



IFRS for SMEs illustrative consolidated financial statements

This publication has been prepared for illustrative purposes only and does not constitute accounting or other professional advice, nor is it a substitute for reference to the source standard, interpretations and legislative requirements.

PKF International Limited accepts no responsibility for losses occasioned by any party acting or not acting as a result of this material. It is produced for use by PKF International Limited network member firms only and should not be circulated outside the network.

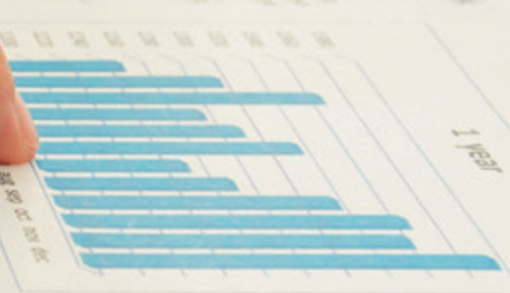
Table of Contents

| | |
|--|----|
| Introduction | 3 |
| Consolidated statement of comprehensive income and retained earnings for the year ended 31 December 20XX | 5 |
| (Alternative 1 - Illustrating the classification of expenses by function) | 5 |
| Consolidated statement of comprehensive income and retained earnings for the year ended 31 December 20XX | 6 |
| (Alternative 2 - Illustrating the classification of expenses by nature) | 6 |
| Consolidated statement of financial position at 31 December 20XX | 7 |
| Consolidated statement of cash flows for the year ended 31 December 20XX | 9 |
| Notes to the financial statements for the year ended 31 December 20XX | 11 |
| 1. Basis of preparation and accounting policies | 11 |
| 2. Information about key sources of estimation uncertainty and judgements | 21 |
| 3. Restriction on payment of dividend | 21 |
| 4. Revenue | 21 |
| 5. Other income | 22 |
| 6. Finance costs | 22 |
| 7. Profit before tax | 23 |
| 8. Income tax expense | 23 |
| 9. Cash and cash equivalents | 25 |
| 10. Trade and other receivables | 25 |
| 11. Inventories | 25 |
| 12. Investment in associate | 26 |
| 13. Property, plant and equipment | 27 |
| 14. Investment property | 28 |
| 15. Intangible assets | 29 |
| 16. Deferred tax | 30 |
| 17. Bank overdraft and loan | 31 |
| 18. Trade payables | 31 |
| 19. Provision | 31 |
| 20. Employee benefit obligation-long-service awards | 32 |
| 21. Obligations under finance leases | 33 |
| 22. Commitments under operating leases | 34 |
| 23. Share capital | 34 |
| 24. Contingent liabilities | 34 |
| 25. Events after the end of the reporting period | 35 |
| 26. Related party transactions | 35 |
| 27. Approval of financial statements | 35 |
| Appendix A: IFRS for SMEs disclosure checklist | 36 |



ANALYSIS REPORT

Summary sale



Introduction

These illustrative financial statements present the consolidated financial statements of Universal Reporting (Pty) Ltd, an imaginary group, applying the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) for the year ended 31 December 20XX. The IFRS for SMEs on which the illustrative financial statements have been prepared came into effect on its publication date in July 2009.

They are prepared on the assumption that the group is not a first time adopter. Therefore, the specific disclosure requirements set out in Section 35 are not included.

The disclosures illustrated are compliant with the IFRS for SMEs. Presentation illustrating a restatement arising from a change in accounting policy or error has not been shown. Where an accounting standard allows a choice between different measurement models, the financial statements illustrates and applies a single measurement model in accordance with the applicable section of the IFRS for SMEs. No audit report has been included as this will vary between companies based on the circumstances and local legislative requirements in each case. Furthermore, individual jurisdictions may impose additional restrictions or requirements which have not been reflected.

Commentary notes have been provided in some cases to further explain the illustrated disclosures and to set out additional disclosure requirements not specifically illustrated in the illustrative financial statements.

Source references for the illustrative disclosure have also been included in the right hand margin of the financial statements and commentary notes. Examples of source references used are:

11.48 = Paragraph 48 of Section 11 of the IFRS for SMEs.

The disclosures required by the following sections have not been included:

- Section 12 Other Financial Instruments Issues
- Section 15 Investments in Joint Ventures
- Section 24 Government Grants
- Section 31 Hyperinflation
- Section 34 Specialised Activities

While every care has been taken in its preparation, these illustrative financial statements only provide a general guide and are not a substitute for professional advice.

Section 3 Financial Statement Presentation of the IFRS for SMEs defines a complete set of financial statements and prescribes general standards of financial statement presentation. Sections 4-8 prescribe the format and content of the individual financial statements and notes. Other sections of the IFRS for SMEs establish additional presentation and disclosure requirements.

The financial statements set out below illustrate how those presentation and disclosure requirements might be met by a typical small or medium-sized entity. Of course, each entity will need to consider the content, sequencing and format of presentation in that entity's particular circumstances. These illustrative financial statements should not be regarded as a template appropriate for all entities.

The illustrative statement of financial position presents current assets followed by non-current assets, and presents current liabilities followed by non-current liabilities and then by equity (i.e. most liquid items first). In some jurisdictions, the sequencing is typically reversed (i.e. most liquid items last), and that is also permitted by the IFRS for SMEs. Consistently with paragraph 3.22 of the IFRS for SMEs, an entity may use titles for the financial statements other than those used in these illustrations.

Universal Reporting (Pty) Ltd
Financial statements
For the year ended
31 December 20XX

Consolidated statement of comprehensive income and retained earnings for the year ended 31 December 20XX

(ALTERNATIVE 1 - ILLUSTRATING THE CLASSIFICATION OF EXPENSES BY FUNCTION)

| | Notes | 20XX | 20XX-1 | |
|------------------------------------|-------|------|--------|----------|
| Revenue | 4 | X | X | 5.5 (a) |
| Cost of sales | | X | X | 5.11 (b) |
| Gross profit | | X | X | 5.9 |
| Other income | 5 | X | X | 5.9 |
| Distribution costs | | X | X | 5.11 (b) |
| Administrative expenses | | X | X | 5.11 (b) |
| Other expenses | | X | X | 5.11 (b) |
| Finance costs | 6 | X | X | 5.5 (b) |
| Profit before tax | 7 | X | X | 5.9 |
| Income tax expense | 8 | X | X | 5.5 (d) |
| Profit for the year | | X | X | 5.9 |
| Retained earnings at start of year | | X | X | 6.5 (a) |
| Dividends | | X | X | 6.5 (b) |
| Retained earnings at end of year | | X | X | 6.5 (e) |

Note: The format illustrated above aggregates expenses according to their function (cost of sales, distribution, administrative etc.).

In accordance with paragraph 3.18, the illustrative financial statements present a single statement of comprehensive income and retained earnings in place of two separate statements – a statement of comprehensive income and a statement of changes in equity. This may be done if the only changes to the equity of an entity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors and changes in accounting policy. (Because there are no items of other comprehensive income, this statement could have been titled statement of income and retained earnings.)

There are three items of Other Comprehensive Income in terms of the IFRS for SMEs these are:

- Some gains and losses arising on translating the financial statements of a foreign operation – although this section of the standard has not been specifically excluded the majority of IFRS for SME users are highly unlikely to have foreign operations and thus the decision was made not to overly complicate the illustrative financials with disclosures which would only serve a very small number of the users of this guide. For the full disclosure requirements with regards to foreign operations please see Section 30 in the IFRS for SMEs.
- Some actuarial gains and losses (see Section 28 Employee Benefits) – In these illustrative financials the option to recorded these gains and loss in Profit or Loss has been selected (there is a choice in terms of 28.24).
- Some changes in fair values of hedging instruments (Section 12 Other Financial Instruments Issues) – these have been excluded from the scope of these illustrative financials.

Thus based on the above explanations it is clear that there are no items of other comprehensive income to be disclosed and thus the decision to present the combined statement of income and retained earnings is appropriate.

Two statements of comprehensive income and retained earnings are provided to illustrate the alternative classifications of income and expenses, by nature and by function.

Consolidated statement of comprehensive income and retained earnings for the year ended 31 December 20XX

(ALTERNATIVE 2 - ILLUSTRATING THE CLASSIFICATION OF EXPENSES BY NATURE)

| | Notes | 20XX | 20XX-1 | |
|---|-------|------|--------|----------|
| Revenue | 4 | X | X | 5.5 (a) |
| Other income | 5 | X | X | 5.9 |
| Changes in inventories of finished goods and work in progress | | X | X | 5.11 (a) |
| Raw material and consumables used | | X | X | 5.11 (a) |
| Employee salaries and benefits | | X | X | 5.11 (a) |
| Depreciation and amortisation expense | | X | X | 5.11 (a) |
| Impairment of property, plant and equipment | | X | X | 5.11 (a) |
| Other expenses | | X | X | 5.11 (a) |
| Finance costs | 6 | X | X | 5.5 (b) |
| Profit before tax | 7 | X | X | 5.9 |
| Income tax expense | 8 | X | X | 5.5 (d) |
| Profit for the year | | X | X | 5.9 |
| Retained earnings at start of year | | X | X | 6.5 (a) |
| Dividends | | X | X | 6.5 (b) |
| Retained earnings at end of year | | X | X | 6.5 (e) |

Note: The format illustrated above aggregates expenses according to their nature (raw materials and consumables, employee salaries and benefits, depreciation and amortisation, impairment etc.).

Consolidated statement of financial position at 31 December 20XX

| | Notes | 20XX | 20XX-1 | |
|---|-------|------|--------|---------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 9 | X | X | 4.2 (a) |
| Trade and other receivables | 10 | X | X | 4.2 (b) |
| Inventories | 11 | X | X | 4.2 (d) |
| | | X | X | 4.3 |
| Non-Current assets | | | | |
| Investment in associate | 12 | X | X | 4.2 (j) |
| Property, plant and equipment | 13 | X | X | 4.2 (e) |
| Investment property | 14 | X | X | 4.2 (f) |
| Intangible assets | 15 | X | X | 4.2 (g) |
| Deferred tax asset | 16 | X | X | 4.2 (o) |
| | | X | X | 4.3 |
| Total assets | | X | X | 4.3 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities | | | | |
| Bank overdraft | 17 | X | X | |
| Trade payables | 18 | X | X | 4.2 (l) |
| Interest payable | 6 | X | X | 4.2 (m) |
| Current tax liability | | X | X | 4.2 (n) |
| Provision | 19 | X | X | 4.2 (p) |
| Current portion of employee benefit obligations | 20 | X | X | 4.3 |
| Current portion of obligations under finance leases | 21 | X | X | 4.3 |
| | | X | X | 4.3 |

Continued...

Consolidated statement of financial position at 31 December 20XX continued

| | Notes | 20XX | 20XX-1 | |
|--|-------|----------|----------|------------|
| Non-current liabilities | | | | |
| Bank loan | 17 | X | X | 4.3 |
| Long-term employee benefit obligations | 20 | X | X | 4.3 |
| Obligations under finance leases | 21 | X | X | 4.3 |
| | | X | X | 4.3 |
| Total liabilities | | X | X | 4.3 |
| Share capital | 23 | X | X | 4.2 (r) |
| Retained earnings | 3 | X | X | 4.2 (r) |
| | | X | X | 4.3 |
| Total liabilities and equity | | X | X | 4.3 |

Consolidated statement of cash flows for the year ended 31 December 20XX

| | Note | 20XX | 20XX-1 | |
|--|------|----------|----------|------|
| Cash flows from operating activities | | X | X | |
| Profit for the year | | X | X | |
| Adjustments for non-cash income and expenses: | | X | X | |
| Non-cash finance costs | | X | X | |
| Non-cash income tax expense | | X | X | |
| Depreciation of property, plant and equipment | | X | X | |
| Impairment loss | | X | X | |
| Amortisation of intangibles | | X | X | |
| Cash flow included in investing activities: | | | | |
| Gain on sale of equipment | | X | X | |
| Changes in operating assets and liabilities | | X | X | |
| Increase in trade and other receivables | | X | X | |
| Increase in inventories | | X | X | |
| Increase in trade payables | | X | X | |
| Increase in current and long-term employee benefit payable | | X | X | |
| <i>Net cash from operating activities</i> | | X | X | |
| Cash flows from investing activities | | X | X | 7.10 |
| Proceeds from sale of equipment | | X | X | 7.10 |
| Purchases of equipment | | X | X | 7.10 |
| <i>Net cash used in investing activities</i> | | X | X | 7.10 |
| Cash flows from financing activities | | | | 7.10 |
| Payment of finance lease liabilities | | X | X | 7.10 |
| Repayment of borrowings | | X | X | 7.10 |
| Dividends paid | | X | X | 7.14 |
| <i>Net cash used in financing activities</i> | | X | X | 7.10 |
| Net increase (decrease) in cash and cash equivalents | | X | X | |
| Cash and cash equivalents at beginning of year | | X | X | |
| Cash and cash equivalents at end of year | 9 | X | X | |

Consolidated statement of cash flows for the year ended 31 December 20XX continued

Commentary on the Consolidated statement of cash flows

Categories of cash flows

Cash flow movements for the year shall be analysed into three categories, namely: operating, investing, and financing. The classification of cash flows into these categories is required to be consistent from year to year.

Reporting formats

7.7 (a) & (b)

There are two available reporting formats for the statement of cash flow; the direct method and the indirect method.

- a. the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions, 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, or
- b. the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Foreign currency cash flows

7.11-13

- a. An entity shall present cash flows arising from transactions in a foreign currency in the entity's functional currency by applying the exchange rate prevailing at the date of the cash flows.
- b. Cash flows of a foreign subsidiary shall be translated by applying the exchange rate prevailing at the date of the cash flows.
- c. The entity shall remeasure foreign denominated cash and cash equivalents held during the reporting period at the period-end exchange rates. The resultant unrealised gain or loss shall be presented separately from cash flows from operating, investing and financing activities.

Interest and Dividends

7.14-16

An entity shall present separately the cash flows from interest and dividends received and paid. These can be disclosed in either of the three categories set out above.

Taxes on income

7.17

Cash flows arising from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.

NOTES TO THE FINANCIAL STATEMENTS

Universal Reporting (Pty) Ltd

Notes to the financial statements for the year ended 31 December 20XX

Commentary on the Notes to the financial statements

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. 10.2

If this IFRS specifically addresses a transaction, other event or condition, an entity shall apply this IFRS. However, the entity need not follow a requirement in this IFRS if the effect doing so would not be material. 10.3

When an amendment to the IFRS for SMEs has an effect on the current or any prior period, or there is potential for an effect on future periods, an entity shall disclose the following: 10.13

- a. The nature of the change in accounting policy.
- b. For the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected.
- c. The amount of the adjustment relating to periods before those presented, to the extent practicable.
- d. An explanation if it is impracticable to determine the amounts to be disclosed in (b) or (c) above.

Financial statements of subsequent periods need not repeat these disclosures.

When an entity undertakes a voluntary change in accounting policy which affects the current or any prior period, the entity shall disclose the following: 10.14

- a. The nature of the change in accounting policy.
- b. The reasons why applying the new accounting policy provides reliable and more relevant information.
- c. To the extent practicable, the amount of the adjustment for each financial statement line item affected, shown separately:
 - I. For the current period;
 - II. For each prior period affected; and
 - III. In the aggregate for periods before those presented
- d. An explanation if it is impracticable to determine the amounts to be disclosed in (c) above.

Financial statements of subsequent periods need not repeat these disclosures.

In the case of a change in accounting estimate the following is required to be disclosed by the entity:

- a. The nature of the change
- b. The effect of the change on assets, liabilities, expenses and income in the current period
- c. If the effect on the aforementioned can be estimated for future periods this too should be disclosed.

Information not required to be presented by the standard 3.25

This IFRS does not address presentation of segment information, earnings per share, or interim financial reports by a small or medium-sized entity. An entity making such disclosures shall describe the basis for preparing and presenting the information.

1. Basis of preparation and accounting policies

8.2 (a) & 8.5

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities issued by the International Accounting Standards Board and are consistent with the previous period. The consolidated annual financial statements have been prepared on the historical cost basis and incorporate the principal policies set out below. These consolidated financial statements are presented in [currency].

8.4 (a)

8.5 (a)

NOTES TO THE FINANCIAL STATEMENTS

| | |
|--|-----|
| When financial statements comply with the IFRS for SMEs there shall be an explicit and unreserved statement of such compliance made in the notes. Financial statements shall not be described as complying with the IFRS for SMEs unless they comply with all the requirements of this IFRS. | 3.3 |
| When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern. | 3.8 |
| When management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. | 3.9 |

1.1 Basis of consolidation

The consolidated annual financial statements have been prepared on the historical cost basis and incorporate the principal policies set out below. These consolidated financial statements are presented in [currency].

| | |
|---|------|
| A parent need not present consolidated financial statements if: | 9.3 |
| <ul style="list-style-type: none"> a. both of the following conditions are met: <ul style="list-style-type: none"> I. the parent is itself a subsidiary, and II. its ultimate parent (or any intermediate parent) produces consolidated general purpose financial statements that comply with full IFRSs or with this IFRS; or b. It has no subsidiaries other than one that was acquired with the intention of selling or disposing of it within one year. A parent shall account for such a subsidiary: <ul style="list-style-type: none"> I. at fair value with changes in fair value recognised in profit or loss, if the fair value of the shares can be measured reliably, or II. otherwise at cost less impairment | |
| When applicable the following disclosures shall be made in consolidated financial statements: | 9.23 |
| <ul style="list-style-type: none"> a. The fact that the statements are consolidated financial statements. b. The basis for concluding that control exists when the parent does not own, directly or indirectly through subsidiaries, more than half of the voting power. c. Any difference in the reporting date of the financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements. d. The nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans. | |
| The separate financial statements of a parent, an investor in an associate, or a venturer with an interest in a jointly controlled entity can only be described as conforming to the IFRS for SMEs, when they comply with all of the requirements of the IFRS for SMEs. The following accounting policy options are available when accounting for investments in subsidiaries, associates and jointly controlled entities: | 9.26 |
| <ul style="list-style-type: none"> a. at cost less impairment, or b. at fair value with changes in fair value recognised in profit or loss. | |
| The same accounting policy shall be used for all investments in a single class (subsidiaries, associates or jointly controlled entities), however different policies may be elected for different classes. | |
| In the separate financial statements of the parent, an investor in an associate, or a venturer with an interest in a jointly controlled entity the following shall be disclosed: | 9.27 |
| <ul style="list-style-type: none"> a. that the statements are separate financial statements, and b. a description of the methods used to account for the investments in subsidiaries, jointly controlled entities and associates, | |
| The financial statements shall identify the consolidated financial statements or other primary financial statements to which they relate. | |

NOTES TO THE FINANCIAL STATEMENTS

When a business combination is effected during the current year the parent shall disclose the following (for each business combination should there be more than one): 19.25

- a. The names and descriptions of the combining entities (businesses)
- b. The acquisition date
- c. The % of voting equity instruments acquired
- d. The cost of the acquisition and the components making up this cost (i.e. cash, equity instruments etc.)
- e. The amounts recognised for each class of the acquiree's assets, liabilities, contingent liabilities and goodwill.
- f. Any amount of negative goodwill included in the statement of comprehensive income (or any alternative of this statement).

1.2 Investments in associates

Investments in associates are accounted for at cost less any accumulated impairment losses. Dividend income from investments in associates is recognised in other income when the Group's right to receive payment has been established.

There are three accounting policy options available to account for investments in associates using one of the following: 14.4

- a. The cost model – this method has been selected by Universal Reporting (Pty) Ltd. This method is only available for investments in associates for which there is no published price quotation. When there is a published price quotation for a particular investment in an associate the fair value model must be used to account for that investment. 14.5 & 7
- b. The equity method
- c. The fair value method – the changes in fair value should be recognised in profit and loss and for investments where it is impracticable to measure the fair value reliably without undue cost or effort the cost model should be applied. 14.8
14.9 & 10

1.3 Revenue recognition

Revenue, from the sale of goods, is recognised when the goods are delivered and the significant risks and rewards of ownership have passed to the buyer, revenue from services, when those services have been rendered under an agreement, provided that the amount of revenue can be measured reliably and that it is probable that the economic benefits associated with the transaction will flow to the group. 23.30 (a)

Royalty revenue is recognised based on the accrual principal and in accordance with the substance of the relevant agreements in terms of which the royalties are earned.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of the business, net of discounts, volume rebates and sales-related taxes.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the right to receive the dividends payment of such amounts has been established.

An entity shall disclose: 23.30(a)

- a. 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.

NOTES TO THE FINANCIAL STATEMENTS

1.4 Borrowing costs

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

1.5 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Deferred Tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Tax Expense

Income tax expense represents the sum of the tax currently payable and deferred tax movement for the current period. The tax currently payable is based on taxable profit for the year.

1.6 Property, plant and equipment

Property, plant and equipment are tangible items that:

- Are held for use in the production or supply of goods and services, for rental to others or for administrative purposes; and
- Are expected to be used during more than one period.

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Costs include all cost incurred to bring the asset to the condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of property, plant and equipment:

| | |
|-----------|------------|
| Buildings | X%/X years |
|-----------|------------|

| | |
|------------------------|------------|
| Fixtures and equipment | X%/X years |
|------------------------|------------|

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

NOTES TO THE FINANCIAL STATEMENTS

1.7 Investment Property

Investment property whose fair value can be measured reliably is recorded initially at its cost and subsequently at its fair value, with the changes in the fair value going through profit and loss. If the fair value is not reliably measurable without undue cost or effort the property is then included in property, plant and equipment.

1.8 Intangible assets

Computer Software

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and accumulated impairment losses.

All research and development costs are recognised as an expense unless they form part of the cost of another asset that meets the recognition criteria.

Amortisation is provided to write down the intangible asset on a straight line basis, as follows:

- Computer Software X years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations. If the group is unable to make a reliable estimate of the useful life of an intangible asset, the life is presumed to be 10 years.

Goodwill

19.22

Goodwill acquired in a business combination is recognised as an asset and is initially measured at its cost. Subsequent to initial recognition goodwill is carried at cost less accumulated amortisation and net of accumulated impairment losses.

The cost of goodwill is the excess of the consideration paid over the entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Subsequent to initial recognition goodwill is amortised on the straight line basis over its estimated useful life of x years.

| | |
|---|-----------|
| When an entity cannot make a reliable estimate of the useful life of goodwill the standard provides a presumed useful life of 10 years on which to amortise goodwill | 19.23 (a) |
| Negative goodwill is recognised in profit or loss immediately. | 19.24 |
| There is no specific requirement that goodwill be disclosed as a separate line item on the face of the Statement of financial position and thus goodwill can be included in the amount disclosed for intangible assets. | 4.2 |
| Unless the following requirements are met, an entity shall assume that the residual value of the intangible asset is zero: | 18.23 |
| a. They have a commitment from a third party to acquire the asset at the end of its useful life, or | |
| b. There is an active market for the asset: | |
| I. from which the residual value can be determined, and | |
| II. it is probable that such a market will exist at the end of the asset's useful life. | |

NOTES TO THE FINANCIAL STATEMENTS

1.9 Impairment of assets

At each reporting date, the group assesses whether there is any indication that any asset (property, plant and equipment, intangible assets or goodwill) may be impaired. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to its selling price less costs to complete and sell, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

It is of interest to note that for all assets if there is no indication of impairment it is not necessary to estimate the recoverable amount and test for impairment. This is a deviation from the requirements of full IFRS.

27.7

1.10 Leases

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

Finance Lease - Lessee

Rights to assets held under finance leases are recognised as assets of the Group at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position 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 deducted in measuring profit or loss. Assets held under finance leases are included in property, plant and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

Operating Lease – Lessee

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

In terms of the IFRS there are two exceptions to the straight-line basis of accounting for operating lease payments and receipts. The two exceptions are as follows

20.15

- When another systematic basis is more representative of the time pattern of the benefits from the leased asset (even if the payments/receipts are not on that basis), or
- When the payments/receipts in terms of the lease agreement increase in line with expected general inflation (this needs to be based on published indexes or statistics).

In the case of Universal Reporting (Pty) Ltd it is the lessee in both its finance and operating leases, for completeness sake the accounting policy notes required for a lessor have been included below.

Finance Lease – Lessor

20.17

The right to receive lease payments is recognised as a receivable asset equal to the net investment in the lease.

Finance income is recognised using the effective interest rate method.

Operating Lease – Lessor

20.25

Rental receipts under the operating lease are recognised as income in profit or loss on a straight line basis over the lease term. (Again this is only one option and the two exceptions documented above are also possible accounting bases)

NOTES TO THE FINANCIAL STATEMENTS

1.11 Inventories

Inventories are stated at the lower of cost and selling price less costs to complete and sell.
Cost is calculated using the first-in, first-out (FIFO) method.

| | |
|--|------------|
| An entity shall disclose the following: | 13.22 |
| a. The accounting policies adopted in measuring inventories, including the cost formula used. | |
| There are two other cost options available to entities, those being: | 13.17 & 18 |
| a. Specific Identifications – for items which are not ordinarily interchangeable with other goods or services produced | |
| b. Weighted average cost | |
| All inventories of a similar nature should be measured using the same cost formula, for inventories of a different nature it may be justified to use a different cost formula. | |

1.12 Financial Instruments

Initial Measurement

11.13

Financial Instruments are initially measured at the transaction price (this includes transaction cost except in the initial measurement of financial assets and liabilities that will be measured at fair value through profit or loss). If however the arrangement constitutes a financing transaction it is then measured at the present value of the future payments, discounted at a market related interest rate.

Trade and other receivables

Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

Trade payables

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into [currency] using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

Bank loans and overdrafts

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

NOTES TO THE FINANCIAL STATEMENTS

| | |
|--|-----------------|
| There is a choice of accounting policy for financial assets and liabilities in terms of the IFRS for SMEs. An Entity can select either to apply: | 11.2 (a) & (b) |
| <ul style="list-style-type: none"> a. The provisions of sections 11 & 12 of the IFRS for SMEs, or b. The recognition and measurement provisions of IAS 39 and the disclosure requirements of sections 11 & 12 of the IFRS for SMEs | |
| (The disclosures in this illustrative set of financials are based on the selection of option a, option b would result in different values but the disclosure would be the same.) | |
| Section 12 Other Financial Instruments Issues has been excluded from the scope of this illustrative guide and thus the disclosure above only covers basic financial instruments. | |
| An entity must disclose, in the summary of significant accounting policies, the measurement basis (bases) used for financial instruments. There are an array of options for subsequent measurement not all of which are applicable to Universal (Pty) Ltd and thus have been included below: | 8.5 |
| Financial Instruments at amortised cost | 11.14 (a) – (c) |
| These include loans, trade receivables and trade payables. Instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest rate method. Debt instruments which are classified as current assets and liabilities are measured at the undiscounted amount of cash expected to be received or paid unless the credit terms are deferred beyond normal credit term, in which case the arrangement is effectively a financing arrangement and shall be measured at the present value of the future payments/receipts discounted at a market interest rate for similar instruments. | |
| Financial Instruments at cost | |
| Commitments to receive a loan which meets the criteria in section 11.8 (c) shall be measured at cost less impairment. | |
| Financial Instruments at Fair Value | |
| All other Financial Instruments, including equity instruments which are publicly traded or who's fair value can be reliably measured are to be measured at fair value, with changes in the fair value going through profit or loss. (In terms of section 11 basic financial instruments this option is only available for investments in non-convertible preference shares and non-puttable ordinary shares or preference shares) | |
| An entity shall disclose the carrying amounts of each of the following categories of financial assets and financial liabilities at the reporting date, in total, either in the statement of financial position or in the notes: | 11.41 |
| <ul style="list-style-type: none"> a. financial assets measured at fair value through profit or loss b. financial assets that are debt instruments measured at amortised cost c. financial assets that are equity instruments measured at cost less impairment d. financial liabilities measured at fair value through profit or loss e. financial liabilities measured at amortised cost f. loan commitments measured at cost less impairment | |
| An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance. For example, for long-term debt such information would normally include the terms and conditions of the debt instrument (such as interest rate, maturity, repayment schedule, and restrictions that the debt instrument imposes on the entity). | 11.42 |
| For financial instruments measured at fair value, the following additional disclosures need to be made: | 11.43 |
| <ul style="list-style-type: none"> a. The basis for determining fair value. Some examples of basis for determining the fair value are; a quoted market price in an active market or a valuation technique. b. When a valuation technique is used, the assumptions applied in determining fair value for each class of financial assets or financial liabilities must be disclosed. For example, information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates. | |
| For equity instruments measured at fair value for which the fair value is no longer reliably measurable this fact needs to be disclosed. | 11.44 |

NOTES TO THE FINANCIAL STATEMENTS

| | |
|--|-------|
| <p>If an entity has transferred financial assets to another party in a transaction that does not qualify for derecognition, the entity shall disclose the following for each class of such financial assets:</p> <ul style="list-style-type: none"> a. The nature of the assets. b. The nature of the risks and rewards of ownership to which the entity remains exposed. c. The carrying amounts of the assets and of any associated liabilities that the entity continues to recognise. | 11.45 |
| <p>When an entity has pledged financial assets as collateral for liabilities or contingent liabilities, it shall disclose the following:</p> <ul style="list-style-type: none"> a. The carrying amount of the financial assets pledged as collateral. b. The terms and conditions relating to its pledge. | 11.46 |
| <p>For loans payable recognised at the reporting date for which there is a breach of terms or default of principal, interest, sinking fund, or redemption terms that has not been remedied by the reporting date, an entity shall disclose the following:</p> <ul style="list-style-type: none"> a. Details of that breach or default. b. The carrying amount of the related loans payable at the reporting date. c. Whether the breach or default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue. | 11.47 |
| <p>An entity shall disclose the following items of income, expense, gains or losses:</p> <ul style="list-style-type: none"> a. Income, expense, gains or losses, including changes in fair value, recognised on: <ul style="list-style-type: none"> I. Financial assets measured at fair value through profit or loss. II. Financial liabilities measured at fair value through profit or loss. III. Financial assets measured at amortised cost. IV. Financial liabilities measured at amortised cost. b. Total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not measured at fair value through profit or loss. c. The amount of any impairment loss for each class of financial asset. | 11.48 |

1.13 Employee benefits

Short Term Employee Benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Defined Contribution Plans

Payments to defined contribution plans are expensed as they fall due.

Defined Benefit Plans

• Long Term Service Awards

The liability for employee benefit obligations relates to a long term service award instituted by the company.

The awards plan is teared as follows:

| | |
|-------------------|--------------------|
| Years of service: | Awards due: |
| 10 Years | Double Door Fridge |
| 20 Years | 52" LCD Television |
| 30 Years | Seychelles Trip |

The company does not fund this obligation in advance.

NOTES TO THE FINANCIAL STATEMENTS

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Past service costs are recognised immediately as an expense.

Actuarial gains or losses are recognised in profit or loss.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in profit or loss when the company is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the statement of income and retained earnings, the expense relating to a defined benefit plan is presented net of the amount recognised for a reimbursement.

Termination benefits

The entity recognises the expense and corresponding liability for termination benefits when it is demonstrably committed to either of the following scenarios:

- a. The termination of the employment of an employee or group of employees before the normal retirement age, or
- b. The provision of termination benefits in relation to an offer made to encourage voluntary redundancy.

The value of such benefit is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

| | |
|--|-----------|
| The section on employee benefits does not require any specific disclosure regarding short term employee benefits. | 28.39 |
| The standard offers a choice when it comes to the accounting for actuarial gains or loss resulting from defined benefit plans, there are two options as follow: | 28.24 |
| <ol style="list-style-type: none"> a. Recognise all actuarial gains and losses in profit or loss, or b. Recognise all actuarial gains and losses in other comprehensive income | |
| Once the entity has made its selection the policy must be consistently applied to all of its defined benefit plans and all actuarial gains and losses | |
| The section on employee benefits allows a for some simplifications with regards to measuring the defined benefit obligation when an entity is unable, without undue cost or effort, to use the projected unit credit method in measuring its obligation and cost. If any of the simplifications are used by the entity a narrative description of the simplification/s used must be disclosed by the entity. | 28.41 (a) |
| Disclosure relating to any other long term benefits should cover at least: | 28.42 |
| <ol style="list-style-type: none"> a. The nature of the benefits, b. The amount of the entities obligation, and c. The extent of the funding at the reporting date. | |
| The following disclosures need to be made for Termination Benefits, Universal (Pty) Ltd does not have any of these, if applicable: | 28.44 |
| <ol style="list-style-type: none"> a. The nature of the benefits, b. The accounting policy relating to these benefits, c. The amount of the entities obligation, and d. The extent of the funding at the reporting date. | |

NOTES TO THE FINANCIAL STATEMENTS

1.14 Provisions and contingencies

Provisions are recognised when the group has an obligation at the reporting date as a result of a past event; it is probable that the group will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks to a specific obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

2. Information about key sources of estimation uncertainty and judgements

2.1 Key sources of estimation uncertainty

Long-service awards

In determining the liability for long-service awards (explained in note 20), management must make an estimate of the price increases relating to the awards offered (explained in note 1.13), the discount rate used in calculating the present value of the obligation, and the number of employees expected to leave before they receive the benefits.

2.2 Judgement in applying the entity's accounting policies

Operating lease commitments

The group has entered into property leases. As management have determined that the group has not obtained substantially all the risks and rewards of ownership of these properties, the leases have been classified as operating leases and accounted for accordingly.

It is impracticable to list all the possible sources of estimation uncertainty. This section should cover only the significant estimates made by management, i.e. those with a significant risk of causing a material misstatement to the carrying amount of an asset or liability. In addition to a narrative explaining the source of the uncertainty and the estimations made the entity needs to disclose the nature of the assets and liabilities affected by the estimation uncertainty and their carrying amounts at the reporting date. 8.7

As with the sources of estimation uncertainty it is impossible to illustrate all the possible judgements management may make in applying the selected accounting policies. In terms of the IFRS for SMEs an entity must disclose judgements made (other than those involving estimations – disclosed per the above) in applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements. 8.6

3. Restriction on payment of dividend

7.21 & 9.23
(d) & 11.42

Under the terms of the bank loan and bank overdraft agreements, dividends cannot be paid to the extent that they would reduce the balance of retained earnings below the sum of the outstanding balance of the bank loan and the bank overdraft.

4. Revenue

| | 20XX | 20XX-1 |
|---------------|----------|----------|
| Sale of goods | X | X |
| Royalties | X | X |
| | <u>X</u> | <u>X</u> |

NOTES TO THE FINANCIAL STATEMENTS

| | |
|---|-------|
| In addition to the above disclosure the following categories of revenue should be disclosed as separate line items: | 23.30 |
| <ul style="list-style-type: none"> a. The rendering of services b. Interest c. Dividends d. Commissions e. Government Grants f. Any other type of revenue which is significant to the entity. | |
| With regards to revenue from construction contracts the following disclosures are required: | 23.31 |
| <ul style="list-style-type: none"> a. The amount of contract revenue recognised as revenue in the period. b. The methods used to determine the contract revenue recognised in the period. c. The methods used to determine the stage of completion of contracts in progress. | |
| An entity shall present: | 23.32 |
| <ul style="list-style-type: none"> a. The gross amount due from customers for contract work, as an asset. b. The gross amount due to customers for contract work, as a liability. | |

5. Other income

| | 20XX | 20XX-1 |
|---|----------|----------|
| Dividends received from an associate | X | X |
| Gain on disposal of property, plant and equipment | X | X |
| | X | X |

6. Finance costs

| | 20XX | 20XX-1 |
|-------------------------------------|----------|----------|
| Interest on bank loan and overdraft | X | X |
| Interest on finance leases | X | X |
| | X | X |

NOTES TO THE FINANCIAL STATEMENTS

7. Profit before tax

The following items have been recognised as expenses (income) in determining profit before tax:

| | 20XX | 20XX-1 |
|--|------|--------|
| Cost of inventories recognised as expense | X | X |
| Research and development cost (included in other expenses) | X | X |
| Foreign exchange loss on trade payables (included in other expenses) | X | X |
| Warranty expense (included in cost of sales*) | X | X |
| Impairment of assets | X | X |

*If the entity classifies its expenses by nature in its income statement, this would say 'included in raw materials and consumables used'.

An entity shall disclose the following for each class of assets:

27.32

- The amount of impairment losses and/or the amount of any impairment loss reversal recognised in profit or loss during the period and the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which those impairment losses are included and/or the impairment losses are reversed.

An entity needs to disclose the above information for the following classes of assets as a minimum:

27.33

- Inventories
- Property, plant and equipment
- Goodwill
- Intangible assets other than goodwill
- Investments in associates
- Investments in joint ventures

8. Income tax expense

| | 20XX | 20XX-1 |
|------------------------|----------|----------|
| Current tax | X | X |
| Deferred tax (Note 16) | X | X |
| | <u>X</u> | <u>X</u> |

Income tax is calculated at X per cent (20XX-1: X per cent) of the estimated assessable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

| | |
|--|-------|
| The tax expense raised as a result of any transaction or event must be recognised in the same component of total comprehensive income (i.e. continuing operations, discontinued operations, or other comprehensive income) or equity as the originating transaction. | 29.27 |
| When a distinction is made in the statement of financial position between current and non-current assets, and current and non-current liabilities any deferred tax asset (liability) shall be classified as non-current. | 29.28 |
| Only when an entity has a legally enforceable right to offset amounts of current tax asset and liabilities AND it intends to settle the current tax on a net basis or to realise the asset and settle the liability simultaneously, then the entity must offset the current tax asset and liability. The aforementioned applies equally to deferred tax assets and liabilities. | 29.29 |
| An entity needs to disclose enough information for its user to be able to understand the nature and financial effect of the current and deferred tax consequences of transactions and other events recognised by the entity. | 29.30 |
| In addition to the two components of the tax expense disclosed above an entity must, when applicable, disclose separately all major components of the tax expense (income), examples of these may include: | 29.31 |
| <ul style="list-style-type: none"> a. Any adjustments relating to prior tax periods b. Deferred tax amounts, disclosing separately those relating to <ul style="list-style-type: none"> I. originating and reversing temporary differences, II. changes in taxation rates III. a change in the effect of the possible outcomes of a review by the tax authority IV. a change in the tax status of the entity or its shareholders c. Any change in the valuation allowance d. Any amount relating to changes in accounting policies and errors. | |
| An entity shall disclose the following separately: | 29.32 |
| <ul style="list-style-type: none"> a. The aggregate current and deferred tax relating to items of other comprehensive income b. An explanation of the significant differences in amounts presented in the statement of comprehensive income and amounts reported to tax authorities. c. An explanation of changes in the applicable tax rate(s) compared with the previous reporting period. d. For each type of temporary difference and for each type of unused tax loss and tax credit: <ul style="list-style-type: none"> I. the amount of deferred tax liabilities, deferred tax assets and valuation allowances at the end of the reporting period, and II. an analysis of the change in deferred tax liabilities, deferred tax assets and valuation allowances during the period. e. The expiry date, if any, of temporary differences, unused tax losses and unused tax credits. f. In the circumstances described in paragraph 29.25, an explanation of the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. | |

NOTES TO THE FINANCIAL STATEMENTS

9. Cash and cash equivalents

| | 20XX | 20XX-1 |
|---------------------------|----------|----------|
| Cash on hand (Petty cash) | X | X |
| Cash at bank | X | X |
| | X | X |

For the purpose of the cash flow statement Cash, cash equivalents and bank overdrafts include the following:

7.20

| | 20XX | 20XX-1 |
|---------------------------|----------|----------|
| Cash and cash equivalents | X | X |
| Bank overdrafts (Note 17) | X | X |
| | X | X |

10. Trade and other receivables

| | 20XX | 20XX-1 |
|---------------|----------|----------|
| Trade debtors | X | X |
| Prepayments | X | X |
| | X | X |

11. Inventories

| | 20XX | 20XX-1 |
|------------------|----------|----------|
| Raw materials | X | X |
| Work in progress | X | X |
| Finished goods | X | X |
| | X | X |

An entity shall disclose the following:

13.22

- The total carrying amount of inventories and the carrying amount in classifications appropriate to the entity.
- The amount of inventories recognised as an expense during the period, impairment losses recognised or reversed in profit or loss.
- The total carrying amount of inventories pledged as security for liabilities

NOTES TO THE FINANCIAL STATEMENTS

12. Investment in associate

The Group owns X per cent of an associate whose shares are not publicly traded.

| | 20XX | 20XX-1 |
|---|----------|----------|
| Cost of investment in associate | X | X |
| Dividend received from associate (included in other income) | X | X |
| | <u>X</u> | <u>X</u> |

All investments in associates shall be classified as non-current assets. 14.11

An investor in an associate shall disclose the following: 14.12

- a. Its accounting policy for investments in associates.
- b. The carrying amount investments in associates.
- c. The fair value of investments in associates accounted for using the equity method for which there are published price quotations.

When the cost model is selected to account for investments in associates the following shall be disclosed: 14.13

- a. Amount of dividends and other distributions recognised as income.

When the equity method is selected to account for investments in associates the following shall be separately disclosed: 14.14

- a. Its share of the profit or loss of such associates and its share of any discontinued operations of such associates.

When the fair value model is selected to account for investments in associates the disclosures required for basic financial instruments in section 11 of the IFRS for SMEs will be made in respect of the investment. 14.15

NOTES TO THE FINANCIAL STATEMENTS

13. Property, plant and equipment

| | Land and buildings | Fixtures and equipment | Total | |
|---|-----------------------|---------------------------|-------|-----------|
| Cost | X | X | X | |
| 1 January 20XX | X | X | X | 17.31 (d) |
| Additions | X | X | X | 17.31 (e) |
| Disposals | X | X | X | 17.31 (e) |
| 31 December 20XX | X | X | X | 17.31 (d) |
| Accumulated depreciation and Impairment | | | | |
| 1 January 20XX | X | X | X | 17.31 (d) |
| Annual Depreciation | X | X | X | 17.31 (e) |
| Impairment | X | X | X | 17.31 (e) |
| Less accumulated depreciation on assets disposed of | X | X | X | 17.31 (e) |
| 31 December 20XX | X | X | X | 7.31 (d) |
| Carrying amount | | | | |
| 31 December 20XX | X | X | X | |

An entity shall disclose the following for each class of property, plant and equipment that was deemed appropriate: 17.31

- a. The measurement bases used for determining the gross carrying amount.
- b. The depreciation methods used.
- c. The useful lives or the depreciation rates used.
- d. The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period.
- e. a reconciliation of the carrying amount at the beginning and end of the reporting period showing separately (in addition to the above disclosures):
 - I. Acquisitions through business combinations
 - II. Transfers to investment property if a fair value becomes reliably measurable
 - III. Impairment losses reversed in profit or loss.
 - IV. Any other changes

This reconciliation is required only for the current year and need not be presented for prior periods.

The entity shall also disclose the follow: 17.32

- a. The existence and carrying amounts of property, plant and equipment to which the entity has restricted title or that is pledged as security for liabilities.
- b. The amount of contractual commitments for the acquisition of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

14. Investment property

Fair value model

The fair value of the group's investment property is determined annually at the reporting date by an independent professionally qualified valuer. The valuation is based on an open market value. 16.10

In determining the valuation the valuator refers to current market conditions and recent sales transactions of similar properties. In estimating the fair value of the property, the highest and best use of the property is their current use.

Reconciliation of investment property

| | 20XX | 20XX-1 | 16.10 (e) |
|---|------|--------|-----------|
| Carrying value at the beginning of the year | X | X | |
| Fair value changes | X | X | |
| Exchange differences | X | X | |
| Additions | X | X | |
| Carrying value at the end of the year | X | X | |

In reconciling the opening and closing balance of investment property the following (in addition to the above) shall be separately disclosed: 16.10 (e)

- Acquisitions resulting from a business combination.
- Transfers to and from inventories and owner-occupied property
- Transfers to property, plant and equipment when the fair value is no longer reliably measurable, without undue cost or effort.
- Any other changes.

This reconciliation is required only for the current period and need not be presented for prior periods.

The holder of investment property which is leased out is required to make the disclosure for leases in terms of section 20 of the IFRS for SMEs. 16.11

NOTES TO THE FINANCIAL STATEMENTS

15. Intangible assets

| | Computer Software | Goodwill |
|--|-------------------|----------|
| Cost | | |
| 1 January 20XX | X | X |
| Additions | X | |
| Disposals | X | |
| 31 December 20XX | X | X |
| Accumulated depreciation and impairment | | |
| 1 January 20XX | X | X |
| Impairment loss | X | X |
| Annual amortisation (included in administrative expenses*) | X | X |
| 31 December 20XX | X | X |
| Carrying amount | | |
| 31 December 20XX | X | X |

*If the entity classifies its expenses by nature in its income statement, this would say 'included in the depreciation and amortisation expense'.

An entity shall disclose the following for each class of intangible assets: 18.27

- The useful lives or amortisation rates used.
- The amortisation methods used.
- The gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period.
- The line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which any amortisation of intangible assets is included.

In addition to the items presented above for goodwill the following items, when applicable, need to be included in the reconciliation: 19.26

- Changes arising from new business combinations
- Disposals of previously acquired businesses
- Any other changes

This reconciliation is not required for prior periods.

An entity shall also disclose: 18.28

- A description of, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements.
- For intangible assets acquired by way of a government grant and initially recognised at fair value:
 - the fair value initially recognised for these assets, and
 - their carrying amounts.
- The existence and carrying amounts of intangible assets to which the entity has restricted title or that are pledged as security for liabilities.
- The amount of contractual commitments for the acquisition of intangible assets.

An entity shall disclose the total amount of research and development expenditure recognised as an expense during the period (i.e. the amount of expenditure incurred internally on research and development that has not been capitalised as part of the cost of another asset that meets the recognition criteria in this IFRS) 18.29

NOTES TO THE FINANCIAL STATEMENTS

16. Deferred tax

Differences between amounts recognised in the income statement and amounts reported to tax authorities in connection with investments in the subsidiary and associate are insignificant

The deferred tax assets are the tax effects of expected future income tax benefits relating to:

- a) the long-service benefit (note 20), which will not be tax-deductible until the benefit is actually paid but has already been recognised as an expense in measuring the Group's profit for the year.
- b) the foreign exchange loss on trade payables, which will not be tax-deductible until the payables are settled but has already been recognised as an expense in measuring the Group's profit for the year.

The Group has not recognised a valuation allowance against the deferred tax assets because, on the basis of past years and future expectations, management considers it probable that taxable profits will be available against which the future income tax deductions can be utilised.

The following are the deferred tax liabilities (assets) recognised by the Group:

| | Computer Software | Foreign exchange loss | Long- service benefit | Total |
|---|----------------------|--------------------------|--------------------------|-------|
| 1 January 20XX-1 | X | X | X | X |
| Charge (credit) to profit or loss for the year | X | X | X | X |
| 1 January 20XX | X | X | X | X |
| Charge (credit) to profit or loss for the year | X | X | X | X |
| 31 December 20XX | X | X | X | X |

The deferred tax assets and the deferred tax liabilities relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

| | 20XX | 20XX-1 |
|------------------------|------|--------|
| Deferred tax liability | X | X |
| Deferred tax asset | X | X |
| | X | X |

NOTES TO THE FINANCIAL STATEMENTS

17. Bank overdraft and loan

| | 20XX | 20XX-1 |
|--|----------|----------|
| Bank overdraft | X | X |
| Bank loan – fully repayable in 20XX, pre-payable without penalty | X | X |
| | X | X |

The bank overdraft and loan are secured by a floating lien over land and buildings owned by the Group with a carrying amount of X at 31 December 20XX (X at December 20XX-1).

Interest is payable on the bank overdraft at XX points above the London Interbank Borrowing Rate (UBOR). Interest is payable on the XX-year bank loan at a fixed rate of X per cent of the principal amount.

18. Trade payables

| | 20XX | 20XX-1 |
|--------------------|----------|----------|
| Foreign currencies | X | X |
| | X | X |

19. Provision

Changes in the provision during 20XX were:

| | 20XX |
|------------------------------------|----------|
| 1 January 20XX | X |
| Additional accrual during the year | X |
| Utilised during the year | X |
| 31 December 20XX | X |

The provision is classified as a current liability due to the fact that the obligations are expected to be settled within 12 months of arising.

In addition to the amounts disclosed in the reconciliation above an entity shall also separately present the following items: 21.14

- a. Unused amount reversed against the provision in the current year

The reconciliation is required only for the current period.

The entity shall also disclose: 21.14

- a. A brief description of the nature of the obligation and the expected amount and timing of the resulting payments
- b. An indication of any uncertainties about the amount or timing of those payments
- c. The amount of any expected reimbursement, including the asset amount recognised for the expected reimbursement.

NOTES TO THE FINANCIAL STATEMENTS

20. Employee benefit obligation-long-service awards

The Group's employee benefit obligation for long-service awards is based on a comprehensive actuarial valuation as of 31 December 20XX and is as follows:

| | 20XX |
|------------------------------------|----------|
| Obligation at 1 January 20XX | X |
| Additional accrual during the year | X |
| Benefit awarded during the year | X |
| 31 December 20XX | <u>X</u> |

The obligation is classified as:

| | 20XX | 20XX-1 |
|-----------------------|----------|----------|
| Current liability | X | X |
| Non-current liability | X | X |
| Total | <u>X</u> | <u>X</u> |

If the plan is funded the following disclosures must be made with regards to the plan assets

28.41(f),
(h) to (k)

1. A reconciliation of the opening and closing balances of the fair value of the plan assets as well as any reimbursement rights recognised as an asset has to be disclosed. The following shall be shown separately in the reconciliation:
 - a. Contributions
 - b. Benefits paid
 - c. Other changes in plan assets
2. For each major class of plan asset the percentage/amount that each class constitutes of the total fair value of plan assets must be disclosed.
3. Amounts included in the fair value plan assets which constitute:
 - a. The entities own equity shares (each class shown separately), and/or
 - b. Any property occupied by, or other assets
4. Actual returns on plan assets.
5. The principal actuarial assumptions used, including, when applicable:
 - a. Discount rates
 - b. The expected rates of return on any plan assets for the periods presented in the financial statements
 - c. The expected rates of salary increases
 - d. Medical cost trend rates and
 - e. Any other material actuarial assumptions used.

The total costs relating to the defined benefit plan separately for amounts

28.41 (g)

- a. Included in in profit and loss as an expense
- b. Included in the cost of an asset.

The reconciliations of the obligation liability and the plan assets need not be presented for prior periods.

28.41

NOTES TO THE FINANCIAL STATEMENTS

21. Obligations under finance leases

The Group holds one piece of specialised machinery with an estimated useful life of five years under a five-year finance lease. The future minimum lease payments are as follows:

| | 20XX | 20XX-1 |
|---|----------|----------|
| Within one year | X | X |
| Later than one year but within five years | X | X |
| Later than five years | X | X |
| | X | X |

The obligation is classified as:

| | 20XX | 20XX-1 |
|-----------------------|----------|----------|
| Current liability | X | X |
| Non-current liability | X | X |
| | X | X |

A lessee shall make the following disclosures for finance leases:

20.13

- a. For each class of asset, the net carrying amount at the end of the reporting period.
- b. The total of future minimum lease payments at the end of the reporting period, for each of the following periods:
 - I. not later than one year;
 - II. later than one year and not later than five years; and
 - III. later than five years.
- c. A general description of the lessee's significant leasing arrangements including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements.

A lessor shall make the following disclosures for finance leases:

20.23

- a. A reconciliation between the gross investment in the lease at the end of the reporting period, and the present value of minimum lease payments receivable at the end of the reporting period. In addition, a lessor shall disclose the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period, for each of the following periods:
 - I. not later than one year;
 - II. later than one year and not later than five years; and
 - III. later than five years.
- b. Unearned finance income.
- c. The unguaranteed residual values accruing to the benefit of the lessor.
- d. The accumulated allowance for uncollectible minimum lease payments receivable.
- e. Contingent rents recognised as income in the period.
- f. A general description of the lessor's significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements.

NOTES TO THE FINANCIAL STATEMENTS

22. Commitments under operating leases

The Group rents several sales offices under operating leases. The leases are for an average period of six years, with fixed rentals over the same period.

| | 20XX | 20XX-1 | |
|--|------|--------|-----------|
| Minimum lease payments under operating leases recognised as an expense during the year | X | X | 20.16 (b) |

At year-end, the Group has outstanding commitments under non-cancellable operating leases that fall due as follows:

| | 20XX | 20XX-1 | |
|---|----------|----------|----------------|
| Within one year | X | X | 20.16 (a)(i) |
| Later than one year but within five years | X | X | 20.16 (a)(ii) |
| Later than five years | X | X | 20.16 (a)(iii) |
| | X | X | 20.16 (a) |

A lessee shall make the following disclosures for operating leases:

20.16

- a. The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:
 - I. not later than one year;
 - II. later than one year and not later than five years; and
 - III. later than five years.
- b. Lease payments recognised as an expense.
- c. A general description of the lessee's significant leasing arrangements including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements.

A lessor shall disclose the following for operating leases:

- a. The future minimum lease payments under non-cancellable operating leases for each of the following periods:
 - I. not later than one year; and
 - II. later than one year and not later than five years; and
 - III. later than five years.
- b. Total contingent rents recognised as income.
- c. A general description of the lessor's significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses, and restrictions imposed by lease arrangements.

23. Share capital

Balances as at 31 December 20XX and 20XX-1 of XX comprise XX ordinary share with a par value XX fully paid, issued and outstanding. An additional XX shares are legally authorised but unissued.

24. Contingent liabilities

During 20XX a customer initiated proceedings against Universal Reporting (Pty) Ltd for damages caused by a faulty product purchased from Universal Reporting (Pty) Ltd. The customer asserts that its total losses are XX and has initiated litigation claiming this amount.

The Group's legal counsel do not consider that the claim has merit, and the company intends to contest it. No provision has been recognised in these financial statements as the Group's management does not consider it probable that a loss will arise.

NOTES TO THE FINANCIAL STATEMENTS

Contingent Liabilities

21.15

Unless the possibility of an outflow of economic resources is remote an entity shall disclose (separately for each class of contingent liability) a brief description of the nature of the liability and when practicable:

- An estimate of its financial effects
- An indication of the uncertainties relating to the amount or timing of any outflows
- The possibility of any reimbursement.

If it impracticable to make any of the above disclosures this needs to be stated.

Contingent Assets

21.16

When it is probable but not virtually certain that the entity will receive an inflow of economic benefits it shall disclose a description of the nature of the contingent asset and if practicable without undue cost or effort an estimate of the financial effect. If impracticable this needs to be stated.

25. Events after the end of the reporting period

A widget manufacturing factory was severely damaged in a flash flood on the 17 January 20XX. The value of the factory and its contents were insured in full and claims put forward to the insurers are being processed. The Group was however not insured for the loss of business due to factory down time. The loss of business is estimated to result in financial losses of X.

26. Related party transactions

Transactions between the company and its subsidiary, which is a related party, have been eliminated on consolidation.

The Group sells goods to its associate (see note 12), which is a related party as follows:

| | Sales of goods | | Amounts owed to the Group by the related party and included in trade receivables at year-end | |
|------------|----------------|--------|--|--------|
| | 20XX | 20XX-1 | 20XX | 20XX-1 |
| Associate | X | X | X | X |
| Overdrafts | X | X | X | X |

The payments under the finance lease (see note 21) are personally guaranteed by a principal shareholder of the company. No charge has been requested for the guarantee.

The total remuneration of directors and other members of key management in 20XX (including salaries and benefits) was XX (20XX-1: XX).

27. Approval of financial statements

These financial statements were approved by the board of directors and authorised for issue on XX March 20XX.

Appendix A: IFRS for SMEs disclosure checklist

A: IFRS for SMEs disclosure checklist

Note: This Disclosure is effective for the IFRS for SME standard released in 2009 which is effective until 31 December 2016.

| International Financial Reporting Standard for Small and Medium-sized Entities Disclosure checklist | | | |
|--|------------------------------------|----|----|
| | YES | NO | NA |
| An entity whose financial statements comply with the IFRS for SMEs shall make an explicit and unreserved statement of such compliance in the notes. | | | |
| When management concludes that compliance with this IFRS would be so misleading that it would conflict with the objective of financial statements, the entity shall depart from that requirement and disclose the following: | | | |
| a) That management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows | | | |
| b) That it has complied with the IFRS for SMEs, except that it has departed from a particular requirement to achieve fair presentation | | | |
| c) The nature of the departure, including the treatment that the IFRS for SMEs would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements and the treatment adopted. | | | |
| | <i>(IFRS for SMEs 3.3 - 3.5)</i> | | |
| When management is aware in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. | | | |
| When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern. | | | |
| | <i>(IFRS for SMEs 3.9)</i> | | |
| When the end of an entity's reporting period changes and the annual financial statements are presented for a period longer or shorter than one year, the entity shall disclose the following: | | | |
| a) That fact | | | |
| b) The reason for using a longer or shorter period | | | |
| c) The fact that comparative amounts presented in the financial statements (including the related notes) are not entirely comparable. | | | |
| | <i>(IFRS for SMEs 3.10)</i> | | |
| When comparative amounts are reclassified, an entity shall disclose the following: | | | |
| a) The nature of the reclassification | | | |
| b) The amount of each item or class that is reclassified | | | |
| c) The reason for the reclassification | | | |
| If it is impracticable to reclassify comparative amounts, the entity shall disclose why reclassification was not practicable | | | |
| | <i>(IFRS for SMEs 3.12 - 3.13)</i> | | |

| | YES | NO | NA |
|--|-------------------------------------|----|----|
| An entity shall disclose comparative information in respect of the previous comparable period for all amounts presented in the current period's financial statements. | | | |
| | <i>(IFRS for SMEs 3.14)</i> | | |
| A complete set of financial statements of an entity shall include all of the following: | | | |
| a) A statement of financial position as at the reporting date | | | |
| b) Either | | | |
| i) A single statement of comprehensive income for the reporting period displaying all items of income and expense recognised during the period including those items recognised in determining profit or loss (which is a subtotal in the statement of comprehensive income) and items of other comprehensive income, or | | | |
| ii) A separate income statement and a separate statement of comprehensive income. | | | |
| c) A statement of changes in equity for the reporting period | | | |
| d) A statement of cash flows for the reporting period | | | |
| e) Notes, comprising a summary of significant accounting policies and other explanatory information | | | |
| If the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy, the entity may present a single statement of income and retained earnings. | | | |
| An entity shall present, as a minimum, two of each of the required financial statements and related notes i.e. current period and first comparative period | | | |
| Each financial statement must be presented with equal prominence | | | |
| | <i>(IFRS for SMEs 3.17 - 3.22)</i> | | |
| An entity shall clearly identify each of the financial statements and the notes and distinguish them from other information in the same document. | | | |
| An entity shall display the following information prominently, and repeat it when necessary for an understanding of the information presented: | | | |
| a) The name of the reporting entity and any change in its name since the end of the preceding reporting period | | | |
| b) Whether the financial statements cover the individual entity or a group of entities | | | |
| c) The date of the end of the reporting period and the period covered by the financial statements | | | |
| d) The presentation currency | | | |
| e) The level of rounding | | | |
| An entity shall disclose the following in the notes: | | | |
| a) The domicile and legal form of the entity, its country of incorporation and the address of its registered office | | | |
| b) A description of the nature of the entity's operations and its principal activities | | | |
| | <i>(IFRS for SMEs 3.23. - 3.24)</i> | | |

| Statement of financial position | | | |
|--|----------------------------------|----|----|
| | YES | NO | NA |
| As a minimum, the statement of financial position shall include line items that present the following amounts: | | | |
| a) Cash and cash equivalents | | | |
| b) Trade and other receivables | | | |
| c) Financial assets | | | |
| d) Inventories | | | |
| e) Property, plant and equipment | | | |
| f) Investment property carried at fair value through profit or loss | | | |
| g) Intangible assets | | | |
| h) Biological assets carried at cost less accumulated depreciation and impairment | | | |
| i) Biological assets carried at fair value through profit or loss | | | |
| j) Investments in associates | | | |
| k) Investments in jointly controlled entities | | | |
| l) Trade and other payables | | | |
| m) Financial liabilities | | | |
| n) Liabilities and assets for current tax | | | |
| o) Deferred tax liabilities and deferred tax assets (always presented as non-current) | | | |
| p) Provisions | | | |
| q) Non-controlling interest, presented within equity separately from the equity attributable to the owners of the parent | | | |
| r) Equity attributable to the owners of the parent | | | |
| An entity shall present additional line items, headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position | | | |
| | <i>(IFRS for SMEs 4.2 - 4.3)</i> | | |
| An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position | | | |
| | <i>(IFRS for SMEs 4.4)</i> | | |

| | YES | NO | NA |
|--|-----------------------------|----|----|
| An entity shall disclose, either in the statement of financial position or in the notes, the following subclassifications of the line items presented: | | | |
| a) Property, plant and equipment in classifications appropriate to the entity | | | |
| b) Trade and other receivables showing separately amounts due from related parties, amounts due from other parties, and receivables arising from accrued income not yet billed | | | |
| c) Inventories, showing separately amounts of inventories: | | | |
| i) Held for sale in the ordinary course of business | | | |
| ii) In the process of production for such sale | | | |
| iii) In the form of materials or supplies to be consumed in the production process or in the rendering of services | | | |
| d) Trade and other payables, showing separately amounts payable to trade suppliers, payable to related parties, deferred income and accruals | | | |
| e) Provisions for employee benefits and other provisions | | | |
| f) Classes of equity, such as paid-in capital, share premium, retained earnings and items of income and expense that are recognised in other comprehensive income and presented separately in equity | | | |
| | <i>(IFRS for SMEs 4.11)</i> | | |
| The following shall be disclosed regarding share capital, either in the statement of financial position or in the notes: | | | |
| a) For each class of share capital: | | | |
| i) The number of shares authorised | | | |
| ii) The number of shares issued and fully paid, and issued but not fully paid | | | |
| iii) Par value per share, or that the shares have no par value | | | |
| iv) A reconciliation of the number of shares outstanding at the beginning and at the end of the period | | | |
| v) The rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital | | | |
| vi) Shares in the entity held by the entity or by its subsidiaries or associates | | | |
| vii) Shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts | | | |
| b) A description of each reserve within equity | | | |
| | <i>(IFRS for SMEs 4.12)</i> | | |
| If, at the reporting date, an entity has a binding sale agreement for a major disposal of assets, or a group of assets and liabilities, the entity shall disclose the following information: | | | |
| a) A description of the asset(s) or the group of assets and liabilities | | | |
| b) A description of the facts and circumstances of the sale or plan | | | |
| c) The carrying amount of the assets or, if the disposal involved a group of assets and liabilities, the carrying amounts of those assets and liabilities | | | |
| | <i>(IFRS for SMEs 4.14)</i> | | |

| Statement of comprehensive income and income statement | | | |
|---|----------------------|----|----|
| | YES | NO | NA |
| As a minimum, an entity shall include, in the statement of comprehensive income, line items that present the following amounts for the period: | | | |
| a) Revenue | | | |
| b) Finance costs | | | |
| c) Share of the profit or loss of investments in associates and jointly controlled entities accounted for using the equity method | | | |
| d) Tax expense | | | |
| e) A single amount comprising the total of | | | |
| i) The post-tax profit or loss of a discontinued operation, and | | | |
| ii) The post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the net assets constituting the discontinued operation | | | |
| f) Profit or loss (if an entity has no items of other comprehensive income, this line need not be presented) | | | |
| g) Each item of other comprehensive income | | | |
| h) Share of the other comprehensive income of associates and jointly controlled entities accounted for by the equity method | | | |
| i) Total comprehensive income | | | |
| | (IFRS for SMEs 5.5) | | |
| An entity shall disclose separately the following items as allocations for the period: | | | |
| a) Profit or loss for the period attributable to | | | |
| i) non-controlling interest | | | |
| ii) owners of the parent | | | |
| b) Total comprehensive income for the period attributable to | | | |
| i) non-controlling interest | | | |
| ii) owners of the parent | | | |
| | (IFRS for SMEs 5.6) | | |
| An entity shall present additional line items, headings and subtotals in the statement of comprehensive income when such presentation is relevant to an understanding of the entity's financial performance | | | |
| | (IFRS for SMEs 5.9) | | |
| An entity shall not present or describe any items of income and expense as "extraordinary items" in the statement of comprehensive income | | | |
| | (IFRS for SMEs 5.10) | | |
| An entity shall present an analysis of expenses using a classification based on either the nature of expenses or the function of expenses within the entity. | | | |
| a) By nature: Expenses are aggregated according to their nature and are not reallocated among various functions within the entity | | | |
| b) By function: Expenses are aggregated according to their function. As a minimum, an entity discloses its cost of sales under this method separately from other expenses | | | |
| | (IFRS for SMEs 5.11) | | |

| Statement of changes in equity | | | |
|---|----------------------|----|----|
| | YES | NO | NA |
| An entity shall present a statement of changes in equity showing in the statement: | | | |
| a) Total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests | | | |
| b) For each component of equity, the effects of retrospective application of retrospective restatement | | | |
| c) For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from: | | | |
| i) Profit or loss | | | |
| ii) Each item of other comprehensive income | | | |
| iii) The amounts of investments by, and dividends and other distributions to, owners, showing separately issues of shares, treasury share transactions, dividends and other distributions to owners, and changes in ownership interests in subsidiaries that do not result in a loss of control | | | |
| | (IFRS for SMEs 6.3) | | |
| Statement of cash flows | | | |
| An entity shall present a statement of cash flows that presents cash flows for a reporting period classified by operating activities, investing activities and financing activities. | | | |
| An entity shall present cash flows from operating activities using either: | | | |
| a) The indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions, 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, or | | | |
| b) The direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed | | | |
| | (IFRS for SMEs 7.7) | | |
| An entity shall present separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities. | | | |
| The aggregate cash flows arising from acquisitions and from disposals of subsidiaries or other business units shall be presented separately and classified as investing activities | | | |
| | (IFRS for SMEs 7.10) | | |
| An entity shall present separately cash flows from interest and dividends received and paid | | | |
| | (IFRS for SMEs 7.14) | | |
| An entity shall present separately cash flows arising from income tax and shall classify them as cash flows from operating activities unless they can be specifically identified with financing and investing activities | | | |
| | (IFRS for SMEs 7.17) | | |
| An entity shall disclose non-cash transactions elsewhere in the financial statements in a way that provides all the relevant information about those investing and financing activities | | | |
| | (IFRS for SMEs 7.18) | | |
| An entity shall present the components of cash and cash equivalents and shall present a reconciliation of the amounts presented in the statement of cash flows to the equivalent items presented in the statement of financial position | | | |
| | (IFRS for SMEs 7.20) | | |
| An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity. | | | |
| | (IFRS for SMEs 7.21) | | |

| Notes to the financial statements | | | |
|---|---------------------------|----|----|
| | YES | NO | NA |
| The notes shall: | | | |
| a) Present information about the basis of preparation of the financial statements and the specific accounting policies used | | | |
| b) Disclose information not disclosed elsewhere in the financial statements | | | |
| c) Provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them | | | |
| An entity shall present as far as practicable the notes in a systematic manner | | | |
| | (IFRS for SMEs 8.2 - 8.3) | | |
| An entity shall disclose the following in the summary of significant accounting policies: | | | |
| a) The measurement basis used in preparing the financial statements | | | |
| b) The other accounting policies used that are relevant to an understanding of the financial statements | | | |
| | (IFRS for SMEs 8.5) | | |
| An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements | | | |
| | (IFRS for SMEs 8.6) | | |
| An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of: | | | |
| a) Their nature | | | |
| b) Their carrying amount as at the end of the reporting period | | | |
| | (IFRS for SMEs 8.7) | | |
| Consolidated financial statements | | | |
| The following disclosures shall be made in consolidated financial statements: | | | |
| a) The fact that the statements are consolidated financial statements | | | |
| b) The basis for concluding that control exists when the parent does not own, directly or indirectly through subsidiaries, more than half of the voting power | | | |
| c) Any difference in the reporting date of the financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements | | | |
| d) The nature and extent of any significant restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans | | | |
| | (IFRS for SMEs 9.23) | | |

| Separate financial statements | | | |
|--|-----|----|----|
| | YES | NO | NA |
| When a parent, an investor in an associate, or a venturer with an interest in a jointly controlled entity prepares separate financial statements, those separate financial statements shall disclose: | | | |
| a) That the statement are separate financial statements, and | | | |
| b) A description of the methods used to account for the investments in subsidiaries, jointly controlled entities and associates | | | |
| And shall identify the consolidated financial statements or other primary financial statements to which they relate | | | |
| (IFRS for SMEs 9.27) | | | |
| Accounting policies, estimates and errors | | | |
| Changes in accounting policies | | | |
| When an amendment to this IFRS has an effect on the current period or any prior period, or might have an effect on future periods, the entity shall disclose the following: | | | |
| a) The nature of the change in accounting policy | | | |
| b) For the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected | | | |
| c) The amount of the adjustment relating to periods before those presented, to the extent practicable | | | |
| d) An explanation if it is impracticable to determine the amounts to be disclosed | | | |
| When a voluntary change in accounting policy has an effect on the current period or any prior period, an entity shall disclose the following: | | | |
| a) The nature of the change in accounting policy | | | |
| b) The reasons why applying the new accounting policy provides reliable and more relevant information | | | |
| c) To the extent practicable, the amount of the adjustment for each financial statement line item affected, shown separately: | | | |
| i) For the current period | | | |
| ii) For each prior period presented | | | |
| iii) In the aggregate for periods before those presented | | | |
| (IFRS for SMEs 10.13 - 10.14) | | | |
| Changes in estimates | | | |
| An entity shall disclose the nature of any change in an accounting estimate and the effect of the change on assets, liabilities, income and expense for the current period. If it is practicable for the entity to estimate the effect of the change in one or more future periods, the entity shall disclosed those estimates | | | |
| (IFRS for SMEs 10.18) | | | |
| Corrections of prior period errors | | | |
| An entity shall disclose the following about prior period errors | | | |
| a) The nature of the prior period error | | | |
| b) For each prior period presented, to the extent practicable, the amount of the correction for each financial statements line item affected | | | |
| c) To the extent practicable, the amount of the correction at the beginning of the earliest prior period presented. | | | |
| d) An explanation if it is not practicable to determine the amounts to be disclosed | | | |
| (IFRS for SMEs 10.23) | | | |

| Basic financial instruments | | | |
|---|--------------------------------------|----|----|
| | YES | NO | NA |
| An entity shall disclose, in the summary of significant accounting policies, the measurement basis used for financial instruments and the other accounting policies used for financial instruments that are relevant to an understanding of the financial statements | | | |
| An entity shall disclose the carrying amounts of each of the following categories of financial assets and financial liabilities at the reporting date, in total, either in the statement of financial position or in the notes: | | | |
| a) Financial assets measured at fair value through profit or loss | | | |
| b) Financial assets that are debt instruments measured at amortised cost | | | |
| c) Financial assets that are equity instruments measured at cost less impairment | | | |
| d) Financial liabilities measured at fair value through profit or loss | | | |
| e) Financial liabilities measured at amortised cost | | | |
| f) Loan commitments measured at cost less impairment | | | |
| For all financial assets and financial liabilities measured at fair value, the entity shall disclose the basis for determining fair value. When a valuation technique is used, the entity shall disclose the assumptions applied in determining fair value for each class of financial assets or financial liabilities. | | | |
| If a reliable measure of fair value is no longer available for an equity instrument measured at fair value through profit or loss, the entity shall disclose that fact | | | |
| | <i>(IFRS for SMEs 11.40 - 11.44)</i> | | |
| If an entity has transferred financial assets to another party in a transaction that does not qualify for derecognition, the entity shall disclose the following for each class of such financial assets | | | |
| a) The nature of the assets | | | |
| b) The nature of the risks and rewards of ownership to which the entity remains exposed | | | |
| c) The carrying amounts of the assets and of any associated liabilities that the entity continues to recognise | | | |
| | <i>(IFRS for SMEs 11.45)</i> | | |
| When an entity has pledged financial assets as collateral for liabilities or contingent liabilities, it shall disclose the following: | | | |
| a) The carrying amount of the financial assets pledged as collateral | | | |
| b) The terms and conditions relating to its pledge | | | |
| | <i>(IFRS for SMEs 11.46)</i> | | |
| For loans payable recognised at the reporting date for which there is a breach of terms of default of principal, interest, sinking fund, or redemption terms that has not been remedied by the reporting date, an entity shall disclose the following: | | | |
| a) Details of that breach or default | | | |
| b) The carrying amount of the related loans payable at the reporting date | | | |
| c) Whether the breach or default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue | | | |
| | <i>(IFRS for SMEs 11.47)</i> | | |

| | YES | NO | NA |
|--|-------------------------------|----|----|
| An entity shall disclose the following items of income, expense, gains or losses: | | | |
| a) Income, expense, gains or losses, including changes to fair value, recognised on: | | | |
| i) Financial assets measured at fair value through profit or loss | | | |
| ii) Financial liabilities measured at fair value through profit or loss | | | |
| iii) Financial assets measured at amortised cost | | | |
| iv) Financial liabilities measured at amortised cost | | | |
| b) Total interest income and total interest expense for financial assets or financial liabilities that are not measured at fair value through profit or loss | | | |
| c) The amount of any impairment loss for each class of financial asset | | | |
| | (IFRS for SMEs 11.48) | | |
| Other financial instruments issues | | | |
| An entity shall disclose the following separately for hedges of each of the four types of risks: | | | |
| a) Description of the hedge | | | |
| b) Description of the financial instruments designated as hedging instruments and their fair values at the reporting date | | | |
| c) The nature of the risks being hedged, including a description of the hedged item | | | |
| If an entity uses hedge accounting for a hedge of fixed interest rate risk or commodity price risk of a commodity held, it shall disclose the following: | | | |
| a) The amount of the change in fair value of the hedging instrument recognised in profit or loss | | | |
| b) The amount of the change in fair value of the hedged item recognised in profit or loss | | | |
| If an entity uses hedge accounting for a hedge of variable interest rate risk, foreign exchange risk, commodity price risk in a firm commitment or highly probable forecast transaction, or in a net investment in a foreign operation, it shall disclose the following: | | | |
| a) The periods when the cash flows are expected to occur and when they are expected to affect profit or loss | | | |
| b) A description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur | | | |
| c) The amount of the change in fair value of the hedging instrument that was recognised in other comprehensive income during the period | | | |
| d) The amount that was reclassified from other comprehensive income to profit or loss for the period | | | |
| e) The amount of any excess of the fair value of the hedging instrument over the change in the fair value of the expected cash flows that was recognised in profit or loss | | | |
| | (IFRS for SMEs 12.26 - 12.29) | | |
| Inventories | | | |
| An entity shall disclose the following: | | | |
| a) The accounting policies adopted in measuring inventories, including the cost formula used | | | |
| b) The total carrying amount of inventories and the carrying amount in classifications appropriate to the entity | | | |
| c) The amount of inventories recognised as an expense during the period | | | |
| d) Impairment losses recognised or reversed in profit or loss | | | |
| e) The total carrying amount of inventories pledged as security for liabilities | | | |
| | (IFRS for SMEs 13.22) | | |

| Investments in associates | | | |
|---|-----------------------|----|----|
| | YES | NO | NA |
| An investor in an associate shall disclose the following: | | | |
| a) Its accounting policy for investments in associates | | | |
| b) The carrying amount of investments in associates | | | |
| c) The fair value of investments in associates accounted for using the equity method for which there are published price quotations | | | |
| | (IFRS for SMEs 14.12) | | |
| For investments in associates accounted for by the cost model, an investor shall disclose the amount of dividends and other distributions recognised as income | | | |
| | (IFRS for SMEs 14.13) | | |
| For investments in associates accounted for by the equity method, an investor shall disclose separately its share of the profit or loss of such associates and its share of any discontinued operations of such associates | | | |
| | (IFRS for SMEs 14.14) | | |
| For investments in associates accounted for by the fair value model, an investor shall make the disclosures required in section 11 Basic Financial Instruments | | | |
| | (IFRS for SMEs 14.15) | | |
| Investments in joint ventures | | | |
| An investor in a joint venture shall disclose: | | | |
| a) The accounting policy it uses for recognising its interests in jointly controlled entities | | | |
| b) The carrying amount of investments in joint controlled entities | | | |
| c) The fair value of investments in jointly controlled entities accounted for using the equity method for which there are published price quotations | | | |
| d) The aggregate amount of its commitments relating to joint ventures, including its share in the capital commitments that have been incurred jointly with other venturers, as well as its share of the capital commitments of the joint ventures | | | |
| | (IFRS for SMEs 15.19) | | |
| Investment property | | | |
| An entity shall disclose the following for all investment property accounted for at fair value through profit or loss: | | | |
| a) The methods and significant assumptions applied in determining the fair value of investment property | | | |
| b) The extent to which the fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the investment property being valued. If there has been no such valuation, that fact shall be disclosed | | | |
| c) The existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal | | | |
| d) Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements | | | |
| e) A reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing separately: | | | |
| i) Additions, disclosing separately those additions resulting from acquisitions through business combinations | | | |
| ii) Net gains or losses from fair value adjustments | | | |
| iii) Transfers to property, plant and equipment when a reliable measure of fair value is no longer available without due cost or effort | | | |
| iv) Transfers to and from inventories and owner-occupied property | | | |
| v) Other changes | | | |
| | (IFRS for SMEs 16.10) | | |

| Property, plant and equipment | | | |
|---|-----|----|----|
| | YES | NO | NA |
| An entity shall disclose the following for each class of property, plant and equipment: | | | |
| a) The measurement bases used for determining the gross carrying amount | | | |
| b) The depreciation methods used | | | |
| c) The useful lives or the depreciation rates used | | | |
| d) The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period | | | |
| e) A reconciliation of the carrying amount at the beginning and end of the reporting period showing separately: | | | |
| i) Additions | | | |
| ii) Disposals | | | |
| iii) Acquisitions through business combinations | | | |
| iv) Transfers to investment property if a reliable measure of fair value becomes available | | | |
| v) Impairment losses recognised or reversed in profit or loss | | | |
| vi) Depreciation | | | |
| vii) Other changes | | | |
| The entity shall also disclose the following: | | | |
| a) The existence and carrying amounts of property, plant and equipment to which the entity has restricted title or that is pledged as security for liabilities | | | |
| b) The amount of contractual commitments for the acquisition of property, plant and equipment | | | |
| (IFRS for SMEs 17.31 - 17.32) | | | |
| Intangible assets other than Goodwill | | | |
| An entity shall disclose the following for each class of intangible assets: | | | |
| a) the useful lives or the amortisation rates used. | | | |
| b) the amortisation methods used. | | | |
| c) the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period | | | |
| d) the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which any amortisation of intangible assets is included | | | |
| e) a reconciliation of the carrying amount at the beginning and end of the reporting period showing separately: | | | |
| i) additions. | | | |
| ii) disposals. | | | |
| iii) acquisitions through business combinations. | | | |
| iv) amortisation. | | | |
| v) impairment losses. | | | |
| vi) other changes. | | | |
| An entity shall also disclose: | | | |
| a) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements | | | |
| b) for intangible assets acquired by way of a government grant and initially recognised at fair value: | | | |
| i) the fair value initially recognised for these assets, and | | | |
| ii) their carrying amounts. | | | |
| c) the existence and carrying amounts of intangible assets to which the entity has restricted title or that are pledged as security for liabilities | | | |
| d) the amount of contractual commitments for the acquisition of intangible assets | | | |
| An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period | | | |
| (IFRS for SME 18.27 - 18.29) | | | |

| Business combinations and Goodwill | | | |
|--|-------------------------------|----|----|
| | YES | NO | NA |
| For each business combination that was effected during the period, the acquirer shall disclose the following: | | | |
| a) the names and descriptions of the combining entities or businesses. | | | |
| b) the acquisition date. | | | |
| c) the percentage of voting equity instruments acquired. | | | |
| d) the cost of the combination and a description of the components of that cost (such as cash, equity instruments and debt instruments) | | | |
| e) the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities, including goodwill | | | |
| f) the amount of any excess recognised in profit or loss in accordance with paragraph 19.24, and the line item in the statement of comprehensive income (and in the income statement, if presented) in which the excess is recognised | | | |
| An acquirer shall disclose a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period, showing separately: | | | |
| a) changes arising from new business combinations. | | | |
| b) impairment losses. | | | |
| c) disposals of previously acquired businesses. | | | |
| d) other changes. | | | |
| | (IFRS for SMEs 19.25 - 19.26) | | |
| Leases | | | |
| A lessee shall make the following disclosures for finance leases: | | | |
| a) for each class of asset, the net carrying amount at the end of the reporting period | | | |
| b) the total of future minimum lease payments at the end of the reporting period, for each of the following periods: | | | |
| i) not later than one year; | | | |
| ii) later than one year and not later than five years; and | | | |
| iii) later than five years. | | | |
| c) a general description of the lessee's significant leasing arrangements including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements | | | |
| | (IFRS for SMEs 20.13) | | |
| A lessee shall make the following disclosures for operating leases: | | | |
| a) the total of future minimum lease payments under non-cancellable operating leases for each of the following periods: | | | |
| i) not later than one year; | | | |
| ii) later than one year and not later than five years; and | | | |
| iii) later than five years. | | | |
| b) lease payments recognised as an expense. | | | |
| c) a general description of the lessee's significant leasing arrangements including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements | | | |
| | (IFRS for SMEs 20.16) | | |

| | YES | NO | NA |
|---|------------------------------|----|----|
| A lessor shall make the following disclosures for finance leases: | | | |
| a) a reconciliation between the gross investment in the lease at the end of the reporting period, and the present value of minimum lease payments receivable at the end of the reporting period. In addition, a lessor shall disclose the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period, for each of the following periods: | | | |
| i) not later than one year; | | | |
| ii) later than one year and not later than five years; and | | | |
| iii) later than five years. | | | |
| b) unearned finance income. | | | |
| c) the unguaranteed residual values accruing to the benefit of the lessor. | | | |
| d) the accumulated allowance for uncollectible minimum lease payments receivable | | | |
| e) contingent rents recognised as income in the period. | | | |
| f) a general description of the lessor's significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements | | | |
| | <i>(IFRS for SMEs 20.23)</i> | | |
| A lessor shall disclose the following for operating leases: | | | |
| a) the future minimum lease payments under non-cancellable operating leases for each of the following periods: | | | |
| i) not later than one year; | | | |
| ii) later than one year and not later than five years; and | | | |
| iii) later than five years. | | | |
| b) total contingent rents recognised as income. | | | |
| c) a general description of the lessor's significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses, and restrictions imposed by lease arrangements | | | |
| | <i>(IFRS for SMEs 20.30)</i> | | |
| Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions. The required description of significant leasing arrangements includes descriptions of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions | | | |
| | <i>(IFRS for SMEs 20.35)</i> | | |

| Provisions and contingencies | | | |
|---|-----|----|----|
| | YES | NO | NA |
| For each class of provision, an entity shall disclose all of the following: | | | |
| a) a reconciliation showing | | | |
| i) the carrying amount at the beginning and end of the period; | | | |
| ii) additions during the period, including adjustments that result from changes in measuring the discounted amount; | | | |
| iii) amounts charged against the provision during the period; and | | | |
| iv) unused amounts reversed during the period. | | | |
| b) a brief description of the nature of the obligation and the expected amount and timing of any resulting payments | | | |
| c) an indication of the uncertainties about the amount or timing of those outflows | | | |
| (d) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement | | | |
| Unless the possibility of any outflow of resources in settlement is remote, an entity shall disclose, for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability and, when practicable: | | | |
| a) an estimate of its financial effect, | | | |
| b) an indication of the uncertainties relating to the amount or timing of any outflow; and | | | |
| c) the possibility of any reimbursement. | | | |
| If it is impracticable to make one or more of these disclosures, that fact shall be stated. | | | |
| If an inflow of economic benefits is probable (more likely than not) but not virtually certain, an entity shall disclose a description of the nature of the contingent assets at the end of the reporting period, and, when practicable without undue cost or effort, an estimate of their financial effect. If it is impracticable to make this disclosure, that fact shall be stated. | | | |
| (IFRS for SMEs 21.14 - 21.16) | | | |

| Revenue | | | |
|--|-------------------------------|----|----|
| | YES | NO | NA |
| An entity shall disclose: | | | |
| a) 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. | | | |
| b) the amount of each category of revenue recognised during the period, showing separately, at a minimum, revenue arising from: | | | |
| i) the sale of goods. | | | |
| ii) the rendering of services. | | | |
| iii) interest. | | | |
| iv) royalties. | | | |
| v) dividends. | | | |
| vi) commissions. | | | |
| vii) government grants. | | | |
| viii) any other significant types of revenue | | | |
| An entity shall disclose the following: | | | |
| a) the amount of contract revenue recognised as revenue in the period. | | | |
| b) the methods used to determine the contract revenue recognised in the period | | | |
| c) the methods used to determine the stage of completion of contracts in progress. | | | |
| An entity shall present: | | | |
| a) the gross amount due from customers for contract work, as an asset. | | | |
| b) the gross amount due to customers for contract work, as a liability. | | | |
| | (IFRS for SMEs 23.30 - 23.32) | | |
| Government grants | | | |
| An entity shall disclose the following about government grants: | | | |
| a) the nature and amounts of government grants recognised in the financial statements. | | | |
| b) unfulfilled conditions and other contingencies attaching to government grants that have not been recognised in income. | | | |
| c) an indication of other forms of government assistance from which the entity has directly benefited. | | | |
| | (IFRS for SMEs 24.6) | | |

| Share-based payments | | | |
|---|-----|----|----|
| | YES | NO | NA |
| An entity shall disclose the following information about the nature and extent of share-based payment arrangements that existed during the period: | | | |
| a) a description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (e.g. whether in cash or equity). An entity with substantially similar types of share-based payment arrangements may aggregate this information. | | | |
| b) the number and weighted average exercise prices of share options for each of the following groups of options: | | | |
| i) outstanding at the beginning of the period. | | | |
| ii) granted during the period. | | | |
| iii) forfeited during the period. | | | |
| iv) exercised during the period. | | | |
| v) expired during the period. | | | |
| vi) outstanding at the end of the period. | | | |
| vii) exercisable at the end of the period. | | | |
| For equity-settled share-based payment arrangements, an entity shall disclose information about how it measured the fair value of goods or services received or the value of the equity instruments granted. If a valuation methodology was used, the entity shall disclose the method and its reason for choosing it. | | | |
| For cash-settled share-based payment arrangements, an entity shall disclose information about how the liability was measured. | | | |
| For share-based payment arrangements that were modified during the period, an entity shall disclose an explanation of those modifications. | | | |
| If the entity is part of a group share-based payment plan, and it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group, it shall disclose that fact and the basis for the allocation | | | |
| An entity shall disclose the following information about the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position: | | | |
| a) the total expense recognised in profit or loss for the period. | | | |
| b) the total carrying amount at the end of the period for liabilities arising from share-based payment transactions | | | |
| (IFRS for SMEs 26.18 - 26.23) | | | |
| Impairment of assets | | | |
| An entity shall disclose the following for each class of assets: | | | |
| a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which those impairment losses are included. | | | |
| b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which those impairment losses are reversed. | | | |
| An entity shall disclose the information required by the above paragraph for each of the following classes of asset: | | | |
| a) inventories. | | | |
| b) property, plant and equipment (including investment property accounted for by the cost method). | | | |
| c) goodwill. | | | |
| d) intangible assets other than goodwill. | | | |
| e) investments in associates. | | | |
| f) investments in joint ventures. | | | |
| (IFRS for SMEs 27.32 - 27.33) | | | |

| Employee benefits | | | |
|--|-----|----|----|
| | YES | NO | NA |
| An entity shall disclose the amount recognised in profit or loss as an expense for defined contribution plans. If an entity treats a defined benefit multi-employer plan as a defined contribution plan because sufficient information is not available to use defined benefit accounting it shall disclose the fact that it is a defined benefit plan and the reason why it is being accounted for as a defined contribution plan, along with any available information about the plan's surplus or deficit and the implications, if any, for the entity. | | | |
| An entity shall disclose the following information about defined benefit plans (except for any defined multi-employer benefit plans that are accounted for as a defined contribution plans). If an entity has more than one defined benefit plan, these disclosures may be made in total, separately for each plan, or in such groupings as are considered to be the most useful: | | | |
| a) a general description of the type of plan, including funding policy. | | | |
| b) the entity's accounting policy for recognising actuarial gains and losses (either in profit or loss or as an item of other comprehensive income) and the amount of actuarial gains and losses recognised during the period. | | | |
| c) a narrative explanation if the entity uses any of the simplifications in paragraph 28.19 in measuring its defined benefit obligation. | | | |
| d) the date of the most recent comprehensive actuarial valuation and, if it was not as of the reporting date, a description of the adjustments that were made to measure the defined benefit obligation at the reporting date. | | | |
| e) a reconciliation of opening and closing balances of the defined benefit obligation showing separately benefits paid and all other changes. | | | |
| f) a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset, showing separately, if applicable: | | | |
| i) contributions; | | | |
| ii) benefits paid; and | | | |
| iii) other changes in plan assets. | | | |
| g) the total cost relating to defined benefit plans for the period, disclosing separately the amounts | | | |
| i) recognised in profit or loss as an expense, and | | | |
| ii) included in the cost of an asset. | | | |
| h) for each major class of plan assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major class constitutes of the fair value of the total plan assets at the reporting date. | | | |
| i) the amounts included in the fair value of plan assets for: | | | |
| i) each class of the entity's own financial instruments; and | | | |
| ii) any property occupied by, or other assets used by, the entity. | | | |
| j) the actual return on plan assets. | | | |
| k) the principal actuarial assumptions used, including, when applicable: | | | |
| 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 salary increases; | | | |
| iv) medical cost trend rates; and | | | |
| v) any other material actuarial assumptions used | | | |
| A subsidiary that recognises and measures employee benefit expense on the basis of a reasonable allocation of the expense recognised for the group shall, in its separate financial statements, describe its policy for making the allocation and shall make the disclosures in (a)–(k) above for the plan as a whole. | | | |
| For each category of other long-term benefits that an entity provides to its employees, the entity shall disclose the nature of the benefit, the amount of its obligation and the extent of funding at the reporting date. | | | |
| For each category of termination benefits that an entity provides to its employees, the entity shall disclose the nature of the benefit, its accounting policy, and the amount of its obligation and the extent of funding at the reporting date. | | | |
| When there is uncertainty about the number of employees who will accept an offer of termination benefits, a contingent liability exists. Section 21 Provisions and Contingencies requires an entity to disclose information about its contingent liabilities unless the possibility of an outflow in settlement is remote. | | | |
| (IFRS for SMEs 28.40 - 28.44) | | | |

| Income tax | | | |
|--|-------------------------------|----|----|
| | YES | NO | NA |
| When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, it shall not classify any deferred tax assets (liabilities) as current assets (liabilities). | | | |
| An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities, only when it has a legally enforceable right to set off the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. | | | |
| An entity shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of the current and deferred tax consequences of recognised transactions and other events. | | | |
| An entity shall disclose separately the major components of tax expense (income). Such components of tax expense (income) may include: | | | |
| a) current tax expense (income). | | | |
| b) any adjustments recognised in the period for current tax of prior periods. | | | |
| c) the amount of deferred tax expense (income) relating to the origination and reversal of temporary differences. | | | |
| d) the amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes. | | | |
| e) the effect on deferred tax expense arising from a change in the effect of the possible outcomes of a review by the tax authorities | | | |
| f) adjustments to deferred tax expense arising from a change in the tax status of the entity or its shareholders. | | | |
| g) any change in the valuation allowance (see paragraphs 29.21 and 29.22). | | | |
| h) the amount of tax expense relating to changes in accounting policies and errors | | | |
| An entity shall disclose the following separately: | | | |
| a) the aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income. | | | |
| b) an explanation of the significant differences in amounts presented in the statement of comprehensive income and amounts reported to tax authorities. | | | |
| c) an explanation of changes in the applicable tax rate(s) compared with the previous reporting period. | | | |
| d) for each type of temporary difference and for each type of unused tax losses and tax credits: | | | |
| i) the amount of deferred tax liabilities, deferred tax assets and valuation allowances at the end of the reporting period, and | | | |
| ii) an analysis of the change in deferred tax liabilities, deferred tax assets and valuation allowances during the period. | | | |
| e) the expiry date, if any, of temporary differences, unused tax losses and unused tax credits. | | | |
| f) in the circumstances described in paragraph 29.25, an explanation of the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. | | | |
| | (IFRS for SMEs 29.28 - 29.32) | | |

| Foreign currency translation | | | |
|---|-----|----|----|
| | YES | NO | NA |
| An entity shall disclose the following: | | | |
| a) the amount of exchange differences recognised in profit or loss during the period, except for those arising on financial instruments measured at fair value through profit or loss | | | |
| b) the amount of exchange differences arising during the period and classified in a separate component of equity at the end of the period. | | | |
| An entity shall disclose the currency in which the financial statements are presented. When the presentation currency is different from the functional currency, an entity shall state that fact and shall disclose the functional currency and the reason for using a different presentation currency. | | | |
| When there is a change in the functional currency of either the reporting entity or a significant foreign operation, the entity shall disclose that fact and the reason for the change in functional currency. | | | |
| (IFRS for SMEs 30.25 - 30.27) | | | |
| Hyperinflation | | | |
| An entity to which this section applies shall disclose the following: | | | |
| a) the fact that financial statements and other prior period data have been restated for changes in the general purchasing power of the functional currency. | | | |
| b) the identity and level of the price index at the reporting date and changes during the current reporting period and the previous reporting period. | | | |
| c) amount of gain or loss on monetary items. | | | |
| (IFRS for SMEs 31.15) | | | |
| Events after the end of the reporting period | | | |
| An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact. | | | |
| An entity shall disclose the following for each category of non-adjusting event after the end of the reporting period: | | | |
| a) the nature of the event, and | | | |
| b) an estimate of its financial effect, or a statement that such an estimate cannot be made. | | | |
| (IFRS for SMEs 32.09 - 32.10) | | | |

| Related party disclosures | | | |
|---|-----|----|----|
| | YES | NO | NA |
| Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been related party transactions. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so (if any) shall also be disclosed. | | | |
| <i>(IFRS for SMEs 33.05)</i> | | | |
| An entity shall disclose key management personnel compensation in total | | | |
| <i>(IFRS for SMEs 33.07)</i> | | | |
| If an entity has related party transactions, it shall disclose the nature of the related party relationship as well as information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements. Those disclosure requirements are in addition to the requirements in paragraph 33.7 to disclose key management personnel compensation. At a minimum, disclosures shall include: | | | |
| a) the amount of the transactions. | | | |
| b) the amount of outstanding balances and: | | | |
| i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement, and | | | |
| ii) details of any guarantees given or received. | | | |
| c) provisions for uncollectible receivables related to the amount of outstanding balances. | | | |
| d) the expense recognised during the period in respect of bad or doubtful debts due from related parties. | | | |
| Such transactions could include purchases, sales, or transfers of goods or services; leases; guarantees; and settlements by the entity on behalf of the related party or vice versa. | | | |
| An entity shall make the disclosures required by the above paragraph separately for each of the following categories: | | | |
| a) entities with control, joint control or significant influence over the entity. | | | |
| b) entities over which the entity has control, joint control or significant influence. | | | |
| c) key management personnel of the entity or its parent (in the aggregate). | | | |
| d) other related parties. | | | |
| An entity is exempt from the disclosure requirements of the above paragraph in relation to: | | | |
| a) a state (a national, regional or local government) that has control, joint control or significant influence over the reporting entity, and | | | |
| b) another entity that is a related party because the same state has control, joint control or significant influence over both the reporting entity and the other entity. | | | |
| However, the entity must still disclose a parent-subsidiary relationship | | | |
| The following are examples of transactions that shall be disclosed if they are with a related party: | | | |
| a) purchases or sales of goods (finished or unfinished). | | | |
| b) purchases or sales of property and other assets. | | | |
| c) rendering or receiving of services. | | | |
| d) leases. | | | |
| e) transfers of research and development. | | | |
| f) transfers under license agreements. | | | |
| g) transfers under finance arrangements (including loans and equity contributions in cash or in kind). | | | |
| h) provision of guarantees or collateral. | | | |
| i) settlement of liabilities on behalf of the entity or by the entity on behalf of another party. | | | |
| j) participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities. | | | |
| An entity shall not state that related party transactions were made on terms equivalent to those that prevail in arm's length transactions unless such terms can be substantiated. | | | |
| An entity may disclose items of a similar nature in the aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity. | | | |
| <i>(IFRS for SMEs 33.09 - 33.14)</i> | | | |

| Specialised activities Agriculture | | | |
|---|-----|----|----|
| | YES | NO | NA |
| An entity shall disclose the following with respect to its biological assets measured at fair value: | | | |
| a) a description of each class of its biological assets. | | | |
| b) the methods and significant assumptions applied in determining the fair value of each class of agricultural produce at the point of harvest and each class of biological assets. | | | |
| c) a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include: | | | |
| i) the gain or loss arising from changes in fair value less costs to sell. | | | |
| ii) increases resulting from purchases. | | | |
| iii) decreases resulting from harvest. | | | |
| iv) increases resulting from business combinations. | | | |
| v) net exchange differences arising on the translation of financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity. | | | |
| vi) other changes. | | | |
| <i>(IFRS for SMEs 34.07)</i> | | | |
| An entity shall disclose the following with respect to its biological assets measured using the cost model: | | | |
| a) a description of each class of its biological assets. | | | |
| b) an explanation of why fair value cannot be measured reliably. | | | |
| c) the depreciation method used. | | | |
| d) the useful lives or the depreciation rates used. | | | |
| e) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period. | | | |
| <i>(IFRS for SMEs 34.10)</i> | | | |
| Service concession arrangements | | | |
| The operator of a service concession arrangement shall recognise, measure and disclose revenue in accordance with Section 23 Revenue for the services it performs. | | | |
| <i>(IFRS for SMEs 34.16)</i> | | | |
| Transition to the IFRS for SMEs | | | |
| An entity shall explain how the transition from its previous financial reporting framework to this IFRS affected its reported financial position, financial performance and cash flows. | | | |
| To comply with the above paragraph, an entity's first financial statements prepared using this IFRS shall include: | | | |
| a) a description of the nature of each change in accounting policy. | | | |
| b) reconciliations of its equity determined in accordance with its previous financial reporting framework to its equity determined in accordance with this IFRS for both of the following dates: | | | |
| i) the date of transition to this IFRS, and | | | |
| ii) the end of the latest period presented in the entity's most recent annual financial statements determined in accordance with its previous financial reporting framework. | | | |
| c) a reconciliation of the profit or loss determined in accordance with its previous financial reporting framework for the latest period in the entity's most recent annual financial statements to its profit or loss determined in accordance with this IFRS for the same period. | | | |
| If an entity did not present financial statements for previous periods, it shall disclose that fact in its first financial statements that conform to this IFRS. | | | |
| <i>(IFRS for SMEs 35.12 - 35.15)</i> | | | |

This publication has been prepared for illustrative purposes only and does not constitute accounting or other professional advice, nor is it a substitute for reference to the source standard, interpretations and legislative requirements.

PKF International Limited accepts no responsibility for losses occasioned by any party acting or not acting as a result of this material. It is produced for use by PKF International Limited network member firms only and should not be circulated outside the network.

Notes

[illegible]

right people
right size
right solutions