



# Consolidation, Reporting & Budgeting Event 2018

## IFRS Update

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# Agenda

- Consolidation update – Selection of IFRS developments
- Selection of other IFRS developments
- Questions and comments

Consolidation update

# Overview of latest consolidation related developments

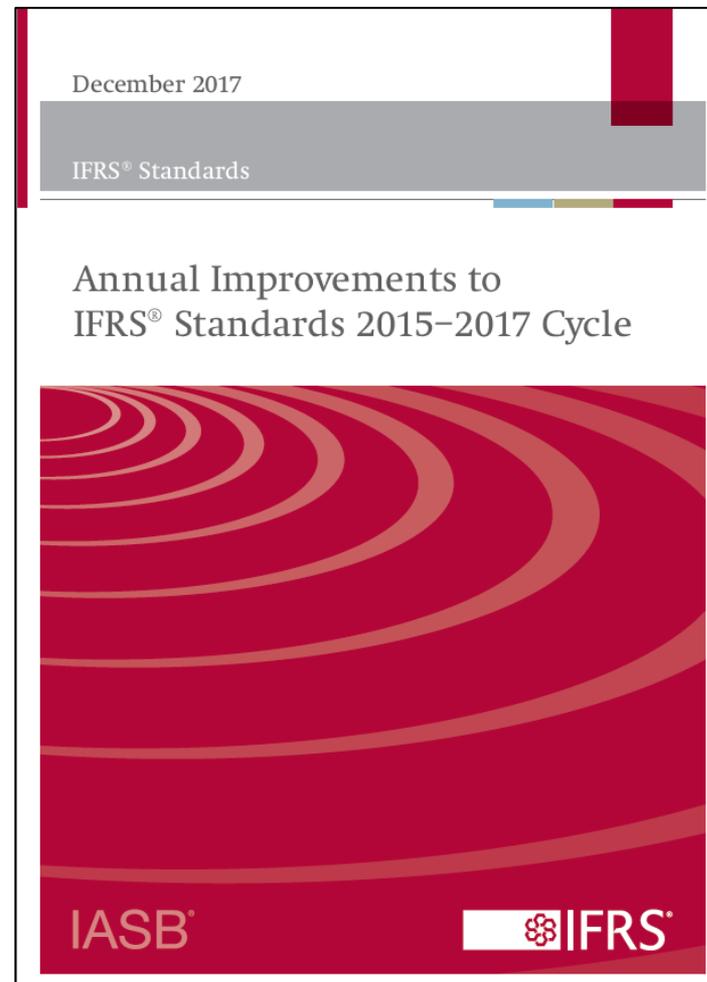
- Final Improvements to IFRS 3 and IFRS 11 (Dec 2017) – Previously held interest in a joint operation (see next slide)
- Final Amendments to IAS 28 (Oct 2017) – Long Term Interests in Associates and Joint Ventures (see next slide)
- Maintenance project on the “Definition of a Business”
  - ED issued end June 16
  - Final amendments expected H2 2018 and effective 2020 on a prospective basis

# Overview of latest consolidation related developments

- Research project on “Goodwill and Impairment”
  - Tentative decisions considered by the Board to date (May 2018)
    - Not to reintroduce amortisation of goodwill
    - Not to allow identifiable intangible assets to be included within goodwill
    - Use of unrecognised headroom as an additional input in goodwill impairment testing
    - Remove the requirement to exclude cash flows from a future restructuring or future enhancement
    - Remove the explicit requirement to use pre-tax inputs but rather require to use of consistent assumptions
    - Introduce new disclosure requirements (headroom, goodwill by past BC, comparison assumptions / actuals)
  - Next step: Discussion Paper and/or Exposure Draft
- Research project on business combinations under common control
  - Outside the scope of IFRS 3 with diversity in practice, including in the application of the so-called “predecessor accounting” method
  - Tentative decisions to date (Feb 2018)
    - Scope related
    - Use the acquisition method in IFRS 3 as the starting point
  - Next step: Discussion Paper expected in H1 2019

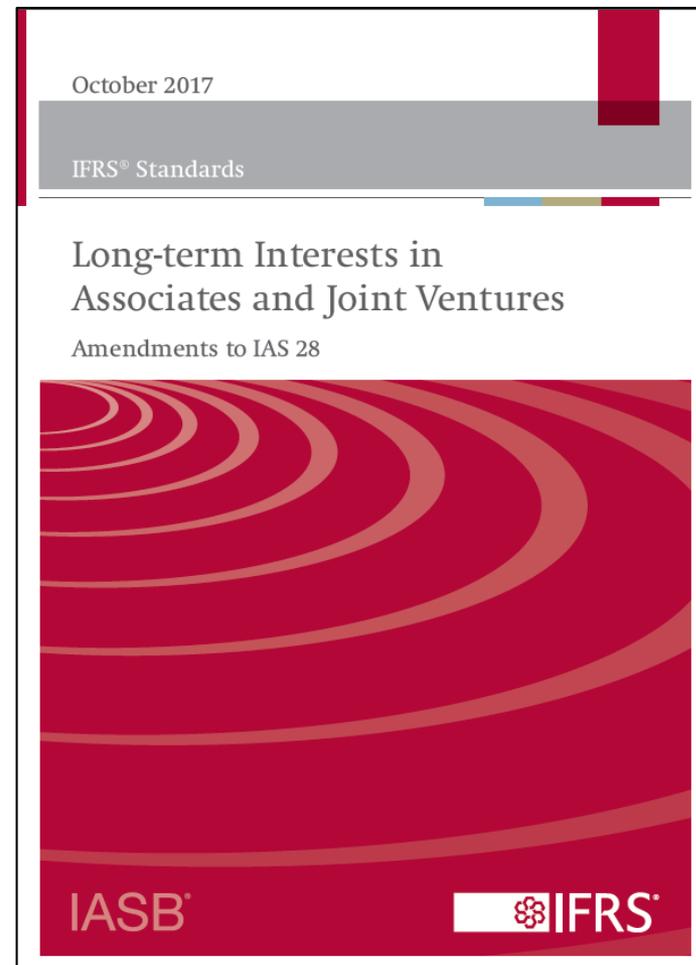
# Previously held interest in a joint operation

- Final improvements to IFRS 3 and IFRS 11 issued in December 2017
- Effective 1 January 2019 (subject to EU endorsement)
- Clarify that a party obtaining control of a business that is a joint operation (as defined in IFRS 11) is a business combination achieved in stages that shall be treated accordingly, including with respect to the remeasurement of the previously held interest in the joint operation at acquisition date fair value



# Long term interests in Associates and Joint Ventures

- Final amendments to IAS 28 issued in October 2017
- Effective 1 January 2019 (subject to EU endorsement)
- Clarify that an entity is required to apply IFRS 9 Financial Instruments, including its impairment requirements, to long-term interests in associates or joint ventures that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied.



# Selection of other IFRS developments

# New IFRS becoming effective in 2018/2019

- IFRS 15 – *Revenue from Contracts with Customers*
  - Effective 2018 (EU endorsed) with retrospective application as a principle
  - Many complex judgements involved
  - May impact presentation of primary statements
  - New accounting policies and new disclosures to be presented, including in interim reports 2018
- IFRS 9 – *Financial Instruments*
  - Effective 2018 (EU endorsed) with retrospective application as a principle
  - Not only banks are impacted (e.g. impairment of receivables / debt exchange actg)
  - May impact presentation of primary statements
  - New accounting policies and new disclosures to be presented, including in interim reports 2018
- IFRS 16 – *Leases*
  - Effective 2019 (EU endorsed) with retrospective application as a principle
  - Judgements in identifying leases and setting key parameters (e.g. lease term)
  - Many alternatives to consider in the transition to IFRS 16
  - Impact on financial position & performance indicators to be anticipated
  - Gathering and processing lease data can be heavy (tool needed)

# IFRS 15 – Interim reports 2018 under IAS 34

- Under modified retrospective approach\*, disclose:
  - Quantitative impact on equity 31 Dec 17 / 1 Jan 18
  - The amount by which each financial statement line item is affected in 2018 by the application of IFRS 15 compared to IAS 11 / IAS 18 and related interpretations (IFRS 15, § C8)
- New accounting policy applied in the interim report (or at least nature of changes in accounting policy) – see IAS 34, §16A(a), including transition approach and other practical expedients selected
- Disaggregation of revenue from contracts with customers – see IAS 34, §16A(I)

*\* If full retrospective approach is applied, quantitative impact on comparative interim PL and BS 2017 (Note: no requirement to present a third balance sheet on 31 Dec 2016 – see IAS 1, §B33)*

# IFRS 15 – Interim reports 2018 under IAS 34

- Modified retrospective approach – Reconciliation with IAS 18/IAS 11

Income statement	31 March 2018 IAS 18	adjustments	reclassifications	31 March 2018 IFRS 15	
<b>Continuing operations</b>					
Sales	202 000	- 12 800	- 5 600	183 600	(1) (2)
Cost of sales	- 119 300	11 700		-107 600	(1) (3)
<b>Gross profit</b>	<b>82 700</b>	<b>- 1 100</b>	<b>- 5 600</b>	<b>76 000</b>	
Distribution costs	- 9 400			- 9 400	
Selling and marketing expenses	- 23 800		5 600	- 18 200	(2)
General and administrative expenses	- 36 700			- 36 700	
Other operating income	2 800			2 800	
Other operating expense	- 5 700			- 5 700	
Share net profit associates and joint ventures	3 800	- 230		3 570	(4)
<b>Operating profit</b>	<b>13 700</b>	<b>- 1 330</b>	<b>-</b>	<b>12 370</b>	
Finance income	3 500			3 500	
Finance expense	- 10 300			- 10 300	
<b>Finance costs - net</b>	<b>- 6 800</b>	<b>-</b>	<b>-</b>	<b>- 6 800</b>	
<b>Profit before tax</b>	<b>6 900</b>	<b>- 1 330</b>	<b>-</b>	<b>5 570</b>	
Income taxes	- 1 656	319		- 1 337	(5)
<b>Profit from continuing operations</b>	<b>5 244</b>	<b>- 1 011</b>		<b>4 233</b>	

# IFRS 15 – Interim reports 2018 under IAS 34

## Disaggregation of revenue

IFRS 15 requires revenue to be disaggregated by categories that depict how the:

- Nature;
- Amount;
- Timing; and
- Uncertainty

of revenue and cash flows are affected by economic factors

If IFRS 8 *Operating Segments* is applicable then an entity must disclose sufficient information to enable users of financial statements to understand the relationship between:

- The disclosure of disaggregated revenue; and
- Revenue information that is disclosed for each reportable segment

# IFRS 15 – Interim reports 2018 under IAS 34

## Disaggregation of revenue

The Application Guidance provides the following examples of categories for the disaggregation of revenue:

Category	Example
Type of good or service	Major product lines
Geographical region	Country or region
Market or type of customer	Government and non-government customers
Type of contract	Fixed-price and time-and-materials contracts
Contract duration	Short-term and long-term
Timing of transfer of goods/services	Good/services transferred to customers: <ul style="list-style-type: none"><li>• At a point in time</li><li>• Over time</li></ul>
Sales channels	Goods sold directly to customers or via intermediaries

The basis of disaggregation should include considerations of entity-specific and/or industry specific factors.

# IFRS 15 – Interim reports 2018 under IAS 34

## Disaggregation of revenue – Illustration

	Australia		UK		SGS	Total
	PIL	GL	PIL	GL		
Year ended 30 June 2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Type of contract:						
Fixed price	-	15,875	1,373	8,952	41,724	67,924
Time and Materials	-	22,608	6,351	36,507	80,266	145,732
No Win – No Fee	155,430	17,360	87,417	614	126,982	387,803
<b>Revenue from contracts with customers</b>	<b>155,430</b>	<b>55,843</b>	<b>95,141</b>	<b>46,073</b>	<b>248,972</b>	<b>601,459</b>
Year ended 30 June 2016						
Type of contract:						
Fixed price	-	22,448	1,862	10,066	72,098	106,474
Time and Materials	-	29,532	5,025	41,733	164,761	241,051
No Win – No Fee	173,721	12,080	151,417	2,464	204,263	543,945
<b>Revenue from contracts with customers</b>	<b>173,721</b>	<b>64,060</b>	<b>158,304</b>	<b>54,263</b>	<b>441,122</b>	<b>891,470</b>

PIL = Personal Injury Law

GL = General Law

SGS = Slater Gordon solutions

# IFRS 9 – Interim reports 2018 under IAS 34

By class of financial instrument

## Reconciliation of IAS 39/IFRS 9 carrying amounts and measurement categories

	IAS 39	Transition to IFRS 9		IFRS 9	At the date of transition to IFRS 9	
	Carrying amount	Reclassifications	Remeasurements	Carrying amount	Impact on retained earnings	Impact on OCI (column not required by IFRS 7)
<b>IAS 39 categories</b>						
Available-for-Sale securities	100	-100	-	-		
Loans and Receivables	200	-200	-	-		
<b>IFRS 9 categories</b>						
<b>Financial assets at fair value through PL</b>						
<u>Additions:</u>						
From Loans and Receivables (IAS 39) - fair value option elected at 01/01/2018	-	35	10	45	10	-
<b>Financial assets at fair value through OCI</b>						
<u>Additions:</u>						
From Available-for-Sale (IAS 39)	-	70	-	70	-	-
From Loans and Receivables (IAS 39)	-	15	5	20	-	5
<b>Financial assets at amortised cost</b>						
<u>Additions:</u>						
From Available-for-Sale (IAS 39)	-	30	-8	22	-	-8
From Loans and Receivables (IAS 39)	-	150	-6	144	-6	-
<b>Total</b>	<b>300</b>	<b>0</b>	<b>1</b>	<b>301</b>	<b>4</b>	<b>-3</b>

Questions and comments



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