

IFRS Alert

A supplement to Global EYE on IFRS

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Good Group (International) Limited – Update on Standards issued but not yet effective

Background

In October 2007, Ernst & Young published its 2007 edition of Good Group (International) Limited – Illustrative Financial Statements. Note 2.5 of this publication illustrates the requirement of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to disclose the standards and interpretations that have been issued but are not yet effective, and which the entity has not yet adopted. IAS 8 requires disclosure of the nature of the impending changes, the title of the new standards and interpretations and the date by which they have to be applied.

The IASB has recently published a number of revised standards and amendments to existing standards. This Alert supplements Note 2.5 in the 2007 Good Group (International) Limited – Illustrative Financial Statements for those standards and interpretations that have only recently been published.

IFRS 2 *Share-based Payments* – Vesting Conditions and Cancellations

This amendment to IFRS 2 *Share-based payments* was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.



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EYG No. AU0099

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IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IAS 1 Revised Presentation of Financial Statements

The revised IAS 1 *Presentation of Financial Statements* was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard

separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

Amendments to IAS 32 and IAS 1 Puttable Financial Instruments

Amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Group does not expect these amendments to impact the financial statements of the Group.