences relate to transactions and events that result in a direct credit or charge to the recognised amount of equity. ***[SIC 25]***

If the tax arises from a business combination that is an acquisition, it should be recognised as an identifiable asset or liability at the date of acquisition in accordance with IAS 22 (r1998) *Business Combinations*.

Tax Consequences of Dividends

In some jurisdictions, income taxes are payable at a higher or lower rate if part or all of the net profit or retained earnings is paid out as a dividend. In other jurisdictions, income taxes may be refundable if part or all of the net profit or retained earnings is paid out as a dividend. Possible future dividend distributions or tax refunds should not be anticipated in measuring deferred tax assets and liabilities.

IAS 10 (r1999) *Events after the Balance Sheet Date* requires disclosure, and prohibits accrual, of a dividend that is proposed or declared after the end of the reporting period but before the financial statements are authorised for issue (see page 27). IAS 12 (r2000) requires disclosure of the potential income tax consequences of such dividends.

IAS 14 (REVISED 1997)

SEGMENT REPORTING

Objective

The objective of IAS 14 (r1997) is to establish principles for reporting financial information by line of business and by geographical area.

Scope

IAS 14 (r1997) applies to enterprises whose equity or debt securities are publicly traded and to enterprises in the process of issuing securities to the public. In addition, any enterprise voluntarily providing segment information should comply with the requirements of the Standard.

Segment information need not be presented in the separate financial statements of (a) a parent, (b) a subsidiary, (c) an equity method associate, or (d) an equity method joint venture that are presented in the same report as the consolidated statements.

Definitions

Business segment: A component of an enterprise that (a) provides a single product or service or a group of related products and services, and (b) is subject to risks and returns that are different from those of other business segments.

Geographical segment: A component of an enterprise that (a) provides products and services within a particular economic environment, and (b) is subject to risks and returns that are different from those of components operating in other economic environments.

Reportable segment: A business segment or geographical segment for which IAS 14 (r1997) requires segment information to be reported.

Segment revenue: Revenue, including inter-segment revenue, that is directly attributable or reasonably allocable to a segment. Includes interest and dividend income and related securities gains only if the segment is a financial segment (bank, insurance enterprise etc.).

Segment expenses: Expenses, including expenses relating to inter-segment transactions, that (a) result from operating activities, and (b) are directly attributable or reasonably allocable to a segment. Includes interest expense and related securities losses only if the segment is a financial segment (bank, insurance enterprise etc.).

Segment expenses never include:

- extraordinary items;
- losses on investments accounted for by the equity method;
- income taxes; or
- general corporate administrative and head-office expenses.

Segment result: Segment revenue minus segment expenses, before deducting minority interest.

Segment assets and segment liabilities: Those operating assets (liabilities) that are directly attributable or reasonably allocable to a segment.

Identifying Business and Geographical Segments

An enterprise must look to its organisational structure and internal reporting system to identify reportable segments. In particular, IAS 14 (r1997) presumes that segmentation in internal financial reports prepared for the board of directors and chief executive officer should normally determine segments for external reporting purposes. Only if internal segments aren't along either product/service or geographical lines is further disaggregation appropriate. This is a 'management approach' to segment definition.

Geographical segments may be based either on where the enterprise's assets are located or on where its customers are located. Whichever basis is used, several items of data must be presented on the other basis, if significantly different.

Primary and Secondary Segments

For most enterprises, one basis of segmentation is primary and the other is secondary, with considerably less disclosure required for secondary segments. The enterprise should determine whether business or geographical segments are to be used for its primary segment reporting format based on whether the enterprise's risks and returns are affected predominantly by the products and services that it produces, or by the fact that it operates in different geographical areas. The basis for identification of the predominant source and nature of risks and differing rates of return facing the enterprise will usually be the enterprise's internal organisational and management structure and its system of internal financial reporting to senior management.

Identifying Reportable Segments

The enterprise's reportable segments are its business and geographical segments for which a majority of their revenue is earned from sales to external customers and for which:

- revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or
- segment result, whether profit or loss, is 10% or more the combined result of all segments in profit or the combined result of all segments in loss, whichever is greater in absolute amount; or
- assets are 10% or more of the total assets of all segments.

Segments deemed too small for separate reporting may be combined with each other, if related, but they may not be combined with other significant segments for which information is reported internally. Alternatively, they may be separately reported. If neither combined nor separately reported, they should be included as an unallocated reconciling item.

If total external revenue attributable to reportable segments identified using the 10% thresholds outlined above is less than 75% of the total consolidated or enterprise revenue, additional segments should be identified as reportable segments until at least 75% of total consolidated or enterprise revenue is included in reportable segments.

Vertically-integrated segments (those that earn a majority of their revenue from inter-segment transactions) may be, but need not be, reportable segments. If not separately reported, the selling segment is combined with the buying segment.

Additional rules are specified for identifying reportable segments in the years in which a segment reaches or loses 10% significance.

Segment Accounting Policies

Segment accounting policies should be the same as those used in the consolidated financial statements.

If assets used jointly by two or more segments are allocated to segments, the related revenue and expenses must also be allocated.

Disclosures

IAS 14 (r1997) specifies comprehensive disclosure requirements for the enterprise's primary segments, with a reduced level of disclosure for its secondary segments. These disclosure requirements are detailed in the Presentation and Disclosure Checklist.

Where there has been a change in the identification of segments, prior year information should be restated. If this is not practicable, segment data should be reported for both the old and new bases of segmentation in the year of change.

IAS 15

INFORMATION REFLECTING THE EFFECTS OF CHANGING PRICES

Status of IAS 15

In October 1989, the IASC issued a Board Statement making the application of IAS 15 optional. The IASC granted that exemption because of the failure to reach an international consensus on the disclosure of information reflecting the effects of changing prices. However, enterprises are encouraged to disclose information reflecting the effects of changing prices and, where they do so, to disclose the items specified by IAS 15.

Objective

The objective of IAS 15 is to specify disclosures reflecting the effects of changing prices on the measurements used in the determination of an enterprise's results of operations and its financial position.

Scope

IAS 15 applies to enterprises whose levels of revenue, profit, assets or employment are significant in the economic environment in which they operate. When both parent and consolidated financial statements are presented, the information specified by IAS 15 need be presented only on a consolidated basis.

Method for Reflecting Changing Prices

The enterprise should select one of two broad accounting methods for reflecting the effects of changing prices:

- the general purchasing power approach - restating financial statements for changes in the general price level; or
- the current cost approach - measuring balance sheet items at replacement cost. IAS 15 allows for a variety of methods of adjusting income under the current cost approach.

The methods adopted to compute the effect of changing prices, including the nature of any indices used, should be described in the financial statements. Where the information specified for disclosure is not presented in the primary financial statements, it should be provided on a supplementary basis.

The detailed disclosure requirements of IAS 15 are set out in Section 10 of the Presentation and Disclosure Checklist.

IAS 16 (REVISED 1998)

PROPERTY, PLANT AND EQUIPMENT

Objective

The objective of IAS 16 (r1998) is to prescribe the accounting treatment for property, plant and equipment. The principal issues are the timing of recognition of assets, the determination of their carrying amounts, and the depreciation charges to be recognised in relation to them.

Recognition

Items of property, plant and equipment should be recognised as assets when:

- it is probable that the future economic benefits associated with the asset will flow to the enterprise; and
- the cost of the asset can be measured reliably.

Initial Measurement

Items of property, plant and equipment should be initially recorded at cost. Cost includes all costs necessary to bring the asset to working condition for its intended use. This would include not only its original purchase price, but also costs of site preparation, delivery and handling, installation, related professional fees for architects and engineers, and the estimated cost of dismantling and removing the asset and restoring the site.

If payment for an item of property, plant, and equipment is deferred, interest at a market rate should be recognised or imputed.

If an asset has significant components that either have different useful lives or provide benefits in different patterns, each of the components should be accounted for as a separate asset.

Where the asset is acquired in exchange for another asset, the cost will be recorded as:

- in the case of an exchange for a dissimilar asset, the fair value of the asset acquired, which will be the fair value of the asset given up; and

- in the case of an exchange for an asset which has a similar use in the same line of business, at the carrying amount of the asset given up (i.e. no gain or loss recognised on the transaction). The fair value of the asset acquired may provide evidence of an impairment loss in relation to the asset given up, which should be recognised.

Subsequent Expenditure

Subsequent expenditure incurred on the asset should be added to the carrying amount of the asset only when it is probable that the future economic benefits have been increased beyond those originally assessed. Otherwise the costs should be expensed.

The cost of a major inspection or overhaul should generally be expensed as incurred. The exception is where the enterprise treats the cost of a major inspection or overhaul as a separate 'component' asset for accounting purposes and depreciates that component to reflect the consumption of benefits resulting from the major inspection or overhaul. In such circumstances, the cost of the overhaul is capitalised and depreciated over the period to the next overhaul. ***[SIC 23]***

Measurement Subsequent to Initial Recognition

Two methods of accounting are permitted. Under the **benchmark treatment**, the enterprise should carry the assets at cost less accumulated depreciation and accumulated impairment losses.

Under the **allowed alternative treatment**, the asset should be carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment.

Where the allowed alternative treatment is adopted, revaluations should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date.

Where an item is revalued, the entire class of assets to which that asset belongs should be revalued. Where a revaluation gives rise to a value uplift, it should be credited to the revaluation surplus (equity) unless it represents the reversal of a revaluation decrease of the same asset previously recognised as an expense, in which case it should be recognised as income. A decrease arising as a result of a revaluation should be recognised as an expense in so far as it exceeds the amount that can be charged to the revaluation surplus (i.e. the amount held in the revaluation surplus relating to the same asset).

The revaluation surplus may be transferred directly to retained earnings when the surplus is realised. The entire surplus for an asset may be realised upon retirement/disposal of the asset, or part of the surplus may be realised as the asset is used (the difference between depreciation based on the revalued carrying amount and depreciation based on historical cost). The transfer to retained earnings should not be made through the income statement.

Depreciation

For all depreciable assets:

- the depreciable amount should be allocated on a systematic basis over the asset's useful life;
- the depreciation method used should reflect the pattern in which the asset's economic benefits are consumed by the enterprise;
- total depreciation should be charged to the income statement, unless it is included in the carrying amount of another asset;
- where the estimate of the asset's useful life changes, the depreciation charge should be adjusted for the current and future periods; and

- where the depreciation method changes, due to a change in the expected pattern of benefits, the charge for the current and future periods should be adjusted.

Recoverability of the Carrying Amount

IAS 36 *Impairment of Assets* requires impairment testing and, if necessary, recognition of impairment losses for property, plant and equipment. See page 67 for a discussion of the requirements of IAS 36.

Any impairments, claims for compensation from third parties and any subsequent restoration/replacement/ reconstruction should be dealt with as separate events and should be accounted for separately. ***[SIC 14]***

Retirements and Disposals

An asset should be removed from the balance sheet on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is the difference between the proceeds and the carrying amount and should be recognised in the income statement.

IAS 17 (REVISED 1997)

LEASES

Objective

The objective of IAS 17 (r1997) is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to finance and operating leases.

Scope

IAS 17 (r1997) applies to all leases other than lease agreements to explore for or use minerals, oil, natural gas and similar non-regenerative resources, and licensing agreements for films, videos, plays, manuscripts, patents, copyrights and similar items.

IAS 17 (r1997) should not be applied in the following circumstances:

- by lessees of investment property held under finance leases, or lessors of investment property leased out under operating leases (see IAS 40 *Investment Property*); nor
- by lessees of biological assets held under finance leases, or lessors of biological assets leased out under operating leases (see IAS 41 *Agriculture*).

Transactions Involving the Legal Form of a Lease

An arrangement involving the legal form of a lease should be evaluated to determine whether, in substance, the arrangement results in a lease under IAS 17 (r1997). Where the arrangement does not meet the definition of a lease, IAS 17 (r1997) is not applicable and the principles of the Framework for the Preparation and Presentation of Financial Statements, and other relevant Standards, should be used to determine the appropriate accounting for the arrangement. ***[SIC 27]***

Classification of Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases.

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form. Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the lease assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Other situations that might also lead to classification as a finance lease are:

- if the lessee is entitled to cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from fluctuations in the fair value of the residual fall to the lessee (e.g. by means of a rebate of lease payments); and
- the lessee has the ability to continue to lease for a secondary period at a rent that is substantially lower than market rent.

Accounting by Lessees

The following principles should be applied in the financial statements of lessees:

- finance leases should be recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments (discounted at the interest rate implicit in the lease, if practicable, or else at the enterprise's incremental borrowing rate);
- finance lease payments should be apportioned between the finance charge and the reduction of the outstanding liability (the finance charge to be allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability);
- the depreciation policy for assets held under finance leases should be consistent with that for owned assets. If there is no reasonable certainty that the lessee will obtain ownership at the end of the lease, the asset should be depreciated over the shorter of the lease term or the life of the asset; and
- for operating leases, the lease payments should be recognised as an expense over the lease term in the income statement on a straight-line basis, unless another systematic basis is representative of the time pattern of the user's benefit.

Incentives for the agreement of a new or renewed operating lease should be recognised by the lessee as a reduction of the rental expense over the lease term, irrespective of the incentive's nature or form, or the timing of payments. The benefit should generally be recognised on a straight-line basis. ***[SIC 15]***

Accounting by Lessors

The following principles should be applied in the financial statements of lessors:

- the lessor should record a finance lease in the balance sheet as a receivable, at an amount equal to the net investment in the lease;
- the lessor should recognise finance income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease; and
- assets held for operating leases should be presented in the balance sheet of the lessor according to the nature of the asset. Lease income should be recognised over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

Incentives for the agreement of a new or renewed operating lease should be recognised by the lessor as a reduction of the rental income over the lease term, irrespective of the incentive's nature or form, or the timing of payments. The cost of incentives should generally be recognised on a straight-line basis. ***[SIC 15]***

Manufacturers or dealer lessors should include selling profit or loss in the same period as they would for an outright sale. If artificially low rates of interest are charged, selling profit should be restricted to that which would apply if a commercial rate of interest were charged.

Sale and Leaseback Transactions

For a sale and leaseback transaction that results in a finance lease, any excess of proceeds over the carrying amount is deferred and amortised over the lease term.

For a transaction that results in an operating lease:

- if the transaction is clearly carried out at fair value - the profit or loss should be recognised immediately;
- if the sale price is below fair value - the loss should be recognised immediately, except if it is compensated for by future rentals at below market price, when it should be amortised over the period of use;
- if the sale price is above fair value - the excess over fair value should be deferred and amortised over the period of use; and
- if the fair value at the time of the transaction is less than the carrying amount - a loss equal to the difference should be recognised immediately.

IAS 18 (REVISED 1993)

REVENUE

Objective

The objective of IAS 18 (r1993) is to prescribe the accounting treatment for revenue arising from certain types of transactions and events.

Revenue is defined as the gross inflow of economic benefits (cash, receivables, other assets) arising from the ordinary operating activities of an enterprise (such as sales of goods, sales of services, interest, royalties and dividends).

Measurement of Revenue

Revenue should be measured at the fair value of the consideration receivable. An exchange for goods or services of a similar nature and value is not regarded as a transaction that generates revenue. However, exchanges for dissimilar items are regarded as generating revenue.

If the inflow of cash or cash equivalents is deferred, the fair value of the consideration receivable is less than the nominal amount of cash and cash equivalents to be received, and discounting is appropriate. This would occur, for instance, if the seller is providing interest-free credit to the buyer or is charging a below-market rate of interest. Interest should be imputed based on market rates.

Revenue from a barter transaction involving advertising cannot be measured reliably at the fair value of advertising services received. The seller can only reliably measure such revenue at the fair value of the service provided, by reference to similar representative non-barter transactions, with a different counterparty, that occur frequently and that involve cash or other consideration that has a reliably measurable fair value. ***[SIC 31]***

Sale of Goods

Revenue arising from the sale of goods should be recognised when all of the following criteria have been satisfied:

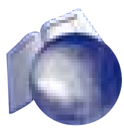
- the seller has transferred to the buyer the significant risks and rewards of ownership;
- the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the seller; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of Services

For revenue arising from the rendering of services, provided that all of the following criteria are met, revenue should be recognised by reference to the stage of completion of the transaction at the balance sheet date (the percentage-of-completion method):

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits will flow to the seller;
- the stage of completion at the balance sheet date can be measured reliably; and
- the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

When the above criteria are not met, revenue arising from the rendering of services should be recognised only to the extent of the expenses recognised that are recoverable (a ‘cost-recovery’ approach).



Interest, Royalties and Dividends

For interest, royalties and dividends, provided that it is probable that the economic benefits will flow to the enterprise and the amount of revenue can be measured reliably, revenue should be recognised as follows:

- interest: on a time proportion basis that takes into account the effective yield;
- royalties: on an accruals basis in accordance with the substance of the relevant agreement; and
- dividends: when the shareholder's right to receive payment is established.

IAS 19 (REVISED 2002)

EMPLOYEE BENEFITS

Objective

The objective of IAS 19 (r2002) is to prescribe the accounting and disclosure for employee benefits (i.e. all forms of consideration given by an enterprise in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

Scope

IAS 19 (r2002) applies to (among other kinds of employee benefits) wages and salaries, compensated absences (paid vacation and sick leave), profit-sharing plans, bonuses, medical and life insurance benefits during employment, housing benefits, free or subsidised goods or services given to employees, pension benefits, post-employment medical and life insurance benefits, long-service or sabbatical leave, deferred compensation programmes, termination benefits and equity compensation benefits (disclosure only).

Short-term Employee Benefits

For short-term employee benefits (those payable within 12 months after service is rendered, such as wages, paid vacation and sick leave, bonuses, and non-monetary benefits such as medical care and housing), the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period should be recognised in that period. The expected cost of short-term compensated absences should be recognised as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur.

Profit-sharing and Bonus Payments

The enterprise should recognise the expected cost of profit-sharing and bonus payments when, and only when, it has a legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the expected cost can be made.

Types of Post-employment Benefit Plans

The accounting treatment for a post-employment benefit plan will be determined according to whether the plan is a defined contribution or a defined benefit plan.

Under a defined contribution plan, the enterprise pays fixed contributions into a fund but has no legal or constructive obligation to make further payments if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. These would include both formal plans and those informal practices that create a constructive obligation to the enterprise's employees.

Defined Contribution Plans

For defined contribution plans (including multi-employer plans, state plans and insured schemes where the obligations of the employer are similar to those arising in relation to defined contribution plans), the cost to be recognised in the period is the contribution payable in exchange for service rendered by employees during the period.

If contributions to a defined contribution plan do not fall due within 12 months after the end of the period in which the employee renders the service, they should be discounted to their present value.

Defined Benefit Plans

For defined benefit plans, the amount recognised in the balance sheet should be the present value of the defined benefit obligation (i.e. the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods), as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets at the balance sheet date.

The present value of the defined benefit obligation should be determined using the Projected Unit Credit Method. Valuations should be carried out with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from those that would be determined at the balance sheet date. The assumptions used for the purposes of such valuations should be unbiased and mutually compatible. The rate used to discount estimated cash flows should be determined by reference to market yields at the balance sheet date on high quality corporate bonds.

On an ongoing basis, actuarial gains and losses arise which comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In the long-term, actuarial gains and losses may offset one another and, as a result, the enterprise is not required to recognise all such gains and losses immediately. IAS 19 (r2002) specifies that if the accumulated unrecognised actuarial gains and losses exceed 10% of the greater of the defined benefit obligation or the fair value of plan assets, a portion of that net gain or loss is required to be recognised immediately as income or expense. The portion recognised is the excess divided by the expected average remaining working lives of the participating employees. Actuarial gains and losses that do not breach the 10% limits described above (the 'corridor') need not be recognised - although the enterprise may choose to do so.

Over the life of the plan, changes in benefits under the plan will result in increases or decreases in the enterprise's obligation. Past service cost is the term used to describe the change in the obligation for employee service in prior periods arising as a result of changes to plan arrangements in the current period. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced). Past service cost should be recognised immediately to the extent that it relates to former employees or to active employees already vested. Otherwise, it should be amortised on a straight-line basis over the average period until the amended benefits become vested.

If the calculation of the balance sheet amount as set out above results in an asset, the amount recognised should be limited to the net total of unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan. However, the application of this 'asset ceiling test' should not result in a gain being recognised solely as a result of the deferral of actuarial losses or past service cost, nor in a loss being recognised solely as a result of the deferral of actuarial gains.

The charge to income recognised in a period in respect of a defined benefit plan will be made up of the following components:

- current service cost (the actuarial estimate of benefits earned by employee service in the period);
- interest cost (the increase in the present value of the obligation as a result of moving one period closer to settlement);
- expected return on plan assets and on any reimbursement rights;
- actuarial gains and losses, to the extent recognised;
- past service cost, to the extent recognised; and
- the effect of any plan curtailments or settlements.

The rules outlined in the previous paragraph were introduced in the 1998 revision to IAS 19, which took effect on 1 January 1999. When IAS 19 (r1998) was implemented, enterprises were required to determine their 'transitional' liability - the present value of their post-employment obligation at the date of adoption minus the fair value, at the date of adoption, of plan assets minus any past service cost to be recognised in later periods. If the transitional liability exceeded the liability that would have been calculated under the enterprise's previous accounting policy, it could choose either:

- to recognise that increase immediately under the requirements of IAS 8 (r1993) *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies*; or
- to amortise the increase on a straight-line basis over up to five years from the date of adoption (the run-out period for this amortisation thus continues until 2003).

Other Long-term Benefits

IAS 19 (r2002) requires a simplified application of the model described above for other long-term employee benefits. This method differs from the accounting required for post-employment benefits in that:

- actuarial gains and losses are recognised immediately and no 'corridor' (as discussed above for post-employment benefits) is applied; and
- all past service cost is recognised immediately.

Termination Benefits

For termination benefits, IAS 19 (r2002) specifies that amounts payable should be recognised when, and only when, the enterprise is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The enterprise will be demonstrably committed to a termination when, and only when, it has a detailed formal plan for the termination and is without realistic possibility of withdrawal. Where termination benefits fall due after more than 12 months after the balance sheet date, they should be discounted.

Equity Compensation Benefits

IAS 19 (r2002) also specifies extensive disclosure requirements for equity compensation benefits, but it does not require recognition of compensation expense for equity compensation benefits such as stock options or even disclosure of the fair value of equity securities issued to employees as compensation. The detailed disclosure requirements are set out in the Presentation and Disclosure Checklist.

IAS 20

ACCOUNTING FOR GOVERNMENT GRANTS AND DISCLOSURE OF GOVERNMENT ASSISTANCE

Objective

The objective of IAS 20 is to prescribe the accounting for, and disclosure of, government grants and other forms of government assistance.

Scope

IAS 20 applies to all government grants and other forms of government assistance. However, it does not cover government assistance that is provided in the form of benefits in determining taxable income.

Accounting for Grants

A government grant is recognised only when there is reasonable assurance that (a) the enterprise will comply with any conditions attached to the grant, and (b) the grant will be received.

Grants should be recognised as income over the period necessary to match them with the related costs for which they are intended to compensate, on a systematic basis, and should not to be credited directly to equity.

Even if there are no conditions attached to the assistance specifically relating to the operating activities of the enterprise (other than the requirement to operate in certain regions or industry sectors), such grants should not be credited to equity. ***[SIC 10]***

Non-monetary grants, such as grants of land or other resources, are usually accounted for at fair value, although recording both the asset and the grant at a nominal amount is also permitted by IAS 20.

A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognised as income in the period in which it is receivable.

A grant relating to an asset may be presented either:

- as deferred income; or
- by deducting the grant from the asset's carrying amount.

A grant relating to income may be reported separately as 'other income', or deducted from the related expense.

If a grant becomes repayable, it should be treated as a change in estimate. Where the original grant related to income, the repayment should be applied first against any related unamortised deferred credit, and any excess should be dealt with as an expense. Where the original grant related to an asset, the repayment should be treated as increasing the carrying amount of the asset or reducing the deferred income balance. The cumulative depreciation that would have been charged had the grant not been received should be charged as an expense.

IAS 21 (REVISED 1993)

THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

Objective

The objective of IAS 21 (r1993) is to prescribe the accounting treatment for foreign currency transactions and the translation of the financial statements of foreign operations.

The currency that an enterprise uses in measuring items in its financial statements should be selected to provide information about the enterprise that is useful and reflects the economic substance of the underlying events and circumstances relevant to that enterprise. All other currencies are treated as foreign currencies in the measurement of items in the financial statements and translation of financial statements. Once the measurement currency has been selected, it should not be changed unless there is a change in the underlying events and relevant circumstances. Enterprises are not precluded from presenting their financial statements in a different reporting currency to the measurement currency, provided that an appropriate translation method is used. ***[SIC 19 and SIC 30]***

Foreign Currency Transactions

A foreign currency transaction should be recorded initially at the rate of exchange at the date of the transaction (use of averages is permitted if they are a reasonable approximation of actual). At each subsequent balance sheet date, foreign currency monetary amounts should be reported using the closing rate and non-monetary items should be reported using the exchange rate at the date of the transaction (where the item is carried at historical cost) or at the rate that existed when the values were determined (for non-monetary items carried at fair value).

Differences arising on the settlement or on the retranslation of monetary items at rates different to those at which they were originally recorded should be dealt with as income/expense in the period in which they arise. An exception is allowed when there has been a severe devaluation of a currency against which there is no practical means of hedging, affecting liabilities which cannot be settled and which arise directly from the recent acquisition of an asset invoiced in a foreign currency. In such circumstances, the difference may be added to the carrying amount of the related asset, provided that the resultant amount does not exceed the recoverable amount of the asset. Capitalisation of exchange losses in these circumstances is an allowed alternative, not a requirement.

The exception arising in the case of a severe devaluation of a currency can only be applied where the relevant liabilities could not have been settled and it was impracticable to hedge them prior to the severe devaluation or depreciation of the reporting currency. These circumstances are expected to occur very rarely. ***[SIC 11]***

Differences arising on a monetary item that, in substance, forms part of an investment in a foreign entity (settlement neither planned nor likely to occur) should be recognised in equity until the disposal of the net investment, at which time they should be recognised as income/expense. Differences arising on a foreign currency liability accounted for as a hedge of an enterprise's net investment in a foreign entity should be recognised in equity until the disposal of the investment, at which time they should be recognised as income/ expense.

Translation of Financial Statements of Foreign Operations

The financial statements of foreign operations that are integral to the operations of the reporting enterprise should be translated using the temporal method (i.e. as if all of the transactions had been entered into by the reporting enterprise itself). Translation adjustments are included in net income.

The financial statements of self-sustaining (non-integral) foreign entities are translated as follows:

- assets and liabilities are translated at the closing rate;
- income and expenses are translated at the rates ruling at the date of the transaction (use of averages acceptable), except when the entity reports in the currency of a hyper-inflationary economy, when the closing rate should be used;
- translation adjustments are reported as a separate component of shareholders' equity; and
- the amount of the exchange differences previously deferred should be recognised as income or expense in the period in which any gain or loss on disposal of the entity is recognised.

Any goodwill and fair value adjustments arising on the acquisition of a foreign entity may be translated using either:

- the closing rate; or
- the exchange rate at the date of the acquisition.

Where the foreign entity reports in the currency of a hyperinflationary economy, the financial statements of the foreign entity should be restated as required by IAS 29 *Financial Reporting in Hyperinflationary Economies*, before translation into the reporting currency (see page 56).

The requirements of IAS 21 (r1993) regarding transactions and translation of financial statements should be strictly applied in the changeover of the national currencies of participating Member States of the European Union to the euro - monetary assets and liabilities should continue to be translated at the closing rate, cumulative exchange differences should remain in equity and exchange differences resulting from the translation of liabilities denominated in participating currencies should not be included in the carrying amount of related assets. ***[SIC 7]***

IAS 22 (REVISED 1998)

BUSINESS COMBINATIONS

Objective

The objective of IAS 22 (r1998) is to prescribe the accounting treatment for business combinations. A business combination is the bringing together of two separate enterprises into a single economic entity as a result of one enterprise uniting with or obtaining control over the net assets and operations of another enterprise. The combination can result in a single legal entity or two separate legal entities. IAS 22 (r1998) covers both an acquisition of one enterprise by another (an acquisition) and also the rare situation where an acquirer cannot be identified (a uniting of interests).

Distinguishing Between Acquisitions and Unitings of Interests

Acquisitions

Under IAS 22 (r1998), virtually all business combinations are acquisitions. An acquisition is a business combination in which one of the enterprises, the acquirer, obtains control over the net assets and operations of another enterprise, the acquiree, in exchange for the transfer of assets, incurrence of a liability or issue of equity.

Control is presumed to be achieved when one of the combining enterprises acquires more than one half of the voting rights of the other enterprise. Even where this is not the case, control over the financial and operating policies may still be achieved through shareholder agreements, control over the board of directors etc.

In an acquisition, therefore, the acquiring enterprise must be identified. Usually, that is evident. Indications include:

- where the fair value of one of the combining enterprises is significantly more than that of the other, the larger shareholder is the acquirer;
- in an exchange of voting common shares for cash, the enterprise paying the cash is the acquirer; and
- where, after the business combination, the management of one enterprise dominates the selection of the management team of the combined entity, the dominant enterprise is the acquirer.

Unitings of Interests

A uniting of interests is a business combination in which the shareholders of the combining enterprises combine control over the whole, or effectively the whole, of their net assets and operations to achieve a continuing mutual sharing in the risks and benefits attaching to the combined entity, such that neither party can be identified as the acquirer.

It will be exceptional that an acquirer cannot be identified. Instead of domination by one party, the shareholders of the combining enterprises join in a substantially equal arrangement to share control over the combined operations and assets. In addition, the managements of the combining enterprises participate in the management of the combined entity.

The following conditions are necessary for a uniting of interests:

- the substantial majority of the voting common shares of the combining enterprises are exchanged or pooled;
- the fair value of one enterprise is not significantly different from that of the other enterprise; and
- the shareholders of each enterprise maintain substantially the same voting rights and interests in the combined entity, relative to each other, after the combination as before.

The classification of a business combination should be based on an overall evaluation of all relevant facts and circumstances of the particular transaction. The business combination should be classified as an acquisition unless all of the three characteristics listed in the previous paragraph are present. Even if all three are present, the combination should be presented as a uniting of interests only if the enterprise can demonstrate that an acquirer cannot be identified. ***[SIC 9]***

The following suggest that a business combination is not a uniting of interests:

- financial arrangements provide a relative advantage to one group of shareholders; or
- one party's share of the equity in the combined entity depends on the performance, subsequent to the business combination, of the business which it previously controlled.

Reverse Acquisitions

IAS 22 (r1998) allows for the existence of a reverse acquisition, where an enterprise obtains ownership of the shares of another enterprise but, as part of the exchange transaction, issues enough shares such that control of the combined entity passes to the shareholders of the enterprise whose shares have been acquired. In such cases, although legally the enterprise that issued the shares may be the acquirer, in substance, the other

enterprise whose shares were purchased now has control of the combined enterprise. As such, for accounting purposes, the enterprise whose shares were purchased is identified as the acquirer and applies the purchase method of accounting to the assets and liabilities of the enterprise that issued the shares.

Unitings of Interests - Accounting Procedures

A uniting of interests should be accounted for using the pooling of interests method. Under this method:

- the financial statement items of uniting enterprises should be combined, in both the current and prior periods, as if they had been united from the beginning of the earliest period presented;
- any difference between the amount recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount recorded for the share capital acquired should be adjusted against equity; and
- the costs of the combination should be expensed when incurred.

Acquisitions - Accounting Procedures

An acquisition should be accounted for using the purchase method of accounting. Under this method:

- the income statement should incorporate the results of the acquiree from the date of acquisition; and
- the balance sheet should include the identifiable assets and liabilities of the acquiree and any goodwill or negative goodwill arising.

Date of acquisition

The date of acquisition is the date on which control of the net assets and operations of the acquiree is effectively transferred to the acquirer.

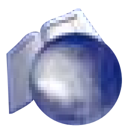
Cost of acquisition

The cost of the acquisition is the amount of cash paid and the fair value of the other consideration given by the acquirer, plus any costs directly attributable to the acquisition. Contingent consideration should be included in the cost of the acquisition at the date of the acquisition if payment of the amount is probable and it can be measured reliably. The cost of acquisition should be adjusted when a relevant contingency is resolved. When settlement of the consideration is deferred, the cost is the present value of such consideration and not the nominal amount.

Where the enterprise issues its own equity instruments as purchase consideration, the date for measurement of the fair value of such instruments (the date of exchange) is the date of acquisition as defined above. The published price at the date of exchange of a quoted equity instrument is the best evidence of the instrument's fair value, except in the rare circumstances when it can be demonstrated that the published price is an unreliable indicator, i.e. that it has been affected by an undue price fluctuation or a narrowness in the market. ***[SIC 28]***

Identifiable assets and liabilities

The identifiable assets and liabilities acquired that are recognised should be those of the acquiree that existed at the date of acquisition (some of which may not have been recognised by the acquiree), together with any permitted provisions for restructuring costs (see below). They should be recognised separately if it is probable that any associated future economic benefits will flow to or from the acquirer, and their cost/fair value can be measured reliably.



Other than permitted provisions for restructuring costs (see below), liabilities should not be recognised at the date of acquisition if they result from either:

- the acquirer's intentions or actions; or
- future losses or other costs expected to be incurred as a result of the acquisition.

Restructuring provisions

Restructuring provisions that do not qualify as liabilities of the acquiree are recognised at acquisition only if the restructuring is an integral part of the acquirer's plan for the acquisition and, among other things, the main features of the restructuring plan were announced at, or before, the date of acquisition. The restructuring must involve terminating or reducing the acquired enterprise's activities. Furthermore, even if the main features of a restructuring plan were announced prior to the acquisition, a provision for the restructuring still should not be accrued unless, by the earlier of three months after the date of acquisition and the date when the annual financial statements are authorised for issue, the restructuring plan has been further developed into a detailed formal plan.

Measuring identifiable assets and liabilities

IAS 22 (r1998) provides for benchmark and allowed alternative treatments for measuring the acquired assets and liabilities:

- under the **benchmark treatment**, the identifiable assets and liabilities are measured at the aggregate of the fair value of the identifiable assets and liabilities acquired to the extent of the acquirer's interest obtained, and the minority's proportion of the pre-acquisition carrying amounts of the assets and liabilities; and
- under the **allowed alternative treatment**, the assets and liabilities are measured at their fair values as at the date of acquisition, with the minority's interest being stated at its proportion of the fair value of the assets and liabilities.

The fair value of an asset or a liability is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Guidelines are provided for determining the fair values for specific categories of assets and liabilities. For intangible assets for which there is no active market, the amount assigned to the asset should be limited to an amount that does not create or increase negative goodwill.

Subsequent Adjustments to Original Measurements of Acquired Assets and Liabilities

The carrying amounts of assets and liabilities should be adjusted when additional evidence becomes available to assist with the estimation of the fair value of assets and liabilities at the date of acquisition. Goodwill should also be adjusted if the adjustment is made by the end of the first annual accounting period commencing after the acquisition (providing that it is probable that the amount of the adjustment will be recovered from the expected future economic benefits). Otherwise, the adjustment should be treated as income or expense.

The adjustment made should be calculated as if the newly-assigned values had been used from the date of acquisition. Therefore, the adjustment will include both the effect on the original fair values and the effect on depreciation and other changes that would have resulted if the adjusted fair values had been applied from the date of acquisition. If goodwill is adjusted, then amortisation of goodwill or recognition of negative goodwill is also adjusted from the date of acquisition. ***[SIC 22]***

Goodwill

Goodwill arising on the acquisition should be recognised as an asset and amortised over its useful life. There is a rebuttable presumption that the useful life of goodwill will not exceed 20 years. IAS 22 (r1998) indicates that the 20-year maximum presumption can be overcome 'in rare cases' - for instance if the goodwill is so clearly related to an identifiable asset or group of identifiable assets that it can reasonably be expected to provide benefits over the entire life of those related assets. Non-amortisation of goodwill based on an argument that it has an infinite life is not permitted by IAS 22 (r1998). Amortisation will normally be on a straight-line basis.

Goodwill is subject to the general impairment requirements of IAS 36 (see page 70). If the amortisation period exceeds 20 years, recoverable amount should be calculated annually, even if there is no indication that the goodwill is impaired.

Negative goodwill

Negative goodwill should always be measured and initially recognised at the amount of the difference between the acquirer's interest in the fair values of the identifiable assets and liabilities acquired less the cost of acquisition. Where preliminary estimates indicate the existence of negative goodwill, such estimates should be re-examined to ensure that identifiable assets have not been overstated nor identifiable liabilities omitted or understated.

Negative goodwill is recognised as income as follows:

- to the extent that it relates to expected future losses and expenses that are identified in the acquirer's acquisition plan, the negative goodwill is recognised as income when the future losses and expenses are recognised;
- to the extent that it does not relate to such future losses and expenses, negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets is recognised in income over the remaining average useful life of the depreciable non-monetary assets acquired; and
- any remaining excess is recognised as income immediately.

Negative goodwill is presented as a deduction from the assets of the enterprise, in the same balance sheet classification as (positive) goodwill.

Step acquisitions (successive share purchases)

Where the acquisition is achieved by successive share purchases, each significant transaction is treated separately for the purpose of determining the fair values of the assets/liabilities acquired and for determining the amount of goodwill arising on that transaction - comparing each individual investment with the percentage interest in the fair values of the assets and liabilities acquired at each significant step. If all of the assets and liabilities are restated to fair values at the time of each purchase, adjustments relating to the previously-held interests are accounted for as revaluations.

IAS 23 (REVISED 1993)

BORROWING COSTS

Objective

The objective of IAS 23 (r1993) is to prescribe the accounting treatment for borrowing costs. Borrowing costs include interest on bank overdrafts and borrowings, amortisation of discounts or premiums on borrowings, amortisation of ancillary costs incurred in the arrangement of borrowings, finance charges on finance leases and exchange differences on foreign currency borrowings where they are regarded as an adjustment to interest costs.

Accounting Treatment

The **benchmark treatment** is that all borrowing costs should be expensed in the period in which they are incurred. The **allowed alternative treatment** is that borrowing costs in relation to the acquisition, construction or production of a qualifying asset should be treated as part of the cost of the relevant asset. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use.

Where the allowed alternative is adopted, that treatment should be applied consistently to all borrowing costs incurred for the acquisition, construction or production of qualifying assets. ***[SIC 2]***

Where funds are borrowed specifically, costs eligible for capitalisation are the actual costs incurred less any income earned on the temporary investment of such borrowings. Where funds are part of a general pool, the eligible amount is determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate will be the weighted average of the borrowing costs applicable to the general pool.

Where the alternative treatment is followed, capitalisation should commence when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress (may include some activities prior to commencement of physical production). Capitalisation should be suspended during periods in which active development is interrupted. Capitalisation should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete. If only minor modifications are outstanding, this indicates that substantially all of the activities are complete.

Where construction is completed in stages, and part of the asset can be used while construction of the other parts continues, capitalisation of attributable borrowing costs should cease when substantially all of the activities necessary to prepare that part for its intended use or sale are complete.

IAS 24

RELATED PARTY DISCLOSURES

Objective

The objective of IAS 24 is to specify the disclosures required for relationships and transactions with related parties.

Related Parties

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial and operating decisions.

The application of IAS 24 is restricted to the following relationships:

- enterprises that control, or are controlled by, or are under common control with, the reporting enterprise (e.g. holding companies, subsidiaries and fellow subsidiaries);
- associates;
- individuals who, by virtue of an interest that they own in the reporting enterprise, have significant influence over it, and close family members of any such individual;
- key management personnel, and their close family members; and
- enterprises in which a substantial interest is owned by any of the individuals included above, or over which such an individual is able to exercise significant influence.

The following are deemed not to be related:

- two enterprises simply because they have a director in common (but need to consider ability to influence both enterprises in their mutual dealings);
- providers of finance, trade unions, public utilities, government departments and agencies in the course of their normal dealings with an enterprise; and
- a single customer, supplier, franchiser, distributor or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence.

Disclosure

If there have been transactions between related parties, disclosure is required of the nature of the relationship, the types of transactions, and the details of the transactions necessary for an understanding of the financial statements (i.e. an indication of volume, outstanding items and pricing policies). 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 reporting enterprise.

In a related party relationship where control exists, disclosure of the relationship is required, even if there have been no transactions between the parties.

No disclosure is required:

- in consolidated financial statements, regarding intra-group transactions, but specific disclosures may be required under other Standards, for example, inter-segment sales (IAS 14 (r1997)) and balances payable to or receivable from specified related parties (IAS 1 (r1997));
- in parent financial statements that are made available or published along with consolidated financial statements;
- in financial statements of a wholly-owned subsidiary if its parent is incorporated in the same country and provides consolidated financial statements in that country; and
- in financial statements of state-controlled enterprises, regarding transactions with other state-controlled enterprises.

IAS 26

ACCOUNTING AND REPORTING BY RETIREMENT BENEFIT PLANS

Objective

The objective of IAS 26 is to specify measurement and disclosure principles for the reports of retirement benefit plans. All plans should include in their reports a statement of changes in net assets available for benefits, a summary of significant accounting policies and a description of the plan and the effect of any changes in the plan during the period.

Defined Contribution Plans

The report of a defined contribution plan should contain a statement of net assets available for benefits and a description of the funding policy.

Defined Benefit Plans

The report of a defined benefit plan should contain either:

- a statement that shows the net assets available for benefits, the actuarial present value of promised retirement benefits (distinguishing between vested benefits and non-vested benefits) and the resulting excess or deficit; or
- a statement of net assets available for benefits, including either a note disclosing the actuarial present value of promised retirement benefits (distinguishing between vested benefits and non-vested benefits) or a reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the report of a defined benefit plan, the most recent valuation should be used as a base and the date of the valuation disclosed. The actuarial present value of promised retirement benefits should be based on the benefits promised under the terms of the plan on service rendered to date, using either current salary levels or projected salary levels, with disclosure of the basis used. The effect of any changes in actuarial assumptions that have had a significant effect on the actuarial present value of promised retirement benefits should also be disclosed.

The report should explain the relationship between the actuarial present value of promised retirement benefits and the net assets available for benefits, and the policy for the funding of promised benefits.

Retirement benefit plan investments should be carried at fair value. For marketable securities, fair value means market value. If fair values cannot be estimated for certain retirement benefit plan investments, disclosure should be made of the reason why fair value is not used.

IAS 27 (REVISED 2000)

CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING FOR INVESTMENTS IN SUBSIDIARIES

Objective

The objective of IAS 27 (r2000) is to prescribe the requirements for the preparation and presentation of consolidated financial statements for a group of enterprises under the control of a parent. It also prescribes the accounting treatment for investments in subsidiaries in a parent's separate financial statements.

Identification of Subsidiaries

For the purposes of IAS 27 (r2000), a subsidiary is defined as an enterprise that is controlled by another enterprise. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Control is presumed when the parent acquires more than half of the voting rights of the enterprise. Even when more than one half of the voting rights is not acquired, control may be evidenced by power:

- over more than one half of the voting rights by virtue of an agreement with other investors; or
- to govern the financial and operating policies of the other enterprise under a statute or an agreement; or
- to appoint or remove the majority of the members of the board of directors; or
- to cast the majority of votes at a meeting of the board of directors.

When assessing whether an enterprise has the power to control another enterprise, the existence and effect of potential voting rights that are currently exercisable or currently convertible should be considered. All potential voting rights should be considered, including potential voting rights held by other enterprises. ***[SIC 33]***

Presentation of Consolidated Accounts

A parent is required to present consolidated accounts (that is, accounts of a group presented as those of a single enterprise) unless it is itself a wholly-owned subsidiary of another enterprise. Subsidiaries that are 'virtually' wholly-owned (generally taken to mean 90%) are also exempt, provided that the approval of the minority is obtained.

The consolidated accounts should include all of the parent's subsidiaries, both domestic and foreign, and with no exception for a subsidiary whose business is of a different nature from the parent's, with two exceptions:

- where control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future; and
- where the subsidiary operates under severe long-term restrictions that significantly impair its ability to transfer funds to the parent.

Special purpose entities (SPEs) should be consolidated where the substance of the relationship indicates that the SPE is controlled by the reporting enterprise. This may arise even where the activities of the SPE are predetermined or where the majority of voting or equity are not held by the reporting enterprise. ***[SIC 12]***

Accounting for Subsidiaries Excluded from Consolidation

Excluded subsidiaries should be accounted for in accordance with IAS 39 (r2000) *Financial Instruments: Recognition and Measurement*.

Consolidation Procedures

Intragroup balances and transactions should be eliminated in full.

The difference between the dates of financial statements used for consolidation purposes should not exceed three months. If they are drawn up to different dates, adjustments should be made for the effects of significant transactions or other events that occur between those dates and the date of the parent's financial statements.

Uniform accounting policies should be used throughout the group. If it is impracticable to do so, that fact should be disclosed, together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied.

Minority interests should be presented in the consolidated balance sheet separately from liabilities and the parent shareholder's equity. Minority interests in the income of the group should also be separately presented. Where losses applicable to the minority exceed the minority's interest in the equity of the relevant subsidiary, the excess, and any further losses attributable to the minority, are charged to the group unless the minority has a binding obligation to, and is able to, make good the losses. Where excess losses have been taken up by the group, if the subsidiary in question subsequently reports profits, all such profits are attributed to the group until the minority's share of losses previously absorbed by the group has been recovered.

Once an investment ceases to fall within the definition of a subsidiary, it should be accounted for either as an associate under IAS 28 (r2000) *Accounting for Investments in Associates* or in accordance IAS 39 (r2000) *Financial Instruments: Recognition and Measurement*, as appropriate.

Individual Financial Statements of the Parent

In the parent's individual financial statements, investments in subsidiaries, whether included in or excluded from the consolidated financial statements, should be either:

- carried at cost; or
- accounted for using the equity method; or
- accounted for as available-for-sale financial assets under IAS 39 (r2000) *Financial Instruments: Recognition and Measurement*.

IAS 28 (REVISED 2000)

ACCOUNTING FOR INVESTMENTS IN ASSOCIATES

Objective

The objective of IAS 28 (r2000) is to prescribe the accounting treatment to be adopted by an investor for investments in associates.

Identification of Associates

For the purposes of IAS 28 (r2000), an associate is defined as an enterprise in which the investor has significant influence, but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

A holding of 20% or more of the voting power will indicate significant influence unless it can be clearly demonstrated otherwise. If the holding is less than 20%, the investor will be presumed not to have significant influence unless such influence can be clearly demonstrated.

The existence of significant influence by an investor is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee;
- participation in the policy-making process;
- material transactions between the investor and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

When assessing whether an enterprise exercises significant influence over another enterprise, the existence and effect of potential voting rights should be considered. All potential voting rights should be considered, including potential voting rights held by other enterprises. ***[SIC 33]***

Accounting for Associates

In its consolidated financial statements, an investor should use the equity method of accounting for investments in associates, with two exceptions:

- where the investment is acquired and held exclusively with a view to its subsequent disposal in the near future; and
- where the associate operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor.

Investments not dealt with by equity accounting for one of the reasons outlined above should be accounted for in accordance with IAS 39 (r2000) *Financial Instruments: Recognition and Measurement.*

Equity Accounting

The equity method is a method of accounting whereby an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net profit or loss of the associate (investee). Distributions received from the investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be required arising from changes in the investee's equity that have not been included in the income statement (e.g. revaluations).

On acquisition of an investment in an associate, any difference (whether positive or negative) between the cost of acquisition and the investor's share of the fair values of the net identifiable assets of the associate is accounted for as goodwill (negative goodwill) in accordance with IAS 22 (r1998) *Business Combinations.* Appropriate adjustments to the investor's share of the profits or losses after acquisition are made to account for:

- additional depreciation of the associate's depreciable assets based on the excess of their fair values over their carrying amounts at the time the investment was acquired; and
- amortisation of the difference between the cost of the investment and the investor's share of the fair values of the net identifiable assets.

Where an associate is accounted for using the equity method, unrealised profits and losses resulting from upstream (associate to investor) and downstream (investor to associate) transactions should be eliminated to the extent of the investor's interest in the associate. However, unrealised losses should not be eliminated to the extent that the transaction provides evidence of an impairment of the asset transferred. ***[SIC 3]***

Where it is not possible to obtain financial statements to the same date as the investor, the most recent available financial statements of the associate should be used in applying the equity method, and adjustments made for the effects of any significant events occurring between the accounting period ends.

Where the associate uses accounting policies which differ from those of the investor, the associate's treatment should be adjusted and, if it is not practicable to make such adjustments, that fact should be disclosed.

Where the investors share of losses of an associate equals or exceeds the carrying amount of the investment, the investor normally discontinues including its share of further losses and the investment is reported at nil value.

For the purposes of the previous paragraph, the 'carrying amount of the investment' includes only the carrying amount of instruments which provide unlimited rights of participation in earnings and a residual equity interest in the investee. Other financial interests are accounted for in accordance with IAS 39(r2000), Financial Instruments: Recognition and Measurement. ***[SIC 20]***

Additional losses are recognised to the extent that the investor has incurred obligations or made payments to satisfy obligations of the associate that the investor has guaranteed or otherwise committed. If the associate subsequently reports profits, the investor resumes including its share of those profits only after its share of the profits equals the share of net losses not recognised.

IAS 36 *Impairment of Assets* applies to investments in associates (see page 67). The recoverable amount of an investment in an associate is assessed for each individual associate, unless the associate does not generate cash flows independently.

Use of the equity method should cease from the date that significant influence ceases, or if severe long-term restrictions are imposed that significantly impair the ability of the associate to transfer funds to the investor. The carrying amount of the investment at that date should be regarded as cost thereafter.

Individual Financial Statements of the Investor

Where the investor issues consolidated financial statements, in the investor's separate financial statements, associates other than those acquired and held exclusively with a view to disposal in the near future should be either:

- carried at cost; or
- accounted for by the equity method; or
- accounted for as available-for-sale financial assets under IAS 39 (r2000) *Financial Instruments: Recognition and Measurement*.

Where the investor does not issue consolidated financial statements, in the investor's separate financial statements, associates should be either:

- carried at cost; or
- accounted for using the equity method, if the equity method would be appropriate for the associate if the investor issued consolidated financial statements; or
- accounted for under IAS 39 (r2000) *Financial Instruments: Recognition and Measurement* as an available-for-sale financial asset or a financial asset held for trading.

IAS 29

FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

Objective

The objective of IAS 29 is to establish specific standards for enterprises reporting in the currency of a hyperinflationary economy, so that the financial information provided is meaningful.

Restatement of Financial Statements

The basic principle in IAS 29 is that the financial statements of an enterprise that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date. Comparative figures for prior period(s) should be restated into the same current measuring unit.

Restatements are made by applying a general price index. Items such as monetary items that are already stated at the measuring unit at the balance sheet date are not restated. Other items are restated based on the change in the general price index between the date those items were acquired or incurred and the balance sheet date.

A gain or loss on the net monetary position is included in net income. It should be disclosed separately.

The Standard does not establish an absolute rate at which hyperinflation is deemed to arise - but allows judgement as to when restatement of financial statements becomes necessary. Characteristics of the economic environment of a country which indicate the existence of hyperinflation include:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
- the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
- sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short; and
- the cumulative inflation rate over three years approaches, or exceeds, 100%.

IAS 29 describes characteristics that may indicate that an economy is hyperinflationary. However, it concludes that it is a matter of judgement when restatement of financial statements becomes necessary.

When an economy ceases to be hyperinflationary and an enterprise discontinues the preparation and presentation of financial statements in accordance with IAS 29, it should treat the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements.

IAS 30

DISCLOSURES IN THE FINANCIAL STATEMENTS OF BANKS AND SIMILAR FINANCIAL INSTITUTIONS

Objective

The objective of IAS 30 is to prescribe appropriate presentation and disclosure standards for banks and similar financial institutions, which supplement the requirements of other Standards. The intention is to provide users with appropriate information to assist them in evaluating the financial position and performance of banks, and to enable them to obtain a better understanding of the special characteristics of the operations of banks.

Presentation and Disclosure

The detailed presentation and disclosure requirements are set out in section 9 of the Presentation and Disclosure Checklist.

Matters addressed include:

- the appropriate classification of items in the income statement, and line items requiring disclosure;
- the appropriate classification of items in the balance sheet, and line items requiring disclosure;
- specific contingencies and commitments (including off-balance sheet items) requiring disclosure; and

- specified disclosures for the maturity of assets and liabilities, concentrations of assets, liabilities and off-balance sheet items, losses on loans and advances, general banking risks and assets pledged as security.

IAS 31 (REVISED 2000)

FINANCIAL REPORTING OF INTERESTS IN JOINT VENTURES

Objective

The objective of IAS 31 (r2000) is to prescribe the accounting treatment required for interests in joint ventures, irrespective of the structure or form under which the joint venture activities take place. A joint venture is a contractual arrangement by which two or more parties (venturers) undertake an economic activity that is subject to joint control. For the purposes of the Standard, joint ventures are classified as jointly controlled operations, jointly controlled assets and jointly controlled entities.

Jointly Controlled Operations

Jointly controlled operations involve the use of assets and other resources of the venturers rather than the establishment of a separate entity. Each venturer uses its own assets, incurs its own expenses and liabilities and raises its own finance. The revenue from the sale of the joint product and any expenses incurred in common are usually shared among the venturers. The Standard requires that the venturer should recognise in its financial statements the assets that it controls, the liabilities that it incurs, the expenses that it incurs, and its share of the income from the sale of goods or services by the joint venture.

Jointly Controlled Assets

Jointly controlled assets involve the joint control, and often the joint ownership, of assets dedicated to the joint venture. Each venturer may take a share of the output from the assets and each bears a share of the expenses incurred. The Standard requires that the venturer should recognise in its financial statements its share of the joint assets, any liabilities that it has incurred directly and its share of any liabilities incurred jointly with the other venturers, income from the sale or use of its share of the output of the joint venture, its share of expenses incurred by the joint venture and expenses incurred directly in respect of its interest in the joint venture.

Jointly Controlled Entities

A jointly controlled entity is an entity in which two or more venturers have an interest, with a contractual arrangement that establishes joint control over the entity. IAS 31 (r2000) allows two methods of accounting for an investment in a jointly controlled entity:

- under the **benchmark treatment**, in its consolidated financial statements, the venturer should report its interest in the jointly controlled entity using proportionate consolidation; and
- the **allowed alternative treatment** specifies that, in its consolidated financial statements, the venturer should report its interest in the jointly controlled entity using the equity method of accounting.

The use of proportionate consolidation/the equity method of accounting should be discontinued from the date on which the venturer ceases to have joint control over the jointly controlled entity.

Where an interest in a jointly controlled entity is acquired and held exclusively with a view to its subsequent disposal in the near future, or the entity operates under severe long-term restrictions that significantly impair its ability to transfer funds to the venturer, it should be accounted for in accordance with IAS 39 (r2000) *Financial Instruments: Recognition and Measurement*.

When a venturer contributes or sells an asset to a jointly controlled entity, while the assets are retained by the joint venture, provided that the venturer has transferred the risks and rewards of ownership, it should recognise only the proportion of the gain attributable to the other venturers. The venturer should recognise the full amount of any loss incurred when it is indicative of a reduction in the net realisable value of current assets or an impairment loss.

The requirements for recognition of gains and losses described in the previous paragraph apply equally to non-monetary contributions unless the gain or loss cannot be measured, or the other venturers contribute similar non-monetary assets. Unrealised gains or losses should be eliminated against the underlying assets (proportionate consolidation) or against the carrying amount of the investment (equity method). ***[SIC 13]***

When a venturer purchases assets from a jointly controlled entity, it should not recognise its share of the gain until it resells the asset to an independent party. Losses should be recognised if they are indicative of a reduction in the net realisable value of current assets or an impairment loss.

Separate Financial Statements of a Venturer

IAS 31 (r2000) does not indicate a preference for any particular treatment of a jointly controlled entity in the separate financial statements of a venturer.

Financial Statements of an Investor

An investor in a joint venture which does not have joint control should report its interest in a joint venture in its consolidated financial statements either:

- in accordance with IAS 28 (r2000) *Accounting for Investments in Associates*, where the investor has significant influence over the joint venture; or
- in accordance with IAS 39 (r2000) *Financial Instruments: Recognition and Measurement*.

IAS 32 (REVISED 1998)

FINANCIAL INSTRUMENTS: DISCLOSURE AND PRESENTATION

Objective

The stated objective of IAS 32 (r1998) is to enhance users' understanding of the significance of on-balance sheet and off-balance sheet financial instruments to an enterprise's financial position, performance and cash flows.

IAS 32 (r1998) addresses this in essentially three ways:

- clarifying the classification of a financial instrument issued by an enterprise as a liability or as equity;
- prescribing strict conditions under which assets and liabilities may be offset in the balance sheet; and
- requiring a broad range of disclosures about financial instruments, including information as to their fair values.

Scope

IAS 32 (r1998) applies in presenting and disclosing information about all types of financial instruments, whether recognised in the balance sheet or not, with the following exceptions:

- investments in subsidiaries (see IAS 27 (r2000) *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*), investments in equity method associates (see IAS 28 (r2000) *Accounting for Investments in Associates*), and investments in joint ventures (see IAS 31 (r2000) *Financial Reporting of Interests in Joint Ventures*);
- obligations for post-employment benefits (see IAS 19 (r2002) *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans*);
- employers' obligations under employee share option and share purchase plans (see IAS 19 (r2002) *Employee Benefits*); and
- obligations arising under insurance contracts (the subject of a current IASB agenda project).

Financial Instrument

The definition of financial instrument used in IAS 32 (r1998) is the same as that in IAS 39 (r2000) *Financial Instruments: Recognition and Measurement* (see page 76).

Classification as Liability or Equity

The fundamental principle of IAS 32 (r1998) is that an instrument should be classified as either a liability or an equity instrument according to its substance, not its legal form. The enterprise must make the decision at the time the instrument is initially recognised. The classification is not subsequently changed based on changed circumstances. The key distinguishing feature is that a financial liability involves a contractual obligation either to deliver cash or another financial asset, or to issue another financial instrument, under terms that are potentially unfavourable to the issuer. An instrument that does not give rise to such a contractual obligation is an equity instrument.

Where the rights and obligations regarding the manner of settlement of a financial instrument depend on the occurrence or non-occurrence of uncertain future events, or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder, the financial instrument should be classified as a liability unless the possibility of the issuer being required to settle in cash or another financial asset is remote at the time of issuance, in which case the instrument should be classified as equity. ***[SIC 5]***

Some financial instruments - sometimes called compound instruments - have both a liability and an equity element. In that case, IAS 32 (r1998) requires that the component parts be split, with each part accounted for and presented separately according to its substance. To illustrate, a convertible bond contains two components. One is a financial liability, namely the issuer's contractual obligation to pay cash, and the other is an equity instrument, namely the holder's option to convert into common shares. This split is made at the time the instrument is issued and is not subsequently revised as a result of a change in interest rates, share price or other event that changes the likelihood that the conversion option will be exercised.

Interest, dividends, gains and losses relating to an instrument classified as a liability should be reported in the income statement. This means that dividend payments on preferred shares classified as liabilities are treated as expenses. On the other hand, distributions to holders of a financial instrument classified as equity should be charged directly against equity, not against earnings.

Offsetting

IAS 32 (r1998) also prescribes rules for the offsetting of financial assets and financial liabilities. It specifies that a financial asset and a financial liability should be offset and the net amount reported when, and only when, an enterprise:

- has a legally enforceable right to set off the amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Treasury Shares

Where an enterprise holds treasury shares (equity shares repurchased and held by the issuing enterprise or its subsidiaries), those shares should be presented in the balance sheet as a deduction from equity. The acquisition of treasury shares should be presented in the financial statements as a change in equity. No gain or loss should be recognised in the income statement on the sale, issuance or cancellation of treasury shares. Consideration received should be presented in the financial statements as a change in equity. ***[SIC 16]***

Costs of Equity

The transaction costs of an equity transaction should be accounted for as a deduction from equity, net of any related income tax benefit. ***[SIC 17]***

Disclosure Requirements

For each class of financial asset and liability, and equity, both recognised and unrecognised, IAS 32 (r1998) specifies disclosure requirements for:

- the extent and nature of the financial instruments, including significant terms and conditions;
- accounting policies and methods adopted;
- specified information about exposure to interest rate risks;
- specified information about exposure to credit risk; and
- specified information about fair value, or a statement that it is not practicable to provide such information.

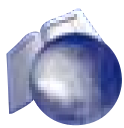
See the Presentation and Disclosure Checklist included in this publication for the detailed disclosure requirements.

IAS 33

EARNINGS PER SHARE

Objective

The objective of IAS 33 is to prescribe principles for the determination and presentation of earnings per share (EPS) amounts in order to improve performance comparisons between different enterprises in the same period and between different accounting periods for the same enterprise.



Scope

IAS 33 applies to enterprises whose securities are publicly traded or that are in the process of issuing securities to the public. Other enterprises that choose to present EPS information should also comply with the Standard.

If both parent and consolidated statements are presented in a single report, EPS is required only for the consolidated statements.

Key Definitions

Ordinary share: An equity instrument that is subordinate to all other classes of equity shares.

Potential ordinary share: A financial instrument or other contract that may entitle its holder to ordinary shares. Examples include convertible debt, convertible preferred shares, share warrants, share options, share rights, employee share purchase plans, contractual rights to purchase shares, and contingent issuance contracts or agreements (such as those arising in business combinations).

All instruments that may result in the issuance of ordinary shares of the reporting enterprise to the holder of the financial instrument or other contract, whether at the option of the issuer or the holder, are potential ordinary shares of the enterprise. ***[SIC 24]***

Dilution: A potential reduction in net profit per share or increase in net loss per share resulting from the conversion of potential ordinary shares into ordinary shares (conversion of convertible securities, exercise of warrants, options and similar rights, or issuance of additional shares under stock purchase plans or contingent issuance agreements).

Requirement to Present EPS

An enterprise whose securities are publicly traded should present basic and diluted EPS on the face of its income statement for each class of ordinary shares that has a different right to share in the net profit for the period. Basic and diluted EPS should be presented with equal prominence for all periods presented.

Basic EPS

Basic EPS is the net profit or loss for the period attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the period.

The earnings numerator used for the calculation should be after deduction of all expenses including tax, extraordinary items and minority interests, and after deduction of preference dividends.

The denominator is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor determined by reference to the date of issue or date of buy-back of shares. The Standard includes guidance on appropriate recognition dates for shares issued in various circumstances.

Diluted EPS

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares. The effects of anti-dilutive potential ordinary shares are ignored in calculating diluted EPS.

The numerator should be adjusted for the after-tax effects of dividends and interest charged in relation to dilutive potential ordinary shares and for any other changes in income that would result from the conversion of the potential ordinary shares.

The denominator should be adjusted for the number of shares that would be issued on the conversion of all of the dilutive potential ordinary shares into ordinary shares. Shares should be deemed to have been converted on the first day of the accounting period or the date of issue, if later. The assumed proceeds from these issues should be considered to have been received from the issue of shares at fair value. The difference between the number of shares issued and the number of shares that would have been issued at fair value should be treated as an issue of ordinary shares for no consideration.

The weighted average number of shares outstanding during the period and for all periods presented should be adjusted for events which change the number of ordinary shares outstanding without a corresponding change in resources e.g. capitalisation/bonus issue, bonus element of any other issue, share split and consolidation of shares. If such changes occur after the balance sheet date, the calculation of EPS should be based on the new number of shares, and the fact that such adjustments have been made should be disclosed.

In addition, all periods presented should be adjusted for prior period adjustments and business combinations accounted for as a uniting of interests.

Diluted EPS for prior periods should not be adjusted for changes in the assumptions used or for the conversion of potential ordinary shares into ordinary shares outstanding.

IAS 34

INTERIM FINANCIAL REPORTING

Objective

The objective of IAS 34 is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in financial statements presented for an interim period. IAS 34 does not mandate which enterprises should publish interim financial reports, how frequently, or how soon after the end of an interim period. Such matters will be decided by national governments, securities regulators, stock exchanges and accountancy bodies.

However, publicly-traded enterprises are encouraged to provide interim financial reports that conform to the recognition, measurement and disclosure principles set out in IAS 34, at least as of the end of the first half of their financial year, such reports being made available not later than 60 days after the end of the interim period.

Minimum Content of an Interim Financial Report

The minimum components specified for an interim financial report are:

- a condensed balance sheet;
- a condensed income statement;
- a condensed statement of changes in equity;
- a condensed cash flow statement; and
- selected explanatory notes.

If a complete set of financial statements is published in the interim report, those financial statements should be in full compliance with IFRS.

If the financial statements are condensed, they should include, at a minimum, each of the headings and sub-totals included in the most recent annual financial statements, and the explanatory notes required by IAS 34. Additional line items should be included if their omission would make the interim financial information misleading.

The periods to be covered by the interim financial statements are as follows:

- balance sheet as of the end of the current interim period and a comparative balance sheet as of the end of the immediately preceding financial year;
- income statements for the current interim period and cumulatively for the current financial year to date, with comparative income statements for the comparable interim periods (current and year-to-date) of the immediately preceding financial year;
- statement showing changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year; and
- cash flow statement cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.

If the enterprise's business is highly seasonal, IAS 34 encourages disclosure of financial information for the latest 12 months, and comparative information for the prior 12-month period, in addition to the interim period financial statements.

Note Disclosures

The explanatory notes required are designed to provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the enterprise since the last annual reporting date. IAS 34 states a presumption that anyone who reads an enterprise's interim report will also have access to its most recent annual report. Consequently, IAS 34 avoids repeating annual disclosures in interim reports.

Examples of note disclosures required in interim reports include information about:

- accounting policy changes;
- seasonality or cyclicality of operations;
- unusual items;
- changes in estimates;
- issuances, repurchases and repayments of debt and equity securities;
- dividends;
- a few items of segment information (for those enterprises required by IAS 14 (r1997) *Segment Reporting* to report segment information annually);
- significant events after the end of the interim period;
- business combinations;
- long-term investments;
- restructurings and reversals of restructuring provisions;

- discontinuing operations;
- corrections of errors;
- write-downs of inventory to net realisable value;
- impairment losses on property, plant and equipment, intangible or other assets, and reversals of such impairment losses;
- litigation settlements;
- debt defaults;
- related party transactions;
- extraordinary items;
- acquisitions and disposals of property, plant and equipment; and
- commitments to purchase property, plant and equipment.

Accounting Policies

The same accounting policies should be applied for interim reporting as are applied in the enterprise's annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements.

A key provision of IAS 34 is that an enterprise should use the same accounting policies throughout a single financial year. If a decision is made to change a policy mid-year, the change is implemented retrospectively, and previously-reported interim information is restated.

Measurement

Measurements for interim reporting purposes should be made on a year-to-date basis, so that the frequency of the enterprise's reporting does not affect the measurement of its annual results.

Several important measurement points:

- revenues that are received seasonally, cyclically or occasionally within a financial year should not be anticipated or deferred as of the interim date, if anticipation or deferral would not be appropriate at the end of the financial year;
- costs that are incurred unevenly during a financial year should be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year; and
- income tax expenses should be recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

An appendix to IAS 34 provides guidance for applying the basic recognition and measurement principles at interim dates to various types of asset, liability, income and expense.

Materiality

In deciding how to recognise, classify or disclose an item for interim financial reporting purposes, materiality is to be assessed in relation to the interim period financial data, not forecasted annual data.

Disclosure in Annual Financial Statements

If an estimate of an amount reported in an interim period is changed significantly during the final interim period in the financial year, but a separate financial report is not published for that period, the nature and amount of that change should be disclosed in the notes to the annual financial statements.

IAS 35

DISCONTINUING OPERATIONS

Objective

The objective of IAS 35 is to establish principles for reporting information about discontinuing activities (as defined), thereby enhancing the ability of users of financial statements to make projections of an enterprise's cash flows, earnings-generating capacity and financial position, by segregating information about discontinuing activities from information about continuing operations. The Standard does not establish any recognition or measurement principles in relation to discontinuing operations - these are dealt with under other IFRS, e.g. IAS 36 *Impairment of Assets* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Definition

A discontinuing operation is a component of a business enterprise (such as a business or geographical segment under IAS 14 (r1997) *Segment Reporting*) that the enterprise, pursuant to a single plan, either is disposing of substantially in its entirety or is terminating through abandonment or piecemeal sale. The component should be a separate major line of business or geographical area of operations, and should be capable of being distinguished operationally and for financial reporting purposes. A restructuring, transaction or event that does not meet the definition of a discontinuing operation should not be called a discontinuing operation.

Initial Disclosure Event

Disclosures begin after the earlier of the following:

- the enterprise has entered into an agreement to sell substantially all of the assets of the discontinuing operation; or
- its board of directors or other similar governing body has both approved a detailed, formal plan for the discontinuance, and has announced that plan.

The disclosures are required in a reporting period if a plan for disposal is both approved and publicly announced after the end of the financial reporting period but before the financial statements for that period are authorised for issue.

Disclosure Requirements

The detailed disclosure requirements are set out in the Presentation and Disclosure Checklist.

The disclosures may be, but need not be, shown on the face of the financial statements. Only the gain or loss on actual disposal of assets and settlement of liabilities must be on the face of the income statement.

In periods after the discontinuance is first approved and announced, and before it is completed, the financial statements should update the prior disclosures, including a description of any significant changes in the amount or timing of cash flows relating to the assets and liabilities to be disposed of or settled and the causes of those

changes. The disclosures continue until completion of the disposal, though there may be cash payments still to come.

Comparative information presented in financial statements prepared after initial disclosure should be restated to segregate the continuing and discontinuing assets, liabilities, income, expenses and cash flows.

The specified disclosures are required to be presented separately for each discontinuing operation.

Income and expenses relating to discontinuing operations should not be presented as extraordinary items.

Information about discontinuing operations is also required to be disclosed in the notes to an interim financial report.

IAS 36

IMPAIRMENT OF ASSETS

Objective

The objective of IAS 36 is to prescribe the procedures that an enterprise should apply to ensure that assets are carried at no more than their recoverable amount.

Scope of IAS 36

IAS 36 applies to all assets except:

- inventories (see IAS 2 (r1993) *Inventories*);
- assets arising from construction contracts (see IAS 11 (r1993) *Construction Contracts*);
- deferred tax assets (see IAS 12 (r2000) *Income Taxes*);
- assets arising from employee benefits (see IAS 19 (r2002) *Employee Benefits*);
- financial assets (see IAS 39 (r2000) *Financial Instruments: Recognition and Measurement*);
- investment property that is measured at fair value (see IAS 40 *Investment Property*); and
- biological assets related to agricultural activity that are measured at fair value less estimated point-of-sale costs (see IAS 41 *Agriculture*).

Therefore, IAS 36 applies to (among other assets): land and buildings, machinery and equipment, investment property carried at cost, intangible assets, goodwill, and investments in subsidiaries, associates and joint ventures.

Identifying an Asset That May Be Impaired

At each balance sheet date, enterprises are required to review all assets to look for any indication that an asset may be impaired. An asset is impaired when its carrying amount exceeds its recoverable amount (the greater of its net selling price and its value in use). IAS 36 has a list of external and internal indicators of impairment. If there is an indication that an asset may be impaired, then the enterprise is required to calculate the asset's recoverable amount.

Indications of Impairment

External sources:

- market value declines;
- negative changes in technology, markets, economy or laws;
- increases in market interest rates; and
- company share price is below book value.

Internal sources:

- obsolescence or physical damage;
- asset is part of a restructuring or held for disposal; and
- worse economic performance than expected.

These lists are not intended to be exhaustive.

Further, an indication that an asset is impaired may indicate that the asset's useful life, depreciation method or residual value may need to be reviewed and adjusted.

Recoverable Amount

Recoverable amount: The higher of an asset's net selling price and its value in use.

Net selling price: The amount obtainable from the sale of an asset in a bargained transaction between knowledgeable, willing parties less the costs of disposal.

Value in use: The discounted present value of estimated future cash flows expected to arise from:

- the continuing use of an asset; and
- its disposal at the end of its useful life.

Following the identification of an indication of impairment, the recoverable amount of the asset must be calculated in order to determine whether any impairment loss has actually occurred. In order to calculate the recoverable amount, it may be necessary to calculate both the net selling price and the value in use. However, simplifications will often be possible:

- if either the net selling price or the value in use is more than the carrying amount, the asset is not impaired and it is not necessary to calculate the other amount;
- if net selling price cannot be determined, then the recoverable amount is the value in use;
- for assets to be disposed of, recoverable amount is net selling price; and
- the detailed calculations involved in measuring value in use may be avoided if a single estimate is sufficient to show that either value in use is higher than the carrying amount (in which case there is no impairment) or that it is lower than the net selling price (in which case the recoverable amount is the net selling price).

Net Selling Price (NSP)

IAS 36 contains the following guidance on measuring net selling price:

- if there is a binding sale agreement, the price under that agreement less costs of disposal is NSP;
- if there is an active market for that type of asset, NSP is market price less costs of disposal. Market price means current bid price, if available, otherwise the price is the most recent transaction price;
- if there is no active market, NSP is the best estimate of the asset's selling price less costs of disposal; and
- costs of disposal are the direct incremental costs only (not existing costs or overhead).

Value in Use (VIU)

Measuring value in use involves (a) estimating future cash inflows and outflows relating to the continuing use of the asset and the net proceeds from its ultimate disposal, and (b) discounting those cash flows using an appropriate discount rate.

Cash flow projections should be based on reasonable and supportable assumptions, the most recent budgets and forecasts, and extrapolation for periods beyond budgeted projections. IAS 36 presumes that budgets and forecasts should not go beyond five years. For periods after five years, figures should be extrapolated from the earlier budgets.

Estimates of future cash flows should not include cash inflows or outflows from financing activities, or income tax receipts or payments.

Discount Rate

In measuring value in use, the discount rate used should:

- be a pre-tax rate; and
- reflect current market assumptions of the time value of money and of the risks specific to the asset.

For impairment of an individual asset or a portfolio of assets, the discount rate is the rate the enterprise would pay in a current market transaction to borrow money to buy that specific asset or portfolio (e.g. a business).

If a market-determined asset-specific rate is not available, a surrogate must be used that reflects the time value of money over the asset's life as well as country risk, currency risk, price risk and cash flow risk. The following would normally be considered:

- the enterprise's own weighted average cost of capital;
- the enterprise's incremental borrowing rate; and
- other market borrowing rates.

Recognition of an Impairment Loss

An impairment loss should be recognised whenever recoverable amount is below carrying amount.

The impairment loss is dealt with as an expense in the income statement, except in the case of a revalued asset, when the impairment loss is dealt with in the same manner as a revaluation decrease.

Cash-Generating Units

Recoverable amount should be determined for each individual asset, if possible. However, if it is not possible to determine the recoverable amount (NSP and VIU) for an individual asset, then the enterprise should determine the recoverable amount of the asset's cash-generating unit (CGU). The CGU is the smallest identifiable group of assets that generates cash inflows from continuing use and that are largely independent of the cash inflows from other assets or groups of assets.

IAS 36 contains detailed guidance as to the appropriate allocation of assets to CGUs and for the allocation of any impairment loss identified between those assets.

Impairment of Goodwill

If goodwill relates to a CGU, the enterprise should consider impairment of the goodwill. IAS 36 provides for 'bottom-up' and 'top-down' tests for identifying impaired goodwill.

If a CGU is being tested for impairment, and there is any goodwill in the financial statements relating to that CGU, a 'bottom-up' test is performed. This requires the enterprise to determine whether the carrying amount of the goodwill can be allocated on a reasonable and consistent basis to the CGU under review. If such an allocation is possible (e.g. if the goodwill relates entirely to an acquisition that is 100% included in the CGU), the portion of goodwill related to the CGU is simply included in the carrying amount of the CGU for impairment testing purposes. No further top-down test is required.

If goodwill cannot be allocated to the CGU, the carrying amount of the CGU (excluding any allocation of goodwill) is compared to its recoverable amount to ensure that any impairment of the assets included in the CGU other than goodwill is identified. Since goodwill is not included in this assessment, a 'top-down' test is then undertaken. This requires the enterprise to identify the smallest CGU under review and to which the amount of goodwill can be allocated on a reasonable and consistent basis (the 'larger' CGU). The carrying amount of this 'larger' CGU (including the allocated goodwill) is then compared to its recoverable amount.

Reversal of an Impairment Loss

Reversals are dealt with using the same approach as for the identification of an impairment loss. At each balance sheet date, the enterprise assesses whether there is any indication that a previously-recognised impairment loss may have decreased. If so, the recoverable amount of the asset should be calculated.

The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised. Any further increase in the recoverable amount is a revaluation.

Reversal of an impairment loss is recognised as income in the income statement, except in the case of a revalued asset, when the reversal is dealt with as a revaluation increase.

An impairment loss previously recognised in respect of goodwill should be reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur. IAS 36 indicates that these circumstances are expected to be rare.

IAS 37

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Objective

The objective of IAS 37 is to ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature, timing and amount. The key principle established by the Standard is that a provision should be recognised only when there is a liability i.e. a present obligation resulting from past events. The Standard thus aims to ensure that only genuine obligations are dealt with in the financial statements - planned future expenditure, even where authorised by the board of directors or equivalent governing body, is excluded from recognition.

Scope

IAS 37 excludes from its scope obligations and contingencies arising from:

- financial instruments carried at fair value (but IAS 37 does apply to financial instruments carried at amortised cost);
- non-onerous executory contracts;
- insurance enterprise policy liabilities (but IAS 37 does apply to non-policy-related liabilities of an insurance enterprise); and
- items covered by another IFRS.

Key Definitions

Provision: A liability of uncertain timing or amount.

Liability: A present obligation as a result of past events, the settlement of which is expected to result in an outflow of resources (payment).

Contingent liability: A possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably.

Contingent asset: A possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.

Recognition of a Provision

An enterprise should recognise a provision if, and only if:

- a present obligation (legal or constructive) has arisen as a result of a past event (the obligating event);
- payment is probable ('more likely than not'); and
- the amount can be estimated reliably.

An obligating event is an event that creates a legal or constructive obligation and, therefore, results in an enterprise having no realistic alternative but to settle the obligation.

A constructive obligation arises if past practice creates a valid expectation on the part of a third party that the enterprise will accept and discharge its responsibilities.

A contingent liability, which is not recognised but is disclosed by way of note unless it is remote, results when one or more of the three recognition criteria for a provision described above is not met.

In rare cases, for example in a law suit, it may not be clear whether an enterprise has a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the balance sheet date. A provision should be recognised for that present obligation if the other recognition criteria described above are met. If it is more likely than not that no present obligation exists, the enterprise should disclose a contingent liability, unless the possibility of an outflow of resources is remote.

Measurement of Provisions

The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date, i.e. the amount that an enterprise would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party. In reaching its best estimate, the enterprise should take into account the risks and uncertainties that surround the underlying events. Expected cash outflows should be discounted to their present values, where the effect of the time value of money is material.

Specifically:

- provisions for one-off events (e.g. restructurings, environmental clean-ups, settlement of a lawsuit) are measured at the most likely amount;
- provisions for large populations of events (warranties, customer refunds) are measured at a probability-weighted expected value; and
- both measurements are at discounted present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement should be recognised when, and only when, it is virtually certain that reimbursement will be received if the enterprise settles the obligation. The amount recognised should not exceed the amount of the provision and should be treated as a separate asset.

In measuring provisions, future events should be dealt with as follows:

- forecast reasonable changes in applying existing technology;
- ignore possible gains on sale of assets; and
- consider changes in legislation only if virtually certain to be enacted.

Restructurings

A restructuring is:

- the sale or termination of a line of business; or
- the closure of business locations; or
- changes in management structure; or
- a fundamental reorganisation of the enterprise.

Restructuring provisions should be accrued as follows:

- for the sale of an operation, a provision should be accrued only after a binding sale agreement. If a binding sale agreement is entered into after the balance sheet date, the effect should be disclosed but not accrued;
- for closures or reorganisations, provisions should be accrued only after a detailed formal plan is adopted and announced publicly. A decision by the board of directors is not enough;
- provisions should not be recognised for future operating losses, even in a restructuring; and
- for restructurings arising on acquisitions, provisions for terminating employees, closing facilities, and eliminating product lines should be accrued if they are announced at the time of the acquisition only if a detailed formal plan is adopted three months after acquisition (see page 48).

Restructuring provisions should include only direct expenditures caused by the restructuring, not costs that are associated with the ongoing activities of the enterprise.

What is the Debit Entry?

When a provision (liability) is recognised, the debit entry is not always an expense. Sometimes the provision may form part of the cost of an asset (e.g. the obligation for environmental clean-up for a new mine or offshore oil rig).

Use of Provisions

Provisions should only be used for the purpose for which they were originally recognised. They should be reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision should be reversed.

Contingent Liabilities

IAS 37 requires that enterprises should not recognise contingent liabilities - but should disclose them, unless the possibility of an outflow of economic resources is remote.

Contingent Assets

Contingent assets should not be recognised - but should be disclosed where an inflow of economic benefits is probable. When the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

IAS 38

INTANGIBLE ASSETS

Objective

The objective of IAS 38 is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another IFRS. The Standard requires an enterprise to recognise an intangible asset if, and only if, certain criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires certain disclosures regarding intangible assets.

Scope

IAS 38 applies to all intangible assets other than:

- financial assets;
- mineral rights and exploration and development costs incurred by mining and oil and gas companies;
- intangible assets arising from insurance contracts issued by insurance enterprises; and
- intangible assets covered by another IFRS.

Definition

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is a resource that is controlled by the enterprise as a result of past events and from which future economic benefits are expected. Thus, the three critical attributes of an intangible asset are:

- identifiability;
- control; and
- expectation of future economic benefits.

Recognition

IAS 38 requires an enterprise to recognise an intangible asset, whether purchased or self-created if, and only if:

- it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and
- the cost of the asset can be measured reliably.

This requirement applies whether an intangible asset is acquired externally or generated internally. IAS 38 includes additional recognition criteria for internally-generated intangible assets (see below).

If an intangible item does not meet both the definition of and the criteria for recognition as an intangible asset, IAS 38 requires the expenditure on this item to be recognised as an expense when it is incurred. The Standard also prohibits an enterprise from subsequently reinstating as an intangible asset, at a later date, expenditure that was originally charged to expense.

In the case of a business combination, expenditure (included in the cost of acquisition) on an intangible item that does not meet both the definition of and recognition criteria for an intangible asset should form part of the amount attributed to the goodwill recognised at the acquisition date. If the intangible meets the definition in IAS 38, it should be recognised and measured at fair value. If fair value cannot be measured reliably, it should be included in the amount attributed to goodwill.

Initial Measurement

Intangible assets are initially measured at cost.

Subsequent Expenditure

Subsequent expenditure on an intangible asset after its purchase or completion should be recognised as an expense when it is incurred, unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally-assessed standard of performance and the expenditure can be measured and attributed to the asset reliably.

Costs incurred to restore or maintain the originally-assessed standard of performance of software should be recognised as an expense when, and only when, the work is carried out. ***[SIC 6]***

Research and Development Costs

All expenditure on the research phase of a project is treated as research expenditure and should be charged as an expense.

Development costs are capitalised only after technical and commercial feasibility of the asset for sale or use has been established. This means that the enterprise must intend and be able to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits.

A website arising from internal development should be recognised as an asset if, and only if, the general conditions for recognition of an internally-generated intangible asset are satisfied. Costs incurred on a website developed solely or primarily for promoting and advertising the enterprise's products should be expensed as incurred, since the enterprise will be unable to demonstrate that such a website will generate probable future economic benefits. ***[SIC 32]***

If an enterprise cannot distinguish the research phase of an internal project to create an intangible asset from the development phase, the enterprise treats the expenditure for that project as if it were incurred in the research phase only.

Brands, mastheads, publishing titles, customer lists and items similar in substance that are internally-generated should not be recognised as assets.

The following items should be expensed:

- internally-generated goodwill;
- start-up, pre-opening and pre-operating costs;
- training costs;
- advertising costs; and
- relocation costs.

Amortisation and Impairment

An intangible asset should be amortised over the best estimate of its useful life.

IAS 38 does not permit an enterprise to assign an infinite useful life to an intangible asset. It includes a rebuttable presumption that the useful life of an intangible asset will not exceed 20 years from the date when the asset is available for use. If there is persuasive evidence that the useful life of an intangible asset will exceed 20 years (cases should be rare), an enterprise should amortise the intangible asset over the best estimate of its useful life.

The amortisation method should reflect the pattern by which the asset's economic benefits will be used up. The amortisation period and method should be reviewed annually.

If an enterprise controls an intangible asset by contract, the amortisation period should not exceed the contract period unless the enterprise has a legal right to renew and renewal is virtually certain.

The residual value of an intangible asset should normally be assumed to be nil unless either there is a commitment by a third-party purchaser to buy the asset or there is an active market for this kind of intangible asset.

IAS 36 *Impairment of Assets* applies to intangible assets (see page 67). There is a compulsory annual impairment test if the amortisation period exceeds 20 years or the intangible is not ready for use.

Measurement Subsequent to Initial Recognition

After initial recognition, the **benchmark treatment** is that intangible assets should be carried at cost less any amortisation and impairment losses.

The **allowed alternative treatment** is that certain intangible assets may be carried at a revalued amount (based on fair value) less any subsequent amortisation and impairment losses. Revaluations of intangible assets are permitted only if fair value can be determined by reference to an active market. Such markets are expected to be rare for intangible assets.

IAS 39 (REVISED 2000)

FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT

Objective

The objective of IAS 39 (r2000) is to establish principles for recognising, measuring and disclosing information about financial instruments in the financial statements of business enterprises.

Financial Instrument Defined

A financial instrument is a contract that results in a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. A financial asset is cash, a contractual right to receive cash or another financial asset, a contractual right to exchange financial instruments with another enterprise on terms that are potentially favourable, or an equity instrument of another enterprise. A financial liability is an obligation to deliver cash or another financial asset or an obligation to exchange financial instruments with another enterprise on terms that are potentially unfavourable.

Derivative Defined

A derivative is a financial instrument:

- whose value changes in response to the change in an underlying variable such as an interest rate, commodity or security price, or index;
- that requires little or no initial net investment; and
- that is settled at a future date.

Scope of IAS 39 (r2000)

IAS 39 (r2000) applies to all financial instruments except:

- investments in subsidiaries that are consolidated under IAS 27 (r2000) *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*, investments in equity method associates (see IAS 28 (r2000) *Accounting for Investments in Associates*), and investments in joint ventures (see IAS 31 (r2000) *Financial Reporting of Interests in Joint Ventures*);
- rights and obligations under leases (see IAS 17 (r1997) *Leases*), although the derecognition provisions of IAS 39 (r2000) do apply to lease contracts;

- employer's assets and liabilities under employee benefit plans (see IAS 19 (r2002) *Employee Benefits*);
- rights and obligations under insurance contracts (the subject of a current IASB project);
- equity instruments issued by the reporting enterprise;
- financial guarantee contracts;
- contingent consideration in a business combination (see IAS 22 (r1998) *Business Combinations*); and
- weather derivatives that pay off based on climatic or similar physical variables.

Initial Recognition

IAS 39 (r2000) requires that all financial assets and all financial liabilities be recognised on the balance sheet. That includes all derivative financial instruments.

The enterprise has an option of recognising normal purchases and sales of securities in the marketplace consistently either at trade date or settlement date. If settlement date accounting is used, IAS 39 (r2000) requires recognition of certain value changes between trade and settlement dates.

Initial Measurement

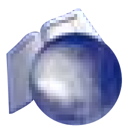
Financial assets and liabilities are initially measured at cost, which is the fair value of whatever was paid or received to acquire the financial asset or liability. Cost includes transaction costs such as commissions, fees, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include premiums or discounts, financing costs, or allocations of internal administrative or holding costs.

Subsequent Measurement - Financial Assets

The table overleaf summarises the classification and measurement scheme for financial assets under IAS 39 (r2000).

Subsequent Measurement - Financial Liabilities

After acquisition, most financial liabilities are measured at original recorded amount less principal repayments and amortisation of discounts and premiums. Only derivatives with a negative market value and liabilities held for trading (such as an obligation for securities borrowed in a short sale, which have to be returned in the future) are remeasured to fair value.



CATEGORY OF FINANCIAL ASSET	DESCRIPTION	MEASUREMENT BASIS
Originated loans and receivables	Loans and receivables created by an enterprise by providing money, goods or services directly to the debtor.	Amortised cost, subject to impairment recognition.
Held-to-maturity investments	Fixed maturity investments that the enterprise intends and is able to hold to maturity.	Amortised cost, subject to impairment recognition.
Available-for-sale financial assets - normal case	Includes: • fixed maturity investments that the enterprise either does not intend or is not able to hold to maturity; • equity investments with a quoted market price; and • equity investments with no quoted market price but able to estimate fair value.	Fair value. Enterprise has a one-time, enterprise-wide choice of reporting changes in fair value (a) in net profit or loss, or (b) in equity until the asset is sold or otherwise disposed of, at which time the cumulative gain and loss is reported in net profit or loss.
Available-for-sale financial assets - unusual	Equity investments with no quoted market price and the enterprise is not able to estimate fair value.	Cost, subject to impairment recognition.
Financial assets held for trading	Financial assets acquired for the purpose of generating a profit from short term fluctuations in price. This includes all derivative assets and liabilities.	Fair value, changes in fair value in net profit or loss.

Derecognition (Removal) of Financial Assets and Liabilities

IAS 39 (r2000) establishes conditions for determining when control over a financial asset or liability has been transferred to another party and, therefore, the asset or liability should be removed from the balance sheet (derecognised). For financial assets, derecognition is normally appropriate if:

- the transferee has the right to sell or pledge the asset; and
- the transferor does not have the right to reacquire the transferred asset. However, such a right does not prevent derecognition if either the asset is readily obtainable in the market or the reacquisition price is fair value at the time of reacquisition.

With respect to derecognition of liabilities, the creditor must legally release the debtor from primary responsibility for the liability either judicially or contractually, to derecognise the liability.

If part of a financial asset or liability is sold or extinguished, the carrying amount is split based on relative fair values. If fair values are not determinable, IAS 39 (r2000) prescribes a cost recovery approach to profit recognition.

Although financial guarantees are generally excluded from the scope of IAS 39 (r2000), a guarantee obligation may have to be recognised in connection with a derecognition transaction in which the seller guarantees the collectability of a financial asset that has been sold. If a guarantee is recognised as a liability, thereafter it is remeasured to fair value until it expires (there is a reliability exception if fair value cannot be measured reliably).

Impairment of Financial Assets

If it is probable that the holder of a financial asset that is carried at amortised cost (loans, receivables and held-to-maturity investments) will not be able to collect all of the principal and interest amounts due according to the original contractual terms, IAS 39 (r2000) requires that an impairment or bad debt loss be recognised. The impairment calculation compares the carrying amount of the financial asset with the discounted present value of the currently estimated amounts and timings of payments. Thus, impairment is recognised if any interest or principal payments are reduced, forgiven or delayed. The financial instrument's original effective interest rate is the rate to be used for discounting. Any impairment loss is charged to net profit or loss for the period. Impairment or uncollectability must be evaluated individually for material financial assets. A portfolio approach may be used for items that are individually small. Once impairment has been recognised, if the fair value of the financial asset increases in a subsequent period such that the impairment loss is reduced or eliminated, a reversal of the impairment loss is recognised, up to what the amortised-cost carrying amount would have been at the time of reversal.

Impairment is also an issue for a financial asset carried at fair value, particularly if the fair value change is reported directly in equity. IAS 39 (r2000) requires that impairment be assessed for these financial assets as well and, if impaired, any loss reported in equity is charged against net profit or loss.

Hedge Accounting

Hedging, for accounting purposes, means designating a derivative financial instrument as an offset in net profit or loss, in whole or in part, to the change in fair value or cash flows of a hedged item. A non-derivative financial instrument may also be a designated hedging instrument, but only with respect to hedges of foreign currency risks. The designation must be in writing, up front (no retrospective designations), and be consistent with an established risk management strategy. In essence, under IAS 39 (r2000), hedge accounting is not mandatory. If an enterprise does not want to use hedge accounting, it simply does not designate a hedging relationship.

Hedge accounting is permitted under IAS 39 (r2000) in certain circumstances, provided that the hedging relationship is:

- clearly defined: what risk is being hedged and what is the expected relationship between that risk and the hedging instrument;
- measurable: what technique will be used to assess hedge effectiveness; and
- actually effective: if, despite strategies and expectations, the hedge was not effective, or was only partially effective, the ineffective portion is not eligible for hedge accounting.

The enterprise must designate a specific hedging instrument as a hedge of a change in value or change in cash flows of a specific hedged item, rather than as a hedge of an overall net balance sheet position. However, the approximate income statement effect of hedge accounting for an overall net position can be achieved, in some cases, by designating part of one of the underlying items as the hedged position. For example, an enterprise's overall net interest rate risk cannot be macro-hedged, but it may be able to qualify for hedge accounting by hedging a similar amount of interest rate risk inherent in a specific asset. Also, the hedged risk must be transferred to an independent party, for example by entering into a derivative contract.

IAS 39 recognises three types of hedges. They are:

- Fair value hedge: a hedge of the exposure to changes in the fair value of an asset or liability that is already recognised in the balance sheet (such as a hedge of exposure to changes in the fair value of fixed rate debt as a result of changes in interest rates). The gain or loss from the change in fair value of the hedging instrument is recognised immediately in net profit or loss. At the same time, the carrying amount of the hedged item is adjusted for the corresponding gain or loss since the inception of the hedge, which also is recognised immediately in net profit or loss.

- Cash flow hedge: a hedge of the exposure to variability in cash flows relating to (a) a recognised asset or liability (such as all or some future interest payments on variable rate debt), (b) an unrecognised firm commitment (such as a non-cancellable fixed price purchase order), or (c) a forecasted transaction (such as an anticipated purchase or sale). To the extent that the hedge is effective, the portion of the gain or loss on the hedging instrument is recognised initially directly in equity. Subsequently, that amount is included in net profit or loss in the same period or periods during which the hedged item affects net profit or loss (for example, when cost of sales, depreciation or amortisation are recognised). For hedges of forecasted transactions, the gain or loss on the hedging instrument will adjust the recorded carrying amount of the acquired asset or liability.
- Hedge of a net investment in a foreign entity (as defined in IAS 21 (r1993)): These are accounted for as cash flow hedges.

IAS 39 (r2000) is a complex Standard. The IASB's IAS 39 Implementation Guidance Committee has published over 200 questions and answers relating to IAS 39 in response to implementation issues that have been brought to the Board's attention. Those questions and answers are included in the IASB's Bound Volume of International Accounting Standards for 2002, and cross-referenced from the relevant paragraphs of the Standard. Deloitte Touche Tohmatsu have developed supplemental guidance (in question and answer format) and examples regarding application of both IAS 32 and IAS 39. *Financial Instruments: Applying IAS 32 and IAS 39* sets out 165 questions and answers and 151 examples. It also includes summaries of the Standards as well as 52 comparisons with US GAAP. Refer to www. iasplus.com for further details.

IAS 40

INVESTMENT PROPERTY

Objective

The objective of IAS 40 is to prescribe the accounting treatment for investment property and related disclosure requirements.

Definition of Investment Property

Investment property is property (land or buildings) held (whether by the owner or under a finance lease) to earn rentals or for capital appreciation or both.

The following are examples of investment property:

- land held for long-term capital appreciation;
- land held for undecided future use (if an enterprise has not determined that it will use land either as owner-occupied property or for short-term sale in the ordinary course of business, the land is considered to be held for capital appreciation);
- a building leased out under an operating lease; and
- a vacant building held to be leased out under an operating lease.

The following are not investment property:

- property held for sale in the ordinary course of business or in the process of construction or development for such sale (IAS 2 (r1993) *Inventories*);
- property being constructed or developed on behalf of third parties (IAS 11 (r1993) *Construction Contracts*);

- owner-occupied property (IAS 16 (r1998) *Property, Plant and Equipment*), including property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees and owner-occupied property awaiting disposal; and
- property that is being constructed or developed for use as an investment property. IAS 16 (r1998) *Property, Plant and Equipment* applies to such property until construction or development is complete. However, IAS 40 does apply to existing investment property that is being redeveloped for continuing use as investment property.

Other Classification Issues

If the owner uses part of the property for its own use, and part to earn rentals or for capital appreciation, and the portions can be sold separately, they are accounted for separately. Therefore the part that is rented out is investment property. If the portions cannot be sold separately, the property is investment property only if the owner-occupied portion is insignificant.

Where the enterprise provides ancillary services to the occupants of a property held by the enterprise, the appropriateness of classification as investment property is determined by the significance of the services provided. If those services are a relatively insignificant component of the arrangement as a whole (e.g. the building owner supplies security and maintenance services to the lessees), then the enterprise may treat the property as investment property. Where the services provided are more significant (e.g. in the case of an owner-managed hotel), the property should be classified as owner-occupied.

Property that is held under an operating lease cannot be treated as investment property under IAS 40.

Property rented to a parent, subsidiary or fellow subsidiary is not investment property in consolidated financial statements that include both the lessor and the lessee, because the property is owner-occupied from the perspective of the group. However, such property could qualify as investment property in the separate financial statements of the lessor, if the definition of investment property is otherwise met.

Recognition

Investment property should be recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the enterprise, and the cost of the property can be measured reliably.

Initial Measurement

Investment property is initially measured at cost, including transaction costs. Such cost should not include start-up costs, abnormal waste, or initial operating losses incurred before the investment property achieves the planned level of occupancy.

Subsequent Expenditure

Subsequent expenditure should be recognised as an expense as incurred, except when it is probable that future economic benefits in excess of the originally-assessed standard of performance will flow to the enterprise, in which case the expenditure should be added to the carrying amount of the investment property.

Measurement Subsequent to Initial Recognition

IAS 40 permits enterprises to choose between:

- a fair value model; and
- a cost model.

One method must be adopted for all investment property. Change is permitted only if this results in a more appropriate presentation. IAS 40 notes that this is highly unlikely for a change from a fair value model to a cost model.

Fair Value Model

Investment property is measured at fair value, i.e. the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Gains or losses arising from changes in the fair value of investment property are included in net profit or loss for the period in which they arise.

Fair value should reflect the actual market state and circumstances as of the balance sheet date. The best evidence of fair value is normally given by current prices in an active market for similar property in the same location and condition, and subject to similar lease and other contracts. In the absence of such information, the enterprise may consider current prices for properties of a different nature or subject to different conditions, recent prices in less active markets with adjustments to reflect changes in economic conditions, and discounted cash flow projections based on reliable estimates of future cash flows.

There is a rebuttable presumption that the enterprise will be able to determine the fair value of an investment property reliably on a continuing basis. However, if, in exceptional circumstances, an enterprise follows the fair value model but at acquisition concludes that a property's fair value is not expected to be reliably measurable on a continuing basis, the property is accounted for in accordance with the benchmark treatment under IAS 16 (r1998) *Property, Plant and Equipment* (cost less accumulated depreciation less accumulated impairment losses).

Where a property has previously been measured at fair value, it should continue to be measured at fair value until disposal, even if comparable market transactions become less frequent or market prices become less readily available.

Cost Model

After initial recognition, investment property is accounted for in accordance with the benchmark treatment under IAS 16 (r1998) *Property, Plant and Equipment* (cost less accumulated depreciation less accumulated impairment losses).

Transfers to or from Investment Property Classification

Transfers to, or from, investment property should only be made when there is a change in use, evidenced by:

- commencement of owner-occupation (transfer from investment property to owner-occupied property);
- commencement of development with a view to sale (transfer from investment property to inventories);
- end of owner-occupation (transfer from owner-occupied property to investment property);
- commencement of an operating lease to another party (transfer from inventories to investment property); or
- end of construction or development (transfer from property in the course of construction/development to investment property).

When an enterprise decides to sell an investment property without development, the property is not reclassified as inventory, but is dealt with as investment property until it is disposed of.

The following rules apply for accounting for transfers between categories:

- for a transfer from investment property carried at fair value to owner-occupied property or inventories, the fair value at the date of change of use is the 'cost' of the property under its new classification;

- for a transfer from owner-occupied property to investment property carried at fair value, IAS 16 (r1998) *Property, Plant and Equipment* should be applied up to the date of reclassification. Any difference arising between the fair value and the carrying amount under IAS 16 (r1998) is dealt with as a revaluation under IAS 16 (r1998);
- for a transfer from inventories to investment property at fair value, any difference between the fair value of the property at the date of transfer and its previous carrying amount should be recognised in net profit or loss for the period; and
- when an enterprise completes construction/development of an investment property that will be carried at fair value, any difference between the fair value at the date of transfer and the previous carrying amount should be recognised in net profit or loss for the period.

When an enterprise uses the cost model for investment property, transfers between categories do not change the carrying amount of the property transferred and they do not change the cost of the property for measurement or disclosure purposes.

Disposal

An investment property should be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal should be calculated as the difference between the net disposal proceeds and the carrying amount of the asset and should be recognised as income or expense in the income statement.

IAS 41 (EFFECTIVE 1 JANUARY 2003)

AGRICULTURE

Objective

The objective of IAS 41 is to prescribe the accounting treatment, financial statement presentation, and disclosures related to agricultural activity, i.e. the management of the biological transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the enterprise's biological assets).

Initial Recognition

An enterprise should recognise a biological asset or agricultural produce only when the enterprise controls the asset as a result of past events, it is probable that future economic benefits will flow to the enterprise, and the fair value or cost of the asset can be measured reliably.

Measurement

Biological assets should be measured on initial recognition and at subsequent reporting dates at fair value less estimated point-of-sale costs, unless fair value cannot be reliably measured.

Agricultural produce should be measured at fair value less estimated point-of-sale costs at the point of harvest. Because harvested produce is a marketable commodity, there is no 'measurement reliability' exception for produce.

The gain on recognition of biological assets at fair value, and changes in fair value of biological assets during a period, are reported in net profit or loss.

A gain on recognition of agricultural produce at fair value should be included in net profit or loss for the period in which it arises.

All costs related to biological assets that are measured at fair value are recognised as expenses when incurred, other than costs to purchase biological assets.

IAS 41 presumes that fair value can be reliably measured for most biological assets. However, that presumption can be rebutted for a biological asset that, at the time it is initially recognised in the financial statements, does not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are determined to be clearly inappropriate or unworkable. In such circumstances, the asset is measured at cost less accumulated depreciation and impairment losses. But the enterprise must still measure all of its other biological assets at fair value. If circumstances change, and fair value becomes reliably measurable, a switch to fair value less point-of-sale costs is required.

The following guidance is provided on the measurement of fair value:

- a quoted market price in an active market for a biological asset or agricultural produce is the most reliable basis for determining the fair value of that asset. If an active market does not exist, IAS 41 provides guidance for choosing another measurement basis. First choice would be a market-determined price such as the most recent market price for that type of asset, or market prices for similar or related assets;
- if reliable market-based prices are not available, the present value of expected net cash flows from the asset should be used, discounted at a current market-determined pre-tax rate;
- in limited circumstances, cost is an indicator of fair value, where little biological transformation has taken place or the impact of biological transformation on price is not expected to be material; and
- the fair value of a biological asset is based on current market prices and is not adjusted to reflect the actual price in a binding sale contract that provides for delivery at a future date.

Other Issues

The change in fair value of biological assets is part physical change (growth, etc.) and part unit price change. Separate disclosure of the two components is encouraged, but not required.

Fair value measurement stops at harvest. IAS 2 (r1993) *Inventories* applies after harvest.

Agricultural land is accounted for under IAS 16 (r1998) *Property, Plant and Equipment*. However, biological assets that are physically attached to land are measured as biological assets separate from the land.

Intangible assets relating to agricultural activity (e.g. milk quotas) are accounted for under IAS 38 *Intangible Assets*.

Unconditional government grants received in respect of biological assets measured at fair value are reported as income when the grant becomes receivable.

MODEL FINANCIAL STATEMENTS
INTERNATIONAL GAAP HOLDINGS LIMITED

INTERNATIONAL GAAP HOLDINGS LIMITED

Financial Statements

for the year ended 31 December 2002

The model financial statements of International GAAP Holdings Limited are intended to address the presentation and disclosure requirements of International Financial Reporting Standards (IFRS). They also contain additional disclosures that are considered to be best practice, particularly where such disclosures are included in illustrative examples provided with a specific Standard.

These model financial statements have been presented without regard to local laws or regulations. Preparers of financial statements will need to ensure that the options selected under IFRS do not conflict with such sources of regulation (e.g. the revaluation of assets is not permitted within certain regimes - but these financial statements illustrate the presentation where the alternative treatment under IAS 16 (Revised 1998) *Property, Plant and Equipment* is adopted). In addition, local laws or securities regulations may specify disclosures in addition to those required by IFRS (e.g. in relation to directors' remuneration). Preparers of financial statements will consequently need to adapt the model financial statements to comply with such additional local requirements.

Suggested disclosures are cross-referenced to the relevant requirements in the Presentation and Disclosure Checklist. References are also provided to the underlying requirements in the texts of the relevant Standards. [References are made by IAS number, followed by the paragraph number e.g. 40.69 refers to paragraph 69 of IAS 40. For those Standards revised since their original issue, the year of the most recent revision is also noted e.g. 14(r1997).55 refers to paragraph 55 of IAS 14 (Revised 1997)].

For the purposes of presenting the income statement, statement of changes in equity and cash flow statement - the various alternatives allowed for under IFRS for those primary statements have been illustrated. Preparers should select the alternatives most appropriate to their circumstances.

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SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED			
1(r1997).7(b)	2001,2023	**CONSOLIDATED INCOME STATEMENT**			
1(r1997).46(b),(c)	2024(b),(c)	**FOR THE YEAR ENDED 31 DECEMBER 2002**			[Alt 1]
1(r1997).92	8003		NOTES	Year ended	Year ended
1(r1997).46(d),(e)	2024(d),(e)			31/12/02	31/12/01
				CU'000	CU'000
1(r1997).75(a)	3002(a)	Revenue	3	1,224,098	869,453
1(r1997).77	3006	Other operating income		10,150	6,745
1(r1997).77	3006	Changes in inventories of finished goods and work in progress		5,446	7,329
1(r1997).77	3006	Raw materials and consumables used		(769,541)	(557,328)
1(r1997).77	3006	Staff costs		(247,901)	(223,537)
1(r1997).77	3006	Depreciation and amortisation expense		(32,594)	(20,135)
1(r1997).77	3006	Other operating expenses		(33,200)	(22,965)
8(r1993).16	8046	Restructuring costs	5	(18,300)	-
1(r1997).75(b)	3002(b)	Profit from operations	6	138,158	59,562
1(r1997).75(c)	3002(c)	Finance costs	7	(36,680)	(32,995)
28(r2000).28	3005	Income from associates		12,763	983
1(r1997).75	3003	Income from investments	8	2,938	673
35.39	3004	Profit on disposal of discontinuing operations	9	8,493	-
		Profit before tax		125,672	28,223
12(r2001).77	3002(e)	Income tax expense	10	(19,606)	(4,370)
		Profit after tax		106,066	23,853
1(r1997).75(h)	3002(h)	Minority interest		(609)	(97)
1(r1997).75(i)	3002(i)	Net profit for the year		105,457	23,756
		EARNINGS PER SHARE	12		
		Including discontinuing operations:			
33.47	3008	Basic		70.3 cents	15.8 cents
33.47	3008	Diluted		55.4 cents	15.8 cents
		Excluding discontinuing operations:			
33.51	3010	Basic		63.2 cents	13.1 cents
33.51	3010	Diluted		49.9 cents	13.1 cents

Note:
The format outlined above aggregates expenses according to their nature.

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED			
1(r1997).7(b)	2001,2023	**CONSOLIDATED INCOME STATEMENT**			
1(r1997).46(b),(c)	2024(b),(c)	**FOR THE YEAR ENDED 31 DECEMBER 2002**			**[Alt 2]**
1(r1997).92	8003		NOTES	Year ended	Year ended
1(r1997).46(d),(e)	2024(d),(e)			31/12/02	31/12/01
				CU'000	CU'000
1(r1997).75(a)	3002(a)	Revenue	3	1,224,098	869,453
1(r1997).77	3006	Cost of sales		(797,027)	(661,851)
		Gross profit		427,071	207,602
1(r1997).77	3006	Other operating income		10,150	6,745
1(r1997).77	3006	Distribution costs		(108,298)	(52,688)
1(r1997).77	3006	Administrative expenses		(149,065)	(84,373)
1(r1997).77	3006	Other operating expenses		(23,400)	(17,724)
8(r1993).16	8046	Restructuring costs	5	(18,300)	-
1(r1997).75(b)	3002(b)	Profit from operations	6	138,158	59,562
1(r1997).75(c)	3002(c)	Finance costs	7	(36,680)	(32,995)
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12(r2000).77	3002(e)	Income tax expense	10	(19,606)	(4,370)
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1(r1997).75(i)	3002(i)	Net profit for the year		105,457	23,756
		EARNINGS PER SHARE	12		
		Including discontinuing operations:			
33.47	3008	Basic		70.3 cents	15.8 cents
33.47	3008	Diluted		55.4 cents	15.8 cents
		Excluding discontinuing operations:			
33.51	3010	Basic		63.2 cents	13.1 cents
33.51	3010	Diluted		49.9 cents	13.1 cents

Note:
The format outlined above aggregates expenses according to their function.

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED			
1(r1997).7(a)	2001,2023	**CONSOLIDATED BALANCE SHEET**			
1(r1997).46(b),(c)	2024(b),(c)	**AT 31 DECEMBER 2002**			
1(r1997).92	8003		NOTES	31/12/02	31/12/01
				CU'000	CU'000
1(r1997).46(d),(e)	2024(d),(e)				
		ASSETS			
1(r1997).53	4006	**Non-current assets**			
1(r1997).66(a)	4001(a)	Property, plant and equipment	13	659,603	566,842
1(r1997).67	4002	Investment property	14	12,000	11,409
1(r1997).67	4002	Goodwill	15	1,205	2,538
1(r1997).67	4002	Negative goodwill	16	(773)	(2,455)
1(r1997).66(b)	4001(b)	Intangible assets	17	26,985	21,294
28(r2000).28	4004	Investments in associates	19	45,060	12,274
1(r1997).66(c)	4001(c)	Available for sale investments	21	23,543	25,602
1(r1997).67	4002	Finance lease receivables	23	114,937	104,489
12(r2000).69,70	8112	Deferred tax assets	34	2,661	3,400
				885,221	745,393
1(r1997).53	4006	**Current assets**			
1(r1997).66(e)	4001(e)	Inventories	22	117,895	108,698
1(r1997).67	4002	Finance lease receivables	23	54,713	49,674
1(r1997).66(f)	4001(f)	Trade and other receivables	24	134,194	129,780
1(r1997).66(c)	4001(c)	Investments held for trading	21	37,243	29,730
1(r1997).66(g)	4001(g)	Bank balances and cash	24	5,609	1,175
				349,654	319,057
		Total assets		1,234,875	1,064,450

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED			
		CONSOLIDATED BALANCE SHEET			
		AT 31 DECEMBER 2002 - continued			
			NOTES	31/12/02	31/12/01
				CU'000	CU'000
		EQUITY AND LIABILITIES			
1(r1997).66(m)	4001(m)	**Capital and reserves**			
		Share capital	26	120,000	120,000
		Capital reserves	27	32,934	32,098
		Revaluation reserves	28	95,241	34,591
		Hedging and translation reserves	29	(11,708)	508
		Accumulated profits	30	259,740	159,323
				496,207	346,520
1(r1997).66(l), 27(r2000).26	4001(l), 4005	**Minority interest**		3,185	2,576
1(r1997).53	4006	**Non-current liabilities**			
1(r1997).66(k)	4001(k)	Bank loans - due after one year	31	388,729	474,902
1(R1997).67	4002	Convertible loan notes	32	24,327	-
1(r1997).67	4002	Retirement benefit obligation	44	30,196	34,001
12(r2000).69,70	8112	Deferred tax liabilities	34	15,447	6,372
1(r1997).67	4002	Obligations under finance leases			
		- due after one year	35	923	1,244
				459,622	516,519
1(r1997).53	4006	**Current liabilities**			
1(r1997).66(h)	4001(h)	Trade and other payables	36	141,949	86,291
1(r1997).67	4002	Retirement benefit obligation	44	3,732	4,473
12(r2000).69	8112	Tax liabilities		8,229	1,986
1(r1997).67	4002	Obligations under finance leases			
		- due within one year	35	1,470	1,483
1(r1997).66(k)	4001(k)	Bank overdrafts and loans			
		- due within one year	31	111,931	102,537
1(r1997).66(j)	4001(j)	Provisions	37	8,550	2,065
				275,861	198,835
		Total equity and liabilities		1,234,875	1,064,450

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED		
1(r1997).7(c)(ii)	2001,2023	**CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES**		
1(r1997).46(b),(c))	2024(b),(c)	**FOR THE YEAR ENDED 31 DECEMBER 2002**		**[Alt 1]**
			Year ended 31/12/02	Year ended 31/12/01
1(r1997).46(d),(e)	2024(d),(e)		CU'000	CU'000
1(r1997).86(b)	5001(b)	Revaluation increase/(decrease) on land and buildings	64,709	(4,049)
1(r1997).86(b)	5001(b)	Deferred tax liability arising on revaluation of land and buildings	(3,699)	-
1(r1997).86(b)	5001(b)	Increase in fair value of hedging derivatives	1,723	550
1(r1997).86(b)	5001(b)	Increase in fair value of available-for-sale investments	251	201
1(r1997).86(b)	5001(b)	Exchange differences arising on translation of overseas operations	(12,726)	2,706
1(r1997).86(b)	5001(b)	Net gains/(losses) not recognised in the income statement	50,258	(592)
1(r1997).86(a)	5001(a)	Net profit for the year	105,457	23,756
		Total recognised gains and losses	155,715	23,164

Note:
IAS 1(r1997) requires that the financial statements should include a statement showing either all changes in equity, or changes in equity other than those arising from capital transactions with owners and distributions to owners.

The above illustrates an approach which presents those changes in equity that represent gains and losses in a separate component of the financial statements. If this method of presentation is adopted, a reconciliation of the opening and closing balances of share capital, reserves and accumulated profits is required to be provided in the explanatory notes (see notes 26 to 30). An alternative method of presenting changes in equity is illustrated on the next page.

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED
1(r1997).7(c)(i)	2001,2023	**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
1(r1997).46 (b),(c)	2024(b),(c)	**FOR THE YEAR ENDED 31 DECEMBER 2002** **[Alt 2]**
1(r1997).74(b) 1(r1997).46(d),(e) 1(1997).86(e),(f)	8106 2024(d),(e) 5002(b),(c)	

SOURCE	CHECKLIST		Share capital	Capital reserves	Revaluation reserves	Hedging and translation reserves	Accumulated profits	Total
			CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
		Balance at 1 January 2001	120,000	32,098	38,439	(1,853)	143,607	332,291
16(r1998).64(f)	5003(c)	Revaluation decrease on land and buildings	-	-	(4,049)	-	-	(4,049)
39(r2000).169(c)	8134(a)	Increase in fair value of hedging derivatives	-	-	-	550	-	550
39(r2000).170(a)	5003(e)	Increase in fair value of available-for-sale investments	-	-	201	-	-	201
21(r1993).42(b)	5003(f)	Exchange differences arising on translation of overseas operations	-	-	-	2,706	-	2,706
1(r1997).86(b)	5001(b)	Net gains/(losses) not recognised in the income statement	-	-	(3,848)	3,256	-	(592)
39(r2000).169(c)	8134(b)	Transfer to income	-	-	-	(895)	-	(895)
1(r1997).86(a)	5001(a)	Net profit for the year	-	-	-	-	23,756	23,756
1(r1997).86(d)	5002(a)	Dividends	-	-	-	-	(8,040)	(8,040)
		Balance at 1 January 2002	120,000	32,098	34,591	508	159,323	346,520
16(r1998).64(f)	5003(c)	Revaluation increase on land and buildings	-	-	64,709	-	-	64,709
12(r2000).81(a)	5003(b)	Deferred tax liability arising on revaluation of land and buildings	-	-	(3,699)	-	-	(3,699)
39(r2000).169(c)	8134(a)	Increase in fair value of hedging derivatives	-	-	-	1,723	-	1,723
39(r2000).170(a)	5003(e)	Increase in fair value of available for-sale investments	-	-	251	-	-	251
21(r1993).42(b)	5003(f)	Exchange differences arising on translation of overseas operations	-	-	-	(12,726)	-	(12,726)
1(r1997).86(b)	5001(b)	Net gains/(losses) not recognised in the income statement	-	-	61,261	(11,003)	-	50,258
1(r1997).86(f)	5002(c)	Equity component of convertible loan notes	-	836	-	-	-	836
39(r2000).170(a)	5003(e)	Released on disposal of available-for-sale investments	-	-	(611)	-	-	(611)
39(r2000).169(c)	8134(b)	Transferred to income	-	-	-	(995)	-	(995)
39(r2000).169(c)	8134(c)	Transferred to inventories	-	-	-	(218)	-	(218)
1(r1997).86(a)	5001(a)	Net profit for the year	-	-	-	-	105,457	105,457
1(r1997).86(d)	5002(a)	Dividends	-	-	-	-	(5,040)	(5,040)
		Balance at 31 December 2002	120,000	32,934	95,241	(11,708)	259,740	496,207

Note:
See previous page for alternative method of presenting changes in equity.
The above layout combines reserves of a similar nature for ease of presentation. However, IAS 1(r1997) requires a reconciliation of the opening and closing position on each reserve separately. Therefore, if such a combined presentation is adopted for the purposes of the statement of changes in equity, further details should be presented in the notes to the financial statements (see notes 26 to 30).

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED			
1(r1997).7(d)	2001,2023	**CONSOLIDATED CASH FLOW STATEMENT**			
1(r1997).46(b),(c)	2024(b),(c)	**FOR THE YEAR ENDED 31 DECEMBER 2002**			**[Alt 1]**
1(r1997).92	8003		NOTES	Year ended 31/12/02	Year ended 31/12/01
1(r1997).46(d),(e)	2024(d),(e)			CU'000	CU'000
7(r1992).10	6002	**OPERATING ACTIVITIES**			
7(r1992).18(a)	6003(a)	Cash receipts from customers		1,227,520	835,187
		Cash paid to suppliers and employees		(1,042,076)	(816,963)
		Cash generated by operations		185,444	18,224
7(r1992).35	6008	Income taxes paid		(5,553)	(2,129)
7(r1992).31	6006	Interest paid		(42,209)	(32,995)
		NET CASH FROM/(USED IN) OPERATING ACTIVITIES		137,682	(16,900)
7(r1992).10	6002	**INVESTING ACTIVITIES**			
7(r1992).31	6006	Interest received		1,202	368
7(r1992).31	6006	Dividends received from associate		11,777	2,725
7(r1992).31	6006	Dividends received from trading investments		2,299	349
		Proceeds on disposal of trading investments		25,230	-
		Proceeds on disposal of available-for-sale investments		2,416	-
7(r1992).39	6010	Disposal of subsidiary	38	6,517	-
		Proceeds on disposal of property, plant and equipment		4,983	4,500
		Purchases of property, plant and equipment		(58,675)	(28,198)
		Acquisition of investment in an associate		(31,800)	-
		Purchases of trading investments		(34,023)	(15,328)
		Purchases of patents and trademarks		(3,835)	(18,617)
		Expenditure on product development		(3,600)	-
7(r1992).39	6010	Acquisition of subsidiary	39	(3,670)	-
		NET CASH USED IN INVESTING ACTIVITIES		(81,179)	(54,201)

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED		
		CONSOLIDATED CASH FLOW STATEMENT		
		FOR THE YEAR ENDED 31 DECEMBER 2002 - continued		**[Alt 1]**
		NOTES	Year ended 31/12/02	Year ended 31/12/01
			CU'000	CU'000
7(r1992).10	6002	**FINANCING ACTIVITIES**		
7(r1992).31	6006	Dividends paid	(5,040)	(8,040)
		Repayments of borrowings	(86,777)	-
		Repayments of obligations under finance leases	(1,897)	-
		Proceeds on issue of convertible loan notes	25,000	-
		New bank loans raised	-	72,265
		Increase in bank overdrafts	16,396	5,482
		NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(52,318)	69,707
		NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,185	(1,394)
		CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,175	1,907
		Effect of foreign exchange rate changes	249	662
		CASH AND CASH EQUIVALENTS AT END OF YEAR		
7(r1992).45	6014	Bank balances and cash	5,609	1,175

Note:
The above illustrates the direct method of reporting cash flows from operating activities.

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED	NOTES	Year ended 31/12/02	Year ended 31/12/01
1(r1997).7(d)	2001,2023	**CONSOLIDATED CASH FLOW STATEMENT**			
1(r1997).46(b),(c)	2024(b),(c)	**FOR THE YEAR ENDED 31 DECEMBER 2002**			[Alt 2]
1(r1997).92	8003		NOTES	Year ended 31/12/02	Year ended 31/12/01
1(r1997).46(d),(e)	2024(d),(e)			CU'000	CU'000
7(r1992).10	6002	**OPERATING ACTIVITIES**			
7(r1992).18(b)	6003(b)	Profit from operations		138,158	59,562
		Adjustments for:			
		Depreciation of property, plant and equipment		29,517	19,042
		Impairment loss on equipment		4,130	-
		Amortisation of goodwill		463	247
		Amortisation of intangible assets		2,614	846
		Negative goodwill released to income		(1,682)	(2,210)
		(Increase)/decrease in fair value of investment property		(591)	49
		Gain on disposal of property, plant and equipment		(4,184)	(500)
		Increase/(decrease) in provisions		6,485	(2,000)
		Operating cash flows before movements in working capital		174,910	75,036
		Increase in inventories		(21,002)	(28,960)
		Increase in receivables		(22,215)	(31,993)
		Increase in payables		53,751	4,141
		Cash generated by operations		185,444	18,224
7(r1992).35	6008	Income taxes paid		(5,553)	(2,129)
7(r1992).31	6006	Interest paid		(42,209)	(32,995)
		NET CASH FROM (USED IN) OPERATING ACTIVITIES		137,682	(16,900)
7(r1992).10	6002	**INVESTING ACTIVITIES**			
7(r1992).31	6006	Interest received		1,202	368
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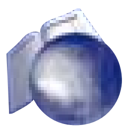
7(r1992).31	6006	Dividends received from trading investments		2,299	349
		Proceeds on disposal of trading investments		25,230	-
		Proceeds on disposal of available-for-sale investments		2,416	-
7(r1992).39	6010	Disposal of subsidiary	38	6,517	-
		Proceeds on disposal of property, plant and equipment		4,983	4,500
		Purchases of property, plant and equipment		(58,675)	(28,198)
		Acquisition of investment in an associate		(31,800)	-
		Purchases of trading investments		(34,023)	(15,328)
		Purchases of patents and trademarks		(3,835)	(18,617)
		Expenditure on product development		(3,600)	-
7(r1992).39	6010	Acquisition of subsidiary	39	(3,670)	-
		NET CASH USED IN INVESTING ACTIVITIES		(81,179)	(54,201)

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED			
		CONSOLIDATED CASH FLOW STATEMENT			
		FOR THE YEAR ENDED 31 DECEMBER 2002 - continued			[Alt 2]
			NOTES	Year ended 31/12/02	Year ended 31/12/01
				CU'000	CU'000
7(r1992).10	6002	**FINANCING ACTIVITIES**			
7(r1992).31	6006	Dividends paid		(5,040)	(8,040)
		Repayments of borrowings		(86,777)	-
		Repayments of obligations under finance leases		(1,897)	-
		Proceeds on issue of convertible loan notes		25,000	-
		New bank loans raised		-	72,265
		Increase in bank overdrafts		16,396	5,482
		NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(52,318)	69,707
		NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,185	(1,394)
		CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,175	1,907
		Effect of foreign exchange rate changes		249	662
7(r1992).45	6014	**CASH AND CASH EQUIVALENTS AT END OF YEAR**			
		Bank balances and cash		5,609	1,175

Note:
The above illustrates the indirect method of reporting cash flows from operating activities.



SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED
1(r1997).7(e) 1(r1997).46(b)(c)	2001,2023 2024(b),(c)	**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002**
		1. GENERAL
1(r1997).102(a),(b)	8001	International GAAP Holdings Limited (the Company) is a limited company incorporated in A Land. The principal activities of the Company and its subsidiaries (the Group) are described in note 4.
21(r1993).43 SIC19.10(c)	2010 2011	These financial statements are presented in Currency Units (CU) since that is the currency in which the majority of the Group's transactions are denominated.
		2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
1(r1997).11	2003	The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
1(r1997).91(a) 1(r1997).97	7001 7002	The financial statements have been prepared on the historical cost basis, except for the revaluation of land and buildings and certain financial instruments. The principal accounting policies adopted are set out below.
		Basis of consolidation
		The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.
		On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess (deficiency) of the cost of acquisition over (below) the fair values of the identifiable net assets acquired is recognised as goodwill (negative goodwill). The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.
		The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.
		Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.
		All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

28(r2000).27(b) | 7003(b)

Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Any excess (deficiency) of the cost of acquisition over (below) the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill (negative goodwill).

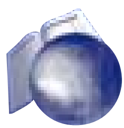
Where a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Where a group company undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant company and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation - the Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.



Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight-line basis over its estimated useful life.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the balance sheet.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition. Negative goodwill is released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying amount of that associate. Negative goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the balance sheet as a deduction from assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

18(r1993).35(a) 7003(f)

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

11(r1993).39(b),(c) 7003(g)

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

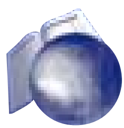
Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.



The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalsed in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Foreign currencies

Transactions in currencies other than Currency Units are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

The financial statements of foreign subsidiaries and associates that report in the currency of a hyperinflationary economy are restated in terms of the measuring unit current at the balance sheet date before they are translated into Currency Units.

21(r1993).45 | 7003(e) | Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

23(r1993).29(a) | 7003(h)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in net profit or loss in the period in which they are incurred.

20.39(a) | 7003(i)

Government grants

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

19(r2002).120(a) | 7003(j)

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

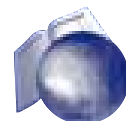
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

16(r1998).60 (a),(b),(c) | 7003(l)

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated profits.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	4%
Fixtures and equipment	10% - 30%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in net profit or loss for the period in which they arise.

38.107 7003(n)

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's e-business development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Internally-generated intangible assets are amortised on a straight-line basis over their useful lives.

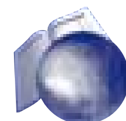
38.107 7003(n)

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated



in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2(r1993).34(a) | 7003(o)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

32(r1998).47(b) | 7003(p)

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments

Investments are recognised on a trade-date basis and are initially measured at cost, including transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

39(r2000).167(b) | 7003(p)

Investments other than held-to-maturity debt securities are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Convertible loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the net proceeds of issue of the convertible loan notes and the fair value assigned to the liability

component, representing the embedded option to convert the liability into equity of the Group, is included in equity (capital reserves).

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

Trade payables

Trade payables are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Such derivatives are initially recorded at cost, if any, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows relating to firm commitments and forecasted transactions are recognised directly in equity. If the hedged firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged firm commitment or forecasted transaction affects net profit or loss, for example, when the future sale actually occurs.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Provisions

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's liability.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

3. REVENUE

18(r1993).35(b) | 8022(a)

An analysis of the Group's revenue is as follows:

Source	Checklist		Year ended 31/12/02	Year ended 31/12/01
			CU'000	CU'000
		Continuing operations:		
		Sales of electronic goods	743,127	504,633
11(r1993).39(a)	8023	Revenue from construction contracts	304,073	209,562
		Equipment leasing income	16,858	13,492
40.66(d)(i)	8035(a)	Property rental income	602	563
			1,064,660	728,250
		Discontinuing operations:		
		Sales of toys	159,438	141,203
			1,224,098	869,453

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Note:
The following analysis by business and geographical segment is required by IAS 14 (r1997), Segment Reporting, to be presented by enterprises whose equity or debt securities are publicly traded or that are in the process of issuing equity or debt securities in public securities markets. If an enterprise whose securities are not publicly traded chooses to disclose segment information voluntarily in financial statements that comply with IFRS, that enterprise should comply fully with the requirements of IAS 14 (r1997).

Business segments

14(r1997).81 | 8021(a)
1(r1997).102(b) | 8001(b)

For management purposes, the Group is currently organised into three operating divisions - electronic goods, construction and leasing. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Electronic goods	-	manufacture and distribution of electronic consumer goods.
Construction	-	construction of properties on a contract basis.
Leasing	-	leasing of electronic equipment and property rental.

In prior years, the Group was also involved in the manufacture and sale of toys. That operation was discontinued with effect from 30 November 2002 (see note 9).

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

Segment information about these businesses is presented below.

Source	Checklist	2002	Electronic goods	Construction	Leasing	Toys	Eliminations	Consolidated
			Year ended 31/12/02	Year ended 31/12/02	Year ended 31/12/02	Year ended 31/12/02	Year ended 31/12/02	Year ended 31/12/02
			CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
14(r1997).51	8010(a)	**REVENUE**						
		External sales	743,127	304,073	17,460	159,438	-	1,224,098
		Inter-segment sales	10,020	-	-	-	(10,020)	-
14(r1997).67	8012(a)	Total revenue	753,147	304,073	17,460	159,438	(10,020)	1,224,098
14(r1997).75	8018(b)	Inter-segment sales are charged at prevailing market rates.						
		RESULT						
14(r1997).52	8010(b)	Segment result	95,292	34,879	16,699	4,493	(3,005)	148,358
		Unallocated corporate expenses						(10,200)
14(r1997).67	8012(b)	Profit from operations						138,158
		Finance costs						(36,680)
14(r1997).64	8010(h)	Income from associates	10,392	2,371	-	-		12,763
		Income from investments						2,938
		Profit on disposal of discontinuing operations	-	-	-	8,493		8,493
		Profit before tax						125,672
		Income tax expense						(19,606)
14(r1997).67	8012(b)	Profit after tax						106,066

OTHER INFORMATION

Source	Checklist		Electronic goods	Construction	Leasing	Toys	Other	Consolidated
			CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
14(r1997).57	8010(e)	Capital additions	75,698	-	1,525	-	2,781	80,004
14(r1997).58	8010(f)	Depreciation and amortisation	21,603	6,120	192	1,420	3,259	32,594
36.116	8011	Impairment losses recognised in income	-	-	-	4,130	-	4,130

BALANCE SHEET

Source	Checklist		31/12/02	31/12/02	31/12/02	31/12/02		31/12/02
			CU'000	CU'000	CU'000	CU'000		CU'000
		ASSETS						
14(r1997).55	8010(c)	Segment assets	673,160	149,890	208,798	-		1,031,848
14(r1997).66	8010(i)	Investments in associates	33,071	11,989	-	-		45,060
		Unallocated corporate assets						157,967
14(r1997).67	8012(c)	Consolidated total assets						1,234,875
		LIABILITIES						
14(r1997).56	8010(d)	Segment liabilities	108,657	44,457	20,156	6,058		179,328
		Unallocated corporate liabilities						556,155
14(r1997).67	8012(d)	Consolidated total liabilities						735,483

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

Source	Checklist	2001	Electronic goods	Construction	Leasing	Toys	Eliminations	Consolidated
			Year ended 31/12/01	Year ended 31/12/01	Year ended 31/12/01	Year ended 31/12/01	Year ended 31/12/01	Year ended 31/12/01
			CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
14(r1997).51	8010(a)	**REVENUE**						
		External sales	504,633	209,562	14,055	141,203	-	869,453
		Inter-segment sales	9,370	-	-	-	(9,370)	-
14(r1997).67	8012(a)	Total revenue	514,003	209,562	14,055	141,203	(9,370)	869,453
14(r1997).75	8018(b)	Inter-segment sales are charged at prevailing market rates.						
		RESULT						
14(r1997).52	8010(b)	Segment result	33,993	15,930	9,929	5,390	(1,902)	63,340
		Unallocated corporate expenses						(3,778)
14(r1997).67	8012(b)	Profit from operations						59,562
		Finance costs						(32,995)
14(r1997).64	8010(h)	Income from associates	-	983	-	-		983
		Income from investments						673
		Profit before tax						28,223
		Income tax expense						(4,370)
14(r1997).67	8012(b)	Profit after tax						23,853

OTHER INFORMATION

Source	Checklist		Electronic goods	Construction	Leasing	Toys	Other	Consolidated
			CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
14(r1997).57	8010(e)	Capital additions	44,046	-	2,277	-	4,682	51,005
14(r1997).58	8010(f)	Depreciation and amortisation	10,122	4,944	158	2,897	2,014	20,135

BALANCE SHEET

Source	Checklist		31/12/01	31/12/01	31/12/01	31/12/01	31/12/01
			CU'000	CU'000	CU'000	CU'000	CU'000
		ASSETS					
14(r1997).55	8010(c)	Segment assets	572,546	105,002	189,021	36,062	902,631
14(r1996).66	8010(i)	Investments in associates	-	12,274	-	-	12,274
		Unallocated corporate assets					149,545
14(r1997).67	8012(c)	Consolidated total assets					1,064,450
		LIABILITIES					
14(r1997).56	8010(d)	Segment liabilities	76,625	31,217	14,190	4,798	126,830
		Unallocated corporate liabilities					588,524
14(r1997).67	8012(d)	Consolidated total liabilities					715,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

The average number of employees for the year for each of the Group's principal divisions was as follows:

Source	Checklist		Year ended 31/12/02	Year ended 31/12/01
		Electronic goods	2,182	2,483
		Construction	619	473
		Leasing	76	68
		Toys	345	430
		Head office and administration	278	248
1(r1997).102(d)	8001(d)		3,500	3,702

Geographical segments

14(r1997).81 | 8021(b)

The Group's operations are located in A Land, B Land, C Land and D Land. The Group's construction and leasing divisions are located in A Land. Manufacturing of electronic goods is carried out in B Land, C Land and D Land. As discussed in note 18, the financial statements of the Group's subsidiary in C Land have not been consolidated due to restrictions on the subsidiary's ability to transfer funds to the Group.

14(r1997).69(a) | 8013(a)

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	Year ended 31/12/02	Year ended 31/12/01
	CU'000	CU'000
P Land	822,699	584,347
A Land	171,486	121,803
B Land	52,701	37,432
Q Land	137,892	97,942
Other	39,320	27,929
	1,224,098	869,453

35.27(b) | 8024(b)

Revenue from the Group's discontinuing operations was derived principally from P Land (2002: CU81.4 million, 2001: CU103.3 million) and A Land (2002: CU75.5 million, 2001: CU35.8 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

14(r1997).69(b),(c) 8013(b),(c)

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	31/12/02	31/12/01	Year ended 31/12/02	Year ended 31/12/01
	CU'000	CU'000	CU'000	CU'000
A Land	521,709	441,940	38,261	22,787
B Land	363,310	415,654	18,551	18,446
D Land	349,856	206,856	23,192	9,772
	1,234,875	1,064,450	80,004	51,005

8(r1993).16 8046

5. RESTRUCTURING COSTS

In November 2002, the Group disposed of Subsix Limited (see note 9). Certain of the non-core assets of the toy division were retained by the Group. In addition, the shipping and distribution operations of the toy division were segregated from the manufacturing operations and retained by the Group. The assets retained were scrapped, and an impairment loss recognised in respect of their previous carrying amount. To the extent that workers in the shipping and distribution operations could not be redeployed, termination terms were agreed.

36.113(a) 8098(a)

	Year ended 31/12/02
	CU'000
Impairment loss recognised in respect of assets	4,130
Redundancy costs	14,170
	18,300

In addition, redundancy costs of CU1.42 million (2001: CU1.95 million) were incurred following the acquisition of Sub A Limited. This charge was offset by the release of negative goodwill of the same amount (see note 16).

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

6. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging (crediting):

Source	Checklist		Year ended 31/12/02 CU'000	Year ended 31/12/01 CU'000
21(r1993).42(a)	8037(a)	Net foreign exchange losses/(gains)	1,278	(731)
38.115	8036	Research and development costs	4,800	6,560
20.39(b)	8170(a)	Government grants towards training costs	(398)	(473)
		Amortisation		
22(r1998).88(d)	7003(c)	- goodwill (included in [depreciation and amortisation expense/other operating expenses])	463	247
38.107(d)	7003(n)	- intangible assets (included in [depreciation and amortisation expense/ other operating expenses])	2,614	846
			3,077	1,093
22(r1998).91(c)	7003(d)	Release of negative goodwill to income		
		- included in other operating income	(258)	(257)
		- offset against restructuring costs	(1,424)	(1,953)
			(1,682)	(2,210)
		(Increase)/decrease in fair value of investment property	(591)	49
2(r1993).37	8038	Cost of inventories recognised as expense	594,197	600,627

1(r1997).83 | 3007

Total staff costs incurred during the period amounted to CU247.9 million (2001: CU223.5 million) and total depreciation amounted to CU29.5 million (2001: CU19 million).

Note:
Separate disclosure of staff costs and depreciation is required where the expenses presented in the income statement are analysed by function (see Income Statement - Alt 2)

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

7. FINANCE COSTS

Source	Checklist		Year ended 31/12/02 CU'000	Year ended 31/12/01 CU'000
		Interest on bank overdrafts and loans	40,923	32,762
		Interest on convertible loan notes (note 32)	1,260	-
		Interest on obligations under finance leases	348	233
		Total borrowing costs	42,531	32,995
23(r1993).29(b)	8039(a)	Less: amounts included in the cost of qualifying assets	(5,571)	-
			36,960	32,995
39(r2000).170(c)	8138	Loss arising on derivatives trading	100	-
		Fair value gains on interest rate swaps transferred from equity	(380)	-
			36,680	32,995

23(r1993).29(c) 8039(b)

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7 per cent to expenditure on such assets.

18(r1993).35(b) 8022(a)
39(r2000).170(c) 8138

8. INCOME FROM INVESTMENTS

	Year ended 31/12/02 CU'000	Year ended 31/12/01 CU'000
Interest on bank deposits	1,202	368
Dividends from trading investments	2,299	349
Decline in fair value of trading investments disposed of	(892)	-
Decline in fair value of trading investments held at year end	(388)	(44)
Profit on disposal of available-for-sale investments	717	-
	2,938	673

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

9. DISCONTINUING OPERATIONS

35.27(c) 8024(c)
35.27(a),(b) 8024(a),(b)
35.27(d) 8024(d)

On 14 May 2001, the Group entered into a sale agreement to dispose of Subsix Limited, which carried out all of the Group's toy manufacturing operations. The disposal was effected in order to generate cash flow for the expansion of the Group's other businesses. The disposal was completed on 30 November 2002, on which date control of Subsix Limited passed to the acquirer.

35.27(f) 8024(f)
35.45 8034

The results of the toy manufacturing operations for the period from 1 January 2002 to 30 November 2002, which have been included in the consolidated financial statements, were as follows:

	Period ended 30/11/02 CU'000	Year ended 31/12/01 CU'000
Revenue	159,438	141,203
Operating costs	(136,645)	(135,813)
Restructuring costs	(18,300)	-
Finance costs	(493)	(830)
Profit before tax	4,000	4,560
Income tax expense	(1,817)	(389)
Profit from ordinary activities after tax	2,183	4,171

Details of the restructuring costs arising following the disposal of Subsix Limited are set out in note 5.

35.27(g) 8024(g)
35.45 8034

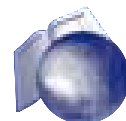
During the year, Subsix Limited contributed CU4.8 million (2001: CU 4.25 million) to the Group's net operating cash flows, paid CU1.37 million (2001: CU2.89 million) in respect of investing activities and paid CU0.9 million (2001: CU3.71 million) in respect of financing activities.

35.31(b) 8026(b)(iii)

The carrying amounts of the assets and liabilities of Subsix Limited at the date of disposal are disclosed in note 38.

35.31(a) 8026(a)

A profit of CU8.5 million arose on the disposal of Subsix Limited, being the proceeds of disposal less the carrying amount of the subsidiary's net assets and attributable goodwill (see note 38). No tax charge or credit arose from the transaction.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

10. INCOME TAX EXPENSE

Source	Checklist		Year ended 31/12/02 CU'000	Year ended 31/12/01 CU'000
12(r2000).79	8041	Current tax:		
		Domestic	5,408	1,994
		Foreign	8,242	1,538
			13,650	3,532
		Deferred tax (note 34):		
		Current year	6,046	838
		Attributable to a reduction in the rate of domestic income tax	(90)	-
			5,956	838
			19,606	4,370

12(r2000).81(d) | 8043(a)

Domestic income tax is calculated at 16 per cent (2001: 16.5 per cent) of the estimated assessable profit for the year. The rate of tax has been amended with effect from the 2002/03 year of assessment.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

12(r2000).81(h) | 8043(b)(ii)

Of the charge to domestic income tax, approximately CU1.8 million (2001: CU0.4 million) related to profits arising in the toy division, which was disposed of during the year. No tax charge or credit arose on the disposal of the relevant subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

12(r2000).81(c) | 8042

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 31/12/02		Year ended 31/12/01	
	CU'000	%	CU'000	%
Profit before tax	125,672		28,223	
Tax at the domestic income tax rate of 16% (2001: 16.5%)	20,108	16.0	4,657	16.5
Tax effect of expenses that are not deductible in determining taxable profit	301	0.2	23	0.1
Tax effect of utilisation of tax losses not previously recognised	(1,185)	(0.9)	(392)	(1.4)
Decrease in opening deferred tax liability resulting from a reduction in tax rates	(90)	(0.1)	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	472	0.4	82	0.3
Tax expense and effective tax rate for the year	19,606	15.6	4,370	15.5

12(r2000).81(a) | 5003(b)

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's land and buildings other than investment property amounting to CU3.7 million and to the equity component of convertible bonds issued amounting to CU0.16 million has been charged directly to equity (see note 34).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

11. DIVIDENDS

1(r1997).85 | 8047

On 23 May 2002, a dividend of 4.2 cents (2001: 6.7 cents) per share was paid to shareholders.

1(r1997).74(c) | 8048

In respect of the current year, the directors propose that a dividend of 9.8 cents per share will be paid to shareholders on 25 May 2003. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The proposed dividend for 2002 is payable to all shareholders on the Register of Members on 21 April 2003. The total estimated dividend to be paid is CU14.7 million.

12. EARNINGS PER SHARE

Note:
IAS 33, Earnings Per Share, requires that Earnings Per Share (EPS) information be presented by enterprises whose ordinary shares or potential ordinary shares are publicly traded and by enterprises that are in the process of issuing ordinary shares or potential ordinary shares in public securities markets. If other enterprises choose to disclose EPS information in financial statements that comply with IFRS, they should comply fully with the requirements of IAS 33.

Including discontinuing operations

The calculation of the basic and diluted earnings per share is based on the following data:

33.49(a) | 3009(a)

Earnings

	Year ended 31/12/02	Year ended 31/12/01
	CU'000	CU'000
Earnings for the purposes of basic earnings per share (net profit for the year)	105,457	23,756
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)	1,058	-
Earnings for the purposes of diluted earnings per share	106,515	23,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

33.49(b) 3009(b)

Number of shares

	Year ended 31/12/02	Year ended 31/12/01
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	150,000	150,000
Effect of dilutive potential ordinary shares:		
Convertible loan notes	42,188	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	192,188	150,000

33.43 3011(c)

The denominators for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the capitalisation issue in February 2003 (see note 26).

Excluding discontinuing operations

The additional basic and diluted earnings per share present earnings data after elimination of the effects of operations discontinued in the period.

33.51 3010

Earnings figures are calculated as follows:

	Year ended 31/12/02	Year ended 31/12/01
	CU'000	CU'000
Net profit for the year	105,457	23,756
Adjustments for:		
Profit after tax from discontinuing operations	(2,183)	(4,171)
Profit on disposal of discontinuing operations	(8,493)	-
Earnings for the purposes of basic earnings per share excluding discontinuing operations	94,781	19,585
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)	1,058	-
Earnings for the purposes of diluted earnings per share excluding discontinuing operations	95,839	19,585

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

13. PROPERTY, PLANT AND EQUIPMENT

Source	Checklist		Land and buildings	Properties under construction	Fixtures and equipment	Total
			CU'000	CU'000	CU'000	CU'000
16(r1998).60(d),(e)	8052(b),(c)	**Cost or Valuation**				
		At 1 January 2002	442,099	77,700	103,870	623,669
16(r1998).61(c)	8053(b)	Additions	-	17,260	44,359	61,619
		Acquired on acquisition of a subsidiary	-	-	8,907	8,907
		Exchange differences	2,103	-	972	3,075
		Disposed of on disposal of a subsidiary	-	-	(22,402)	(22,402)
		Disposals	-	-	(6,413)	(6,413)
		Revaluation increase	41,586	-	-	41,586
		At 31 December 2002	485,788	94,960	129,293	710,041
16(r1998).60(a)	8052(a)	Comprising:				
		At cost	-	94,960	129,293	224,253
		At valuation 2002	485,788	-	-	485,788
			485,788	94,960	129,293	710,041
		Accumulated Depreciation				
		At 1 January 2002	9,900	-	46,927	56,827
		Charge for the year	13,172	-	16,345	29,517
36.113(a)	8098	Impairment loss	-	-	4,130	4,130
		Exchange differences	51	-	927	978
		Eliminated on disposals	-	-	(5,614)	(5,614)
		Eliminated on disposal of a subsidiary	-	-	(12,277)	(12,277)
		Eliminated on revaluation	(23,123)	-	-	(23,123)
		At 31 December 2002	-	-	50,438	50,438
		Carrying Amount				
		At 31 December 2002	485,788	94,960	78,855	659,603
		At 31 December 2001	432,199	77,700	56,943	566,842

The impairment loss on fixtures and equipment arose in connection with the restructuring following the disposal of Subsix Limited (see note 5).

17(r1997).23(a) | 8118(a)

The carrying amount of the Group's fixtures and equipment includes an amount of CU2.55 million (2001: CU1.40 million) in respect of assets held under finance leases.

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

16(r1998).61(a) | 8053(a)

The Group has pledged land and buildings having a carrying amount of approximately CU370 million (2001: CU320 million) to secure banking facilities granted to the Group.

16(r1998).64(a),(b),(c) | 8054(a),(b),(c)

Land and buildings were revalued at 31 December 2002 by Messrs. Lacey & King, independent valuers not connected with the Group, on the basis of market value. The valuation conforms to International Valuation Standards.

16(r1998).64(e) | 8054(e)

At 31 December 2002, had the land and buildings other than investment property of the Group been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately CU390 million (2001: CU410 million).

14. INVESTMENT PROPERTY

40.67 | 8059

	2002
	CU'000
Fair Value	
At 1 January 2002	11,409
Increase in fair value during the year	591
At 31 December 2002	12,000

40.66(b),(c) | 8057

The fair value of the Group's investment property at 31 December 2002 has been arrived at on the basis of a valuation carried out at that date by Messrs R P Trent, independent valuers not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

40.66(e) | 8058

The Group has pledged all of its investment property to secure general banking facilities granted to the Group.

40.66(d) | 8035

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to CU0.6 million (2001: CU0.56 million). Direct operating expenses arising on the investment property in the period amounted to CU0.16 million (2001: CU0.23 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

15. GOODWILL

Source	Checklist		2002
			CU'000
22(r1998).88(e)	8064	**Cost**	
		At 1 January 2002	8,624
		Exchange differences	194
		Arising on acquisition of a subsidiary	2,043
		Eliminated on disposal of a subsidiary	(6,503)
		At 31 December 2002	4,358
		Amortisation	
		At 1 January 2002	6,086
		Exchange differences	149
		Eliminated on disposal of a subsidiary	(3,545)
		Charge for the year	463
		At 31 December 2002	3,153
		Carrying Amount	
		At 31 December 2002	1,205
		At 31 December 2001	2,538

22(r1998).88(a) | 7003(c)

Goodwill is amortised over its estimated useful life. The foreseeable life of the goodwill arising on past acquisitions ranges from 12 to 20 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

16. NEGATIVE GOODWILL

Source	Checklist		2002
			CU'000
22(r1998).91(d)	8067	**Gross Amount**	
		At 1 January and 31 December 2002	4,665
		Released to Income	
		At 1 January 2002	2,210
		Release in the year	1,682
		At 31 December 2002	3,892
		Carrying Amount	
		At 31 December 2002	773
		At 31 December 2001	2,455

22(r1998).91(b) 7003(d)
22(r1998).91(a) 8066

The negative goodwill of CU4.67 million arose on the Group's acquisition of Sub A Limited in February 2001. At the date of acquisition, CU3.37 million of the negative goodwill was identified as relating to anticipated redundancy costs, expected to be incurred during 2001 and 2002. In 2001, redundancy costs of CU1.95 million were incurred and an equivalent amount of the negative goodwill was released to income. In 2002, final settlements in respect of redundancies amounted to CU1.42 million, and the remaining balance of negative goodwill attributable to such expenses was released to income.

The remaining negative goodwill of CU1.3 million is released to income on a straight-line basis over a period of five years, the remaining weighted average useful life of the depreciable assets acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

17. INTANGIBLE ASSETS

Source	Checklist		Development costs	Patents and trademarks	Total
			CU'000	CU'000	CU'000
38.107(c),(e)	8068	**Cost**			
		At 1 January 2002	-	31,617	31,617
		Additions	3,600	3,835	7,435
		Acquired on acquisition of a subsidiary	-	870	870
		At 31 December 2002	3,600	36,322	39,922
		Amortisation			
		At 1 January 2002	-	10,323	10,323
		Charge for the year	360	2,254	2,614
		At 31 December 2002	360	12,577	12,937
		Carrying Amount			
		At 31 December 2002	3,240	23,745	26,985
		At 31 December 2001	-	21,294	21,294

38.107(a),(b) | 7003(n)

The amortisation period for development costs incurred on the Group's e-business development is five years.

Patents and trademarks are amortised over their estimated useful lives, which is on average ten years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

18. SUBSIDIARIES

27(r2000).32(a) | 8073

Details of the Company's subsidiaries at 31 December 2002 are as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
		%	%	
Subone Limited	A Land	100	100	Property investment and construction
Subtwo Limited	A Land	70	55	Equipment leasing
Subthree Limited	B Land	100	100	Manufacture of electronic equipment
Subfour Limited	C Land	70	70	Manufacture of electronic equipment
Subfive Limited	D Land	100	100	Manufacture of electronic equipment

27(r2000).32(b)(i) | 8075(a)

The financial statements of Subfour Limited are not consolidated in the Group financial statements. As previously reported, the assets and liabilities of Subfour Limited were placed under court administration during 2000 pending investigation of allegations of misconduct by the minority shareholder and general manager. Consequently, the subsidiary operates under severe long-term restrictions that significantly impair its ability to transfer funds to the Group. As the directors considered that the Group was unlikely to recover any of its investment, the resulting impairment loss was recognised in previous years.

Subsequent to the balance sheet date, the administration proceedings were completed and an application was made to wind-up Subfour Limited (see note 45).

19. INVESTMENTS IN ASSOCIATES

	31/12/02	31/12/01
	CU'000	CU'000
Cost of investment	32,920	1,120
Share of post-acquisition profit, net of dividends received	12,140	11,154
	45,060	12,274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

28(r2000).27(a) 8090(a)

Details of the Group's associates at 31 December 2002 are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Aplus Limited	A Land	30%	30%	Manufacture of electronic equipment
Bplus Limited	D Land	45%	40%	Construction

20. JOINT VENTURES

31(r2000).47 8092

The Group has the following significant interests in joint ventures:

a) a 25 per cent share in the ownership of a property located in Central District, City A. The Group is entitled to a proportionate share of the rental income received and bears a proportionate share of the outgoings.

b) a 33.5 per cent equity shareholding with equivalent voting power, in JV Electronics Limited, a joint venture established in D Land.

31(r2000).47 8093

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of JV Electronics Limited:

	31/12/02 CU'000	31/12/01 CU'000
Current assets	33,129	46,382
Non-current assets	15,302	38,577
Current liabilities	17,639	15,278
Non-current liabilities	29,214	24,730

	Year ended 31/12/02 CU'000	Year ended 31/12/01 CU'000
Income	8,329	47,923
Expenses	51,702	46,378

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

21. INVESTMENTS IN SECURITIES

Available-for-sale investments

	2002
	CU'000
Fair value at 1 January 2002	25,602
Disposed of in the year	(2,310)
Increase in fair value	251
Fair value at 31 December 2002	23,543

Investments held for trading

	31/12/02	31/12/01
	CU'000	CU'000
Fair value	37,243	29,730

32(r1998).47(a) | 8126

The investments included above represent investments in listed equity securities that present the Group with opportunity for return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices.

2(r1993).34(b) | 8101(a)

22. INVENTORIES

	31/12/02	31/12/01
	CU'000	CU'000
Raw materials	84,225	80,504
Work-in-progress	2,578	1,893
Finished goods	31,062	26,301
	117,895	108,698

2(r1993).34(c) | 8101(b)

Included above are raw materials of CU1.2 million (2001: CU0.8 million) and work in progress of CU0.3 million (2001: Nil) carried at net realisable value.

2(r1993).34(f) | 8101(e)

Inventories with a carrying amount of CU26 million (2001: CU19.3 million) have been pledged as security for certain of the Group's bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

23. FINANCE LEASE RECEIVABLES

Source	Checklist		Minimum lease payments 31/12/02 CU'000	Minimum lease payments 31/12/01 CU'000	Present value of minimum lease payments 31/12/02 CU'000	Present value of minimum lease payments 31/12/01 CU'000
17(r1997).39(a)	8094(a),(b)	Amounts receivable under finance leases:				
		Within one year	72,526	65,948	54,713	49,674
		In the second to fifth years inclusive	120,875	109,913	114,937	104,489
			193,401	175,861	169,650	154,163
17(r1997).39(b)	8094(c)	Less: unearned finance income	(23,751)	(21,698)	N/A	N/A
		Present value of minimum lease payments receivable	169,650	154,163	169,650	154,163
1(r1997).54	4014	Analysed as:				
		Non-current finance lease receivables (recoverable after 12 months)			114,937	104,489
		Current finance lease receivables (recoverable within12 months)			54,713	49,674
					169,650	154,163

17(r1997).39(f) 32(r1998).47(a) | 8094(g) 8126

The Group enters into finance leasing arrangements for certain of its electronic equipment. The average term of finance leases entered into is 4 years.

17(r1997).39(c) | 8094(d)

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at CU0.37 million (2001: CU0.25 million).

32(r1998).56 | 8127

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The weighted average interest rate on finance lease receivables at 31 December 2002 was 11.9 per cent (2001: 12.5 per cent).

32(r1998).77 | 8129

The fair value of the Group's finance lease receivables at 31 December 2002 is estimated at CU182 million (2001: CU163 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

24. OTHER FINANCIAL ASSETS

32(r1998).47(a) | 8126

Trade and other receivables at the balance sheet date comprise amounts receivable from the sale of goods of CU83 million (2001: CU112 million), amounts due from construction contract customers of CU25 million (2001: CU17 million), deferred consideration for the disposal of Subsix Limited of CU24 million (see note 38), and currency and interest rate derivatives with a fair value of CU1.4 million (2001: CU0.26 million) (see note 33).

The average credit period taken on sales of goods is 35 days. An allowance has been made for estimated irrecoverable amounts from the sale of goods of CU3.24 million (2001: CU4.39 million). This allowance has been determined by reference to past default experience.

32(r1998).77 | 8129

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

32(r1998).47(a) | 8126
32(r1998).77 | 8129

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

32(r1998).66 | 8128

Credit risk

The Group's credit risk is primarily attributable to its trade and finance lease receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

25. CONSTRUCTION CONTRACTS

Source	Checklist		31/12/02 CU'000	31/12/01 CCU'000
		Contracts in progress at balance sheet date:		
11(r1993).42(a)	8104(a)	Amounts due from contract customers included in trade and other receivables	24,930	17,302
11(r1993).42(b)	8104(b)	Amounts due to contract customers included in accounts payable	(3,587)	(3,904)
			21,343	13,398
11(r1993).40(a)	8103(a)	Contract costs incurred plus recognised profits less recognised losses to date	59,039	33,829
		Less: progress billings	(37,696)	(20,431)
			21,343	13,398

11(r1993).40(b),(c) 8103(b),(c)

At 31 December 2002, retentions held by customers for contract work amounted to CU2.3 million (2001: CU1.8 million). Advances received from customers for contract work amounted to CU0.85 million (2001: Nil).

1(r1997).54 4014

At 31 December 2002, amounts of CU4.3 million (2001: CU2.1 million) included in trade and other receivables and arising from construction contracts are due for settlement after more than 12 months.

1(r1997).74(a) 8105

26. SHARE CAPITAL

	31/12/02 CU'000	31/12/01 CU'000
Authorised: 200 million ordinary shares of par value CU1 each	200,000	200,000
Issued and fully paid: 120 million ordinary shares of par value CU1 each	120,000	120,000

There were no movements in the share capital of the Company in either the 2002 or 2001 reporting periods.

The Company has one class of ordinary shares which carry no right to fixed income.

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

On 14 February 2003, a capitalisation issue of 1 bonus share for every four shares in issue resulted in an increase in issued share capital of CU30 million, and an equivalent reduction in the share premium account.

1(r1997).74(b) 8106
1(r1997).86 5002

27. CAPITAL RESERVES

	Share premium CU'000	Equity reserve CU'000	Total CU'000
Balance at 1 January and 31 December 2001	32,098	-	32,098
Equity component of convertible loan notes issued (see note 32)	-	836	836
Balance at 31 December 2002	32,098	836	32,934

1(r1997).74(b) 8106
1(r1997).86 5002

28. REVALUATION RESERVES

Source	Checklist		Properties revaluation reserve CU'000	Investments revaluation reserve CU'000	Total CU'000
		Balance at 1 January 2001	33,208	5,231	38,439
		Revaluation decrease on land and buildings	(4,049)	-	(4,049)
		Increase in fair value of available-for-sale investments	-	201	201
		Balance at 1 January 2002	29,159	5,432	34,591
16(r1998).64(f)	5003(c)	Revaluation increase on land and buildings	64,709	-	64,709
12(r2000).81(a)	5003(b)	Deferred tax liability on revaluation of land and buildings	(3,699)	-	(3,699)
39(r2000).170(a)	5003(e)	Released on disposal of available-for-sale investments	-	(611)	(611)
39(r2000).170(a)	5003(e)	Increase in fair value of available-for-sale investments	-	251	251
		Balance at 31 December 2002	90,169	5,072	95,241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

1(r1997).74(b) 8106
1(r1997).86 5002

29. HEDGING AND TRANSLATION RESERVES

Source	Checklist		Hedging reserve	Translation reserve	Total
			CU'000	CU'000	CU'000
		Balance at 1 January 2001	1,235	(3,088)	(1,853)
21(r1993).42(b)	5003(f)	Exchange differences arising on translation of overseas operations	-	2,706	2,706
		Increase in fair value of hedging derivatives	550	-	550
		Transfer to income	(895)	-	(895)
		Balance at 1 January 2002	890	(382)	508
21(r1993).42(b)	5003(f)	Exchange differences arising on translation of overseas operations	-	(12,726)	(12,726)
39(r2000).169(c)	8134(a)	Increase in fair value of hedging derivatives	1,723	-	1,723
39(r2000).169(c)	8134(b)	Transferred to income	(995)	-	(995)
39(r2000).169(c)	8134(c)	Transferred to inventories	(218)	-	(218)
		Balance at 31 December 2002	1,400	(13,108)	(11,708)

1(r1997).74(b) 8106
1(r1997).86 5002

30. ACCUMULATED PROFITS

	CU'000
Balance at 1 January 2001	143,607
Dividends paid	(8,040)
Net profit for the year	23,756
Balance at 1 January 2002	159,323
Dividends paid	(5,040)
Net profit for the year	105,457
Balance at 31 December 2002	259,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

32(r1998).47(a) 8126
32(r1998).56 8127

31. BANK OVERDRAFTS AND LOANS

	31/12/02	31/12/01
	CU'000	CU'000
Bank overdrafts	51,907	41,909
Bank loans	448,753	535,530
	500,660	577,439

The borrowings are repayable as follows:

	31/12/02	31/12/01
On demand or within one year	111,931	102,537
In the second year	46,727	71,728
In the third to fifth years inclusive	81,076	134,112
After five years	260,926	269,062
	500,660	577,439
Less: Amount due for settlement within 12 months (shown under current liabilities)	(111,931)	(102,537)
Amount due for settlement after 12 months	388,729	474,902

Analysis of borrowings by currency:

	Currency Units	A Currency	B Currency	C Currency
31/12/2002	CU'000	CU'000	CU'000	CU'000
Bank overdrafts	15,182	11,288	18,530	6,907
Bank loans	340,315	108,438	-	-
	355,497	119,726	18,530	6,907
31/12/2001				
Bank overdrafts	3,434	14,282	14,842	9,351
Bank loans	360,791	174,739	-	-
	364,225	189,021	14,842	9,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

The average interest rates paid were as follows:

	Year ended 31/12/02	Year ended 31/12/01
Bank overdrafts	8.7%	9.2%
Bank loans	7.8%	8.1%

Bank loans of CU108 million (2001: CU175 million) were arranged at fixed interest rates. Other borrowings are arranged at floating rates.

32(r1998).77 | 8129

The directors estimate the fair value of the Group's borrowings as follows:

	31/12/02 CU'000	31/12/01 CU'000
Bank overdrafts	51,907	41,909
Bank loans	463,000	540,000

The other principal features of the Group's borrowings are as follows:

(i) Bank overdrafts are repayable on demand. Overdrafts of CU20.9 million (2001: CU15.4 million) have been secured by a charge over the Group's inventories.

(ii) The Group has two principal bank loans:

a) a 20 year loan of CU340 million (2001: CU361 million) repayable by equal monthly instalments commencing 1 May 2001 and secured by a charge over certain of the Group's properties dated 3 March 2001; and

1(r1997).63 | 4012

b) a loan of CU108 million (2001: CU175 million) secured on certain current and non-current assets of the Group. This loan was advanced on 1 July 2000 and was originally due for repayment in full on 30 June 2003. Subsequent to the balance sheet date, the bank has agreed to reschedule the loan repayments so that they are now payable by instalments through to 3 January 2005. On the basis of the post-year end agreement to reschedule the repayments, the relevant portions of the loan continue to be treated as long-term.

At 31 December 2002, the Group had available CU200 million (2001: CU200 milliion) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

32. CONVERTIBLE LOAN NOTES

32(r1998).47(a) 8126
32(r1998).56 8127

The convertible loan notes were issued on 1 April 2002, and are secured by a personal guarantee of a director. The notes are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date. On issue, the loan notes were convertible at 18 shares per CU10 loan note. The conversion rate has been adjusted to 22.5 shares per CU10 loan note following the capitalisation issue of shares on 14 February 2003.

If the notes have not been converted, they will be redeemed on 1 April 2004 at par. Interest of 5 per cent will be paid annually up until that settlement date.

The net proceeds received from the issue of the convertible loan notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group, as follows:

	CU'000
Nominal value of convertible loan notes issued	25,000
Equity component (net of deferred tax)	(836)
Deferred tax liability	(159)
Liability component at date of issue	24,005
Interest charged	1,260
Interest paid	(938)
Liability component at 31 December 2002	24,327

32(r1998).77 8129

The directors estimate the fair value of the convertible loan notes at 31 December 2002 to be approximately CU23.7 million.

32(r1998).47(a) 8126
32(r1998).56 8127
32(r1998).77 8129

33. DERIVATIVE FINANCIAL INSTRUMENTS

Currency derivatives

The Group utilises currency derivatives to hedge future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

At the balance sheet date, the Group had contracted to sell the following amounts under forward contracts.

	31/12/02	31/12/01
	CU'000	CU'000
Currency of P Land	497,233	354,782
Others	49,807	48,791
	547,040	403,573

In addition, the Group had options to purchase currency of D Land equivalent to an amount of approximately CU50 million as a hedge against exchange losses on future purchases of goods.

These arrangements are designed to address significant exchange exposures for the first half of 2003, and will be renewed on a revolving basis as required.

At 31 December 2002, the fair value of the Group's currency derivatives is estimated to be approximately CU0.74 million (2001: CU0.46 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising CU1.01 million assets included in trade and other receivables and CU0.27 million liabilities included in trade and other payables. The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to CU1.01 million (2001: CU0.63 million) has been deferred in equity.

Amounts of CU0.62 million and CU0.22 million respectively have been transferred to the income statement and inventories in respect of contracts matured during the period.

Changes in the fair value of non-hedging currency derivatives amounting to CU0.1 million have been charged to income in the year (2001: nil).

Interest rate swaps

The Group uses interest rates swaps to manage its exposure to interest rate movements on its bank borrowings. Contracts with nominal values of CU20 million fix interest payments at an average rate of 7 per cent for periods up until 2006.

The fair value of swaps entered into at 31 December 2002 is estimated at CU0.39 million (2001: CU0.26 million). These amounts are based on market values of equivalent instruments at the balance sheet date. All of these interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been deferred in equity. An amount of CU0.38 million has been offset against hedged interest payments made in the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

34. DEFERRED TAX

	31/12/02	31/12/02
	CU'000	CU'000
Analysis for financial reporting purposes		
Deferred tax liabilities	15,447	6,372
Deferred tax assets	(2,661)	(3,400)
Net position	12,786	2,972

The movement for the year in the Group's net deferred tax position was as follows:

	Year ended 31/12/01	Year ended 31/12/01
	CU'000	CU'000
At 1 January	2,972	2,172
Charge to income for the year	6,046	838
Charge to equity for the year	3,858	-
Net liability disposed of on disposal of subsidiary	(189)	-
Net asset acquired on acquisition of subsidiary	(201)	-
Exchange differences	390	(38)
Effect of change in tax rate	(90)	-
At 31 December	12,786	2,972

12(r2000).81(g) | 8115(c)

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the period:

Deferred tax liabilities

	Accelerated tax depreciation	Deferred development costs	Revaluation of properties	Convertible bond-equity component	Total
	CU'000	CU'000	CU'000	CU'000	CU'000
At 1 January 2002	4,696	-	1,676	-	6,372
Charge to income for the year	4,748	547	-	(52)	5,243
Charge to equity for the year	-	-	3,699	159	3,858
Acquisitions/disposals	(140)	-	-	-	(140)
Exchange differences	317	-	8	-	325
Effect of change in tax rate	(127)	-	(84)	-	(211)
At 31 December 2002	9,494	547	5,299	107	15,447

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

12(r2000).81(g) 8115(c)

Deferred tax assets

	Retirement benefit obligation	Tax losses	Total
	CU'000	CU'000	CU'000
At 1 January 2002	(2,561)	(839)	(3,400)
Charge to income for the year	214	589	803
Acquisitions/disposals	141	(391)	(250)
Exchange differences	65	-	65
Effect of change in tax rate	97	24	121
At 31 December 2002	(2,044)	(617)	(2,661)

12(r2000).81(e) 8115(a)

At the balance sheet date, the Group has unused tax losses of CU11.23 million (2001: CU16.53 million) available for offset against future profits. A deferred tax asset has been recognised in respect of CU3.86 million (2001: CU5.08 million) of such losses. No deferred tax asset has been recognised in respect of the remaining CU7.37 million (2001: CU11.45 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of CU2.38 million (2001: CU3.29 million) that will expire in 2005. Other losses may be carried forward indefinitely.

12(r2000).81(f) 8115(b)

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was CU7.9 million (2001: CU6.3 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

12(r2000).81(f) 8115(b)

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

35. OBLIGATIONS UNDER FINANCE LEASES

Source	Checklist		Minimum lease payments		Present value of minimum lease payments	
			31/12/02	31/12/01	31/12/02	31/12/01
			CU'000	CU'000	CU'000	CU'000
17(r1997).23(b)	8118(b),(c)	Amounts payable under finance leases:				
		Within one year	1,655	2,245	1,470	1,483
		In the second to fifth years inclusive	1,014	1,365	923	1,244
			2,669	3,610	2,393	2,727
		Less: future finance charges	(276)	(883)	N/A	N/A
		Present value of lease obligations	2,393	2,727	2,393	2,727
		Less: Amount due for settlement within 12 months (shown under current liabilities)			(1,470)	(1,483)
1(r1997).54	4014	Amount due for settlement after 12 months			923	1,244

17(r1997).23(e) | 8118(f)
32(r1998).47(a) | 8126
32(r1998).56 | 8127

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 3-4 years. For the year ended 31 December 2002, the average effective borrowing rate was 8.5 per cent. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Currency Units.

32(r1998).77 | 8129

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

36. OTHER FINANCIAL LIABILITIES

32(r1998).47(a) | 8126

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days.

32(r1998).77 | 8129

The directors consider that the carrying amount of trade payables approximates to their fair value.

In addition, trade and other payables include currency derivative liabilities with a fair value of CU0.27 million (see note 33).

37.84 | 8156

37. PROVISIONS

	Warranty provision	Restructuring provision	Other	Total
	CU'000	CU'000	CU'000	CU'000
At 1 January 2002	1,572	-	493	2,065
Additional provision in the year	946	14,170	58	15,174
Utilisation of provision	(298)	(8,112)	(279)	(8,689)
At 31 December 2002	2,220	6,058	272	8,550

37.85 | 8157

The warranty provision represents management's best estimate of the Group's liability under 12 month warranties granted on electrical products, based on past experience and industry averages for defective products.

37.85 | 8157

The restructuring provision relates to redundancy costs incurred on the disposal of Subsix Limited (see note 5). As at 31 December 2002, approximately 50 per cent of the affected employees had left the Group's employment, with the remainder departing in January 2003.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

38. DISPOSAL OF SUBSIDIARY

As referred to in note 9, on 30 November 2002 the Group discontinued its toy operations at the time of the disposal of its subsidiary Subsix Limited.

7(r1992).40(d) | 6011(d)
35.31(b) | 8026(b)(iii)

The net assets of Subsix Limited at the date of disposal and at 31 December 2001 were as follows:

35.45 | 8034

Source	Checklist		30/11/02	31/12/01
			CU'000	CU'000
		Property, plant and equipment	10,125	7,293
		Inventories	11,976	14,247
		Trade receivables	12,264	11,685
7(r1992).40(c)	6011(c)	Bank balances and cash	4,382	1,946
		Retirement benefit obligation	(4,932)	(5,107)
		Deferred tax liability	(189)	-
		Income tax liability	(1,854)	(37)
		Trade payables	(2,387)	(2,104)
		Bank overdraft	(6,398)	(7,200)
		Attributable goodwill	2,958	3,039
			25,945	23,762
		Gain on disposal	8,493	
7(r1992).40(a) 35.31(b)	6011(a) 8026(b)(i)	Total consideration	34,438	
		Satisfied by:		
7(r1992).40(b)	6011(b)	Cash	10,899	
		Deferred consideration	23,539	
			34,438	
		Net cash inflow arising on disposal:		
		Cash consideration	10,899	
		Bank balances and cash disposed of	(4,382)	
			6,517	

35.31(b) | 8026(b)(ii)

The deferred consideration will be settled in cash by the purchaser on or before 30 May 2003.

27(r2000).32(b)(iv) | 8075(d)

The impact of Subsix Limited on the Group's results in the current and prior periods is disclosed in note 9.

SOURCE	CHECKLIST	INTERNATIONAL GAAP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

39. ACQUISITION OF SUBSIDIARY

22(r1998).86 8078
22(r1998).87 8079

On 1 August 2002, the Group acquired 100 per cent of the issued share capital of Subfive limited for cash consideration of CU7.9 million. This transaction has been accounted for by the purchase method of accounting.

Source	Checklist		01/08/02 CU'000
7(r1992).40(d)	6011(d)	Net assets acquired:	
		Property, plant and equipment	8,907
		Trademarks	870
		Deferred tax asset	201
		Inventories	2,854
		Trade receivables	12,520
7(r1992).40(c)	6011(c)	Bank and cash balances	4,272
		Retirement benefit obligation	(2,436)
		Trade payables	(21,289)
			5,899
		Goodwill	2,043
7(r1992).40(a)	6011(a)	Total consideration	7,942
7(r1992).40(b)	6011(b)	Satisfied by cash	7,942
		Net cash outflow arising on acquisition:	
		Cash consideration	(7,942)
		Bank balances and cash acquired	4,272
			(3,670)

27(r2000).32(b)(iv) 8075(d)

Subfive Limited contributed CU15.3 million of revenue and CU1.2 million of profit before tax for the period between the date of acquisition and the balance sheet date.

7(r1992).43 6013

40. NON-CASH TRANSACTIONS

Additions to fixtures and equipment during the year amounting to CU1.56 million were financed by new finance leases. Additions of CU4.19 million in 2001 were acquired on deferred payment terms, and were settled in the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

37.86 | 8159

41. CONTINGENT LIABILITIES

During the reporting period, a customer of the Group instigated proceedings against it for alleged defects in an electronic product which, it is claimed, were the cause of a major fire in the customer's premises in February 2002. Total losses to the customer have been estimated at CU29.8 million and this amount is being claimed from the Group.

The Group's lawyers have advised that they do not consider that the suit has merit, and they have recommended that it be contested. No provision has been made in these financial statements as the Group's management do not consider that there is any probable loss.

31(r2000).45 | 8165

Contingent liabilities arising from interests in joint ventures

	31/12/02	31/12/01
	CU'000	CU'000
Guarantees given to banks in respect of bank facilities utilised by jointly controlled entities	22,981	23,023
Share of contingent liabilities of jointly controlled entities arising from bills of exchange discounted with recourse	7,720	5,029
Guarantees given to banks in respect of bank facilities utilised by joint venture partners	5,371	8,209
	36,072	36,261

42. CAPITAL COMMITMENTS

16(r1998).61(d) | 8166

	31/12/02	31/12/01
	CU'000	CU'000
Commitments for the acquisition of property, plant and equipment	9,965	20,066

40.66(f) | 8167

In addition, the Group has entered into a contract for the maintenance of its investment property for the next 5 years, which will give rise to an annual charge of CU0.12 million.

31(r2000).46 | 8169

The Group's share of capital commitments of joint ventures at the balance sheet date amounted to CU1.47million (2001: CU0.38 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

43. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Source	Checklist		Year ended 31/12/02 CU'000	Year ended 31/12/01 CU'000
17(r1997).27(c)	8119(c)	Minimum lease payments under operating leases recognised in income for the year	297	283

17(r1997).27(a) | 8119(a)

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	31/12/02 CU'000	31/12/01 CU'000
Within one year	309	297
In the second to fifth years inclusive	1,420	1,439
After five years	692	930
	2,421	2,666

17(r1997).27(d) | 8119(d)

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years.

17(r1997).48(c) | 8095(c)

The Group as lessor

Property rental income earned during the year was CU0.6 million (2001: CU0.6 million). Certain of the Group's properties held for rental purposes, with a carrying amount of CU3.89 million, have been disposed of since the balance sheet date. The remaining properties are expected to generate rental yields of 10 per cent on an ongoing basis. All of the properties held have committed tenants for the next seven years.

17(r1997).48(a) | 8095(a)

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	31/12/02 CU'000	31/12/01 CU'000
Within one year	810	602
In the second to fifth years inclusive	3,179	3,240
After five years	1,539	2,288
	5,528	6,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

44. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Group operates defined contribution retirement benefit plans for all qualifying employees of its construction and leasing divisions in A Land. The assets of the plans are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the plans prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The employees of the Group's subsidiary in B Land are members of a state-managed retirement benefit plan operated by the government of B Land. The subsidiary is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

19(r2002).46 | 8144

The total cost charged to income of CU9.8 million (2001: CU7.3 million) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2002, contributions of CU0.7 million (2001: CU0.8 million) due in respect of the current reporting period had not been paid over to the plans.

Defined benefit plan

19(r2002).120(b) | 8147(a)

The Group operates a defined benefit plan for qualifying employees of its subsidiaries in D Land, and previously for the employees of Subsix Limited. Under the plans, the employees are entitled to retirement benefits varying between 45 and 65 per cent of final salary on attainment of a retirement age of 60. No other post-retirement benefits are provided.

19(r2002).120(f) | 8145

Amounts recognised in income in respect of these defined benefit plans are as follows:

	Year ended 31/12/02 CU'000	Year ended 31/12/01 CU'000
Current service cost	16,449	12,297
Interest costs	9,021	7,057
Expected return on plan assets	(10,675)	(9,503)
Net actuarial losses	232	1,309
Past service cost	1,652	1,888
	16,679	13,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

19(r2002).120(f) | 8145

The charge for the year has been included in staff costs. *[Where analysis of expenditure in the income statement is by nature]*

OR

Of the charge for the year, CU12.83 million (2001: CU10.03 million) has been included in cost of sales and CU3.85 million (2001: CU3.02 million) has been included in administrative expenses. *[Where analysis of expenditure in the income statement is by function]*

19(r2002).120(g) | 8147(e)

The actual return on plan assets was CU10.32 million (2001: CU9.7 million).

19(r2002).120(c) | 8147(b)

The amount included in the balance sheet arising from the Group's obligation in respect of its defined benefit retirement benefit plan is as follows:

	31/12/02	31/12/01
	CU'000	CU'000
Present value of funded obligations	160,512	177,395
Unrecognised actuarial losses	(17,310)	(15,372)
Unrecognised past service cost	(4,181)	(4,721)
Fair value of plan assets	(105,093)	(118,828)
	33,928	38,474

19(r2001).120(e) | 8147(d)

Movements in the net liability in the current period were as follows:

	2002	2001
	CU'000	CU'000
At 1 January	38,474	39,438
Exchange differences	438	(721)
Net liability transferred on disposal of subsidiary	(4,932)	-
Net liability acquired on acquisition of a subsidiary	2,436	-
Amounts charged to income	16,679	13,048
Contributions	(19,167)	(13,291)
At 31 December	33,928	38,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

1(r1997).54 | 4014

Analysis for financial reporting purposes:

	31/12/02	31/12/01
	CU'000	CU'000
Current liabilities	3,732	4,473
Non-current liabilities	30,196	34,001
	33,928	38,474

19(r2000).120(h) | 8147(f)

	Valuation at	
	31/12/02	31/12/01
Key assumptions used:		
Discount rate	7%	7%
Expected return on plan assets	8%	9%
Expected rate of salary increases	5%	5%
Future pension increases	4%	4%

10(r1999).20 | 8178

45. SUBSEQUENT EVENTS

Subsequent to 31 December 2002, the court administration proceedings relating to Subfour Limited (see note 18) were completed and an application was made to wind-up the company. No further distributions to the Group are anticipated. The Group has no obligation to meet the outstanding liabilities of Subfour Limited.

On 14 February 2003, the Company made a bonus issue of shares (see note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

24.22 | 8172

46. RELATED PARTY TRANSACTIONS

24.20 | 8171
1(r1997).102(c) | 8001(c)

The holding company and ultimate holding company respectively of the Group are X Holdings Limited (incorporated in M Land) and Y Holdings Limited (incorporated in N Land).

Trading transactions

1(r1997).72 | 8174

During the year, group companies entered into the following transactions with related parties who are not members of the Group:

	Sales of goods		Purchases of goods		Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31/12/02	Year ended 31/12/01	Year ended 31/12/02	Year ended 31/12/01	31/12/02	31/12/01	31/12/02	31/12/01
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
X Holdings Ltd.	693	582	439	427	209	197	231	139
Subsidiaries of Y Holdings Ltd.	1,289	981	897	883	398	293	149	78
Associates and joint ventures	398	291	-	-	29	142	-	-

Sales of goods to related parties were made at the Group's usual list prices, less average discounts of 5 per cent. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

Directors' and executives' remuneration

The remuneration of directors and other members of key management during the year was as follows:

	Year ended 31/12/02	Year ended 31/12/01
	CU'000	CU'000
Salaries	10,681	9,270
Contributions paid to retirement benefit schemes	1,602	1,391
Discretionary bonuses	4,153	2,769
Benefits in kind	949	863
	17,385	14,293

The remuneration of directors and key executives is decided by the remuneration committee having regard to comparable market statistics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 - continued

Note:
IAS 24 does not specifically require the disclosure of the remuneration of directors and key management. The Standard acknowledges that disclosures will generally be specified by local laws or stock exchange regulations. However, if there are no such local requirements, the payment of such remuneration constitutes a transaction between the enterprise and a related party and, as such, is prima facie disclosable.

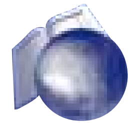
In addition to the above, X Holdings Limited performed certain administrative services for the Company, for which a management fee of CU0.18 million (2001: CU0.16 million) was charged, being an appropriate allocation of costs incurred by relevant administrative departments.

The convertible loan notes issued during the period are secured by a personal guarantee of one of the directors. No charge has been made for this guarantee.

10(r1999).16 | 8175

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 15 March 2003.



REPORT OF THE AUDITORS

Deloitte
Touche
Tohmatsu

(APPROPRIATE ADDRESSEE)

We have audited the accompanying balance sheet of International GAAP Holdings Limited as of 31 December 2002 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2002 and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu
15 March 2003

Note:
The audit of the financial statements may be conducted in accordance with International Standards on Auditing (ISA) or applicable local standards, making reference to local laws or regulations. The format of the report above is as specified by ISA 700 The Auditor's Report on Financial Statements. When local auditing standards are used, the report format will be dictated by those local standards.

PRESENTATION AND DISCLOSURE CHECKLIST

INTERNATIONAL FINANCIAL REPORTING STANDARDS PRESENTATION AND DISCLOSURE CHECKLIST

This checklist is intended to aid the user in determining if the presentation and disclosure requirements of International Financial Reporting Standards (IFRS) have been met. It does not address the requirements of IFRS as regards recognition and measurement. [References are made by IAS number, followed by the paragraph number e.g. 40.69 refers to paragraph 69 of IAS 40. For those Standards revised since their original issue, the year of the most recent revision is also noted e.g. 14(r1997).55 refers to paragraph 55 of IAS 14 (Revised 1997).]

The checklist addresses the presentation and disclosure requirements of IFRS in issue at 30 November 2002.

All items in Sections 1 to 8 of the checklist are of general application. Sections 9 to 13 address additional disclosures in general purpose financial statements for banks and similar financial institutions, enterprises reporting the effects of changing prices, enterprises reporting in the currency of a hyper-inflationary economy, and enterprises engaged in agricultural activity.

The checklist does not include the presentation and disclosure requirements of IAS 34 *Interim Financial Reporting* or IAS 26 *Accounting and Reporting by Retirement Benefit Plans.*

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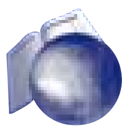
REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	The requirements of International Financial Reporting Standards are confined to matters dealt with in the financial statements.	1(r1997).8,9
	However, IAS 1 (r1997) encourages enterprises to present, outside the financial statements, a financial review by management which describes and explains the main features of the enterprise's financial performance and financial position, and the principal uncertainties that it faces.	
	Such a report might include a review of:	
	a) the main factors and influences determining performance, including changes in the environment in which the enterprise operates, the enterprise's response to those changes and their effect, and the enterprise's policy for investment to maintain and enhance performance, including its dividend policy;	
	b) the enterprise's sources of funding, its policy on gearing and its risk management policies; and	
	c) the strengths and resources of the enterprise whose value is not reflected in the balance sheet under IFRS.	
	Enterprises are also encouraged to present additional statements outside the financial statements, such as environmental reports and value added statements, if management believes that they will assist users in making economic decisions.	
	Where the enterprise has significant dealings in financial instruments, IAS 32, Financial Instruments: Disclosure and Presentation, suggests that a discussion of management's policies for controlling the risks associated with such instruments would be helpful. Matters to be addressed might include policies on matters such as hedging of risk exposure, avoidance of undue concentrations of risk, and requirements for collateral to mitigate credit risks.	32(r1998).42

SECTION 2 GENERAL PRINCIPLES OF PRESENTATION

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	COMPONENTS OF FINANCIAL STATEMENTS	
2001	The financial statements should include the following components: a) balance sheet; b) income statement; c) a statement showing either: i) all changes in equity; or ii) changes in equity other than those arising from capital transactions with owners and distributions to owners; d) cash flow statement; and e) accounting policies and explanatory notes.	1(r1997).7
	FAIR PRESENTATION AND COMPLIANCE WITH IFRS	
2002	The financial statements should present fairly the financial position, financial performance and cash flows of the enterprise.	1(r1997).10
2003	The financial statements should disclose the fact that they comply with International Financial Reporting Standards. *Notes:* *1. Financial statements should not be described as complying with IAS/IFRS unless they comply with all of the requirements of each applicable Standard and each applicable Interpretation of the Standing Interpretations Committee.* *2. A particular exemption is permitted in respect of IAS 15, Information Reflecting the Effects of Changing Prices. Arising from the failure to reach international consensus on the disclosure of information reflecting the effects of changing prices, enterprises need not disclose the information required by IAS 15 in order that their financial statements conform with IFRS.* *3. In the period when IFRS are applied in full for the first time as the primary accounting basis, the financial statements of an enterprise should be prepared and presented as if the financial statements had always been prepared in accordance with the Standards and Interpretations effective for the period of first-time application. Therefore, the Standards and Interpretations effective for the period of first-time application should be applied retrospectively, except when:* *a) individual Standards or Interpretations require or permit a different transitional treatment; or* *b) the amount of the adjustment relating to prior periods cannot be reasonably determined.*	1(r1997).11

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Comparative information should be prepared and presented in accordance with IFRS.	
	Any adjustment resulting from the transition to IFRS should be treated as an adjustment to the opening balance of retained earnings of the earliest period presented in accordance with IFRS.	
	When IFRS are applied in full for the first time as the primary accounting basis, an enterprise should apply the transitional provisions of the effective Standards and Interpretations only for periods ending on the dates prescribed in the respective Standards and Interpretations. ***[SIC 8]***	
2004	In the period when IFRS are applied in full for the first time as the primary accounting basis, the enterprise should disclose: a) where the amount of the adjustment to the opening balance of retained earnings cannot be reasonably determined, that fact; b) where it is impracticable to provide comparative information, that fact and c) for each IAS that permits a choice of transitional accounting policies, the policy selected. *Note:* *In connection with the disclosures required by item 2003 above, enterprises are also encouraged to disclose the fact that IFRS are being applied in full for the first time.* ***[SIC 8.8]***	SIC 8.7
2005	In the extremely rare circumstances where management concludes that compliance with a Standard would be misleading, and therefore that departure is necessary to achieve a fair presentation, the following information should be disclosed: a) the fact that management has concluded that the financial statements fairly present the enterprise's financial position, financial performance and cash flows; b) that applicable Standards have been complied with in all material respects, except for a departure from a Standard in order to achieve a fair presentation; c) i) the Standard from which the enterprise has departed; ii) the nature of the departure (including the treatment that the Standard would require); iii) the reason why that treatment would be misleading in the circumstances; and iv) the treatment adopted; and d) the financial impact of the departure on the enterprise's net profit or loss, assets, liabilities, equity and cash flows for each period presented.	1(r1997).13
2006	When, in accordance with the specific requirements in that Standard, an IFRS is applied before its effective date, that fact should be disclosed.	1(r1997).19

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	GOING CONCERN	
2007	When management is aware, in making its assessment of the enterprise's ability to continue as a going concern, of any material uncertainties related to events or conditions which may cast significant doubt upon the enterprise's ability to continue as a going concern, those uncertainties should be disclosed.	1(r1997).23
2008	When the financial statements are not prepared on a going concern basis, that fact should be disclosed, together with the basis on which the financial statements are prepared and the reason why the enterprise is not considered to be a going concern.	1(r1997).23
	CONSISTENCY OF PRESENTATION	
2009	The presentation and classification of items in the financial statements should be retained from one period to the next, unless: a) a significant change in the nature of the operations of the enterprise or a review of its financial statements presentation demonstrates that the change will result in a more appropriate presentation of events or transactions; or b) a change in presentation is required by an IFRS or by an Interpretation of the Standing Interpretations Committee.	1(r1997).27
	MEASUREMENT/PRESENTATION CURRENCY	
2010	When the measurement currency used for the purposes of preparing the financial statements is different from the currency of the country in which the enterprise is domiciled, the reason for using a different currency should be disclosed.	21(r1993).43 SIC 19.10(a)
2011	When the financial statements are presented in a currency different from the enterprise's measurement currency determined under SIC 19, the following should be disclosed: a) the measurement currency; b) the reason for using a different presentation currency; c) a description of the method used in the translation process; and d) a statement that the measurement currency reflects the economic substance of the underlying events and circumstances of the enterprise.	SIC 19.10(c) SIC 30.8
2012	When financial statements are presented in a currency other than the measurement currency determined under SIC 19, and the measurement currency is the currency of a hyperinflationary economy, the enterprise should disclose the closing exchange rates between the measurement currency and the presentation currency existing at the date of each balance sheet presented, in addition to the disclosures required by IAS 29.39 (see item 11004).	SIC 30.9
2013	The reason for any change in the measurement currency or the presentation currency should be disclosed.	21(r1993).43 SIC 19.10(b)



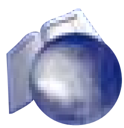
REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
2014	When additional information not required by IFRS is displayed in financial statements and in a currency other than the currency used in presenting the financial statements, as a convenience to certain users, the enterprise should: a) clearly identify the information as supplementary information to distinguish it from the information required by IFRS ; b) disclose the measurement currency used to prepare the financial statements and the method of translation used to determine the supplementary information displayed; c) disclose the fact that the measurement currency reflects the economic substance of the underlying events and circumstances of the enterprise and that the supplementary information is displayed in another currency for convenience purposes only; and d) disclose the currency in which the supplementary information is displayed.	SIC 30.10
	MATERIALITY, AGGREGATION AND OFFSETTING	
2015	Each material item should be presented separately in the financial statements.	1(r1997).29
2016	Immaterial items should be aggregated with amounts of a similar nature or function and need not be presented separately.	1(r1997).29
2017	Assets and liabilities should not be offset except when offsetting is required or permitted by another IFRS .	1(r1997).33
2018	Items of income and expense should be offset when, and only when: a) an IFRS requires or permits it; or b) immaterial gains, losses and related expenses arising from the same or similar transactions and events are aggregated.	1(r1997).34
	COMPARATIVE INFORMATION	
2019	Unless an IFRS permits or requires otherwise, comparative information should be disclosed in respect of the previous period for all numerical information in the financial statements.	1(r1997).38
2020	Comparative information should be included for narrative and descriptive information when it is relevant to an understanding of the current year’s financial statements.	1(r1997).38

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
2021	When the presentation or classification of items in the financial statements is amended: a) comparative amounts should be reclassified, unless it is impracticable to do so; b) the nature of, amount of, and reason for, any reclassification should be disclosed; and c) when it is not practicable to reclassify comparative amounts, the enterprise should disclose the reason for not doing so, as well as the nature of the changes that would have been made if amounts were reclassified.	1(r1997).40
	STRUCTURE AND CONTENT	
2022	The financial statements should be clearly identified and distinguished from other information in the same published document.	1(r1997).44
2023	Each component of the financial statements should be clearly identified.	1(r1997).46
2024	The following information should be prominently displayed, and repeated when it is necessary for a proper understanding of the information presented: a) the name of the reporting enterprise or other means of identification; b) whether the financial statements cover the individual enterprise or a group of enterprises; c) the balance sheet date or the period covered by the financial statements, whichever is appropriate to the related component of the financial statements; d) the reporting currency; and e) the level of precision used in the presentation of figures (e.g. in thousands or millions of units of the reporting currency).	1(r1997).46
2025	When, in exceptional circumstances, the balance sheet date changes and annual financial statements are presented for a period longer or shorter than one year, the enterprise should disclose: a) the period covered by the financial statements; b) the reason for a period other than one year being used; and c) the fact that comparative amounts for the income statement, changes in equity, cash flows and related notes are not comparable.	1(r1997).49

SECTION 3 INCOME STATEMENT

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	CONTENTS - GENERAL	
3001	All items of income and expense recognised in the period should be included in the determination of the net profit and loss for the period, unless an IFRS requires or permits otherwise.	8(r1993).7
3002	As a minimum, the face of the income statement should include line items which present the following amounts: a) revenue; b) the results of operating activities; c) finance costs; d) share of profits and losses of associates and joint ventures accounted for using the equity method; e) tax expense/income tax related to profit or loss from ordinary activities; f) profit or loss from ordinary activities; g) extraordinary items; h) minority interest; and i) net profit or loss for the period.	1(r1997).75 8(r1993).10 12(r2000).77 27(r2000).26
3003	Additional line items, headings and sub-totals should be presented on the face of the income statement when required by an IFRS , or when such presentation is necessary to present fairly the enterprise's financial performance.	1(r1997).75
3004	In respect of discontinuing operations, the amount of the pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to a discontinuing operation should be disclosed on the face of the income statement.	35.39
3005	The investor's share of the profits or losses of associates accounted for using the equity method should be disclosed as a separate item in the income statement.	28(r2000).28
	ANALYSIS OF EXPENSES	
3006	The financial statements should present, either on the face of the income statement or in the notes to the income statement, an analysis of expenses using a classification based on either the nature of the expenses (staff costs, depreciation etc.) or their function within the enterprise (cost of sales, distribution costs, administrative expenses etc.).	1(r1997).77
3007	When expenses are classified by function, additional information should be disclosed on the nature of expenses, including depreciation and amortisation expense, and staff costs.	1(r1997).83

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	EARNINGS PER SHARE	
	Note: *IAS 33, Earnings Per Share, applies to enterprises whose ordinary shares or potential ordinary shares are publicly traded, to enterprises in the process of issuing ordinary shares or potential ordinary shares in public securities markets, and to any other enterprise which discloses earnings per share. When both parent and consolidated financial statements are presented, earnings per share information need be presented only on the basis of consolidated information.*	
3008	Basic and diluted earnings/(loss) per share should be presented on the face of the income statement (with equal prominence for all periods presented) for each class of ordinary shares that has a different right to share in the net profit for the period.	33.47,48
3009	The enterprise should disclose the following: a) the amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to the net profit or loss for the period; and b) the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of those denominators to each other.	33.49
3010	If additional per share amounts are presented: a) where a reported component of net profit other than net profit or loss for the period attributable to ordinary shareholders is used as the numerator, the per share amounts should be calculated using the weighted average number of ordinary shares determined in accordance with IAS 33; b) where the numerator is a component of net profit which is not reported as a line item in the income statement, a reconciliation should be provided between the component used and a line item which is reported in the income statement; and c) basic and diluted per share amounts should be presented with equal prominence.	33.51



REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
3011	The calculation of the basic and diluted earnings per share for all periods presented should be adjusted retrospectively for: a) any increases in the number of shares or potential ordinary shares outstanding during the period as a result of a capitalisation or bonus issue or share split; b) any decreases in the number of shares or potential ordinary shares outstanding during the period as a result of a reverse share split; c) any such increases or decreases that occur after the balance sheet date but before the issue of the financial statements; d) the effects of fundamental errors reported by adjusting the opening balance of retained earnings; e) any adjustments resulting from changes in accounting policies which have been applied retrospectively; and f) the effects of a business combination which is a uniting of interests.	33.43
3012	Where applicable, the fact should be disclosed that per share calculations have been adjusted retrospectively to reflect increases/decreases in the number of ordinary or potential ordinary shares outstanding arising from capitalisation issues or share splits/reverse share splits.	33.43

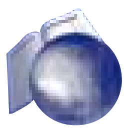
SECTION 4 BALANCE SHEET

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	CONTENTS - GENERAL	
4001	As a minimum, the face of the balance sheet should include line items which present the following amounts: a) property, plant and equipment; b) intangible assets; c) financial assets (excluding amounts under (d), (f) and (g)); d) investments accounted for using the equity method; e) inventories; f) trade and other receivables; g) cash and cash equivalents; h) trade and other payables; i) tax liabilities/assets as required by IAS 12 (r2000) *Income Taxes*; j) provisions; k) non-current interest-bearing liabilities; l) minority interest; and m) issued capital and reserves.	1(r1997).66
4002	Additional line items, headings and sub-totals should be presented on the face of the balance sheet where an IFRS requires it, or when such presentation is necessary to present fairly the enterprise's financial position.	1(r1997).67
4003	An enterprise should disclose, either on the face of the balance sheet or in the notes, further sub-classifications of the line items presented, classified by the nature of the items, in a manner appropriate to the enterprise's operations.	1(r1997).72
4004	Investments in associates accounted for using the equity method should be classified as long-term assets and disclosed as a separate item in the balance sheet.	28(r2000).28
4005	Minority interests should be presented in the consolidated balance sheet separately from liabilities and the parent shareholders' equity.	27(r2000).26
	CURRENT/NON-CURRENT DISTINCTION	
4006	Each enterprise should determine, based on the nature of its operations, whether or not to present current and non-current assets, and current and non-current liabilities as separate classifications on the face of the balance sheet.	1(r1997).53
4007	Where current and non-current assets, and current and non-current liabilities, are not presented as separate classifications on the face of the balance sheet, assets and liabilities should be presented broadly in order of their liquidity.	1(r1997).53

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
4008	An asset should be classified as a current asset when: a) it is expected to be realised in, or is held for sale or consumption in, the normal course of the enterprise's operating cycle; or b) it is held primarily for trading purposes or for the short-term, and is expected to be realised within 12 months of the balance sheet date; or c) it is cash or a cash equivalent asset which is not restricted in its use.	1(r1997).57
4009	All assets, other than those meeting one of the criteria outlined in item 4008 above, should be classified as non-current assets.	1(r1997).57
4010	A liability should be classified as a current liability when: a) it is expected to be settled in the normal course of the enterprise's operating cycle; or b) it is due to be settled within 12 months of the balance sheet date.	1(r1997).60
4011	All liabilities, other than those meeting one of the criteria outlined in item 4010 above, should be classified as non-current liabilities.	1(r1997).60
4012	An enterprise should continue to classify its long-term interest-bearing liabilities as non-current, even when they are due to be settled within 12 months of the balance sheet date, if: a) the original term was for a period of more than 12 months; b) it is intended to refinance the obligation on a long-term basis; and c) that intention is supported by an agreement to refinance, or to reschedule payments, which is completed before the financial statements are authorised for issue.	1(r1997).63
4013	The amount of any liability that has been excluded from current liabilities in accordance with item 4012 above should be disclosed in the notes to the financial statements, together with information in support of this presentation.	1(r1997).63
4014	Irrespective of whether the enterprise presents current and non-current assets, and current and non-current liabilities, separately, for each asset and liability item that combines amounts expected to be recovered or settled both before and after 12 months, the enterprise should disclose the amount expected to be recovered or settled after more than 12 months.	1(r1997).54

SECTION 5 STATEMENT OF CHANGES IN EQUITY

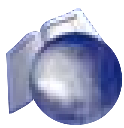
REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Note: *IAS 1 (r1997) acknowledges that the requirement to present a statement of changes in equity can be met in a number of ways. The approach adopted in many jurisdictions follows a columnar format, which reconciles between the opening and closing balances of each element within shareholders' equity, encompassing all of the items listed at 5001 and 5002 below. An alternative is to present a separate component of the financial statements which presents only the items specified by 5001 below. Under this approach, the items described in 5002 are shown in the notes to the financial statements. Both approaches are illustrated in the appendix to IAS 1 (r1997). Whichever approach is adopted, a sub-total of the items specified by 5001 (b) is required, in order to enable users to derive the total gains and losses arising from the enterprise's activities during the period.*	
5001	An enterprise should present, as a separate component of the financial statements, a statement showing:	
	a) the net profit or loss for the period;	1(r1997).86(a)
	b) each item of income and expense, gain or loss which, as required by other Standards, is recognised directly in equity, and the total of those items; and	1(r1997).86(b)
	c) the cumulative effect of changes in accounting policy and the correction of fundamental errors dealt with under the benchmark treatments of IAS 8.	1(r1997).86(c)
5002	The following items should be presented, either within the statement referred to in item 5001, or in the notes to the financial statements:	
	a) capital transactions with owners and distributions to owners;	1(r1997).86(d)
	b) the balance of accumulated profit or loss at the beginning of the period and at the balance sheet date, and movements for the period; and	1(r1997).86(e)
	c) a reconciliation between the carrying amount of each class of equity capital, share premium and each reserve at the beginning and end of the period, separately disclosing each movement.	1(r1997).86(f)
5003	The following amounts charged or credited directly to equity should be separately disclosed (as required by specific Standards):	
	a) the aggregate current tax relating to items that are charged or credited to equity;	12(r2000).81(a)
	b) the aggregate deferred tax relating to items that are charged or credited to equity;	12(r2000).81(a)
	c) the revaluation surplus arising on property, plant and equipment, indicating the movement for the period and any restrictions on the distribution of the balance to shareholders;	16(r1998).64(f)



REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	d) the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders;	38.113(b)
	e) the amount recognised in equity in the period for gains/losses from remeasuring available-for-sale financial assets to fair value, and the amount that was removed from equity and reported in net profit or loss for the period;	39(r2000).170(a)
	f) the net exchange difference classified as equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the period;	21(r1993).42(b)
	g) the amount of reductions to equity for treasury shares held; and	SIC 16.6
	h) the amount of transaction costs accounted for as a deduction from equity in the period.	SIC 17.9

SECTION 6 CASH FLOW STATEMENT

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
6001	A cash flow statement should be presented as an integral part of the financial statements for each period for which financial statements are presented.	7(r1992).1
	CLASSIFICATION OF CASH FLOWS	
6002	The cash flow statement should report cash flows during the period classified by operating, investing and financing activities.	7(r1992).10
6003	The enterprise should report cash flows from operating activities using either: a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or b) the indirect method, whereby net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.	7(r1992).18
6004	Major classes of gross cash receipts and gross cash payments arising from investing and financing activities should be separately reported, except to the extent that they are specifically permitted by the Standard to be presented on a net basis. *Notes:* *The following classes of cash flow may be reported on a net basis:* *a) cash flows arising from the following operating, investing or financing activities:* *i) cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the enterprise; and* *ii) receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short; and* *b) cash flows arising from each of the following activities of a financial institution:* *i) cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date;* *ii) the placement of deposits with and withdrawal of deposits from other financial institutions; and* *iii) cash advances and loans made to customers and the repayment of those advances and loans.*	7(r1992).21,22,24



REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	EXTRAORDINARY ITEMS	
6005	The cash flows associated with extraordinary items should be classified as arising from operating, investing or financing activities as appropriate and separately disclosed.	7(r1992).29
	INTEREST AND DIVIDENDS	
6006	Cash flows from interest and dividends received and paid should each be disclosed separately.	7(r1992).31
6007	Cash flows from interest and dividends received and paid should each be classified in a consistent manner from period to period as either operating, investing or financing activities.	7(r1992).31
	TAXES ON INCOME	
6008	Cash flows arising from taxes on income should be separately disclosed.	7(r1992).35
6009	Cash flows arising from taxes on income should be classified as cash flows from operating activities unless they can be specifically identified with financing or investing activities.	7(r1992).35
	Note: *When tax cash flows are allocated over more than one class of activity, the total amount of taxes paid should be disclosed.*	7(r1992).36
	ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND OTHER BUSINESS UNITS	
6010	The aggregate cash flows arising from acquisitions and disposals of subsidiaries or other business units should be presented separately and classified as investing activities.	7(r1992).39
6011	The following information should be disclosed, in aggregate, in respect of both acquisitions and disposals of subsidiaries or other business units during the period: a) the total purchase or disposal consideration; b) the portion of the purchase or disposal consideration discharged by means of cash and cash equivalents; c) the amount of cash and cash equivalents in the subsidiary or business unit acquired or disposed of; and d) the amounts of the assets and liabilities other than cash or cash equivalents in the subsidiary or business unit acquired or disposed of, summarised by major category.	7(r1992).40
	NON-CASH TRANSACTIONS	
6012	Investing and financing transactions that do not require the use of cash or cash equivalents should be excluded from the cash flow statement.	7(r1992).43

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
6013	Investing and financing transactions that do not require the use of cash or cash equivalents should be disclosed elsewhere in the financial statements in a manner that provides all of the relevant information about those investing and financing activities.	7(r1992).43
	OTHER DISCLOSURES	
6014	The components of cash and cash equivalents should be disclosed.	7(r1992).45
6015	A reconciliation should be presented of the amounts of the components of cash and cash equivalents in the cash flow statement with the equivalent items reported in the balance sheet.	7(r1992).45
6016	The enterprise should disclose the amount of significant cash and cash equivalent balances held by the enterprise that are not available for use by the group, together with a commentary by management.	7(r1992).48

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	GENERAL REQUIREMENTS	
7001	The notes to the financial statements should present information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and events.	1(r1997).91(a)
7002	The accounting policies section of the notes should describe:	1(r1997).97
	a) the measurement bases used in preparing the financial statements; and	
	b) each specific accounting policy that is necessary for a proper understanding of the financial statements.	
	POLICIES REQUIRED TO BE DISCLOSED BY SPECIFIC STANDARDS	
7003	The following accounting policies should be disclosed, as required by specific Standards:	
	a) Subsidiaries	
	- in the parent's separate financial statements, the method used to account for subsidiaries.	27(r2000).32(c)
	b) Associates	
	- the methods used to account for investments in associates.	28(r2000).27(b)
	c) Goodwill	
	- the amortisation period adopted;	22(r1998).88(a)
	- if goodwill is amortised over more than 20 years:	22(r1998).88(b)
	i) the justification for rebuttal of the presumption that the useful life of goodwill will not exceed 20 years from initial recognition; and	
	ii) a description of the factor(s) that played a significant role in determining the life of goodwill;	
	- if goodwill is not amortised on a straight-line basis, the basis used and the reason why that basis is more appropriate than the straight-line basis; and	22(r1998).88(c)
	- the line item(s) of the income statement in which the amortisation of goodwill is included.	22(r1998).88(d)
	d) Negative goodwill	
	- the period(s) over which negative goodwill is recognised as income; and	22(r1998).91(b)
	- the line item(s) of the income statement in which negative goodwill is recognised as income.	22(r1998).91(c)
	e) Goodwill and fair value adjustments	
	- the method selected in accordance with IAS 21 (r1993) (see below) to translate goodwill and fair value adjustments arising on the acquisition of a foreign entity.	21(r1993).45

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Notes: *IAS 21(r1993), paragraph 33 states that goodwill and fair value adjustments to the carrying amounts of assets and liabilities are treated either:* *i) as assets and liabilities of the foreign entity and translated at the closing rate in accordance with IAS 21(r1993), paragraph 30; or* *ii) as assets and liabilities of the reporting entity, which either are already expressed in the reporting currency or are non-monetary foreign currency items reported using the exchange rate at the transaction date in accordance with IAS 21(r1993), paragraph 11(b).*	
	f) Revenue	
	- the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services.	18(r1993).35(a)
	g) Construction contracts	
	- the methods used to determine the contract revenue recognised in the period; and	11(r1993).39(b)
	- the methods used to determine the stage of completion of contracts in progress.	11(r1993).39(c)
	h) Borrowing costs	
	- the accounting policy adopted for borrowing costs.	23(r1993).29(a)
	i) Government grants	
	- the accounting policy adopted for government grants, including the methods of presentation adopted in the financial statements.	20.39(a)
	j) Retirement benefit costs	
	- for defined benefit plans, the enterprise's accounting policy for recognising actuarial gains and losses.	19(r2002).120(a)
	k) Equity compensation plans	
	- the accounting policy for equity compensation plans.	19(r2002).147(b)
	l) Property, plant and equipment - for each class of asset	
	- the measurement basis used for determining the gross carrying amount;	16(r1998).60(a)
	- the depreciation methods used;	16(r1998).60(b)
	- the useful lives or the depreciation rates used; and	16(r1998).60(c)
	- the accounting policy for the estimated costs of restoring the site of items of property, plant or equipment.	16(r1998).61(b)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	m) Investment property carried at cost less accumulated depreciation:	
	- the depreciation methods used; and	40.69(a)
	- the useful lives or the depreciation rates used.	40.69(b)
	n) Intangible assets - for each class of asset, distinguishing between internally-generated intangible assets and other intangible assets:	
	- the useful lives or the amortisation rates used;	38.107(a)
	- the amortisation methods used;	38.107(b)
	- the line item(s) of the income statement in which the amortisation of intangible assets is included;	38.107(d)
	- if an intangible asset is amortised over more than 20 years:	38.111(a)
	i) the justification for rebuttal of the presumption that the useful life of an intangible asset will not exceed 20 years from the date when the asset is available for use; and	
	ii) a description of the factor(s) that played a significant role in determining the useful life of the asset; and	
	- for intangible assets acquired by way of a government grant and initially recognised at fair value, whether they are carried under the benchmark or the allowed alternative treatment for subsequent measurement.	38.111(c)(iii)
	o) Inventories	
	- the accounting policies adopted in measuring inventories, including the cost formula used.	2(r1993).34(a)
	p) Financial instruments	
	- the accounting policies and methods adopted for each class of financial asset, financial liability and equity instrument, both recognised and unrecognised, including the criteria for recognition and the basis of measurement applied;	32(r1998).47(b)
	- the methods and significant assumptions (separately for each significant class of financial asset) applied in estimating fair values for the financial assets and liabilities that are carried at fair value;	39(r2000).167(a)
	- whether gains and losses arising from changes in the fair value of available-for-sale financial assets carried at fair value are included in net income for the period or are recognised directly in equity until the financial asset is disposed of ; and	39(r2000).167(b)
	- for each category of financial assets defined in IAS 39(r2000), whether ‘regular way’ purchases and sales of financial assets are accounted for at trade date or settlement date.	39(r2000).167(c)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	CHANGES IN ACCOUNTING POLICIES	
7004	Where the benchmark treatment is adopted for changes in accounting policies, and a change in accounting policy has a material effect on the current period or any prior period presented, or may have a material effect in subsequent periods, the following should be disclosed: a) the reasons for the change; b) the amount of the adjustment for the current period and for each period presented; c) the amount of the adjustment relating to periods prior to those included in the comparative information; and d) the fact that comparative information has been restated or that it is impracticable to do so.	8(r1993).53
7005	Where the allowed alternative treatment is adopted for changes in accounting policies, and a change in accounting policy has a material effect on the current period or any prior period presented, or may have a material effect in subsequent periods, the following should be disclosed: a) the reasons for the change; b) the amount of the adjustment recognised in net profit or loss in the current period; c) additional proforma information prepared in accordance with the benchmark treatment; d) the amount of the adjustment included in each period for which proforma information is presented and the amount of the adjustment relating to periods prior to those included in the financial statements; and e) where it is impracticable to present proforma information, a statement of that fact.	8(r1993).54,57

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	GENERAL	
8001	The following details should be disclosed in the financial statements, if they are not disclosed elsewhere in information published with the financial statements: a) the domicile and legal form of the enterprise, its country of incorporation and registered office address (or principal place of business, if different from the registered office); b) a description of the nature of the enterprise's operations and its principal activities; c) the name of the parent enterprise and the ultimate parent enterprise of the group; and d) either the number of employees at the end of the period, or the average for the period.	1(r1997).102
8002	The notes to the financial statements should: a) disclose the information required by IFRS that is not presented elsewhere in the financial statements; and b) provide additional information that is not presented on the face of the financial statements, but which is necessary for a fair presentation.	1(r1997).91(b), (c)
8003	The notes to the financial statements should be presented in a systematic manner, with each item on the face of the balance sheet, income statement and cash flow statement cross-referenced to any related information in the notes.	1(r1997).92
	FUNDAMENTAL ERRORS	
8004	Where the benchmark treatment is adopted for fundamental errors, the following should be disclosed: a) the nature of the fundamental error; b) the amount of the correction for the current period and for each prior period presented; c) the amount of the correction relating to periods prior to those included in the comparative information; and d) the fact that comparative information has been restated or that it is impracticable to do so.	8(r1993).37

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
8005	Where the allowed alternative treatment is adopted for fundamental errors, the following should be disclosed: a) the nature of the fundamental error; b) the amount of the correction recognised in net profit or loss for the current period; c) additional proforma information prepared in accordance with the benchmark treatment; d) unless it is impracticable to do so, the amount of the correction included in each period for which proforma information is presented and the amount of the correction relating to periods prior to those included in the proforma information; and e) where it is impracticable to present proforma information, a statement of that fact.	8(r1993).38,40
	CHANGES IN ACCOUNTING ESTIMATES	
8006	The effect of a change in an accounting estimate should be included in the same income statement classification as was used previously for the estimate.	8(r1993).28
8007	The nature and, unless it is impracticable to do so, the amount of a change in accounting estimate that has a material effect in the current period, or which is expected to have a material effect in subsequent periods, should be disclosed.	8(r1993).30
8008	If it is impracticable to quantify the amount of a change in accounting estimate that has a material effect in the current period, or which is expected to have a material effect in subsequent periods, that fact should be disclosed.	8(r1993).30
8009	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 issued for that final interim period, the nature and amount of that change in estimate should be disclosed in a note to the annual financial statements for that financial year.	34.26
	SEGMENT REPORTING	
	Notes: *1. IAS 14 (r1997), Segment Reporting, applies to enterprises whose equity or debt securities are publicly traded, to enterprises that are in the process of issuing equity or debt securities in public securities markets, and to any other enterprise that voluntarily discloses segment information.* *2. When both parent and consolidated financial statements are presented, segment information need be presented only on the basis of the consolidated financial statements. When separate financial statements of an equity method associate or joint venture are included in the financial report of the investing enterprise, segment information need be presented only on the basis of the investing enterprise's financial statements. If any subsidiary or equity method associate or joint venture is itself an enterprise whose securities are publicly traded, it should present segment information in its own financial report.*	

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
8010	The following disclosures should be made for each reportable segment based on the enterprise's primary reporting format:	14(r1997).50
	a) segment revenue, separately distinguishing segment revenue from sales to external customers and segment revenue from transactions with other segments;	14(r1997).51
	b) segment result;	14(r1997).52
	c) total carrying amount of segment assets;	14(r1997).55
	d) segment liabilities;	14(r1997).56
	e) total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment, and intangible assets); *Note:* *This information should be presented on an accrual basis, not a cash basis.*	14(r1997).57
	f) total amount of expense included in segment results for depreciation and amortisation of segment assets for the period;	14(r1997).58
	g) total amount of significant non-cash expenses, other than depreciation and amortisation, that are included in segment expense and, therefore, deducted in measuring segment result;	14(r1997).61
	h) the aggregate of the enterprise's share of the net profit or loss of associates, joint ventures, or other investments accounted for under the equity method, if substantially all of those operations are within that single segment; and	14(r1997).64
	i) where the group's share of results of associates and joint ventures is disclosed under (h) above, the aggregate investments in those associates and joint ventures.	14(r1997).66
	Notes: *1. Enterprises are encouraged, but not required, to disclose the nature and amount of any items of segment revenue and segment expense that are of such size, nature or incidence that their disclosure is relevant to explain the performance of each reportable segment for the period.*	14(r1997).59
	2. An enterprise that provides the segment cash flow disclosures that are encouraged by IAS 7 (r1992) need not also disclose depreciation and amortisation expenses or non-cash expenses pursuant to (f) and (g) above.	14(r1997).63
8011	The enterprise should disclose the following for each reportable segment based on its primary format:	36.116
	a) the amount of impairment losses recognised in the income statement and directly in equity during the period; and	
	b) the amount of reversals of impairment losses recognised in the income statement and directly in equity during the period.	

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
8012	The enterprise should present a reconciliation between the information disclosed for reportable segments and the aggregated information in the consolidated or enterprise financial statements, including: a) segment revenue reconciled to enterprise revenue from external customers (including disclosure of the amount of enterprise revenue from external customers not included in any segment's revenue); b) segment result reconciled to a comparable measure of enterprise operating profit or loss as well as to enterprise net profit or loss; c) segment assets reconciled to enterprise assets; and d) segment liabilities reconciled to enterprise liabilities.	14(r1997).67
8013	If the enterprise's primary format for reporting segment information is business segments, it should also report the following information: a) segment revenue from external customers, by geographical area, based on the geographical location of its customers, for each geographical segment whose revenue from sales to external customers is 10 per cent or more of total enterprise revenue from sales to all external customers; b) the total carrying amount of segment assets, by geographical location of assets, for each geographical segment whose segment assets are 10 per cent or more of the total assets of all geographical segments; and c) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment, and intangible assets), by geographical location of assets, for each geographical segment whose segment assets are 10 per cent or more of the total assets of all geographical segments.	14(r1997).69
8014	If the enterprise's primary format for reporting segment information is geographical segments (whether based on location of assets or location of customers), it should also report the following segment information for each business segment whose revenue from sales to external customers is 10 per cent or more of total enterprise revenue from sales to all external customers or whose segment assets are 10 per cent or more of the total assets of all business segments: a) segment revenue from external customers; b) the total carrying amount of segment assets; and c) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment, and intangible assets).	14(r1997).70
8015	If the enterprise's primary format for reporting segment information is geographical segments that are based on location of assets, and if the location of its customers is different from the location of its assets, then it should also report revenue from sales to external customers for each customer-based geographical segment whose revenue from sales to external customers is 10 per cent or more of total enterprise revenue from sales to all external customers.	14(r1997).71

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
8016	If the enterprise's primary format for reporting segment information is geographical segments that are based on location of customers, and if the enterprise's assets are located in different geographical areas from its customers, then it should also report the following segment information for each asset-based geographical segment whose revenue from sales to external customers or segment assets are 10 per cent or more of related consolidated or total enterprise amounts: a) the total carrying amount of segment assets by geographical location of the assets; and b) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment, and intangible assets) by location of the assets.	14(r1997).72
8017	If a business segment or geographical segment for which information is reported to the board of directors and chief executive officer is not a reportable segment because it earns a majority of its revenue from sales to other segments, but nonetheless its revenue from sales to external customers is 10 per cent or more of total enterprise revenue from sales to all external customers, the enterprise should disclose: a) the fact that these circumstances exist; b) the amount of revenue from sales to external customers; and c) the amount of revenue from internal sales to other segments.	14(r1997).74
8018	For inter-segment transfers: a) segment revenue from transactions with other segments should be measured and reported on the basis actually used to price those transfers; and b) the basis of pricing inter-segment transfers and any change therein should be disclosed.	14(r1997).75
8019	Where changes in accounting policies are adopted for segment reporting that have a material effect on segment information: a) prior period segment information presented for comparative purposes should be restated unless it is impracticable to do so; and b) details of the change should be disclosed, including: i) a description of the nature of the change; ii) the reasons for the change; iii) the fact that comparative information has been restated or that it is impracticable to do so; and iv) the financial effect of the change, if it is reasonably determinable.	14(r1997).76

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
8020	If the enterprise changes the identification of its segments and it does not restate prior period segment information on the new basis because it is impracticable to do so then, for the purpose of comparison, the enterprise should report segment data for both the old and the new bases of segmentation in the year in which it changes the identification of its segments.	14(r1997).76
8021	If not otherwise disclosed in the financial statements or elsewhere in the financial report, the enterprise should indicate, for both primary and secondary segments: a) the types of products and services included in each reported business segment; and b) the composition of each reported geographical segment.	14(r1997).81
	REVENUE	
8022	The following items should be disclosed: a) the amount of each significant category of revenue recognised during the period including revenue arising from: i) the sale of goods; ii) the rendering of services; iii) interest; iv) royalties; and v) dividends; and b) the amount of revenue arising from exchanges of goods or services in each significant category of revenue.	18(r1993).35(b)
8023	The enterprise should disclose the amount of revenue arising on construction contracts recognised as revenue in the period.	11(r1993).39(a)
	DISCONTINUING OPERATIONS	
8024	The following information should be disclosed relating to a discontinuing operation, beginning with the financial statements for the period in which the initial disclosure event occurs: a) a description of the discontinuing operation; b) the business or geographical segment(s) in which it is reported in accordance with IAS 14 (r1997) *Segment Reporting;* c) the date and nature of the initial disclosure event; d) if known or determinable, the date or period in which the discontinuance is expected to be completed; e) the carrying amounts, as of the balance sheet date, of the total assets and the total liabilities to be disposed of;	35.27

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	f) the amounts of revenue, expenses and pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, and the income tax expense relating thereto; and g) the amounts of net cash flows attributable to the operating, investing and financing activities of the discontinuing operation during the current financial reporting period.	
8025	Where an initial disclosure event has occurred after the end of the enterprise's financial reporting period, but before the financial statements for that period are authorised for issue, the financial statements should include the disclosures specified in item 8024 above for the period covered by those financial statements.	35.29
8026	If the enterprise has disposed of assets or settled liabilities attributable to a discontinuing operation or entered into binding agreements for the sale of such assets, or the settlement of such liabilities, the following information should be included in the financial statements when the events occur: a) for any gain or loss that is recognised on the disposal of assets or settlement of liabilities attributable to the discontinuing operation: i) the amount of the pre-tax gain or loss; and ii) the income tax expense relating to the gain or loss; and b) for those net assets for which the enterprise has entered into one or more binding sale agreements: i) the net selling price or range of prices (which is after deducting the expected disposal costs); ii) the expected timing of receipt of those cash flows; and iii) the carrying amount of those net assets.	35.31
8027	In addition to the disclosures specified in items 8024 and 8026 above, the enterprise should include in its financial statements, for periods subsequent to the one in which the initial disclosure event occurs, a description of any significant changes in the amount or timing of cash flows relating to the assets and liabilities to be disposed of or settled, and the events causing those changes.	35.33
8028	The disclosures required by items 8024 to 8027 above should be continued in financial statements for periods up to and including the period in which the discontinuance is completed.	35.35
8029	Where the enterprise abandons or withdraws from a plan that was previously reported as a discontinuing operation, that fact and its effect should be disclosed.	35.36
8030	The specified disclosures should be presented separately for each discontinuing operation.	35.38

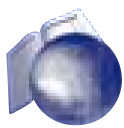
REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
8031	The disclosures specified in respect of discontinuing operations should be presented either in the notes to the financial statements or on the face of the financial statements [other than item 8026(a)(i) above, which is required to be presented on the face of the income statement]. *Note:* *The disclosures required by items 8024(f) and 8024(g) are encouraged to be presented on the face of the income statement and cash flow statement respectively.*	35.39
8032	Any income or expense relating to a discontinuing operation should be presented within ordinary activities and not as an extraordinary item.	35.41
8033	The use of the term 'discontinuing operation' should be restricted to restructurings, transactions and events that meet the definition of a discontinuing operation under IAS 35.	35.43
8034	Comparative information for prior periods, presented in financial statements prepared after the initial disclosure event, should be restated to segregate continuing and discontinuing assets, liabilities, income, expenses, and cash flows.	35.45
	INVESTMENT PROPERTY INCOME AND EXPENDITURE	
8035	The enterprise should disclose amounts included in the income statement for: a) rental income from investment property; b) direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period; and c) direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period.	40.66(d)
	OTHER ITEMS OF INCOME AND EXPENDITURE	
	Research and Development Costs	
8036	The financial statements should disclose the aggregate amount of research and development expenditure recognised as an expense during the period.	38.115
	Exchange Differences	
8037	The following should be disclosed: a) the amount of exchange differences included in the net profit or loss for the period; and b) the amount of exchange differences arising during the period that are included in the carrying amount of an asset in accordance with the allowed alternative treatment permitted under IAS 21(r1993).21.	21(r1993).42(a), (c)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Costs of Inventories	
8038	The financial statements should disclose either: a) the cost of inventories recognised as an expense during the period; or b) the operating costs, applicable to revenues, recognised as an expense during the period, classified by their nature.	2(r1993).37
	Borrowing Costs	
8039	The following should be disclosed: a) the amount of borrowing costs added to the cost of qualifying assets during the period; and b) the rate used to determine the amount of borrowing costs eligible for such treatment.	23(r1993).29(b), (c)
	Compensation Received	
8040	Monetary or non-monetary compensation received for the impairment or loss of items of property, plant and equipment should be disclosed separately.	SIC 14.5
	TAXATION	
8041	The major components of tax expense/income should be separately disclosed.	12(r2000).79
8042	An explanation should be provided of the relationship between the tax expense/income and the accounting profit in either or both of the following forms: a) a numerical reconciliation between the tax expense/income and the product of accounting profit multiplied by the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed; and/or b) 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.	12(r2000).81(c)
8043	The following should be disclosed:	
	a) an explanation of changes in the applicable tax rate compared to the previous accounting period; and	12(r2000).81(d)
	b) in respect of discontinuing operations, the tax expense relating to: i) the gain or loss on discontinuance; and ii) the profit or loss from the ordinary activities of the discontinuing operation for the period, together with the corresponding amounts for each prior period presented.	12(r2000).81(h)
8044	For each type of temporary difference, and each type of unused tax losses and unused tax credits, the enterprise should disclose the amount of the deferred tax income or expense recognised in the income statement, where not readily apparent from the changes in the amounts recognised in the balance sheet.	12(r2000).81(g)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	EXTRAORDINARY ITEMS	
8045	The following should be disclosed separately for extraordinary items:	8(r1993).11
	a) the nature and amount of each item; and	
	b) the tax expense/income relating to extraordinary items recognised during the period.	12(r2000).81(b)
	OTHER UNUSUAL ITEMS	
8046	Where items of income and expense within profit or loss from ordinary activities are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period, the nature and amount of such items should be disclosed separately.	8(r1993).16
	DIVIDENDS	
8047	The enterprise should disclose, either on the face of the income statement or in the notes, the amount of dividends per share, declared or proposed, for the period covered by the financial statements.	1(r1997).85
8048	The enterprise should disclose the amount of dividends that were proposed or declared after the balance sheet date but before the financial statements were authorised for issue.	1(r1997).74(c)
8049	The enterprise should disclose the amount of the income tax consequences of dividends to shareholders of the enterprise that were proposed or declared before the financial statements were authorised for issue, but are not recognised as a liability in the financial statements.	12(r2000).81(i)
8050	The enterprise should disclose the amount of any cumulative preference dividends not recognised.	1(r1997).74(d)
	PROPERTY, PLANT AND EQUIPMENT	
8051	Items classified as property, plant and equipment in the financial statements should be limited to tangible assets that are both:	16(r1998).6
	a) held by an enterprise for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and	
	b) expected to be used during more than one period.	
8052	The following information should be disclosed for each class of property, plant and equipment:	
	a) when more than one measurement basis has been used, the gross carrying amount included for each measurement basis in each category;	16(r1998).60(a)
	b) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and	16(r1998).60(d)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	c) a reconciliation of the carrying amount at the beginning and end of the period showing:	16(r1998).60(e)
	i) additions;	
	ii) disposals;	
	iii) acquisitions through business combinations;	
	iv) increases or decreases during the period resulting from revaluations and from impairment losses recognised or reversed directly in equity (if any);	
	v) impairment losses recognised in the income statement during the period (if any);	
	vi) impairment losses reversed in the income statement during the period (if any);	
	vii) depreciation;	
	viii) the net exchange differences arising on the translation of the financial statements of a foreign entity; and	
	ix) other movements.	
	Note: *Comparative information is not required for the reconciliation specified in item 8052(c).*	
8053	The financial statements should also disclose the following information:	
	a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities; and	16(r1998).61(a)
	b) the amount of expenditure on account of property, plant and equipment in the course of construction.	16(r1998).61(c)
8054	When items of property, plant and equipment are stated at revalued amounts, the following additional information should be disclosed:	16(r1998).64
	a) the basis used to revalue the assets;	
	b) the effective date of the revaluation;	
	c) whether an independent valuer was involved;	
	d) the nature of any indices used to determine replacement cost; and	
	e) the carrying amount of each class of property, plant and equipment that would have been included in the financial statements had the assets been carried under the benchmark treatment.	

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	INVESTMENT PROPERTY	
8055	Assets classified as investment property in the financial statements should be limited to property held to earn rentals, or for capital appreciation, or both, rather than for: a) use in the production or supply of goods or services or for administrative proposes; or b) sale in the ordinary course of business.	40.4
	Note: *The disclosures set out below are in addition to those in IAS 17 (r1997), Leases. Under IAS 17 (r1997), the owner of an investment property gives a lessor's disclosures about operating leases. Under IAS 17 (r1997), an enterprise that holds an investment property under a finance lease gives a lessee's disclosures about that finance lease and a lessor's disclosures about any operating leases that the enterprise has granted.*	40.65
	Disclosures for all Investment Property	
8056	When the determination of the appropriate classification for property is difficult, the financial statements should disclose the criteria developed by the enterprise to distinguish investment property from owner-occupied property and property held for sale in the ordinary course of business.	40.66(a)
8057	a) The enterprise should disclose the methods and significant assumptions applied in determining the fair value of investment property.	40.66(b)
	b) The disclosures under item 8057(a) should include a statement as to whether the determination of fair value was supported by market evidence or was more heavily based on other factors (which the enterprise should disclose) because of the nature of the property and lack of comparable market data.	40.66(b)
	c) The enterprise should disclose the extent to which the fair value of investment property (as disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised qualification and who has recent experience in the location and category of the investment property being valued.	40.66(c)
	d) If there has been no valuation by an independent valuer, as described in the previous paragraph, that fact should be disclosed.	40.66(c)
8058	The enterprise should disclose the existence and amount of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.	40.66(e)



REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Fair Value Model	
8059	In addition to the disclosures required by items 8056 to 8058 above, an enterprise that applies the fair value model in accounting for its investment property should also disclose a reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following:	40.67
	a) additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalised subsequent expenditure;	
	b) additions resulting from acquisitions through business combinations;	
	c) disposals;	
	d) net gains or losses from fair value adjustments;	
	e) the net exchange differences arising on the translation of the financial statements of a foreign entity;	
	f) transfers to and from inventories and owner-occupied property; and	
	g) other movements.	
	Note: *Comparative information need not be provided for the reconciliation specified in item 8059.*	
8060	In the exceptional circumstances when an enterprise measures investment property using the benchmark treatment in IAS 16 (r1998) *Property, Plant and Equipment* (because of the lack of a reliable fair value):	
	a) the reconciliation required by item 8059 above should disclose amounts relating to that investment property separately from amounts relating to other investment property; and	40.68
	b) the enterprise should disclose:	
	i) a description of the investment property accounted for in accordance with IAS 16 (r1998);	
	ii) an explanation of why fair value cannot be reliably measured;	
	iii) if possible, the range of estimates within which fair value is highly likely to lie; and	
	iv) on disposal of investment property not carried at fair value:	
	- the fact that the enterprise has disposed of investment property not carried at fair value;	
	- the carrying amount of that investment property at the time of sale; and	
	- the amount of the gain or loss recognised.	

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Cost Model	
8061	In addition to the disclosures required by items 8056 to 8058 above, an enterprise that applies the cost model in accounting for its investment property should also disclose: a) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and b) a reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following: i) additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalised subsequent expenditure; ii) additions resulting from acquisitions through business combinations; iii) disposals; iv) depreciation; v) the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with IAS 36 *Impairment of Assets;* vi) the net exchange differences arising on the translation of the financial statements of a foreign entity; vii) transfers to and from inventories and owner-occupied property; and viii) other movements. *Note:* *Comparative information need not be provided for the reconciliation specified in item 8061(b).*	40.69(c),(d)
8062	Enterprises using the cost model should disclose the fair value of investment property. In the exceptional circumstances when an enterprise cannot determine the fair value of the investment property reliably, the enterprise should disclose: a) a description of the investment property; b) an explanation of why fair value cannot be determined reliably; and c) if possible, the range of estimates within which fair value is highly likely to lie.	40.69(e)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Transitional Provisions	
8063	Under the fair value model, an enterprise should report the effect of adopting IAS 40 on its effective date (or earlier) as an adjustment to the opening balance of retained earnings for the period in which IAS 40 is first adopted. In addition: a) if the enterprise has previously disclosed publicly (in financial statements or otherwise) the fair value of its investment property in earlier periods (determined on a basis that satisfies the definition of fair value in IAS 40, paragraph 4 and the guidance in IAS 40, paragraphs 29 to 46), the enterprise is encouraged, but not required, to: i) adjust the opening balance of retained earnings for the earliest period presented for which such fair value was disclosed publicly; and ii) restate comparative information for those periods; and b) if the enterprise has not previously disclosed publicly the information described in item 8063(a) above, the enterprise should not restate comparative information and should disclose that fact.	40.70
	GOODWILL	
8064	The financial statements should provide a reconciliation of the carrying amount of goodwill at the beginning and end of the period showing: a) the gross amount and the accumulated amortisation (aggregated with accumulated impairment losses) at the beginning of the period; b) any additional goodwill recognised during the period; c) any adjustments resulting from subsequent identification or changes in value of identifiable assets and liabilities; d) any goodwill derecognised on the disposal of all or part of the business to which it relates during the period; e) amortisation recognised during the period; f) impairment losses recognised during the period in accordance with IAS 36 *Impairment of Assets* (if any); g) impairment losses reversed during the period in accordance with IAS 36 *Impairment of Assets* (if any); h) other changes in the carrying amount of goodwill during the period (if any); and i) the gross amount and the accumulated amortisation (aggregated with accumulated impairment losses), at the end of the period. *Note:* *Comparative information need not be provided for the reconciliation specified in item 8064.*	22(r1998).88(e)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	NEGATIVE GOODWILL	
8065	Negative goodwill should be presented as a deduction from the assets of the reporting enterprise, in the same balance sheet classification as goodwill.	22(r1998).64
8066	To the extent that negative goodwill relates to expectations of future losses or expenses that are identified in the acquirer's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, the enterprise should disclose a description, the amount and the timing of the expected future losses and expenses.	22(r1998).91(a)
8067	The financial statements should disclose a reconciliation of the carrying amount of negative goodwill at the beginning and end of the period showing:	22(r1998).91(d)
	a) the gross amount of negative goodwill and the accumulated amount of negative goodwill already recognised as income, at the beginning of the period;	
	b) any additional negative goodwill recognised during the period;	
	c) any adjustments resulting from subsequent identification or changes in value of identifiable assets and liabilities;	
	d) any negative goodwill derecognised on the disposal of all or part of the business to which it relates during the period;	
	e) negative goodwill recognised as income during the period, showing separately the portion of negative goodwill recognised as income under IAS 22 (r1998), paragraph 61 (if any);	
	f) other changes in the carrying amount during the period (if any); and	
	g) the gross amount of negative goodwill and the accumulated amount of negative goodwill already recognised as income, at the end of the period.	
	Note: *Comparative information need not be provided for the reconciliation specified in item 8067.*	
	INTANGIBLE ASSETS	
8068	The financial statements should disclose the following for each class of intangible assets, distinguishing between internally-generated intangible assets and other intangible assets:	
	a) the gross carrying amount and the accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period; and	38.107(c)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	b) a reconciliation of the carrying amount at the beginning and end of the period showing: i) additions, indicating separately those from internal development and through business combinations; ii) retirements and disposals; iii) increases or decreases during the period resulting from revaluations and from impairment losses recognised or reversed directly in equity (if any); iv) impairment losses recognised in the income statement during the period (if any); v) impairment losses reversed in the income statement during the period (if any); vi) amortisation recognised during the period; vii) net exchange differences arising on the translation of the financial statements of a foreign entity; and viii) other changes in the carrying amount during the period. *Note:* *Comparative information is not required for the reconciliation specified in item 8068(b).*	38.107(e)
8069	The financial statements should also disclose a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial statements of the enterprise as a whole.	38.111(b)
8070	For intangible assets acquired by way of government grant and initially recognised at fair value, the enterprise should disclose: a) the fair value initially recognised for those assets; and b) their carrying amount.	38.111(c)
8071	The financial statements should disclose the existence and carrying amounts of: a) intangible assets whose title is restricted; and b) intangible assets pledged as security for liabilities.	38.111(d)
8072	If intangible assets are carried at revalued amounts, the following details should also be disclosed by class of intangible asset: a) the effective date of the revaluation; b) the carrying amount of revalued intangible assets; and c) the carrying amount that would have been included in the financial statements had the revalued intangible assets been carried under the benchmark treatment.	38.113(a)

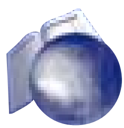
REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Note: *An enterprise is encouraged, but not required, to give the following information:* *a) a description of any fully amortised intangible asset that is still in use; and* *b) a brief description of significant intangible assets controlled by the enterprise, but not recognised as assets because they did not meet the recognition criteria in IAS 38, or because they were acquired or generated before IAS 38 was effective.*	38.117
	SUBSIDIARIES	
8073	The consolidated financial statements should include a listing of significant subsidiaries, with disclosure of the name, country of incorporation or residence, proportion of ownership interest and, if different, the proportion of voting power held.	27(r2000).32(a)
8074	Where a parent does not prepare consolidated financial statements because it is a wholly-owned or a virtually wholly-owned subsidiary, the following disclosures should be made: a) the reasons why consolidated financial statements have not been presented together with the bases on which subsidiaries are accounted for in the parent's separate financial statements; and b) the name and registered office of its parent that publishes consolidated financial statements.	27(r2000).8
8075	The consolidated financial statements should disclose, where applicable: a) the reasons for not consolidating a subsidiary; b) the nature of the relationship between the parent and a subsidiary in which the parent does not own, directly or indirectly through subsidiaries, more than half of the voting power; c) the name of any enterprise in which more than half of the voting power is owned, directly or indirectly through subsidiaries, but which, because of the absence of control, is not a subsidiary; and d) the effect of the acquisition and disposal of subsidiaries on the financial position at the reporting date, the results for the reporting period, and on the corresponding amounts for the preceding period.	27(r2000).32(b)
8076	Where it is not practicable to use uniform accounting policies for the purposes of consolidated financial statements, that fact should be disclosed, together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied.	27(r2000).21
8077	When there is a change in the classification of a significant foreign operation, the following matters should be disclosed: a) the nature of the change in classification; b) the reason for the change; c) the impact of the change in classification on shareholders' equity; and d) the impact on net profit or loss for each prior period presented had the change in classification occurred at the beginning of the earliest period presented.	21(r1993).44

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	BUSINESS COMBINATIONS	
8078	For all business combinations, the following disclosures should be made in the financial statements for the period during which the combination takes place: a) the names and descriptions of the combining enterprises; b) the method of accounting for the combination; c) the effective date of the combination for accounting purposes; and d) any operations resulting from the business combination which the enterprise has decided to dispose of.	22(r1998).86
	Acquisitions - General	
8079	For a business combination that is an acquisition, the following disclosures should be made in the financial statements for the period during which the acquisition takes place: a) the percentage of voting shares acquired; and b) the cost of acquisition and a description of the purchase consideration paid or contingently payable.	22(r1998).87
	Restructuring Provisions	
8080	The disclosure requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* should be applied to provisions for terminating or reducing the activities of an acquiree, recognised under IAS 22 (r1998), paragraph 31.	22(r1998).92
8081	Provisions for terminating or reducing activities as described in item 8080 above should be dealt with as a separate class of provisions for the purposes of disclosure under IAS 37.	22(r1998).92
8082	The aggregate carrying amount of such provisions recognised under IAS 22 (r1998), paragraph 31 should be disclosed for each individual business combination.	22(r1998).92
	Cost of Acquisition	
8083	When a published price of an equity instrument issued as purchase consideration exists at the date of exchange, but has not been used as the instrument's fair value, the enterprise should disclose: a) that fact; b) the reasons why the published price is not the fair value of the equity instrument; c) the method and significant assumptions applied in determining the fair value; and d) the aggregate amount of the difference between the published price and the amount determined to be the fair value of the equity instruments.	SIC 28.7

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
8084	When an equity instrument issued as purchase consideration does not have a published price at the date of exchange, the enterprise should disclose that fact, and the method and significant assumptions applied in determining the fair value.	SIC 28.8
	Fair Values of Identifiable Assets and Liabilities	
8085	In an acquisition, if the fair values of the identifiable assets and liabilities or the purchase consideration can only be determined on a provisional basis at the end of the period in which the acquisition takes place, that fact should be stated and reasons given.	22(r1998).93
8086	When there are subsequent adjustments to the provisional fair values described at item 8085 above, those adjustments should be disclosed and explained in the financial statements of the period concerned, with separate disclosure of the amount of the adjustment that relates to prior and comparative periods.	22(r1998).93 SIC22.8
	Unitings of Interests	
8087	For a business combination that is a uniting of interests, the following additional disclosures should be made in the financial statements for the period during which the uniting of interests takes place:	22(r1998).94
	a) a description and the number of shares issued, together with the percentage of each enterprise's voting shares exchanged to effect the uniting of interests;	
	b) the amounts of assets and liabilities contributed by each enterprise; and	
	c) the sales revenue, other operating revenues, extraordinary items and net profit or loss of each enterprise prior to the date of the combination that are included in the net profit or loss shown by the combined enterprise's financial statements.	
	Combinations after the Balance Sheet Date	
8088	For business combinations effected after the balance sheet date, the information required by items 8078 to 8087 above should be disclosed.	22(r1998).96
8089	If it is impracticable to disclose any of the information required by item 8088 above, that fact should be disclosed.	22(r1998).96
	INVESTMENTS IN ASSOCIATES	
8090	The following disclosures should be made in relation to investments in associates:	
	a) an appropriate listing and description of significant associates, including the proportion of ownership interest and, if different, the proportion of voting power held; and	28(r2000).27(a)
	b) the investor's share of any extraordinary or prior period items, separately disclosed.	28(r2000).28

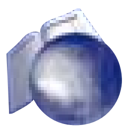
REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
8091	If the investor discontinues recognition of its share of losses of an investee (generally where the share of losses equals or exceeds the carrying amount of its investment), the investor should disclose in its financial statements the amount of its unrecognised share of losses of the investee, both during the period and cumulatively.	SIC 20.10
	INTERESTS IN JOINT VENTURES	
	Note: *The disclosures listed below are required for all venturers, including those that do not issue consolidated financial statements because they do not have subsidiaries.*	
8092	The venturer should disclose a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities.	31(r2000).47,48
8093	Where the venturer reports its interests in jointly controlled entities using the line-by-line reporting format for proportionate consolidation or the equity method, it should disclose the aggregate amount of each of current assets, long-term assets, current liabilities, long-term liabilities, income and expenses related to its interests in joint ventures.	31(r2000).47,48
	ACCOUNTING FOR LEASES BY LESSORS	
8094	The following disclosures should be made in the financial statements for finance leases:	17(r1997).39
	a) a reconciliation between the total gross investment in the lease at the balance sheet date, and the present value of minimum lease payments receivable at the balance sheet date;	
	b) the total gross investment in the lease and the present value of minimum lease payments receivable at the balance sheet date, for each of the periods not later than one year, later than one year and not later than five years, and later than five years;	
	c) unearned finance income;	
	d) the unguaranteed residual values accruing to the benefit of the lessor;	
	e) the accumulated allowance for uncollectible minimum lease payments receivable;	
	f) contingent rents recognised in income; and	
	g) a general description of the lessor's significant leasing arrangements.	
8095	The following disclosures should be made in the financial statements for operating leases:	
	a) the future minimum lease payments under non-cancellable operating leases, in aggregate and for each of the periods not later than one year, later than one year and not later than five years, and later than five years;	17(r1997).48(a)
	b) total contingent rents recognised in income; and	17(r1997).48(b)
	c) a general description of the lessor's significant leasing arrangements.	17(r1997).48(c)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Notes:	
	1. The disclosures specified in items 8094 and 8095 above are in addition to the requirements of IAS 32 (r1998), Financial Instruments: Disclosure and Presentation.	17(r1997).48
	2. In addition to the requirements set out at item 8095 above, the requirements on disclosure under IAS 16 (r1998), Property, Plant and Equipment, IAS 36, Impairment of Assets, IAS 38, Intangible Assets, IAS 40, Investment Property, and IAS 41, Agriculture, apply to assets leased out under operating leases.	17(r1997).48A
	ARRANGEMENTS INVOLVING THE LEGAL FORM OF A LEASE	
8096	Where an arrangement involves the legal form of a lease but does not, in substance, involve a lease under IAS 17, Leases, all aspects of the arrangement should be considered in determining the appropriate disclosures that are necessary to understand the arrangement and the accounting treatment adopted.	SIC 27.10
8097	The enterprise should disclose the following in each period in which an arrangement of the type described in item 8096 above exists:	SIC 27.10
	a) a description of the arrangement, including:	
	i) the underlying asset and any restrictions on its use;	
	ii) the life and other significant terms of the arrangement; and	
	iii) the transactions that are linked together, including any options; and	
	b) i) the accounting treatment applied to any fee received;	
	ii) the amount recognised as income in the period; and	
	iii) the line item of the income statement in which it is included.	
	Note:	
	The disclosures required by item 8097 above should be provided individually for each arrangement, or in aggregate for each class of arrangements (i.e. each grouping of arrangements with underlying assets of a similar nature).	SIC 27.11
	IMPAIRMENT OF ASSETS	
	Note:	
	IAS 36 should be applied in accounting for the impairment of all assets, except inventories (IAS 2(r1993)), construction contracts (IAS 11 (r1993)), deferred tax assets (IAS 12(r2000)), assets arising from employee benefits (IAS 19 (r2000)), financial assets falling within the scope of IAS 32(r1998), investment property that is measured at fair value (IAS 40) and biological assets that are measured at fair value less estimated point-of-sale costs (IAS 41).	
8098	For each class of assets, the financial statements should disclose:	
	a) the amount of impairment losses recognised in the income statement during the period and the line item(s) of the income statement in which those impairment losses are included;	36.113(a)



REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	b) the amount of reversals of impairment losses recognised in the income statement during the period and the line item(s) of the income statement in which those impairment losses are reversed;	36.113(b)
	c) the amount of impairment losses recognised directly in equity during the period; and	36.113(c)
	d) the amount of reversals of impairment losses recognised directly in equity during the period.	36.113(d)
8099	If an impairment loss for an individual asset or a cash-generating unit is recognised or reversed during the period and is material to the financial statements of the reporting enterprise as a whole, the enterprise should disclose:	36.117
	a) the events and circumstances that led to the recognition or reversal of the impairment loss;	
	b) the amount of the impairment loss recognised or reversed;	
	c) for an individual asset:	
	i) the nature of the asset; and	
	ii) if the enterprise applies IAS 14 (r1997) *Segment Reporting*, the reportable segment to which the asset belongs, based on the enterprise's primary format;	
	d) for a cash-generating unit:	
	i) a description of the cash-generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, a reportable segment as defined in IAS 14 (r1997) *Segment Reporting* or other);	
	ii) the amount of the impairment loss recognised or reversed by class of assets and, if the enterprise applies IAS 14 (r1997) *Segment Reporting*, by reportable segment based on the enterprise's primary format; and	
	iii) 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), the enterprise should describe the current and former ways of aggregating assets and the reasons for changing the way the cash-generating unit is identified;	
	e) whether the recoverable amount of the asset (cash-generating unit) is its net selling price or its value in use;	
	f) if recoverable amount is net selling price, the basis used to determine net selling price (such as whether selling price was determined by reference to an active market or in some other way); and	
	g) if recoverable amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use.	

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
8100	If impairment losses recognised (reversed) during the period are material in aggregate to the financial statements of the reporting enterprise as a whole, the enterprise should disclose a brief description of the following: a) the main classes of assets affected by impairment losses (reversals of impairment losses) for which no information is disclosed under item 8099; and b) the main events and circumstances that led to the recognition (reversal) of these impairment losses for which no information is disclosed under item 8099.	36.118
	INVENTORIES	
8101	The following items should be disclosed in the financial statements: a) the total carrying amount of inventories and the carrying amount in classifications appropriate to the enterprise; b) the carrying amount of inventories carried at net realisable value; c) the amount of any reversal of any write-down that is recognised as income in the period; d) the circumstances or events that led to the reversal of a write-down of inventories; and e) the carrying amount of inventories pledged as security for liabilities.	2(r1993).34
8102	When the cost of inventories is determined using the LIFO formula in accordance with the allowed alternative treatment under IAS 2 (r1993), the financial statements should disclose the difference between the amount of inventories as shown in the balance sheet and either: a) the lower of the amount arrived at in accordance with the FIFO or weighted average cost formulas and net realisable value; or b) the lower of current cost at the balance sheet date and net realisable value.	2(r1993).36
	CONSTRUCTION CONTRACTS	
8103	The enterprise should disclose each of the following for contracts in progress at the balance sheet date: a) the aggregate amount of costs incurred and recognised profits (less recognised losses) to date; b) the amount of advances received; and c) the amount of retentions.	11(r1993).40
8104	The enterprise should present: a) the gross amount due from customers for contract work as an asset; and b) the gross amount due to customers for contract work as a liability.	11(r1993).42



REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	SHAREHOLDERS' EQUITY	
8105	For each class of share capital, the following information should be disclosed, either on the face of the balance sheet or in the notes: a) the number of shares authorised; b) the number of shares issued and fully paid, and issued but not fully paid; c) par value per share, or that the shares have no par value; d) a reconciliation of the number of shares outstanding at the beginning and at the end of the year; e) the rights, preferences and restrictions attaching to that class, including restrictions on the distribution of dividends and the repayment of capital; f) shares in the enterprise held by the enterprise itself or by subsidiaries or associates of the enterprise; and g) shares reserved for issuance under options and sales contracts, including the terms and amounts.	1(r1997).74(a)
8106	The financial statements should include a description of the nature and purpose of each reserve within owners' equity, either on the face of the balance sheet or in the notes.	1(r1997).74(b)
	Note: *An enterprise without share capital (e.g. a partnership), should disclose information equivalent to that required by items 8105 and 8106 above, showing movements during the period in each category of equity interest and the rights, preferences and restrictions attaching to each category of equity interest.*	1(r1997).74
	TREASURY SHARES	
8107	Treasury shares should be presented in the balance sheet as a deduction from equity.	SIC 16.4
8108	The acquisition of treasury shares should be presented in the financial statements as a change in equity.	SIC 16.4
8109	Consideration received on the sale, issuance or cancellation of treasury shares should be presented in the financial statements as a change in equity.	SIC 16.5
8110	The amounts of reductions to equity for treasury shares held should be disclosed separately, either on the face of the balance sheet or in the notes.	SIC 16.6
8111	Where the enterprise, or any of its subsidiaries (including special purpose entities) re-acquires its own shares from parties able to control or exercise significant influence over the enterprise, this should be disclosed as a related party transaction in accordance with IAS 24, paragraph 22 (see item 8172 below).	SIC 16.7

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Notes: *The acquisition cost of treasury shares held by the enterprise (and, in a consolidated balance sheet, by its subsidiaries) should be presented in one of the following ways:*	SIC 16.10
	a) total cost is shown as a one-line adjustment of equity; or	
	b) the par value, if any, is shown as a deduction from share capital, with adjustment of premiums or discounts against other categories of equity; or	
	c) each category of equity is adjusted.	
	TAX ASSETS AND LIABILITIES	
8112	The following principles should be applied in the presentation of tax assets and liabilities:	
	a) tax assets and tax liabilities should be presented separately from other assets and liabilities in the balance sheet;	12(r2000).69
	b) current tax assets and liabilities should be distinguished from deferred tax assets and liabilities; and	12(r2000).69
	c) when the enterprise distinguishes between current and non-current assets and liabilities in its financial statements, deferred tax assets (liabilities) should not be treated as current assets (liabilities).	12(r2000).70
8113	Current tax assets and current tax liabilities should be offset if, and only if, both of the following conditions are satisfied:	12(r2000).71
	a) there is a legally enforceable right to set off the recognised amounts; and	
	b) it is intended either to settle on a net basis, or to realise the asset and settle the liability simultaneously.	
8114	Deferred tax assets and deferred tax liabilities should be offset if, and only if, both of the following conditions are satisfied:	12(r2000).74
	a) there is a legally enforceable right to set off current tax assets against current tax liabilities; and	
	b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:	
	i) the same taxable entity; or	
	ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.	

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
8115	The following should be disclosed:	
	a) 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 balance sheet;	12(r2000).81(e)
	b) the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, for which deferred tax liabilities are not recognised; and	12(r2000).81(f)
	c) the amount of the deferred tax assets and liabilities recognised in the balance sheet for each period presented in respect of each type of temporary difference, and in respect of each type of unused tax losses and unused tax credits.	12(r2000).81(g)
8116	When the utilisation of a deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences, and the enterprise has suffered a loss in either the current or the preceding period in the tax jurisdiction to which the deferred tax asset relates, the amount of such asset and the nature of the evidence supporting its recognition should be disclosed.	12(r2000).82
8117	Where current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits, but the net income taxes payable will be affected if part of the retained earnings is paid out as a dividend to shareholders, the enterprise should disclose:	12(r2000).82A
	a) the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders;	
	b) the amounts of the potential income tax consequences that are practicably determinable; and	
	c) whether there are any potential income tax consequences that are not practicably determinable.	
	ACCOUNTING FOR LEASES BY LESSEES	
	Note: *The disclosure requirements in respect of transactions involving the legal form of a lease but which do not, in substance, involve a lease under IAS 17, Leases, are set out at items 8096 and 8097 above. These apply equally to lessees' financial statements.*	
8118	The following disclosures should made in the financial statements for finance leases:	17(r1997).23
	a) for each class of asset, the net carrying amount at the balance sheet date;	
	b) a reconciliation between the total of minimum lease payments at the balance sheet date, and their present value;	
	c) the total of minimum lease payments at the balance sheet date for each of the periods not later than one year, later than one year and not later than five years, and later than five years, and their present value;	

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	d) contingent rents recognised in income in the period;	
	e) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date; and	
	f) a general description of the lessee's significant leasing arrangements including, but not limited to, the basis on which contingent rents are determined; the existence and terms of renewal or purchase options and escalation clauses; and restrictions imposed by lease arrangements (such as those concerning dividends, additional debt and further leasing).	
	Note: *In addition to the requirements set out at item 8118 above, the requirements on disclosure under IAS 16 (r1998), Property, Plant and Equipment, IAS 36, Impairment of Assets, IAS 38, Intangible Assets, IAS 40, Investment Property, and IAS 41, Agriculture, apply to leased assets held under finance leases that are accounted for by the lessee as acquisitions of assets.*	17(r1997).24
8119	The following disclosures should be made in the financial statements for operating leases:	17(r1997).27
	a) the total of future minimum lease payments under non-cancellable operating leases for each of the periods not later than one year, later than one year and not later than five years, and later than five years;	
	b) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date;	
	c) lease and sublease payments recognised in income for the period, with separate amounts for minimum lease payments, contingent rents and sublease payments; and	
	d) a general description of the lessee's significant leasing arrangements including, but not limited to, the basis on which contingent rents are determined; the existence and terms of renewal or purchase options and escalation clauses; and restrictions imposed by lease arrangements (such as those concerning dividends, additional debt and further leasing).	
	Note: *The disclosures specified in items 8118 and 8119 above are in addition to the requirements of IAS 32 (r1998), Financial Instruments: Disclosure and Presentation.*	17(r1997).23, 27
	FINANCIAL INSTRUMENTS: DISCLOSURE AND PRESENTATION	
8120	The issuer of a financial instrument should classify the instrument (or its component parts), as either a liability or as equity, in accordance with the substance of the contractual arrangement on initial recognition, and by reference to the definitions of a financial liability and an equity instrument.	32(r1998).18

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Note: *Where the rights and obligations regarding the manner of settlement of a financial instrument depend on the occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder, the financial instrument should be classified as a liability, except where the possibility of the issuer being required to settle in cash or another financial asset is remote at the time of issuance, when the contingent settlement provision should be ignored and the instrument should be classified as equity. [**SIC 5.5 & 5.6**]*	
8121	The issuer of a financial instrument that contains both a liability and an equity element, should classify the component parts separately in accordance with item 8120 above.	32(r1998).23
8122	Interest, dividends, losses and gains relating to a financial instrument, or a component part, which is classified as a financial liability, should be reported in the income statement as expense or income.	32(r1998).30
8123	Distributions to holders of financial instruments which are classified as equity instruments should be debited directly to equity.	32(r1998).30
8124	A financial asset and a financial liability should be offset, and the net amount reported in the balance sheet if, but only if, both of the following conditions are met: a) the enterprise has a legally enforceable right to set off the recognised amounts; and b) the enterprise intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.	32(r1998).33
8125	The enterprise should describe its financial risk management objectives and policies, including its policy for hedging each major type of forecasted transaction for which hedge accounting is used.	32(r1998).43A
8126	For each class of financial asset, financial liability and equity instrument, both recognised and unrecognised, the enterprise should disclose information about the extent and nature of the financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows.	32(r1998).47(a)
8127	For each class of financial asset and financial liability, both recognised and unrecognised, the enterprise should disclose information about its exposure to interest rate risk, including: a) contractual repricing or maturity dates, whichever dates are earlier; and b) effective interest rates, when applicable.	32(r1998).56

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
8128	For each class of financial asset, both recognised and unrecognised, the enterprise should disclose information about its exposure to credit risk, including: a) the amount that best represents its maximum credit risk exposure at the balance sheet date, without taking account of the fair value of any collateral, in the event that other parties fail to perform their obligations under financial instruments; and b) significant concentrations of credit risk.	32(r1998).66
8129	For each class of financial asset and financial liability, both recognised and unrecognised, the enterprise should disclose information about fair value, unless it is impracticable to do so.	32(r1998).77
8130	When it is not practicable to disclose such fair value information, within given constraints of timeliness or cost, that fact should be disclosed, together with information about the principal characteristics of the underlying financial instrument that are pertinent to its fair value.	32(r1998).77
8131	Where an enterprise carries one or more financial assets at an amount in excess of their fair value, it should disclose both: a) the carrying amount and the fair value of either the individual assets or appropriate groupings of those individual assets; and b) the reasons for not reducing the carrying amount, including the nature of the evidence that provides the basis for management's belief that the carrying amount will be recovered.	32(r1998).88
	Note: *The requirements of items 8129 to 8131 above do not apply to those financial assets and financial liabilities carried at fair value.*	39(r2000).166
8132	The enterprise should disclose a description of its financial risk management objectives and policies, including its policy for hedging each major type of forecasted transaction.	39(r2000).169(a)
8133	The financial statements should disclose the following (separately for designated fair value hedges, cash flow hedges, and hedges of a net investment in a foreign entity): a) a description of the hedge; b) a description of the financial instruments designated as hedging instruments for the hedge and their fair values at the balance sheet date; c) the nature of the risks being hedged; and d) for hedges of forecasted transactions, the periods in which the forecasted transactions are expected to occur, when they are expected to enter into the determination of net profit or loss, and a description of any forecasted transaction for which hedge accounting had previously been used but that is no longer expected to occur.	39(r2000).169(b)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
8134	If a gain or loss on derivative and non-derivative financial assets and liabilities designated as hedging instruments in cash flow hedges has been recognised directly in equity, the following should be disclosed: a) the amount that was so recognised in equity during the current period; b) the amount that was removed from equity and reported in net profit or loss for the period; and c) the amount that was removed from equity and added to the initial measurement of the acquisition cost or other carrying amount of the asset or liability in a hedged forecasted transaction during the current period (see IAS 39(r2000), paragraph 160).	39(r2000).169(c)
8135	If a gain or loss from remeasuring available-for-sale financial assets to fair value (other than assets relating to hedges) has been recognised directly in equity, the financial statements should disclose: a) the amount that was so recognised in equity during the current period; and b) the amount that was removed from equity and reported in net profit or loss for the period.	39(r2000).170(a)
8136	If the presumption that fair value can be reliably measured for all financial assets that are available for sale or held for trading has been overcome and the enterprise is, therefore, measuring any such financial assets at amortised cost, that fact should be disclosed, together with a description of the financial assets, their carrying amount, an explanation of why fair value cannot be reliably measured, and, if possible, the range of estimates within which fair value is highly likely to lie.	39(r2000).170(b)
8137	If financial assets whose fair value previously could not be measured reliably are sold, that fact should be disclosed as well as the carrying amount of such financial assets at the time of sale, and the amount of gain or loss recognised.	39(r2000).170(b)
8138	The financial statements should disclose significant items of income, expense, and gains and losses resulting from financial assets and financial liabilities, whether included in net profit or loss or as a separate component of equity. *Notes:* *1. For the purpose of item 8138, total interest income and total interest expense should be disclosed separately.* *2. For the purpose of item 8138, with respect to available-for-sale financial assets that are adjusted to fair value after initial acquisition, total gains and losses from derecognition of such financial assets and included in net profit or loss for the period should be reported separately from total gains and losses from fair value adjustments of recognised assets and liabilities included in net profit or loss for the period. A similar split of 'realised' versus 'unrealised' gains and losses with respect to financial assets and liabilities held for trading is not required.*	39(r2000).170(c)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	3. For the purpose of item 8138, the enterprise should disclose the amount of interest income that has been accrued on impaired loans pursuant to IAS 39(r2000), paragraph 116, and that has not yet been received in cash.	
8139	If the enterprise has entered into a securitisation or repurchase agreement, it should disclose, separately for such transactions occurring in the current financial reporting period and for remaining retained interests from transactions occurring in prior financial reporting periods: a) the nature and extent of such transactions, including a description of any collateral, and quantitative information about the key assumptions used in calculating the fair values of new and retained interests; and b) whether the financial assets have been derecognised.	39(r2000).170(d)
8140	If the enterprise has reclassified a financial asset as one required to be reported at amortised cost rather than at fair value, the reason for that reclassification should be disclosed.	39(r2000).170(e)
8141	Disclosure should be made of the nature and amount of any impairment loss or reversal of an impairment loss recognised for a financial asset, separately for each significant class of financial asset.	39(r2000).170(f)
8142	A borrower should disclose the carrying amount of financial assets pledged as collateral for liabilities and any significant terms and conditions relating to pledged assets.	39(r2000).170(g)
8143	A lender should disclose: a) the fair value of collateral (both financial and non-financial assets) that it has accepted and that it is permitted to sell or repledge in the absence of default; b) the fair value of collateral that is sold or repledged; and c) any significant terms and conditions associated with its use of collateral.	39(r2000).170(h)
	EMPLOYEE BENEFITS	
	Post-Employment Benefits	
8144	For defined contribution plans, the enterprise should disclose the amount recognised as an expense in the period.	19(r2002).46
8145	For defined benefit plans, the enterprise should disclose the total expense recognised in the income statement for each of the following, and the line item(s) of the income statement in which they are included: a) current service cost; b) interest cost; c) expected return on plan assets; d) expected return on any reimbursement right recognised as an asset under IAS 19(r2002), paragraph 104A;	19(r2002).120(f)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	e) actuarial gains and losses;	
	f) past service cost; and	
	g) the effect of any curtailment or settlement.	
8146	An asset relating to one retirement benefit plan should be offset against a liability relating to another plan when, and only when, the following conditions are satisfied:	19(r2002).116
	a) the enterprise has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and	
	b) the enterprise intends either to settle the obligations on a net basis, or to realise the surplus on one plan and settle its obligations under the other plan simultaneously.	
8147	The following information should be disclosed about defined benefit plans:	
	a) a general description of the type of plan;	19(r2002).120(b)
	b) a reconciliation of the assets and liabilities recognised in the balance sheet, showing at least:	19(r2002).120(c)
	i) the present value at the balance sheet date of defined benefit obligations that are wholly unfunded;	
	ii) the present value (before deducting the fair value of plan assets) at the balance sheet date of defined benefit obligations that are wholly or partly funded;	
	iii) the fair value of any plan assets at the balance sheet date;	
	iv) the net actuarial gains or losses not recognised in the balance sheet;	
	v) the past service cost not yet recognised in the balance sheet;	
	vi) any amount not recognised as an asset, because of the limit restrictions imposed by IAS 19 (r2002), paragraph 58(b);	
	vii) the fair value at the balance sheet date of any reimbursement right recognised as an asset under IAS 19 (r2002), paragraph 104A (with a brief description of the link between the reimbursement right and the related obligation); and	
	viii) the other amounts recognised in the balance sheet;	
	c) the amounts included in the fair value of plan assets for:	19(r2002).120(d)
	i) each category of the reporting enterprise's own financial instruments; and	
	ii) any property occupied by, or other assets used by, the reporting enterprise;	

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	d) a reconciliation showing the movements during the period in the net liability (or asset) recognised in the balance sheet;	19(r2002).120(e)
	e) the actual return on plan assets, as well as the actual return on any reimbursement right recognised as an asset under IAS 19(r2002), paragraph 104A and;	19(r2002).120(g)
	f) the principal actuarial assumptions used as at the balance sheet date, including, where applicable:	19(r2002).120(h)
	i) the discount rates;	
	ii) the expected rates of return on any plan assets for the periods presented in the financial statements;	
	iii) the expected rates of return for the periods presented in the financial statements on any reimbursement right recognised as an asset under IAS 19 (r2002), paragraph 104A;	
	iv) the expected rates of salary increases (and of changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases);	
	v) medical cost trend rates; and	
	vi) any other material actuarial assumptions used.	
	Notes: *1. The enterprise should disclose each actuarial assumption in absolute terms (for example as an absolute percentage) and not just as a margin between different percentages or other variables.*	
	2. When an enterprise has more than one defined benefit plan, disclosures may be made in total, separately for each plan, or under appropriate groupings.	19(r2002).122
8148	Where a multi-employer plan is accounted for as a defined benefit plan, the enterprise should disclose the information specified in item 8147 above.	19(r2002).29
8149	Where a multi-employer plan is a defined benefit plan, but is accounted for as a defined contribution plan because sufficient information is not available to use defined-benefit accounting, the enterprise should disclose:	19(r2002).30
	a) the fact that the plan is a defined benefit plan;	
	b) the reason why sufficient information is not available to enable the enterprise to account for the plan as a defined benefit plan; and	
	c) to the extent that a surplus or deficit in the plan may affect the amount of future contributions:	
	i) any available information about that surplus or deficit;	
	ii) the basis used to determine that surplus or deficit; and	
	iii) the implications, if any, for the enterprise.	

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Equity Compensation Benefits	
8150	In respect of equity compensation benefits, the following should be disclosed: a) the nature and terms (including any vesting rules) of equity compensation plans; b) the amounts recognised in the financial statements for equity compensation plans; c) the number and terms (including, where applicable, dividend and voting rights, conversion rights, exercise dates, exercise prices and expiry dates) of the enterprise's own equity financial instruments which are held by equity compensation plans (and, in the case of share options, by employees) at the beginning and end of the period, and the extent to which employees' entitlements to those instruments are vested at the beginning and end of the period; d) the number and terms (including, where applicable, dividend and voting rights, conversion rights, exercise dates, exercise prices and expiry dates) of equity financial instruments issued by the enterprise to equity compensation plans or to employees (or of the enterprise's own equity financial instruments distributed by equity compensation plans to employees) during the period and the fair value of any consideration received from the equity compensation plans or the employees; e) the number, exercise dates and exercise prices of share options exercised under equity compensation plans during the period; f) the number of share options held by equity compensation plans, or held by employees under such plans, that lapsed during the period; and g) the amount, and principal terms, of any loans or guarantees granted by the reporting enterprise to, or on behalf of, equity compensation plans.	19(r2002).147
8151	Unless it is impracticable to do so, the following additional items should be disclosed: a) the fair value, at the beginning and end of the period, of the enterprise's own equity financial instruments (other than share options) held by equity compensation plans; and b) the fair value, at the date of issue, of the enterprise's own equity financial instruments (other than share options) issued by the enterprise to equity compensation plans or to employees during the period.	19(r2002).148
8152	If it is not practicable to determine the fair value of the equity financial instruments specified for disclosure under item 8151 above, that fact should be disclosed.	19(r2002).148
	Note: *When an enterprise has more than one equity compensation plan, disclosures may be made in total, separately for each plan, or under appropriate groupings.*	19(r2002).149

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
8153	On implementation of IAS 19 (r1998), the enterprise should determine its transitional liability in accordance with IAS 19(r1998), paragraph 154. Where the enterprise elects to recognise any excess of the transitional liability over the liability that would have been arrived at under its previous accounting policy over a period of up to 5 years, rather than immediately, it should disclose at each balance sheet date: a) the amount of the excess that remains unrecognised; and b) the amount recognised in the current period.	19(r2002).155(b)
8154	Specific amendments to IAS 19 regarding the revised definition of plan assets, the related definitions of assets held by a long-term employee benefit fund and qualifying insurance policy, and the recognition and measurement requirements for reimbursements, and related disclosures become operative for annual financial statements beginning on or after 1 January 2001. If earlier adoption of these amendments affects the financial statements, that fact should be disclosed.	19(r2002).159
8155	Specific amendments to IAS 19 regarding the asset ceiling test become operative for annual financial statements covering periods ending on or after 31 May 2002. If earlier adoption of these amendments affects the financial statements, that fact should be disclosed.	19(r2002).159A
	PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS	
8156	For each class of provision, the enterprise should disclose: a) the carrying amount at the beginning and end of the period; b) additional provisions made in the period, including increases to existing provisions; c) amounts used (i.e. 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. *Note:* *Comparative information is not required for the disclosures specified in item 8156.*	37.84
8157	The enterprise should disclose the following for each class of provision: 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 including, where necessary to provide adequate information, the major assumptions made concerning future events; and c) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.	37.85

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
8158	Unless the possibility of any outflow in settlement is remote, the enterprise should disclose, for each class of contingent liability at the balance sheet date, a brief description of the nature of the contingent liability.	37.86
8159	Where practicable, the following information should also be disclosed in respect of contingent liabilities: a) an estimate of the financial effect of the contingent liability, under the measurement rules specified in IAS 37, paragraphs 36 to 52; b) an indication of the uncertainties relating to the amount or timing of any outflow; and c) the possibility of any reimbursement.	37.86
8160	Where an inflow of economic benefits is probable, the enterprise should disclose a brief description of the nature of the contingent assets at the balance sheet date.	37.89
8161	Where practicable, the enterprise should also disclose an estimate of the financial effect of contingent assets, measured using the principles specified in IAS 37, paragraphs 36 to 52.	37.89
8162	Where any of the information required by items 8158 to 8161 is not disclosed, because it is not practicable to do so, that fact should be stated.	37.91
8163	In the extremely rare case where information is not disclosed because disclosure of some or all of the information required by items 8156 to 8161 could be expected to prejudice seriously the position of the enterprise in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset, the enterprise should disclose the general nature of the dispute, together with the fact that, and the reason why, the information has not been disclosed.	37.92
8164	On implementation of IAS 37, if comparative information is not restated, that fact should be disclosed.	37.93
8165	A venturer should disclose the aggregate amount of the following contingent liabilities (unless the probability of loss is remote), separately from the amount of other contingent liabilities: a) any contingent liabilities that the venturer has incurred in relation to its interests in joint ventures and its share in each of the contingent liabilities which have been incurred jointly with other venturers; b) its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and c) those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers in a joint venture.	31(r2000).45,48

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	COMMITMENTS	
8166	The financial statements should disclose the amount of commitments for the acquisition of property, plant and equipment.	16(r1998).61(d)
8167	The financial statements should disclose material contractual obligations to purchase, construct or develop investment property, or for repairs, maintenance or enhancements.	40.66(f)
8168	The financial statements should disclose the amount of commitments for the acquisition of intangible assets.	38.111(e)
8169	A venturer should disclose the aggregate amount of the following commitments in respect of its interests in joint ventures, separately from the amount of other commitments: a) any capital commitments that the venturer has incurred in relation to its interests in joint ventures and its share in each of the capital commitments that have been incurred jointly with other venturers; and b) its share of the capital commitments of the joint ventures themselves.	31(r2000).46,48
	GOVERNMENT GRANTS	
8170	The following information should disclosed in the financial statements:	
	a) the nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the enterprise has directly benefited; and	20.39(b)
	b) unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.	20.39(c)
	RELATED PARTY DISCLOSURES	
	Note: *IAS 24 does not specifically require the disclosure of the employee benefits of directors and key management. The Standard acknowledges that disclosures will generally be specified by local laws or stock exchange regulations. However, if there are no such local requirements, the payment of such benefits constitutes a transaction between the enterprise and a related party and, as such, is prima facie disclosable.*	
8171	Related party relationships where control exists should be disclosed in the financial statements, irrespective of whether there have been transactions between the related parties.	24.20
8172	If there have been transactions between related parties, the enterprise should disclose the nature of the related party relationships, as well as the types of transactions and the elements of the transactions necessary for an understanding of the financial statements.	24.22

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Note: *The elements of a transaction necessary for an understanding of the financial statements will normally include:* *a) an indication of the volume of the transactions, either as an amount, or as an appropriate proportion;* *b) amounts or appropriate proportions of outstanding items; and* *c) pricing policies*	24.23
8173	Items of a similar nature should only be aggregated when such aggregation is appropriate on the basis that separate disclosure is not necessary for an understanding of the effects of related party transactions on the financial statements.	24.24
8174	Separate disclosure should be made of amounts payable to and receivable from: a) the parent enterprise; b) fellow subsidiaries and associates; and c) other related parties.	1(r1997).72
	EVENTS AFTER THE BALANCE SHEET DATE	
8175	The enterprise should disclose the date when the financial statements were authorised for issue.	10(r1999).16
8176	If the enterprise's owners or others have the power to amend the financial statements after issuance, the enterprise should disclose that fact.	10(r1999).16
8177	If the enterprise receives information after the balance sheet date about conditions that existed at the balance sheet, the enterprise should update disclosures that relate to those conditions, in the light of the new information.	10(r1999).18
8178	Where non-adjusting events after the balance sheet date are of such importance that non-disclosure would affect the ability of the users of financial statements to make proper evaluations and decisions, the enterprise should disclose the following information for each significant category of non-adjusting event after the balance sheet date: a) the nature of the event; and b) an estimate of its financial effect, or a statement that such an estimate cannot be made.	10(r1999).20

SECTION 9 ADDITIONAL DISCLOSURE REQUIREMENTS - BANKS AND SIMILAR FINANCIAL INSTITUTIONS (IAS 30)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Note: *For the purposes of IAS 30, a bank is defined as a financial institution, one of whose principal activities is to take deposits and borrow with the objective of lending and investing, and which is within the scope of banking or similar legislation, whether or not it has the word 'bank' in its name.*	
	INCOME STATEMENT - GENERAL	
9001	The income statement should group income and expenses by nature and disclose the amounts of the principal types of income and expenses.	30.9
9002	In addition to the requirements of other IFRS, the following items of income and expense should be disclosed in the income statement or in the notes to the financial statements: a) interest and similar income; b) interest expense and similar charges; c) dividend income; d) fee and commission income; e) fee and commission expense; f) gains less losses arising from dealing securities; g) gains less losses arising from investment securities; h) gains less losses arising from dealing in foreign currencies; i) other operating income; j) losses on loans and advances; k) general administrative expenses; and l) other operating expenses.	30.10
9003	Items of income and expense should be offset only when they are relate to hedges or to assets and liabilities that have been offset in compliance with item 9006 below.	30.13
	BALANCE SHEET - GENERAL	
9004	The balance sheet should group assets and liabilities by nature, and list them in an order that reflects their relative liquidity.	30.18
9005	In addition to the requirements of other IFRS, the following assets and liabilities should be disclosed in the balance sheet or in the notes to the financial statements: ***Assets*** a) cash and balances with the central bank;	30.19

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	b) treasury bills and other bills eligible for rediscounting with the central bank;	
	c) government and other securities held for dealing purposes;	
	d) placements with, and loans and advances to, other banks;	
	e) other money market placements;	
	f) loans and advances to customers; and	
	g) investment securities.	
	Liabilities	
	a) deposits from other banks;	
	b) other money market deposits;	
	c) amounts owed to other depositors;	
	d) certificates of deposit;	
	e) promissory notes and other liabilities evidenced by paper; and	
	f) other borrowed funds.	
9006	Assets and liabilities should be offset only when a legal right of set-off exists and the offsetting represents the expectation as to the realisation of the asset or settlement of the liability.	30.23
9007	The bank should disclose the fair value of each class of its financial assets and liabilities as required by IAS 32 (r1998) *Financial Instruments: Disclosure and Presentation* and IAS 39 (r2000) *Financial Instruments: Recognition and Measurement.*	30.24
	CONTINGENT LIABILITIES AND COMMITMENTS (INCLUDING OFF BALANCE SHEET ITEMS)	
9008	The bank should disclose the following contingent liabilities and commitments:	30.26
	a) the nature and amount of commitments to extend credit that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense; and	
	b) the nature and amount of contingent liabilities and commitments arising from off-balance sheet items, including those relating to:	
	i) direct credit substitutes, including general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities;	
	ii) certain transaction-related contingent liabilities, including performance bonds, bid bonds, warranties and standby letters of credit related to particular transactions;	

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	iii) short-term, self-liquidating, trade-related contingent liabilities arising from the movement of goods, such as documentary credits where the underlying shipment is used as security;	
	iv) any sale and repurchase agreements not recognised in the balance sheet;	
	v) interest and foreign exchange rate-related items, including swaps, options and futures; and	
	vi) other commitments, note issuance facilities and revolving underwriting facilities.	
	MATURITIES OF ASSETS AND LIABILITIES	
9009	The bank should provide an analysis of assets and liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date.	30.30
	CONCENTRATIONS OF ASSETS AND LIABILITIES	
9010	The bank's financial statements should disclose:	30.40
	a) any significant concentrations of its assets, liabilities and off-balance sheet items, in terms of geographical areas, customer or industry groups, or other concentrations of risk; and	
	b) the amount of significant net foreign currency exposures.	
	LOSSES ON LOANS AND ADVANCES	
9011	The bank should disclose the following:	30.43
	a) the accounting policy that describes the basis on which uncollectable loans and advances are recognised as an expense and written off;	
	b) details of the movements in the provision for losses on loans and advances during the period, disclosing separately:	
	i) the amount charged to income in the period for losses on uncollectible loans and advances;	
	ii) the amount charged in the period for loans and advances written off; and	
	iii) the amount credited in the period for loans and advances previously written off that have been recovered;	
	c) the aggregate amount of the provision for losses on loans and advances at the balance sheet date; and	
	d) the aggregate amount included in the balance sheet for loans and advances on which interest is not being accrued and the basis used to determine the carrying amount of such loans and advances.	

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
9012	Any amounts that have been set aside in respect of losses on loans and advances (in addition to those losses that have been specifically identified or potential losses that experience indicates are inherent in any portfolio of loans and advances) should be accounted for as appropriations of retained earnings.	30.44
9013	Any credits resulting from the reduction of the amounts referred to in item 9012 should be excluded from the determination of net income and credited to retained earnings.	30.44
	GENERAL BANKING RISKS	
9014	Any amounts that have been set aside for general banking risks (including those covering future losses and other unforeseeable risks or contingencies) should be separately disclosed as appropriations of retained earnings.	30.50
9015	Any credits resulting from the reduction of the amounts referred to in item 9014 should be excluded from the determination of net profit or loss for the period and should be credited to retained earnings.	30.50
	ASSETS PLEDGED AS SECURITY	
9016	The bank should disclose: a) the aggregate amount of secured liabilities; and b) the nature and carrying amount of the assets pledged as security.	30.53

SECTION 10 DISCLOSURE OF INFORMATION REFLECTING THE EFFECTS OF CHANGING PRICES (IAS 15)

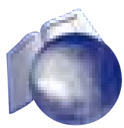
REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Notes:	
	1. A particular exemption is permitted in relation to IAS 15. Arising from the failure to reach international consensus on the disclosure of information reflecting the effects of changing prices, enterprises need not disclose the information required by IAS 15 in order that their financial statements conform with International Financial Reporting Standards. However, enterprises are encouraged to disclose information reflecting the effects of changing prices and, where they do so, to disclose the items required by IAS 15.	
	2. IAS 15 applies to enterprises whose levels of revenues, profit, assets or employment are significant in the economic environment in which they operate. When both parent company and consolidated financial statements are presented, the information called for by this section need be presented only on the basis of consolidated information.	
	The information is not required for a subsidiary operating in the country of domicile of its parent if consolidated information on this basis is presented by the parent. For subsidiaries operating in a country other than the country of domicile of the parent, the information specified is required only when it is accepted practice for similar information to be presented by enterprises of economic significance in that country.	
	3. Presentation of information reflecting the effects of changing prices is encouraged for other entities in the interest of promoting more informative financial reporting.	
10001	The following items should be disclosed using an accounting method reflecting the effects of changing prices:	15.8
	a) the amount of the adjustment to or the adjusted amount of depreciation of property, plant and equipment;	15.21(a)
	b) the amount of the adjustment to or the adjusted amount of cost of sales;	15.21(b)
	c) the adjustments relating to monetary items, the effect of borrowing, or equity interests when such adjustments have been taken into account in determining income under the accounting method adopted;	15.21(c)
	d) the overall effect of the adjustments described in (a) and (b) and, where appropriate, (c), as well as any other items reflecting the effects of changing prices that are reported under the accounting method adopted;	15.21(d)
	e) if a current cost method is adopted, the current cost of property, plant and equipment, and of inventories; and	15.22
	f) a description of the methods adopted to compute the information specified by (a) to (e) above, including the nature of any indices used.	15.23
10002	If the information specified above has not been presented in the primary financial statements, it should be provided on a supplementary basis.	15.24

SECTION 11 DISCLOSURES FOR ENTERPRISES REPORTING IN THE CURRENCY OF A HYPERINFLATIONARY ECONOMY (IAS 29)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Note: *This section applies to the primary financial statements, including the consolidated financial statements, of any enterprise that reports in the currency of a hyperinflationary economy.*	
11001	The financial statements of an enterprise that reports in the currency of a hyperinflationary economy (whether based on a historical cost approach or a current cost approach) should be stated in terms of the measuring unit current at the balance sheet date.	29.8
11002	The corresponding figures for the previous period, and any information in respect of earlier periods, should be stated in terms of the measuring unit current at the balance sheet date.	29.8
11003	The gain or loss on the net monetary position should be included in net income and separately disclosed.	29.9
11004	The financial statements should disclose the following information: 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 reporting currency and, as a result, are stated in terms of the measuring unit current at the balance sheet date; b) whether the financial statements are based on a historical cost or current cost approach; and c) the identity and level of the price index at the balance sheet date and the movement in the index during the current and the previous reporting period.	29.39
11005	When the economy has ceased to be hyperinflationary, and the enterprise has discontinued the preparation and presentation of financial statements prepared in accordance with IAS 29, the enterprise should treat the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements.	29.38

SECTION 12 DISCLOSURES FOR ENTERPRISES ENGAGED IN AGRICULTURAL ACTIVITY (IAS 41)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Note: *IAS 41, Agriculture, is effective for annual financial statements covering periods beginning on or after 1 January 2003. Earlier adoption is encouraged.*	
12001	The enterprise should present the carrying amount of its biological assets separately on the face of its balance sheet.	41.39
	GENERAL DISCLOSURES	
12002	The enterprise should disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce, and from the change in fair value less estimated point-of-sale costs of biological assets.	41.40
12003	The enterprise should provide a description of each group of biological assets, either in narrative form or as a quantified description.	41.41
12004	If not disclosed elsewhere in information published with the financial statements, the enterprise should describe: a) the nature of its activities involving each group of biological assets; and b) non-financial measures or estimates of the physical quantities of: i) each group of the enterprise's biological assets at the end of the period; and ii) output of agricultural produce during the period.	41.46
12005	The enterprise should disclose the methods used and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest, and each group of biological assets.	41.47
12006	The enterprise should disclose the fair value less estimated point-of-sale costs of agricultural produce harvested during the period, determined at the point of harvest.	41.48
12007	The enterprise should disclose: a) the existence and carrying amounts of biological assets whose title is restricted, and the carrying amounts of biological assets pledged as security for liabilities; b) the amount of commitments for the development or acquisition of biological assets; and c) financial risk management strategies related to agricultural activity.	41.49
12008	The enterprise should present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period, including: a) the gain or loss arising from changes in fair value less estimated point-of-sale costs;	41.50



REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	b) increases due to purchases;	
	c) decreases due to sales;	
	d) decreases due to harvest;	
	e) increases resulting from business combinations;	
	f) net exchange differences arising on the translation of the financial statements of a foreign entity; and	
	g) other changes.	
	Note: *Comparative information is not required for the reconciliation specified in item 12008.*	
	ADDITIONAL DISCLOSURES FOR BIOLOGICAL ASSETS WHERE FAIR VALUE CANNOT BE MEASURED RELIABLY	
12009	If an enterprise measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses at the end of the period, the enterprise should disclose for such biological assets:	41.54
	a) a description of the biological assets;	
	b) an explanation of why fair value cannot be measured reliably;	
	c) if possible, the range of estimates within which fair value is highly likely to lie;	
	d) the depreciation method used;	
	e) the useful lives or the depreciation rates used; and	
	f) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.	
12010	If, during the current period, an enterprise measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses, the enterprise should disclose any gain or loss recognised on disposal of such biological assets and the reconciliation required under item 12008 above should disclose amounts related to such biological assets separately.	41.55
12011	In the circumstances described in item 12010, the reconciliation should also include the following amounts included in net profit or loss related to those biological assets:	41.55
	a) impairment losses;	
	b) reversals of impairment losses; and	
	c) depreciation.	

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
12012	If the fair value of biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment losses becomes reliably measurable during the current period, the enterprise should disclose for those biological assets: a) a description of the biological assets; b) an explanation of why fair value has become reliably measurable; and c) the effect of the change.	41.56
	GOVERNMENT GRANTS	
12013	The enterprise should disclose the following related to agricultural activity covered by IAS 41: a) the nature and extent of government grants recognised in the financial statements. b) unfulfilled conditions and other contingencies attaching to government grants; and c) significant decreases expected in the level of government grants.	41.57
	TRANSITIONAL PROVISIONS	
12014	If the enterprise applies IAS 41 for periods beginning before 1 January 2003 (its effective date), that fact should be disclosed.	41.58

SECTION 13 DISCLOSURES FOR SERVICE CONCESSION ARRANGEMENTS (SIC 29)

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	Notes: *SIC 29 sets out the required disclosures where an enterprise (the Concession Operator) enters into an arrangement with another enterprise (the Concession Provider) to provide services that give the public access to major economic and social facilities.* *Examples of such service concession arrangements include water treatment and supply facilities, motorways, car parks, tunnels, bridges, airports and telecommunication networks.* *A service concession arrangement generally include the Concession Provider conveying for the period of the concession to the Concession Operator:* *a) the right to provide services that give the public access to major economic and social facilities, and* *b) in some cases, the right to use specified tangible assets, intangible assets and/or financial assets,* *in exchange for the Concession Operator:* *a) committing to provide the services according to certain terms and conditions during the concession period, and* *b) when applicable, committing to return at the end of the concession period the rights received at the beginning of the concession period and/or acquired during the concession period.* *Certain aspects and disclosures relating to some service concession arrangements are addressed by IAS (e.g. IAS 16 applies to acquisitions of property, plant and equipment; IAS 17 applies to leases of assets; IAS 38 applies to acquisitions of intangible assets). However, given that the arrangements may involve executory contracts that are not addressed in IAS, unless they are onerous, in which case IAS 37, Provisions, Contingent Liabilities and Contingent Assets, applies, SIC 29 has introduced additional disclosures for service concession arrangements.*	
13001	All aspects of a service concession arrangement should be considered in determining the appropriate disclosures in the notes to the financial statements. A Concession Operator and a Concession Provider should disclose the following in each period: a) a description of the arrangement; b) significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows (e.g. the period of the concession, re-pricing dates and the basis upon which re-pricing or re-negotiation is determined); c) the nature and extent (e.g. quantity, time period or amount, as appropriate) of: i) rights to use specified assets; ii) obligations to provide or rights to expect provision of service;	SIC 29.6

REF.	PRESENTATION/DISCLOSURE REQUIREMENT	SOURCE
	iii) obligations to acquire or build items of property, plant and equipment;	
	iv) obligations to deliver or rights to receive specified assets at the end of the concession period;	
	v) renewal and termination options; and	
	vi) other rights and obligations (e.g. major overhauls); and	
	d) changes in the arrangements occurring during the period.	
	Note: *The disclosures required by item 13001 should be provided individually for each service concession arrangement or in aggregate for each class of service concession arrangements. A class is a grouping of service concession arrangements involving services of a similar nature (e.g. toll collections, telecommunications and water treatment services).*	SIC 29.7

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Our IAS contact people:

IAS GLOBAL OFFICE

Ken Wild, Global IAS Leader — kwild@deloitte.co.uk
Paul Pacter — paupacter@deloitte.com.hk

IAS CENTRES OF EXCELLENCE

Americas:
D. J. Gannon — iasplusamericas@deloitte.com

Asia-Pacific:
Stephen Taylor — iasplus@deloitte.com.hk

Europe-Africa:
Graeme Berry, Johannesburg — iasplus@deloitte.co.za
Stig Enevoldsen, Copenhagen — iasplus@deloitte.dk
Veronica Poole, London — iasplus@deloitte.co.uk
Laurence Rivat, Paris — iasplus@deloitte.fr

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