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IAS 34 - Interim financial reporting

A Canadian perspective

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Abbreviations

Alt	Alternative
CICA	Canadian Institute of Chartered Accountants
CSA	Canadian Securities Administrators
EPS	Earnings per share
GAAP	Generally Accepted Accounting Principles
IAS(s)	International Accounting Standard(s)
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee of the IASB, and title of Interpretations developed by that committee
IFRS(s)	International Financial Reporting Standard(s)

Throughout this publication, paragraphs that represent the authors' interpretations and examples other than those cited in IFRSs are highlighted by green shading.

Throughout this publication paragraphs that represent the authors' Canadian specific observations other than those cited in IFRSs are highlighted by blue shading.

1 Introduction and scope

1.1 About this guide

This guide is intended as a comprehensive practical and reference source to IAS 34 – Interim Financial Reporting for financial statement preparers and users with a working knowledge of Canadian GAAP and Canadian securities requirements. As with our comprehensive IFRS text, iGAAP: IFRS for Canada, it is based on the premise that it will generally be easier for Canadians to understand IFRS from the perspective of Canadian GAAP rather than from scratch.

Our guide includes suggested model interim financial statements for a Canadian issuer in the post-IFRS changeover regime. These are based on the model interim financial statements provided in our global publication but tailored so that they look and feel, to the user, much more like the Canadian interims they have seen in the past without taking away from the mandatory IAS 34 requirements. They are not intended to be reflective of the first interim IFRS financial statements of a Canadian company, a topic of some debate. This is dealt with discussion and a review of actual interims issued in Canada in some detail in Chapter 11. The non-mandatory application of IAS 34 on initial adoption in the EU combined with communications on this topic from both the CSA and the AcSB require careful analysis and consideration of the matters discussed in Chapter 11 in addressing the ultimate question in the year of first adoption of how much IFRS disclosure is enough?

1.2 Introduction

IAS 34 *Interim Financial Reporting* prescribes the minimum content for an interim financial report, and the principles for recognition and measurement in complete and condensed financial statements for an interim period. The Standard has been effective since January 1, 1999, and was most recently amended as a consequential amendment of IAS 1(2007) *Presentation of Financial Statements*, resulting in changes in terminology, and in the titles and layout of certain financial statements to be included in interim financial reports. These amendments are effective for periods beginning on or after January 1, 2009.

IFRS 8 *Operating Segments,* which supersedes IAS 14 *Segment Reporting* and is effective for periods beginning on or after January 1, 2009, has expanded the segment information to be disclosed in interim financial reports. In this guide, it is assumed that the interim accounting period under consideration begins on or after January 1, 2009 – no reference is made to the requirements of IAS 34 applicable to earlier periods.

There is a high degree of similarity between IAS 34 and the current Canadian GAAP requirements contained in CICA 1751, *Interim Financial Statements*. Most importantly, they share a common approach to the measurement philosophy underlying interim financial statements: measurements are made on a year-to-date basis, using the same accounting policies as applied in the annual financial statements (assuming no accounting policy changes). They each take the approach that materiality for interim financial reporting purposes should be assessed in relation to the interim period rather than to the year as a whole.

Inevitably, however, there are some specific differences. For example, inventories - see **section 7.12.3.**

Some of the required disclosures in the notes are different as well – see **section 4.**

Areas of note with respect to Canadian specific matters are typically shaded blue in chapters 2 through 10 of this guide. This guide does not discuss differences in accounting matters between Canadian GAAP and IFRS with the exception of differences limited to CICA 1751 and IAS 34. The differences relating to other accounting or presentation matters would need to be considered in preparing the interim financial statements. For example, IAS 1, *Presentation of Financial Statements* requires an entity that changes the presentation or classification of items in its financial statements, to reclassify comparative amounts unless reclassification is impracticable. When the entity reclassifies comparative amounts, the entity discloses the nature of the reclassification;the amount of each item or class of items that is reclassified; and the reason for the reclassification.

In Canada, as in many other jurisdictions, the form and content of interim financial statements prepared by reporting issuers, and other matters relating to their preparation and delivery, are set out not only in GAAP but also by regulators. In Canada, these are contained in CSA National Instrument 51-102 (NI 51-102), *Continuous Disclosure Obligations.* NI 51-102 in its current form would require that Canadian companies, after the transition to IFRS, provide somewhat more information in their interim financial statements than would be necessary to comply with IFRS alone (for example, it prescribes additional periods that must be presented for cash flow statements).

In September 2009, the CSA released proposed changes to National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107) and IFRS related amendments to the continuous disclosure rules in NI 51-102 as well as prospectus rules and certification rules. The proposed changes would allow a 30 day extension for the first interim financial statements prepared under IFRS, they have proposed to amend NI 51-102 to conform with the IAS 34 requirement to only require the year-to-date period statement of cash flows, they have proposed to require an entity to include a statement of compliance with IAS 34 within the interim financial statements and are proposing that reporting issuers include an opening balance sheet on the transition date within the first interim financial statements in the year of adoption. Management of reporting issuers should remain alert for any developments in this area.

1.3 Scope of IAS 34

IAS 34 applies to interim financial reports that are described as complying with International Financial Reporting Standards. [IAS 34.3]

Interim financial reports are financial reports containing either a complete set of financial statements (as described in IAS 1) or a set of condensed financial statements (as described later in this guide) for an interim period. An interim period is a financial reporting period shorter than a full financial year. [IAS 34.4]

IAS 34 does not include any requirements relating to management commentary in interim reports. The IASB has on its active agenda a project on management commentary, and in June 2009 issued an Exposure Draft *Management Commentary*; however, this contains no specific proposals in relation to management commentary in interim reports.

1.4 No IFRS requirement to prepare interim financial reports

IAS 34 does not contain any rules as to which entities should publish interim financial reports, how frequently, or how soon after the end of an interim period. The Standard notes that governments, securities regulators, stock exchanges, and accountancy bodies often require entities with publicly-traded debt or equity to publish interim financial reports, and that those regulations will generally specify the frequency and timing of such reports.

Similarly, CICA 1751 does not mandate which enterprises are required to prepare interim financial statements, nor how frequently or how soon after the end of an interim period they should be prepared. These matters are prescribed for reporting issuers by NI 51-102. Although a detailed review of NI 51-102 is beyond the scope of this discussion, it generally requires that Canadian reporting issuers prepare interim financial statements on a quarterly basis. These are required to be filed 45 days after the end of the interim and 60 days after the end of the interim period by venture issuers (generally, issuers whose securities are not listed on the Toronto Stock Exchange nor on any U.S. or foreign marketplace, with certain limited exceptions).

Another important Canadian disclosure based in regulatory rather than GAAP requirements relates to the auditor review of the interim financial statements. There is no positive disclosure obligation to report that interim financial statements have been reviewed by an external auditor (and, if such a review has taken place, there is no obligation to provide a report). However, for reporting issuers NI 51-102 requires that if the interim financial statements have *not* been reviewed by an auditor, that fact should be indicated in a notice accompanying the statements.

1.5 No IFRS requirement for interim financial reports to comply with IAS 34

Each financial report, annual or interim, is evaluated on a stand-alone basis for compliance with IFRSs. It is important to note that entities that prepare annual financial statements in accordance with IFRSs are not precluded from preparing interim financial reports that do not comply with IFRSs, provided that the interim report does not state that it is IFRS-compliant. The fact that an entity has not published interim financial reports during a financial year, or that it has published interim financial reports that do not comply with IAS 34, does not prevent the entity's annual financial statements from conforming to IFRSs, if they are otherwise IFRS-compliant. [IAS 34.1 & 2]

The CSA in Staff Notice 52-324 and in the proposed changes to NI 52-107 propose to require an issuer to disclose compliance with International Accounting Standard 34 Interim Financial Reporting in its interim financial statements. The first time a domestic issuer would have to comply with this requirement would be in its first interim financial statements in its financial year beginning in the year of adoption.

Regulators in other jurisdictions have not always required that first time adopters comply with IAS 34 in interim financial reports filed during the year of transition to IFRS. In other words, the first IFRS financial statements have often been annual rather than interim filings (at the time of writing, the SEC is proposing this approach for US companies, as part of its adoption "roadmap"). Reporting IFRS for the first time in interim rather than annual financial statements does raise some practical difficulties. Canadian preparers should monitor CSA activities for any commentary on their expectations for interim reporting during the transition year.

1.6 Preliminary announcements

IAS 34 does not address the content of preliminary interim earnings announcements (i.e., those earnings announcements issued shortly after the end of an interim period that disclose abbreviated preliminary financial information for the interim period just ended). IAS 34.3 does state, however, that if an interim financial report is described as complying with IFRSs, it must comply with all of the requirements of IAS 34. Therefore, if any reference to IFRSs is made in a preliminary interim earnings announcement, the following sentences (or something substantively similar) should be included in that earnings release.

'While the financial figures included in this preliminary interim earnings announcement have been computed in accordance with International Financial Reporting Standards (IFRSs) applicable to interim periods, this announcement does not contain sufficient information to constitute an interim financial report as that term is defined in IFRSs. The directors expect to publish an interim financial report that complies with IAS 34 in March 20X2.'

2 Content of an interim financial report

2.1 General principles underlying the preparation of financial statements

If an entity presents a complete set of financial statements for interim reporting purposes (as described in IAS 1 *Presentation of Financial Statements* – see chapter 3 of this guide), it must apply IAS 1 in full. If an entity presents a condensed set of financial statements for interim reporting purposes, IAS 1.4 contains the following guidance.

> "This Standard does not apply to the structure and content of condensed interim financial statements prepared in accordance with IAS 34 *Interim Financial Reporting*. However, paragraphs 15-35 apply to such financial statements."

Paragraphs 15 - 35 of IAS 1, which therefore apply when preparing all interim financial reports (whether condensed or complete), deal with:

- fair presentation and compliance with IFRSs;
- going concern;
- accrual basis of accounting;
- materiality and aggregation; and
- offsetting.

2.2 Minimum components

Entities reporting in accordance with IAS 34 are required to include in their interim financial reports, at a minimum, the following components:

[IAS 34.8]

- a condensed statement of financial position;
- a condensed statement of comprehensive income, presented as either:
  - a condensed single statement; or
  - a condensed separate income statement and a condensed statement of comprehensive income;
- a condensed statement of changes in equity;
- a condensed statement of cash flows; and
- selected explanatory notes.

If, in its annual financial statements, an entity presents the components of profit or loss in a separate income statement as described in IAS 1.81, it should also present interim condensed information in a separate statement. [IAS 34.8A]

At July 2009 joint IASB – FASB meeting, a move to a single statement of comprehensive income was discussed. Preparers considering a choice currently available between a single statement or separate statements of income and comprehensive income should monitor possible amendments to IAS 1.

Note that the titles of the financial statements listed above have been amended as a consequential amendment of IAS 1(2007). Entities are permitted to use titles for these statements other than those set out above. An entity would be expected to use the same titles in its interim financial report as are used in its annual financial statements.

These amendments are effective for periods beginning on or after January 1, 2009 and entities should describe their effect on the financial statements in the first interim financial report for that year.

2.3 Periods required to be presented

IAS 34.20 requires interim reports to include interim financial statements (whether condensed or complete – see chapter 3 of this guide) for the periods listed in the following table.

Statement	Current	Comparative
Statement of financial position	End of current interim period	End of immediately preceding financial year
Statement of comprehensive income (and, where applicable, separate income statement)	Current interim period and cumulatively for the year-to-date	Comparable interim period and year-to-date of immediately preceding financial year
Statement of changes in equity	Cumulatively for the current financial year-to-date	Comparable year-to-date of immediately preceding financial year
Statement of cash flows	Cumulatively for the current financial year-to-date	Comparable year-to-date of immediately preceding financial year

Canadian GAAP and Canadian regulatory requirements both require providing a comparative cash flow statement for the current interim period as well as cumulatively for the year-to-date. As noted above, the CSA have proposed to amend NI 51-102 to conform to the IAS 34 requirement to only require a year-to-date statement of cash flows. Both Canadian GAAP and IFRS do not define the length of an interim period. NI 51-102 notes an "interim period" means,

(a) in the case of a year other than a non-standard year ("non-standard year" means a financial year, other than a transition year, that does not have 365 days, or 366 days if it includes February 29) or a transition year ("transition year" means the financial year of a reporting issuer or business in which the issuer or business changes its financial year-end), a period commencing on the first day of the financial year and ending nine, six or three months before the end of the financial year;

(a.1) in the case of a non-standard year, a period commencing on the first day of the financial year and ending within 22 days of the date that is nine, six or three months before the end of the financial year; or

(b) in the case of a transition year, a period commencing on the first day of the transition year and ending

(i) three, six, nine or twelve months, if applicable, after the end of the old financial year; or

(ii) twelve, nine, six or three months, if applicable, before the end of the transition year.

Canadian GAAP and Canadian regulatory requirements require providing a statement of retained earnings rather than a statement of changes in equity; however, with the proposed changes to NI 51-102, regulatory requirements in this respect are proposed to be amended to conform with IAS 34.

IAS 1 *Presentation of Financial Statements (September 2007)* paragraph 39 requires presenting three statements of financial position when an entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements. However, in accordance with IAS 1(2007).4, this requirement does not apply to interim financial reports. This is further confirmed by IAS 1.BC33. Consequently, an entity is only required to include the comparatives required by IAS 34 as listed above.

However, first-time adopters of IFRS in Canada will need to include three statements of financial position including one at the beginning of the comparative year (see **section 11.4** below).

2.3.1 Entities that report quarterly

Based on the requirements of IAS 34.20, example 2.3.1 illustrates the statements required to be presented in the second quarter interim financial report of an entity that reports quarterly, with a December 31, 20X9 year end.

Example 2.3.1

Statements required for entities that report quarterly

Statement	Current	Comparative
Statement of financial position at	June 30 20X9	December 31 20X8
Statement of comprehensive income (and, where applicable, separate income statement)		
– 6 months ended	June 30 20X9	June 30 20X8
– 3 months ended	June 30 20X9	June 30 20X8
Statement of changes in equity		
– 6 months ended	June 30 20X9	June 30 20X8
Statement of cash flows		
– 6 months ended	June 30 20X9	June 30 20X8

As noted above under **Section 2.3.1**, the requirements of IFRS in this regard currently do not go as far as those of NI 51-102; however, the CSA have proposed to amend NI 51-102 to conform to the IAS 34 requirement to only require a year-to-date statement of cash flows.

2.3.2 Entities with seasonal businesses

The requirements of IAS 34.20, as discussed above, specify the minimum periods for which interim financial statements are to be presented. However, entities may wish to provide additional information. For example, an entity whose business is highly seasonal is encouraged to disclose financial information relating to the twelve months up to the end of the interim period, and comparative information for the equivalent twelve-month period in the prior year. [IAS 34.21]

CICA 1751 notes that an entity should include a description of any seasonality or cyclicality of interim period operations.

2.3.3 Change of financial year end

NI 51-102 contains detailed reporting requirements for reporting issuers that change their year-ends. In general it requires that comparative information for interim periods during a transition year be presented either for the same periods in the preceding year, or for periods “as close as possible to” those periods. These requirements might in some circumstances narrow the choice that would otherwise have been available under IAS 34.

2.3.4 Comparative financial statements when interim financial reports are produced for the first time

When an entity is preparing its first interim financial report under IAS 34, unless the report relates to the first period of operation, it should generally include comparatives as discussed in the previous sections. In the exceptional circumstances where the entity does not have available in its accounting records the financial information needed to prepare the comparative interim financial statements, the entity has no choice but to omit prior period comparative financial statements.

In the circumstances described, however, the omission of the comparative financial statements represents a non-compliance with IAS 34. Therefore, the interim financial report cannot be described as complying with IAS 34 without an ‘except for’ statement regarding the omission of prior period comparative figures. Both the fact of, and the reason for, the omission should be disclosed.

2.4 Consolidated financial statements

Where the entity has disposed of all of its subsidiaries during the interim period, such that it has no subsidiaries at the end of the interim reporting period, it should prepare its interim financial report on a consolidated basis because it had subsidiaries at some point during the interim period. The statement of comprehensive income, statement of changes in equity and statement of cash flows will include the impact of the subsidiaries up to the date(s) of disposal and the effects of the disposal.

2.5 Materiality

Materiality is defined in IAS 1.7 as follows.

> “Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement, judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

IAS 34.23 requires that, in deciding how to recognize, measure, classify, or disclose an item for interim financial reporting purposes, materiality should be assessed in relation to the interim period financial data. In making assessments of materiality, it should be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data.

While materiality judgements are always subjective, the overriding concern is to ensure that an interim financial report includes all of the information that is relevant to understanding the financial position and performance of the entity during the interim period. Therefore, it is generally inappropriate to base quantitative estimates of materiality on projected annual figures.

3 Condensed or complete interim financial statements

Where the minimum required information for interim financial statements prescribed by IAS 34.8 (as listed in section 2.2 above) is presented, the resultant financial statements are described as ‘condensed’. However, entities also have the option of including a complete set of financial statements in their interim financial reports. Where an entity takes this alternative, the form and content of the financial statements must conform to the requirements of IAS 1 *Presentation of Financial Statements* for a complete set of financial statements, in addition to complying with the requirements of IAS 34. [IAS 34.7 & 9] Therefore, the measurement and disclosure requirements of all relevant Standards apply, including IFRS 1. These include all measurement and disclosure requirements of IAS 34 and, in particular, the selected explanatory note disclosures listed in IAS 34.16 (see chapter 4 of this guide).

The requirements of IAS 1 (other than the general principles referred to in section 2.1 above) are not generally applicable to condensed interim financial statements.

3.1 Items to appear on the face of condensed financial statements

IAS 34 requires disclosing, for each component (statement of financial position, statement of comprehensive income, statement of changes in equity, and statement of cash flows), each of the headings and subtotals that were included in the entity’s most recent annual financial statements. Additional line items are required if their omission would make the condensed interim financial statements misleading. [IAS 34.10]

In prescribing the minimum content, IAS 34 uses the phrase “each of the headings and subtotals”, thereby seeming to imply that not all of the line items that were presented in the most recent annual financial statements are necessarily required. Such an interpretation would do a disservice, however, to a user of the financial statements who is trying to assess trends in the interim period in relation to financial years. Therefore, the phrase is interpreted, in nearly all cases, to mean the line items that were included in the entity’s most recent annual financial statements. The line items in most published financial statements are already highly aggregated and it would be difficult to think of a line item in the annual statement of comprehensive income, in particular, that would not also be appropriate in an interim statement of comprehensive income.

For the statement of financial position, a too literal interpretation of “each of the headings and subtotals” might lead to an interim statement of financial position that presented lines only for total current assets, total non-current assets, total current liabilities, total non-current liabilities and total equity, which would generally be insufficient for trend analysis.

For the statement of changes in equity, all material movements in equity occurring in the interim period should be disclosed separately.

In the case of the statement of cash flows, some aggregation of the lines from the annual statement may be appropriate, but subtotals for ‘operating’, ‘investing’ and ‘financing’ only are unlikely to be sufficient.

If a particular category of asset, liability, equity, income, expense or cash flows was so material as to require separate disclosure in the financial statements in the most recent annual financial statements, such separate disclosure will generally be appropriate in the interim financial report. Further aggregation would only be anticipated where the line items in the annual statements are unusually detailed.

Under IAS 34.10, additional line items should be included if their omission would make the condensed interim financial statements misleading. Therefore, a new category of asset, liability, income, expense, equity or cash flow arising for the first time in the interim period may require presentation as an additional line item in the condensed financial statements.

A category of asset, liability, income, expense, equity or cash flow may be significant in the context of the interim financial statements even though it is not significant enough to warrant separate presentation in the annual financial statements. In such cases, separate presentation in the condensed interim financial statements may be required.

3.2 Use of the term ‘condensed’

The requirements discussed in the previous section will result in the presentation of at least some statements that include all of the line items, headings and subtotals that were presented in the most recent annual financial statements. The question then arises as to whether to describe such statements, in practice, as ‘condensed’.

Given that the notes supplementing the interim financial statements are limited, the presentation package taken together is condensed from what would be reported in a complete set of financial statements under IAS 1 Presentation of Financial Statements and other Standards. In such circumstances, the information presented in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows is condensed – even if the appearance of the statements has not changed. These interim statements should therefore be described as ‘condensed’, because otherwise a user might infer that they constitute a complete set of financial statements under IAS 1, which they do not. A complete set of financial statements must include a full note presentation consistent with the annual presentation.

The term “condensed” does not appear in CICA 1751 or in NI 51-102 with regard to interim financial statements, and interim financial statements issued by Canadian reporting issuers have not been referred to as ‘condensed’. The CSA has put forth changes to NI 52-107 that do not specifically refer to condensed but rather refer to compliance with IAS 34.

4 Selected explanatory notes

IAS 34 specifies that an interim financial report should contain selected explanatory notes.

4.1 Required disclosures

The disclosure requirements of IAS 34 are based on the assumption that anyone reading the interim financial report will have access to the most recent annual financial statements. Therefore, not all of the supplementary notes in the annual financial statements are required for interim reporting purposes, because this would result in repetition, or the reporting of relatively insignificant changes. The explanatory notes included with the interim financial information are intended to provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. [IAS 34.15]

The list below sets out the minimum explanatory notes required by IAS 34. The information is generally presented on a financial year-to-date basis. However, the entity is also required to disclose any events or transactions that are material to an understanding of the current interim period. [IAS 34.16]

The following information should be disclosed in the notes to the interim financial statements, if material to an understanding of the interim period and not disclosed elsewhere in the interim report: [IAS 34.16]

a) a statement that the same accounting policies and methods of computation are followed in the interim financial statements as were followed in the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change (see chapter 5 of this guide);

b) explanatory comments about the seasonality or cyclicality of interim operations;

c) the nature and amount of items affecting assets, liabilities, equity, net income or cash flows, that are unusual because of their size, nature or incidence;

d) the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year, or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period;

e) issuances, repurchases and repayments of debt and equity securities;

f) dividends paid (aggregate or per share), separately for ordinary shares and other shares;

g) the following segment information (see 4.3 below):

    i) revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker;

    ii) intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker;

    iii) a measure of segment profit or loss;

    iv) total assets for which there has been a material change from the amount disclosed in the last annual financial statements;

    v) a description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss; and

vi) a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items should be separately identified and described in that reconciliation;

h) material events subsequent to the end of the interim period that have not been reflected in the interim financial statements;

i) the effect of changes in the composition of the entity during the interim period, including business combinations (see 4.5 below), obtaining or losing control of subsidiaries and long-term investments, restructurings and discontinued operations; and

j) changes in contingent liabilities or contingent assets since the end of the last reporting period.

The Standard requires the entity to provide explanatory comments about the seasonality or cyclicality of interim operations under IAS 34.16(b). Discussion of changes in the business environment (such as changes in demand, market shares, prices and costs) and discussion of prospects for the full current financial year of which the interim period is a part will normally be presented as part of a management discussion and analysis or financial review, outside of the notes to the interim financial statements.

IAS 34.17 provides the following examples of the kinds of disclosures that are required:

- the write-down of inventories to net realisable value and the reversal of any such write-down;
- recognition of a loss arising from the impairment of property, plant, and equipment, intangible assets, or other assets, and the reversal of any such impairment loss;
- the reversal of any provisions for the costs of restructuring;
- acquisitions and disposals of items of property, plant, and equipment;
- commitments for the purchase of property, plant, and equipment;
- litigation settlements;
- corrections of prior period errors;
- any loan default or any breach of a loan agreement that has not been remedied on or before the end of the reporting period; and
- related party transactions.

As would be expected, the disclosure requirements in IAS 34 are similar but not identical to those in CICA 1751. Some of the items listed above do not appear in CICA 1751. On the other hand, CICA 1751 specifically requires disclosing certain items not mentioned in IAS 34, relating for example to changes in guarantees, stock-based compensation and employee benefit cost. Preparers should examine carefully how these specific differences apply in their circumstances. The broad point is that sufficient information should be disclosed to allow an understanding of changes in financial position and performance since the last annual reporting date.

IAS 34 generally requires reporting the information in the notes to interim financial statements on a financial year-to-date basis, although with disclosure of any events or transactions material to an understanding of the current interim period. A key difference from CICA 1751 is that it requires segment information, in particular, both for the current interim period and cumulatively for the year to date.

4.2 Detail required in explanatory notes

IAS 34 does not specify the level of detail for the disclosures required by IAS 34.16 and IAS 34.17. The guiding principle is that the interim disclosures should be those that are useful in understanding the changes in financial position and performance of the entity since the end of the last annual reporting period. IAS 34.18 points out that the detailed disclosures required by other IFRSs are not required in an interim financial report that includes condensed financial statements and selected explanatory notes. Therefore, in general, the level of detail in interim note disclosures will be less than the level of detail in annual note disclosures. The following examples illustrate this point.

IAS 2.37 suggests that amounts of inventories at the end of a period and changes in inventories during the period are normally classified between merchandise, production supplies, materials, work in progress and finished goods. That level of detail would not normally be required in condensed interim financial statements unless it is significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Therefore, the disclosure of a write-down of inventories to net realizable value and the reversal of such a write-down, as required by IAS 34.17(a), will generally be made at the entity-wide level in condensed interim financial statements, rather than analysed between different classes of inventories.

IAS 36.126 requires disclosure of impairment losses and reversals for each class of assets. The disclosure of impairment losses and reversals required by IAS 34.17(b) will generally be made at the entity-wide level in condensed interim financial statements, rather than by class of assets, except where a particular impairment or reversal is deemed significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period.

IAS 24.16 requires disclosure of key management personnel compensation by category. Such detailed disclosures of the remuneration of key management personnel are not generally required in interim financial reports unless there has been a significant change since the end of the last annual reporting period and disclosure of that change is necessary for an understanding of the interim period. For example, a bonus granted or share options awarded to members of key management personnel during the interim period are likely to be significant to an understanding of the interim period and, therefore, should be disclosed.

At its February 2009 meeting, the International Accounting Standards Board (IASB) considered the disclosure requirements of IAS 34. This review was prompted by requests from various sources for the Board to mandate more specific disclosure requirements for interim financial reports (most recently, such requests had been received in relation to disclosures regarding financial instruments). In the agenda papers for the Board's meeting, IASB staff summarised the current requirements as requiring disclosure in interim financial reports of information that is:

- material to the overall interim financial statements; or
- unusual or irregular; or
- a change from the previous reporting period (of the current or previous financial year) that has a significant effect on the current reporting period; or
- relevant to an understanding of estimates used in the interim financial statements.

The Board was not keen to mandate more specific information to be disclosed in interim financial statements (either by incorporating disclosure requirements of other Standards into IAS 34 or by specifying within other Standards which disclosure requirements are mandatory for interim financial reports). It is more likely that additional guidance will be developed for inclusion in IAS 34 regarding how to comply with the Standard's existing disclosure requirements (e.g., by providing more examples to illustrate information that should be disclosed in interim financial statements). At the date of writing, IASB staff were working on proposals in this regard.

4.3 Segment information – application of IFRS 8

Disclosure of segment information is required in an entity's interim financial report only if IFRS 8 *Operating Segments* requires that entity to disclose segment information in its annual financial statements.

IFRS 8 superseded IAS 14 *Segment Reporting* for periods beginning on or after January 1, 2009. The consequential amendments to IAS 34 (i.e., the expanded disclosure requirements under IAS 34.16(g) listed in section 4.1) are effective for annual periods beginning on or after January 1, 2009. Therefore, for calendar-year entities, the expanded requirements apply for interim periods beginning on or after January 1, 2009.

The disclosure requirements set out in IAS 34.16(g) (see section 4.1) are based on the premise that the full segment disclosures in the most recent annual report are available and that insignificant updates to that information are not generally required in interim periods. This premise will not be appropriate in the first year of adoption of IFRS 8, unless the segments under IFRS 8 are not materially different to those previously presented under IAS 14. Therefore, in the first interim financial report affected by IFRS 8, it would seem appropriate to disclose:

- a measure of total assets for each reportable segment (rather than simply explaining material changes as is required on an ongoing basis); and
- a comprehensive description of the basis of segmentation of information and the basis of measurement of segment profit or loss (rather than simply explaining any changes in those bases as is required on an ongoing basis).

If the segments identified in accordance with IFRS 8 do not differ materially from those previously disclosed under IAS 14, a statement to that effect should be included in the first interim report affected by IFRS 8, in order to comply with the disclosure requirements for changes in accounting policies in accordance with IAS 34.16(a). Any segment information presented should be sufficient to ensure that the interim financial report includes all information that is relevant to understanding an entity's financial position and performance during that interim period.

In that first interim financial report, in line with the general transitional provisions for IFRS 8, segment information reported in comparative interim financial reports should be restated, unless the necessary information is not available and the cost to develop it would be excessive. [IFRS 8.36]

4.4 Reassessment of segment aggregation criteria in interim periods

Whether an entity is required to reassess the aggregation criteria in IFRS 8.12 in each interim period when determining reportable segments depends on the circumstances.

In the absence of a change in the structure of an entity's internal organization during an interim period that causes the composition of its reportable segments to change, the entity generally does not need to reassess the aggregation criteria in each interim period. However, if a change in facts and circumstances suggests aggregating operating segments in the current or a future period is no longer appropriate, management reassesses the aggregation criteria in the period in which the change occurred. If an entity identifies different reportable segments as a result of this reassessment, it provides the disclosures required by IFRS 8.29–30.

For example, assume an entity has appropriately aggregated two segments in prior periods; however, in the current interim period, the segments no longer exhibit similar economic characteristics because of a change in gross profit margin and sales trends. Management does not believe the trends will converge in future periods. In this case, the entity reassesses the aggregation criteria in the current interim period to determine its appropriate reportable segments.

Entities that are issuing securities through an offering document should consider restating their annual financial statements to comply with the changes of segments recorded within their interim financial statements for consistent presentation.

4.5 Business combinations

Where business combinations have occurred during the interim period, IAS 34.16(i) requires the entity to disclose all of the details prescribed for annual financial statements by IFRS 3 *Business Combinations*.

IFRS 3 was revised in 2008 and, consequently, revised disclosure requirements apply to interim financial reports. These revised requirements should be applied for annual periods beginning on or after July 1 2009. If an entity applies IFRS 3(2008) for an earlier period, the revised disclosure requirements for interim financial reports should also be applied for that earlier period.

For users' convenience, the disclosure requirements of both the previous and the revised versions of IFRS 3 are set out in the IAS 34 compliance checklist included in this guide. The model interim report included in this guide illustrates the disclosures required by IFRS 3(2008).

Where business combinations have occurred during the interim period, IAS 34.16(i) requires an entity to provide disclosures in accordance with IFRS 3 Business Combinations (i.e., it requires the same disclosures as those required in annual financial statements).

There is an incentive to finalize the purchase price allocation quickly, because IFRS 3(2008).49 requires that if adjustments are made to provisional amounts then comparatives for prior periods (e.g., Depreciation) must be revised. Entities that are issuing securities through an offering document and whose annual financial statements will be revised as result of IFRS 3(2008).49 should consider retroactively restating their annual financial statements that will be included in or incorporated by reference into the offering document for this retrospective change.

IFRS 3(2008).B66 also requires detailed disclosures for business combinations that occurred after the end of the reporting period but before the financial statements are authorized for issue, unless the initial accounting for that business combination is incomplete at the time the financial statements are authorized for issue. There is a broadly similar requirement in IFRS 3(2004).76. In that situation, the acquirer describes which disclosures could not be made and the reasons why they could not be made.

Where a business combination occurs after the end of the interim reporting period but before the interim financial statements are authorized for issue, the entity makes disclosures of the business combination in accordance with IFRS 3(2008).B66. IAS 34 requires disclosing information that is significant to an understanding of the changes in an entity's financial position and performance since the end of the last annual reporting period. Consistent with the principle in IAS 34 that an interim period is a discrete period to which the same policies and procedures are applied as at the end of the financial year, the full IFRS 3 disclosure requirements for business combinations should be applied to interim periods in the same way as to annual financial statements.

IAS 34.16(h) requires disclosing material events subsequent to the end of the interim period and IFRS 3 provides the specific disclosures required in that regard. Consequently, the disclosures required by IFRS 3 should be given for material business combinations after the end of the interim period, unless the initial accounting for the business combination is incomplete by the time the interim report is authorized for issue. In that case, consistent with IFRS 3(2008).B66, the interim report should describe which disclosures could not be made and why. In Canada, this is likely to be more prevalent in interim reports due to the requirement for quarterly, as opposed to half-yearly, reporting and due to the shorter reporting deadlines for interim reports compared to annual financial statements.

4.6 Comparative information required for explanatory note disclosures

IAS 34 does not explicitly require that comparative information be provided for explanatory note disclosures in condensed interim financial statements. However, the notes support the financial statements for which comparative information is required. Therefore, although IAS 34.16 contains no express reference to the requirement for comparative information, we consider that IAS 1(2007).38 is recommended, providing comparative information for all numerical information, and for narrative and descriptive information to the extent that it is relevant to an understanding of the current interim period's financial statements.

For the purposes of interim financial statements, the 'previous period' referred to in IAS 1.38 should be taken to mean the equivalent interim period. Therefore, for example, where disclosures are made under IAS 34.16 in respect of business combinations or share issues on a financial year-to-date basis, then comparative information for the equivalent year to date should be reported.

When an entity presents a complete set of financial statements for interim reporting purposes, then all of the requirements of IAS 1 apply and, therefore, comparative information is required for the explanatory note disclosures under IAS 34.16.

4.7 Inclusion of interim period disclosures in next annual financial statements

If an item of information is deemed significant and, therefore, is disclosed in an entity's interim financial report, that item of information will not necessarily be disclosed in the entity's next annual financial report that includes the interim period in which the disclosure was made. Under IAS 34, interim period disclosures are determined based on materiality levels assessed by reference to the interim period financial data (see section 2.5). The Standard recognises that the notes to interim financial statements are intended to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. A disclosure that is useful for that purpose may not be useful in the annual financial statements.

To illustrate, IAS 34.16(c) requires disclosure of the nature and amount of any item that affects assets, liabilities, equity, net income or cash flows if it is unusual because of its nature, size or incidence. Such an item may be unusual in size in the context of a single quarter or half-year period, for example, but not so with respect to the full financial year.

As discussed at section 4.10, IAS 34.26 does require disclosure in the notes to the annual financial statements where an estimate of an amount reported in an earlier interim period is changed significantly during the final interim period of the financial year but a separate financial report is not produced for that final interim period.

4.8 Inclusion of interim period disclosures in subsequent interim periods of the same financial year

If an item of information is deemed significant and, therefore, is disclosed in an entity's interim financial report for the first quarter, that item of information will not necessarily be disclosed in the interim financial reports for the subsequent quarters of the same financial year. Under IAS 34, materiality is assessed by reference to each interim period's financial data (see section 2.5). Therefore, an item that is considered material in the context of one interim period may not be material for subsequent interim periods of the same financial year.

For example, the explanatory notes in the interim financial report at June 30 for a December 31 year-end entity that reports quarterly will cover the period January 1 to June 30. An item of information that was deemed significant in the first quarter report and, therefore, was disclosed in the notes to the interim financial report for the three months ending March 31, may not be significant on a June 30 six-month year-to-date basis. If that is the case, disclosure in the six-month interim financial report is not required.

By contrast, an item might be significant to understanding the performance of the entity for the current interim period (in the example above, the three months ended June 30) but not for the year-to-date (six months ended June 30). IAS 34.16 specifically requires disclosure of such items – in addition to reporting information on a year-to-date basis, the entity is required to disclose any events or transactions that are material to an understanding of the current interim period.

4.9 Disclosure of compliance with IFRSs

IAS 34.19 requires that, where an interim financial report has been prepared in accordance with the requirements of that Standard, that fact should be disclosed. An interim financial report should not be described as complying with International Financial Reporting Standards unless it complies with all of the requirements of IFRSs. The latter statement will be appropriate only where interim financial statements are complete rather than condensed.

As condensed interim financial reports do not include all of the disclosures required by IAS 1 *Presentation of Financial Statements* and other Standards, they do not meet this requirement. They are, therefore, more appropriately described as having been prepared 'in accordance with IAS 34 *Interim Financial Reporting*' rather than 'in accordance with IFRSs'.

IAS 34 clarifies that, where other Standards call for disclosures in financial statements, in that context they mean a complete set of financial statements of the type normally included in an annual financial report. Such disclosures are not required if the interim financial report includes only condensed financial statements and selected explanatory notes. [IAS 34.18]

Therefore, when presenting condensed interim financial information, the entity needs to consider compliance with Standards at two levels:

- compliance with all of the measurement and presentation rules contained in extant Standards and Interpretations (as stated in the previous paragraph, compliance with the disclosure requirements of Standards other than IAS 34 is not required); and
- compliance with the disclosure requirements and the measurement principles for interim reporting purposes specified by IAS 34.

As noted under **Section 1.3** above, the CSA has proposed that Canadian reporting issuers disclose compliance with IAS 34 - Interim Financial Statements within their interim financial statements.

4.10 Disclosure in annual financial statements

It is quite common that entities do not prepare a separate report for the final interim period in a financial year. This will be determined on the basis of the rules of local regulators. For example, an entity with a reporting period to December 31, which reports quarterly, may not be required to produce a separate interim report covering the period from October to December.

In such circumstances, IAS 34 requires disclosure in the notes to the *annual* financial statements where an estimate of an amount reported in an earlier interim period is changed significantly during the final interim period. The nature and amount of that change in estimate are required to be disclosed. [IAS 34.26] This requirement is intended to provide the user of the financial statements with details of changes in estimates in the final interim period consistent with those generally required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* The Standard does state, however, that this disclosure requirement is intended to be narrow in scope, relating only to the change in estimate, and it is not intended to introduce a general requirement to include additional interim period financial information in the entity's annual financial statements. [IAS 34.27]

IAS 34.27 makes clear that, when such a change in estimate occurs and is required to be disclosed in the annual financial statements, the disclosure represents additional interim period financial information. Consequently, although the disclosure is made in the annual financial statements, materiality will generally be determined by reference to interim period financial data.

This specific disclosure requirement does not currently exist under Canadian GAAP. CICA 1506 *Accounting Changes* contains a requirement that an entity disclose the nature and amount of a change in accounting estimate that has an effect in the current period (CICA 1506.39) but it is not clear that this has consistently led to disclosure in the annual financial statements in the circumstances described above. Also, the CSA permits but does not require reporting issuers to prepare interim financial statements for the fourth quarter.

5 Accounting policies for interim reporting

5.1 Same accounting policies as annual financial statements

The accounting policies applied in the interim financial statements should be consistent with those applied in the most recent annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements. [IAS 34.28]

Entities are required to disclose in their interim financial reports that this requirement has been met. [IAS 34.16(a)]

5.2 Changes in accounting policies

Preparers of interim financial reports in compliance with IAS 34 are required to consider any changes in accounting policies that will be applied for the next annual financial statements, and to implement the changes for interim reporting purposes. Such changes will generally encompass:

- changes required by an IFRS that will be effective for the annual financial statements; and
- changes that are proposed to be adopted for the annual financial statements, in accordance with the requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, on the basis that they will result in the financial statements providing reliable and more relevant information.

If there has been any change in accounting policy since the most recent annual financial statements, the interim financial report is required to include a description of the nature and effect of the change. [IAS 34.16(a)]

If a new Standard that is effective in the current financial year requires disclosures in annual financial statements, those disclosures would not ordinarily be required in a condensed interim financial report, unless specifically required by IAS 34 or by the new Standard. For example, IFRS 7 *Financial Instruments: Disclosures* would not generally affect an entity's interim financial report because disclosures in accordance with IFRS 7 are not required unless their omission would make the condensed interim financial statements misleading. In contrast, IFRS 8 *Operating Segments* resulted in consequential amendments to IAS 34, which require more detailed segment information in the interim financial report (see section 4.3 above).

If a new Standard or Interpretation has been published during the first interim period but it is not effective until after the end of the annual reporting period, an entity may decide in the second interim period to adopt this Standard or Interpretation early for its annual financial statements. The fact that the new Standard or Interpretation was not early adopted in its first interim financial statements does not generally preclude the entity from adopting a new policy in the second interim period or at the end of the annual reporting period. The requirements for restating previously reported interim periods are discussed at section 5.3.

5.3 Restatement of previously reported interim periods

A change in accounting policy, other than one for which the transitional provisions are specified by a new IFRS, should be reflected by:

[IAS 34.43]

- restating the financial statements of prior interim periods of the current financial year, and the comparable interim periods of prior financial years that will be restated in annual financial statements in accordance with IAS 8; or
- when it is impracticable to determine the cumulative effect at the beginning of the financial year of applying a new accounting policy to all prior periods, adjusting the financial statements of prior interim periods of the current financial year, and comparable interim periods of prior financial years, to apply the new accounting policy prospectively from the earliest date practicable.

IAS 8 states that retrospective application of a new accounting policy is impracticable when an entity cannot apply it after making every reasonable effort to do so.

IAS 34.44 states that an objective of these principles is to ensure that a single accounting policy is applied to a particular class of transactions throughout an entire financial year. That is not to say that voluntary changes in accounting policy part-way through the year are prohibited. Such changes are permitted, provided that the conditions of IAS 8 are met. What IAS 34.44 requires is that, where a change in accounting policy is adopted at some point during the year, the amounts reported for earlier interim periods should be restated to reflect the new policy. Also, previously reported interim periods will need to be revised in comparatives when adjustments to a provisional purchase price allocation are made in a subsequent period (IFRS 3(2008).49).

The Canadian Accounting Standards Board Staff Financial Reporting Commentary “Interim Financial Statements in the year of adoption of IFRSs” (December 2009), hereinafter referred to as the “AcSB Staff Commentary”, discusses accounting policy changes in the year of adoption, after the first interim report is issued. Assuming the IASB’s proposals in the August 2009 Annual Improvements Exposure Draft are adopted, the following would apply to such changes:

- the changes would be explained
- the IFRS 1 reconciliations would be updated
- IAS 8 does not apply i.e., there is no need to demonstrate that the new policy results in information that is reliable and more relevant.

The AcSB Staff Commentary states that an entity should consider the effect that extensive or frequent changes would have on financial statement user requirements, including the requirements of regulatory bodies.

6 General principles for recognition and measurement

As discussed in chapter 5 of this guide, in preparing their interim financial reports, entities are required to apply the same accounting policies as will be applicable for their next annual financial statements. The principles for recognising assets, liabilities, income and expenses for interim periods are the same as in annual financial statements.

It is not intended, however, that each interim period should be seen to stand alone as an independent period. The Standard states that the frequency of an entity's reporting (annual or quarterly) should not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes are made on a year-to-date basis. [IAS 34.28]

There is a degree of inconsistency in IAS 34. The requirement set out at section 5.1 above (that the same accounting policies should be applied in the interim financial statements as are applied in annual financial statements) represents a 'discrete period' approach to interim reporting. On the other hand, IAS 34.28's requirement that measurements for interim reporting purposes should be made on a year-to-date basis so that the frequency of the entity's reporting does not affect the measurement of its annual results represents an 'integral period' approach.

This inconsistency has led to a number of areas of potential conflict between the requirements of IAS 34 and those of other Standards applied at the end of interim reporting periods. IFRIC 10 deals with one area of conflict regarding reversals of certain impairment losses (see section 8.1 below).

6.1 Seasonal, cyclical or occasional revenues

Revenues that are received seasonally, cyclically or occasionally within a financial year should not be anticipated or deferred as of an interim date, if anticipation or deferral would not be appropriate at the end of the financial year. [IAS 34.37]

Thus, for example, an entity engaged in retailing does not divide forecasted revenue by two to arrive at its half-year revenue figures. Instead, it reports its actual results for the six-month period. If the retailer wishes to demonstrate the cyclicality of its revenues, it could include, as additional information, revenue for the 12 months up to the end of the interim reporting period and comparative information for the corresponding previous 12-month period.

However, Canadian companies providing information about periods and measures other than those required by GAAP and securities law must be alert to the CSA's recurring concerns about supplementary information that is presented more prominently than the information mandated by GAAP and securities requirements. See for example the guidance contained in CSA Staff Notice 52-306, *Non-GAAP Financial Measures.*

6.2 Uneven costs

The rule on revenues also applies to costs. Costs that are incurred unevenly during an entity's financial year should be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year. [IAS 34.39]

A cost that does not meet the definition of an asset at the end of an interim period is *not* deferred in the statement of financial position at the interim reporting date either to await future information as to whether it has met the definition of an asset, or to smooth earnings over interim periods within a financial year. [IAS 34.30(b)] Thus, when preparing interim financial statements, the entity's usual recognition and measurement practices are followed. The only costs that are capitalised are those incurred *after* the specific point in time at which the criteria for recognition of the particular class of asset are met. Deferral of costs as assets in an interim statement of financial position in the hope that the criteria will be met before the year end is prohibited (see also section 7.6 below).

Example 6.2A

Major advertising campaign early in the financial year

An entity reports quarterly. In the first quarter of the financial year, the entity introduces new models of its products that will be sold throughout the year. At that time, it incurs a substantial cost for running a major advertising campaign (completed by the end of that quarter) that will benefit sales throughout the year. Is it appropriate to spread the advertising cost over the period in which benefits (in the form of revenues) are expected (all four quarters of the year) or is the entire cost an expense of the first quarter?

The entire cost is recognized in profit or loss in the first quarter. Explanatory note disclosure may be required. IAS 38.69(c) requires that all expenditure on advertising and promotional activities should be recognised as an expense when incurred. As outlined above, a cost that does not meet the definition of an asset at the end of an interim period is not deferred, either to await future information as to whether it has met the definition of an asset or to smooth earnings over interim periods within a financial year.

Example 6.2B

Fixed costs of a manufacturer whose business is seasonal

A manufacturer’s shipments of finished products are highly seasonal (shares of annual sales are respectively 20 per cent, 5 per cent, 10 per cent, and 65 per cent for the four quarters of the financial year). Manufacturing takes place more evenly throughout the year. The entity incurs substantial fixed costs, including fixed costs relating to manufacturing, selling and general administration, and wishes to allocate all of its fixed costs to the four quarters based on each quarter’s share of estimated annual sales volume.

Such an allocation is not acceptable under IAS 34. IAS 34.39 states that costs that are incurred unevenly during an entity’s financial year should be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year.

In the circumstances described, the fixed costs should be split between manufacturing fixed costs and non-manufacturing fixed costs. IAS 2.12 requires that the cost of manufactured inventories should include a systematic allocation of fixed production overheads (i.e., fixed manufacturing costs). Because manufacturing takes place evenly throughout the year, the entity will recognise cost of goods sold expense only when sales are made and, therefore, it will achieve its objective of allocating fixed manufacturing costs to the four quarters based on sales volume.

Fixed non-manufacturing costs, however, are different. IAS 2.16 makes clear that administrative overheads that do not contribute to bringing inventories to their present location and condition, and selling costs (whether variable or fixed), are excluded from the cost of inventories and are recognized as expenses in the periods in which they are incurred. Therefore, the entity must recognise its fixed non-manufacturing costs in profit or loss as incurred in each of the four quarters. As required by IAS 34.16, explanatory comments about the seasonality or cyclicality of interim operations should be disclosed in the notes to interim financial statements. In addition, IAS 34.21 encourages seasonal businesses to present ‘rolling’ 12-month financial statements in addition to interim period financial statements.

Example 6.2C

Production tooling costs incurred early in the financial year

An entity reports quarterly. In the first quarter of each financial year, the entity introduces new models of its products that will be sold throughout the year. At that time, it incurs a substantial cost for retooling its production line to manufacture the new models. Is it appropriate to spread the tooling cost over the benefit period (all four quarters of the year), or is the entire cost an expense of the first quarter?

It is appropriate to spread these costs provided that they meet the recognition criteria in IAS 16.7 *Property, Plant and Equipment*. Those criteria require that an item of property, plant and equipment be recognised as an asset if, and only if:

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

Assuming that the tooling costs meet these criteria, the costs would be capitalised and amortised over the model year, regardless of the entity's interim reporting policy. To illustrate, if the entity's financial year is the calendar year, but new products are introduced in September for a model year from September 1 to August 31, then at December 31 some portion of the tooling costs would be carried forward as an asset into the next financial year, whether or not the entity prepared any interim financial reports.

6.3 Use of estimates

IAS 34.41 requires that measurement procedures used in interim financial reports produce information that is reliable, with all material relevant financial information being appropriately disclosed. It nevertheless acknowledges that, while reasonable estimates are often used for both annual and interim financial reports, interim reports generally will require a greater use of estimation methods than annual financial reports.

Appendix C to the Standard provides a number of examples of the use of estimates in interim financial reports, which are reproduced below.

Examples of the use of estimates for interim reporting purposes

[Appendix C to IAS 34]

Inventories: Full inventory counts and valuation procedures may not be required for inventories at interim dates, although it may be done at financial year end. It may be sufficient to make estimates at interim dates based on sales margins.

Classifications of current and non-current assets and liabilities: Entities may do a more thorough investigation for classifying assets and liabilities as current or non-current at the end of annual reporting periods than at interim dates. However, in jurisdictions such as Canada, with certifications of interim filings, litigation risk, etc., entities are more likely to complete thorough investigations for all aspects of interim reporting. The same would apply for the use of estimates in the sections below (i.e., provisions and contingencies).

Provisions: Determination of the appropriate amount of a provision (such as a provision for warranties, environmental costs, and site restoration costs) may be complex and often costly and time-consuming. Entities sometimes engage outside experts to assist in the annual calculations. Making similar estimates at interim dates often entails updating of the prior annual provision rather than the engaging of outside experts to do a new calculation.

Pensions: IAS 19 *Employee Benefits* requires that an entity determine the present value of defined benefit obligations and the market value of plan assets at the end of each reporting period and encourages an entity to involve a professionally qualified actuary in measurement of the obligations. For interim reporting purposes, reliable measurement is often obtainable by extrapolation of the latest actuarial valuation. (see also 7.7 below)

Income taxes: Entities may calculate income tax expense and deferred income tax liability at annual dates by applying the tax rate for each individual jurisdiction to measures of income for each jurisdiction. IAS 34.B14 acknowledges that while that degree of precision is desirable at the end of interim reporting periods as well, it may not be achievable in all cases, and a weighted average of rates across jurisdictions or across categories of income is used if it is a reasonable approximation of the effect of using more specific rates.

Contingencies: The measurement of contingencies may involve the opinions of legal experts or other advisers. Formal reports from independent experts are sometimes obtained with respect to contingencies. Such opinions about litigation, claims, assessments, and other contingencies and uncertainties may or may not also be needed at interim dates.

Revaluations and fair value accounting: IAS 16 *Property, Plant and Equipment* allows an entity to choose as its accounting policy the revaluation model whereby items of property, plant and equipment are revalued to fair value. Similarly, IAS 40 *Investment Property* requires an entity to determine the fair value of investment property. For those measurements, an entity may rely on professionally-qualified valuers at the end of annual reporting periods, though not at the end of interim reporting periods.

Intercompany reconciliations: Some intercompany balances that are reconciled on a detailed level in preparing consolidated financial statements at financial year end might be reconciled at a less detailed level in preparing consolidated financial statements at an interim date.

Specialised industries: Because of complexity, costliness and time, interim period measurements in specialised industries might be less precise than at financial year-end. An example would be calculation of insurance reserves by insurance companies.

The following examples are additional to those given in Appendix C to IAS 34.

Additional examples

Financial instruments: Financial instruments carried at fair value are re-measured at the interim date using the same methodology as at the end of the annual reporting period. Also, the carrying amount of financial instruments at amortised cost is recalculated at the interim date.

Share-based payments: Liabilities in respect of cash-settled share-based payments are generally based on the fair value of the share options as at the end of the reporting period.

In relation to equity-settled share based payments, an entity considers whether, at the interim date, there is any change in the number of equity instruments expected to vest. Where the change could have a material impact on the interim period, the number of equity instruments expected to vest is re-estimated at the interim date.

6.4 Changes in estimates

As an illustration of the impact of changes in estimates, IAS 34 considers the rules for recognising and measuring losses from inventory write-downs, restructurings or impairments. The principles to be followed in an interim period are the same as those for annual periods. If such items are recognised and measured in, say, the first quarter of a financial year and the estimate changes in the second quarter of the year, the original estimate is adjusted in the second interim period, either by recognition of an additional amount or by reversal of the previously-recognised amount. [IAS 34.30(a)]

If changes in estimates arise, the results of previous interim periods of the current year are not retrospectively adjusted (unless the change was from correcting an error). However, the nature and amount of any significant changes in estimates must be disclosed either:

[IAS 34.16(d), 26 & 35]

- in the annual report, if there has been no subsequent interim period financial report that disclosed the change in estimate (see section 4.10 above); or
- in the following interim period financial report of the same year.

IFRIC 10 gives guidance on circumstances in which an impairment loss recognized in an interim period should not be subsequently reversed (see section 8.1).

7 Applying the recognition and measurement principles

Appendix B to IAS 34 contains a number of detailed examples to illustrate the application of the recognition and measurement principles discussed in the previous sections. These are reproduced below, together with a number of additional examples developed to illustrate important principles.

7.1 Employer payroll taxes and insurance contributions

If employer payroll taxes or contributions to government-sponsored insurance funds (e.g., EI, CPP, QPP) are assessed on an annual basis, the employer's related expense is recognized in interim periods using an estimated average annual effective payroll tax or contribution rate, even though a large portion of the payments may be made early in the financial year. A common example is an employer payroll tax or insurance contribution that is imposed up to a certain maximum level of earnings per employee. For higher income employees, the maximum income is reached before the end of the financial year, and the employer makes no further payments through the end of the year. [IAS 34.B1]

7.2 Major planned periodic maintenance or overhaul

The cost of a planned major periodic maintenance or overhaul or other seasonal expenditure that is expected to occur late in the year is not anticipated for interim reporting purposes, unless an event has caused the entity to have a legal or constructive obligation. The mere intention or necessity to incur expenditure related to the future is not sufficient to give rise to an obligation. [IAS 34.B2]

7.3 Provisions

A provision is recognized when an entity has no realistic alternative but to make a transfer of economic benefits as a result of an event that has created a legal or constructive obligation. The amount of the obligation is adjusted upward or downward, with a corresponding loss or gain recognized in profit or loss, if the entity's best estimate of the amount of the obligation changes.

Entities applying IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* may need to adjust the carrying amount of the related asset instead of recognizing adjustments in profit or loss to the extent such changes are not related to production in the period.

IAS 34 requires that an entity apply the same criteria for recognising and measuring a provision at an interim date as it would at the end of its financial year. The existence or non-existence of an obligation to transfer benefits is not a function of the length of the reporting period. It is a question of fact. [IAS 34.B3 & B4]

7.4 Year-end bonuses

The nature of year-end bonuses varies widely. Some are earned simply by continued employment during a time period. Some bonuses are earned based on a monthly, quarterly, or annual measure of operating result. They may be purely discretionary, contractual, or based on years of historical precedent.

A bonus is anticipated for interim reporting purposes if, and only if:

[IAS 34.B5 & B6]

- the bonus is a legal obligation, or past practice would make the bonus a constructive obligation and the entity has no realistic alternative but to make the payments; and
- a reliable estimate of the obligation can be made.

IAS 19 *Employee Benefits* provides guidance on the application of the recognition rules to year-end bonuses.

7.5 Contingent lease payments

Contingent lease payments can be an example of a legal or constructive obligation that is recognized as a liability. If a lease provides for contingent payments based on the lessee achieving a certain level of annual sales, an obligation can arise in the interim period of the financial year before the required annual level of sales has been achieved, if that required level of sales is expected to be achieved and the entity, therefore, has no realistic alternative but to make the future lease payment. [IAS 34.B7]

7.6 Intangible assets

Entities are required to apply the definition and recognition criteria for an intangible asset in the same way in an interim period as in an annual period. Costs incurred before the recognition criteria for an intangible asset are met are recognised as an expense. Costs incurred after the specific point in time at which the criteria are met are recognised as part of the cost of an intangible asset. 'Deferring' costs as assets in an interim statement of financial position in the hope that the recognition criteria will be met later in the financial year is not justified. [IAS 34.B8]

Example 7.6

Development costs that meet the IAS 38 capitalisation criteria midway in an interim period

An entity engaged in the pharmaceutical sector, with a December year end, reports quarterly. Throughout 20X2, its research department is engaged in a major drug development project. Development costs incurred in 20X2, by quarter, are as follows:

First quarter	$100
Second quarter	$100
Third quarter:	
July 1 to August 31	$80
September 1 to September 30	$60
Fourth quarter	$150

The entity publishes its half-year report on August 15, and the $200 of development costs incurred during the first and second quarters are recognized in profit or loss. On September 1, the research department determines that the criteria set out in IAS 38 for capitalising the development costs as an intangible asset have been met.

IAS 38 requires that asset recognition (cost capitalisation) should begin at the point in time at which the recognition criteria are met, not at the start of the financial reporting period in which those criteria are met. Therefore, the following amounts are reported in the interim financial reports for the second half of the financial year, and in the annual report at December 31, 20X2:

	September 30	December 31
	$	$
Asset recognized in the statement of financial position	60	210

	3 months ended September 30	9 months ended September 30	12 months ended December 31
	$	$	$
Development costs recognized in profit or loss	80	280	280

7.7 Pensions

The pension cost for an interim period is calculated on a year-to-date basis by using the actuarially-determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements or other significant one-time events. [IAS 34.B9]

If there have been significant changes to the pension scheme during the interim period, an entity should consider the need for an updated actuarial valuation at the interim date. For example, a plan amendment during the interim period would result in requiring an updated actuarial valuation at the date of amendment.

If there is evidence of significant market fluctuations, the actuarial assumptions as at the end of the prior financial year are reviewed and revised, if necessary. For example, changes in corporate bond markets may result in the discount rate used in the most recent actuarial valuation no longer being appropriate and in an adjustment being necessary to reflect the changes. Similarly, values of pension assets may need to be reviewed and adjusted if there has been a significant change in asset values during the interim period.

7.8 Vacations, holidays, and other short-term compensated absences

Accumulating compensated absences are those that are carried forward and can be used in future periods if the current period’s entitlement is not used in full. IAS 19 *Employee Benefits* requires that an entity measure the expected cost of and obligation for accumulating compensated absences at the amount the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. That principle is also applied at the end of interim financial reporting periods. Conversely, an entity recognises no expense or liability for non-accumulating compensated absences at the end of an interim reporting period, just as it recognises none at the end of an annual reporting period. [IAS 34.B10]

Example 7.8

Vacation accruals at interim dates

An entity reports quarterly. Its financial year end is December 31. Holiday entitlement accumulates with employment over the year, but any unused entitlement cannot be carried forward past December 31. Most of the entity's employees take a substantial portion of their annual leave in July or August. Should an appropriate portion of employees' salaries during the July/August vacation period be accrued in the first and second quarter interim financial statements?

A portion should be accrued if the employees' vacation days are earned (accumulated) through service during the first and second quarters. Vacations are a form of short-term compensated absence as defined in IAS 19. IAS 19.11 requires that the expected cost of short-term accumulating compensated absences be recognised when the employees render service that increases their entitlement to future compensated absences. This principle is applied in both annual and interim financial statements.

7.9 Other planned but irregularly occurring costs

An entity's budget may include certain costs expected to be incurred irregularly during the financial year, such as charitable contributions and employee-training costs. Those costs generally are discretionary, even though they are planned and tend to recur from year to year. Recognising an obligation at the end of an interim financial reporting period for such costs that have not yet been incurred generally is not consistent with the definition of a liability. [IAS 34.B11]

7.10 Contractual or anticipated purchase price changes

Volume rebates or discounts and other contractual changes in the prices of raw materials, labour, or other purchased goods and services are anticipated in interim periods, by both the payer and the recipient, if it is probable that they have been earned or will take effect. Thus, contractual rebates and discounts are anticipated, but discretionary rebates and discounts are not anticipated because the definitions of asset and liability (requiring *control* over resources to be received, or an *obligation* to pay out resources) would not be met. [IAS 34.B23]

7.11 Depreciation and amortisation

Depreciation and amortisation charges for an interim period are based only on assets owned during that interim period. They should not take into account asset acquisitions or disposals planned for later in the financial year. [IAS 34.B24]

It would not generally be necessary to reassess residual values for items of property, plant and equipment as at the interim date, unless there are indicators that there has been a material change in residual values since the end of the previous reporting period.

7.12 Inventories

7.12.1 Measurement of inventories - general

Inventories are measured for interim financial reporting using the same principles as at financial year end. IAS 2 *Inventories* establishes requirements for recognising and measuring inventories. Inventories pose particular problems at the end of any financial reporting period because of the need to determine inventory quantities, costs and net realizable values. Nonetheless, the same measurement principles are applied for inventories at the end of interim reporting periods. To save cost and time, entities often use estimates to measure inventories at interim dates to a greater extent than at the end of annual reporting periods. The following sections set out examples of how to apply the net realizable value test at an interim date and how to treat manufacturing variances at interim dates. [IAS 34.B25]

7.12.2 Net realizable value of inventories

The net realisable value of inventories is determined by reference to selling prices and related costs to complete and dispose at interim dates. [IAS 34.B26]

Provisions for write-downs to net realisable value are calculated in the same manner as at the end of the financial year.

An entity reverses a write-down to net realisable value in a subsequent reporting period only if it would be appropriate to do so at the end of the financial year. [IAS 34.B26]

7.12.3 Interim period manufacturing cost variances

Price, efficiency, spending and volume variances of a manufacturing entity are recognised in income at the end of interim reporting periods to the same extent that those variances are recognised in income at financial year end. Deferral of variances that are expected to be absorbed by the year end is not appropriate because it could result in reporting inventory at the interim date at more or less than its portion of the actual cost of manufacture. [IAS 34.B28]

This is a difference from CICA 1751 that may be significant to some Canadian entities. CICA 1751 allows deferring purchase price variances, or volume or capacity cost variances, as an element of the carrying amount of inventory at the end of an interim period, when those variances are planned and expected to be absorbed by the end of the fiscal year. This is to avoid “the potentially misleading effects on reported income of temporary inventory costing fluctuations that arise from reporting on interim periods rather than only annually.” IAS 34 however analyzes this matter differently.

7.13 Foreign currency translation gains and losses

Foreign currency translation gains and losses are measured for interim financial reporting using the same principles as at financial year end. [IAS 34.B29]

IAS 21 *The Effects of Changes in Foreign Exchange Rates* specifies how to translate the financial statements for foreign operations into the presentation currency, including guidelines for using average or closing foreign exchange rates and guidelines for including the resulting adjustments in profit or loss or in other comprehensive income. Consistent with IAS 21, the actual average and closing rates for the interim period are used. Entities do not anticipate changes in foreign exchange rates in the remainder of the current financial year when translating foreign operations at an interim date. [IAS 34.B30]

If IAS 21 requires that translation adjustments are recognised as income or as expenses in the period in which they arise, that principle is applied during each interim period. Entities do not defer some foreign currency translation adjustments at an interim date if the adjustment is expected to reverse before the end of the financial year. [IAS 34.B31]

7.14 Interim financial reporting in hyperinflationary economies

Interim financial reports in hyperinflationary economies are prepared following the same principles as at financial year end. IAS 29 *Financial Reporting in Hyperinflationary Economies* requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the end of the reporting period, and the gain or loss on the net monetary position is included in net income. Also, comparative financial data reported for prior periods is restated to the current measuring unit. [IAS 34.B32 & B33]

Entities are required to follow the same principles at interim dates, thereby presenting all interim data in the measuring unit as of the end of the interim period, with the resulting gain or loss on the net monetary position included in the interim period's net income. Entities should not annualise the recognition of the gain or loss. Nor do they use an estimated annual inflation rate in preparing an interim financial report in a hyperinflationary economy. [IAS 34.B34]

7.15 Capitalisation of borrowing costs in interim periods

Example 7.15

Capitalization of borrowing costs

An entity capitalizes borrowing costs directly attributable to the construction of qualifying assets under IAS 23 *Borrowing Costs*. The entity funds its asset construction with general borrowings, rather than project-specific borrowings. Further, it uses general borrowings for purposes other than construction, so that the amount of borrowings in any period is not necessarily related to the amount of construction during that period. The entity reports quarterly.

IAS 23.14 requires that the capitalization rate for general borrowings be the weighted average of borrowing costs applicable to borrowings of the entity that are outstanding during the period. For interim reporting purposes, the reference to 'period' in IAS 23.14 should be interpreted to mean the year-to-date period, not each individual quarter so that, in accordance with IAS 34.28 and IAS 34.36, the amount of borrowing costs capitalized is 'trued up' each quarter on a year-to-date basis.

7.16 Non-current assets held for sale and discontinued operations

The measurement and presentation principles of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* should be applied in interim financial reports in the same way as at the end of the annual reporting period. Therefore, a non-current asset that meets the criteria to be classified as held for sale at the interim date should be presented as such. Ini assessing any potential impairment loss and fair value less costs to sell of the non-current asset held for sale, a greater use of estimation methods may be acceptable for the interim reporting purposes than at the end of the annual reporting period.

8 Impairment of assets

IAS 36 *Impairment of Assets* requires that an impairment loss be recognized if the recoverable amount of an asset has declined below its carrying amount. IAS 34 requires that an entity apply the same impairment testing, recognition and reversal criteria at an interim date as it would at the end of its financial year. That does not mean, however, that an entity must necessarily make a detailed impairment calculation at the end of each interim period. Rather, an entity will review for indications of significant impairment since the end of the most recent financial year to determine whether such a calculation is needed. [IAS 34.B35 & B36]

Where an entity recognized an impairment for an asset at the end of the preceding financial year, a review of the impairment calculations at the end of the interim period may be necessary if the impairment indicator that gave rise to the impairment review continues to remain present.

8.1 IFRIC 10 interim financial reporting and impairment

As discussed at section 5.1 above, IAS 34.28 requires an entity to apply the same accounting policies in its interim financial statements as are applied in its annual financial statements. IAS 34.28 also states that the frequency of an entity's reporting (annual, half-yearly, or quarterly) should not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes should be made on a year-to-date basis.

IFRIC Interpretation 10 *Interim Financial Reporting and Impairment* addresses the interaction between the requirements in IAS 34.28 and those dealing with the recognition of impairment losses relating to goodwill under IAS 36 and relating to certain financial assets under IAS 39 *Financial Instruments: Recognition and Measurement*, and the effect of that interaction on subsequent interim and annual financial statements:

- IAS 36.124 states that "an impairment loss recognised for goodwill shall not be reversed in a subsequent period";
- IAS 39.69 states that "impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss"; and
- IAS 39.66 requires that impairment losses for financial assets carried at cost (such as an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured) should not be reversed.

The issue addressed by IFRIC 10 is whether an entity should reverse impairment losses recognized in an interim period relating to goodwill, or relating to investments in equity instruments or in financial assets carried at cost, if a loss would not have been recognized, or a smaller loss would have been recognized, had an impairment assessment been made only at the end of the subsequent reporting period.

The consensus in the Interpretation is that an entity should not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in an equity instrument or a financial asset carried at cost.

IFRIC 10 emphasises that an entity should not extend the consensus of this Interpretation by analogy to other areas of potential conflict between IAS 34 and other Standards.

9 Measuring interim income tax expense

9.1 Use of estimated annual rate

The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, i.e., the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. [IAS 34.B12]

This is consistent with the basic principle set out in IAS 34.28 that the same accounting recognition and measurement principles should be applied in an interim financial report as are applied in annual financial statements. Income taxes are assessed on an annual basis. Interim period income tax expense is calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to total annual earnings. [IAS 34.B13]

Consistent with IAS 12, the annual effective income tax rate is estimated using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the interim period. Expected changes in tax rates or tax laws are not anticipated and are reflected in the estimate of the annual effective income tax rate only once the change has been enacted or substantively enacted.

To the extent material, a separate estimated average annual effective income tax rate is determined for each tax jurisdiction and applied individually to the interim period pre-tax income of each jurisdiction. Similarly, if different income tax rates apply to different categories of income (such as capital gains or income earned in particular industries), to the extent practicable, a separate rate is applied to each individual category of interim period pre-tax income. While that degree of precision is desirable, it may not be achievable in all cases and a weighted average of rates across jurisdictions or across categories of income is used if it is a reasonable approximation of the effect of using more specific rates. [IAS 34.B14]

If the levels of income from some jurisdictions are much more or less than the 'average' income per jurisdiction, and/or the tax rate in a jurisdiction is significantly different from the standard tax rate, a weighted average of the rates across all jurisdictions is unlikely to be a reasonable approximation. In these cases it may be possible to treat some jurisdictions individually and determine a weighted average for the other 'average' jurisdictions.

9.2 Impact of progressive (graduated) tax rates

The estimated average annual effective income tax rate will reflect a blend of the progressive tax rate structure expected to be applicable to the full year's earnings, including enacted or substantively enacted changes in the income tax rates scheduled to take effect later in the financial year. [IAS 34.B13] Example 9.2, which is drawn from Appendix B to IAS 34, illustrates the impact of progressive tax rates.

Example 9.2

Progressive tax rates

[IAS 34.B15]

An entity reporting quarterly expects to earn $10,000 pre-tax each quarter and operates in a jurisdiction with a tax rate of 20 per cent on the first $20,000 of annual earnings and 30 per cent on all additional earnings. Actual earnings match expectations.

$10,000 of tax is expected to be payable for the full year on $40,000 of pre-tax income ($20,000 at 20 per cent and $20,000 at 30 per cent). The income tax expense reported in each quarter is as follows:

	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**	**Annual**
Tax expense ($)	2,500	2,500	2,500	2,500	10,000

9.3 Uneven earnings throughout the year

Example 9.3, again drawn from Appendix B to IAS 34, illustrates the application of the IAS 34 principles when earnings are distributed unevenly throughout the year.

Example 9.3

Uneven earnings throughout the year

[IAS 34.B16]

An entity reports quarterly, earns $15,000 pre-tax profit in the first quarter but expects to incur losses of $5,000 in each of the three remaining quarters (thus having zero income for the year), and operates in a jurisdiction in which its estimated average annual income tax rate is expected to be 20 per cent. The following table shows the amount of income tax expense that is reported in each quarter:

	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**	**Annual**
Tax expense ($)	3,000	(1,000)	(1,000)	(1,000)	0

9.4 Change in estimate of annual tax rate

When preparing the tax estimate to be included in an interim period, the tax expense is based on the best estimate of the weighted average *annual* income tax rate expected for the full financial year. Therefore, as for other changes in estimates, amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period if the estimate of the annual income tax rate changes. [IAS 34.30(c)] The estimated average annual income tax rate would be re-estimated on a year-to-date basis, consistent with IAS 34.28.

The nature and amount of any significant changes in the estimated tax rate should be disclosed. [IAS 34.16(d)] If there is a significant change in the fourth quarter and no standalone "Q4 interims" are published, this disclosure is in the annual financial statements. (see section 4.10). [IAS 34.26]

9.5 Difference in financial reporting year and tax year

If the financial reporting year and the income tax year differ, the income tax expense for the interim periods of that financial reporting year is measured using separate weighted average estimated effective tax rates for each of the income tax years applied to the portion of pre-tax income earned in each of those income tax years. [IAS 34.B17]

Example 9.5

Difference in financial reporting year and tax year

[IAS 34.B18]

An entity's financial reporting year ends June 30 and it reports quarterly. Its taxable year ends December 31. For the financial year that begins July 1, Year 1 and ends June 30, Year 2, the entity earns 10,000 pre-tax each quarter. The estimated average annual income tax rate is 30 per cent in Year 1 and 40 per cent in Year 2.

	Quarter ending Sept 30	Quarter ending Dec 31	Quarter ending Mar 31	Quarter ending June 30	Year ending June 30
	Year 1	**Year 1**	**Year 2**	**Year 2**	**Year 2**
Tax expense	3,000	3,000	4,000	4,000	14,000

9.6 Tax credits

Some tax jurisdictions give taxpayers credits against the tax payable based on amounts of capital expenditure, exports, research and development expenditure, or other bases. Anticipated tax benefits of this type for the full year are generally reflected in computing the estimated annual effective income tax rate, because those credits are granted and calculated on an annual basis under most tax laws and regulations. On the other hand, tax benefits that relate to a one-time event are recognised in computing income tax expense in the interim period in which that event occurs, in the same way that special tax rates applicable to particular categories of income are not blended into a single effective annual tax rate. Moreover, in some jurisdictions, tax benefits or credits that are reported on the income tax return, including those related to capital expenditure and levels of exports, are more similar to a government grant and are recognised in the interim period in which they arise. [IAS 34.B19]

9.7 Revisions to previous tax estimates

Tax in previous years may have been under-provided or over-provided, resulting in a correcting tax charge or credit in the current year. The related tax charge or credit relates to prior year profits rather than current year earnings. Therefore, the correcting tax charge or credit is recognized as a separate item in the interim period in which it becomes probable that such a correction is required. It is not reflected in the average annual income tax rate.

9.8 Tax loss and tax credit carrybacks and carryforwards

The benefits of a tax loss carryback are reflected in the interim period in which the related tax loss occurs. IAS 12 *Income Taxes* provides that 'the benefit relating to a tax loss that can be carried back to recover current tax of a previous period should be recognised as an asset'. A corresponding reduction of tax expense or increase of tax income is also recognised. [IAS 34.B20]

IAS 12 also provides that a deferred tax asset should be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Detailed criteria are specified for the purpose of assessing the availability of future taxable profit against which the unused tax losses and credits can be utilised. [IAS 34.B21]

For interim reporting purposes, the criteria for recognition of deferred tax assets are applied at the end of each interim period and, if they are met, the effect of the tax loss carryforward is reflected in the computation of the estimated average annual effective income tax rate. [IAS 34.B21]

Example 9.8A

Tax loss carryforward at interim reporting date

[IAS 34.B22]

An entity that reports quarterly has an operating loss carryforward of $10,000 for income tax purposes at the start of the current financial year for which a deferred tax asset has not been recognized. The entity earns $10,000 in the first quarter of the current year and expects to earn $10,000 in each of the three remaining quarters. Excluding the carryforward, the estimated average annual income tax rate is expected to be 40 per cent. Tax expense is as follows:

	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**	**Annual**
Tax expense	$3,000	$3,000	$3,000	$3,000	$12,000

The tax effect of losses that arise in the early portion of a financial year is recognized only when the tax benefits are expected to be realized either during the current year or as a deferred tax asset at the end of the year. For the purpose of applying this guidance, an established seasonal pattern of loss in the early interim periods followed by income in later interim periods is generally sufficient to support a conclusion that realizing the tax benefit from the early losses is probable. The tax benefit of losses incurred in early interim periods is generally not recognized in those interim periods if available evidence indicates that income is not expected in later interim periods.

If the tax benefits of losses incurred in the early interim periods of a financial year are not recognized in those interim periods, no income tax expense is provided on income generated in later interim periods until the tax effects of the previous losses are offset.

The tax effect of a deferred tax asset expected to be recognized at the end of a financial year for deductible temporary differences and carry-forwards that originate during the current financial year should be spread throughout the financial year by an adjustment to the annual effective tax rate.

Example 9.8B

Recognition of deferred tax assets at the end of an interim reporting period

Assume that during the first quarter of 20X1, an entity, operating in a tax jurisdiction with a 50 per cent tax rate generates a tax credit of $4,000 (i.e., sufficient to cover taxable profits of $8,000). Under local tax law, the tax credit will expire at the end of 20X2. At the end of the first quarter of 20X1, available evidence about the future indicates that taxable income of $2,000 and $4,000 will be generated during 20X1 and 20X2, respectively. Therefore, the entity expects to utilise $1,000 ($2,000 × 50 per cent) of the tax credit to offset tax on its 20X1 taxable income, and $2,000 ($4,000 × 50 per cent) to offset tax on its 20X2 income. It expects to recognise a deferred tax asset in its statement of financial position at the end of 20X1 of $2,000 (relating to the tax relief available in 20X2), and the balance of $1,000 will not be recognized as it is not probable that sufficient taxable profit will be available against which it can be utilised before the losses expire.

The $1,000 of the tax credit expected to be utilized during the current year 20X1 is included in calculating the estimated annual effective tax rate.

Because the tax credit is generated during the current year, the tax consequence of the $2,000 deferred tax asset expected to be recognized at the end of 20X1 is applied rateably to each of the interim periods during 20X1.

If profits arise on a straight-line basis through 20X1, a benefit for income taxes of $500 [$2,000 × 1/4)] is recognized during the first interim period. Assuming the estimates about the future do not change during the remainder of the year, the tax benefit of the remaining $1,500 ($2,000 – $500) of net deferred tax asset is recognized rateably over the pre-tax accounting income generated in the later interim periods of 20X1.

On the other hand, if the tax credit generated in the first quarter relates to a “one-time event”, it is recognized in computing income tax expense in that interim period [IAS34.B19].

10 Earnings per share

When an entity is within the scope of IAS 33 *Earnings per Share*, it presents basic and diluted earnings per share (EPS) for the interim period in the statement that presents the components of profit or loss for that period. [IAS 34.11]

If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1 *Presentation of Financial Statements*, basic and diluted EPS are presented in that separate statement. [IAS 34.11A]

As a consequential amendment of IAS 1(2007), IAS 34.11 was amended (and IAS 34.11A added) to make clear that the EPS information should be presented in the statement that presents the components of profit or loss for the interim period. As outlined at section 2.2 above, this may be in a statement of comprehensive income or, where the entity has elected to present a separate income statement, in that separate income statement.

IAS 34.11 was further amended *by Improvements to IFRSs* issued in May 2008. The amendment has clarified that EPS information need be presented only when the entity is within the scope of IAS 33 *Earnings per Share*. Although this clarification is expected to have a minimal effect on accounting, the Board considered that it was necessary because, prior to amendment, IAS 34.11 could have been read as requiring the disclosure of EPS in an interim financial report even if the entity is not within the scope of IAS 33.

10.1 Measures of EPS to be presented

IAS 34 does not make any specific reference to the requirements of IAS 33 regarding which measures of basic and diluted EPS to present. Nevertheless, to enable users to compare trends, the same EPS figures should be presented in the interim financial report as in the annual financial statements. Therefore, irrespective of whether the interim financial statements are described as 'condensed', the following should be presented in the interim financial report, with equal prominence for all periods presented:

- basic and diluted EPS for profit or loss attributable to the ordinary equity shareholders of the parent entity; and
- where a discontinued operation is reported, basic and diluted EPS for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity.

These are presented for each class of ordinary shares that has a different right to share in profit for the period.

EPS figures are provided for all periods presented in the interim financial report. Therefore, for an entity presenting information separately for the current interim period and the current year-to-date, with comparatives for each, EPS (both basic and diluted) is presented for the same four periods.

10.2 Interim period diluted EPS on a year-to-date basis

Any change in assumptions for the purposes of computing diluted EPS during the interim period may result in an apparent anomaly. For example, the sum of diluted EPS for the first quarter and diluted EPS for the second quarter may not always equal diluted EPS for the half-year period.

Diluted EPS for the first quarter is based on assumptions that were valid during and at the end of that quarter. IAS 33 states that diluted EPS should not be restated for changes in the assumptions used or for conversions of potential ordinary shares into outstanding ordinary shares. Therefore, diluted EPS for the second quarter and for the half-year period may be based on different assumptions than those used in computing diluted EPS for the first quarter. Also, certain outstanding potential ordinary shares may have been 'anti-dilutive' (their conversion to ordinary shares would increase EPS) in the first quarter and, therefore, they may have been excluded from first quarter diluted EPS. In the second quarter and on a six-month basis, however, they may have been dilutive and, therefore, included in diluted EPS.

Example 10.2

Interim period diluted EPS on a year-to-date basis

The following information relates to a quarterly reporter:

	Quarter 1 (January 1 to March 31)	Quarter 2 (April 1 to June 30)	Half year (January 1 to June 30)
Net income	$1,000	$1,000	$2,000
Ordinary shares outstanding	1,000	1,000	1,000
Weighted average quoted market price of ordinary shares	$8	$20	$14

Throughout the half-year, the entity had outstanding 100 options each allowing the holder to purchase one ordinary share for $10. No options were exercised. For the second quarter interim report, IAS 34.20(b) requires a statement of comprehensive income (and, where appropriate, a separate income statement) for the second quarter and an income statement for the half-year. Calculations of basic and diluted EPS are as follows:

	Quarter 1 (January 1 to March 31)	Quarter 2 (April 1 to June 30)	Half year (January 1 to June 30)
Basic EPS	$1,000/1,000 = $1.00	$1,000/1,000 = $1.00	$2,000/1,000 = $2.00
Diluted EPS – numerator	$1,000	$1,000	$2,000
Diluted EPS – denominator	1,000*	1,050	1,028.57
	(1,000 + 50) **	(1,000 + 28.57)***	
Diluted EPS	$1	$0.95	$1.94

* The exercise price of the options is greater than the average market price of shares during the period. Therefore, the options are ignored in computing diluted EPS.

** If the share options were exercised, the proceeds of issue of $1,000 would equate to an issue of 50 shares at the average market price of $20. Therefore, the remaining 50 shares are assumed to have been issued for no consideration and are added to the number of ordinary shares outstanding for the computation of diluted EPS.

*** If the share options were exercised, the proceeds of issue of $1,000 would equate to an issue of 71.43 shares at the average market price of $14. Therefore, the remaining 28.57 shares are assumed to have been issued for no consideration and are added to the number of ordinary shares outstanding for the computation of diluted EPS.

Note that the sum of diluted EPS for the first quarter ($1.00) and diluted EPS for the second quarter ($0.95) does not equal diluted EPS for the first six months ($1.94).

10.3 Calculation of weighted average number of ordinary shares for an interim reporting period

Example 10.3

Calculation of weighted average number of shares

A publicly-traded entity is required to prepare interim financial statements in accordance with IAS 34. Thirty days before the end of the six-month interim period, a substantial number of shares are issued by the entity.

These new shares are weighted for inclusion in the denominator of the interim earnings per share calculation based on the number of days that the shares are outstanding as a proportion of the total number of days in the interim period. A reasonable approximation of the weighted average is sufficient in many circumstances.

The number of shares issued is weighted by the number of days that the shares are outstanding (i.e., 30 days) divided by the number of days in the period (i.e., 182 days).

10.4 EPS calculation at interim reporting date for an entity with contingently issuable shares

Example 10.4

EPS calculation for an entity with contingently issuable shares

Company X, a publicly-traded entity reporting on a calendar year basis, purchases Subsidiary Y on January 1. The consideration for the acquisition is $100 million plus an additional 20,000 Company X ordinary shares if Subsidiary Y earns net income in the year following the acquisition of $10 million or more. By June 30 of Year 1, Subsidiary Y earned net income of $15 million.

Although the 20,000 shares would be issuable if the end of the contingency period were June 30 instead of December 31, the 20,000 ordinary shares are excluded from the denominator for the calculation of basic EPS for the six months ended June 30, because events could transpire in the following six months that would cause Company X not to issue the shares (e.g., Subsidiary Y could lose $6 million in the following six months). The contingently issuable ordinary shares are included in the denominator for the calculation of diluted EPS for the six months ended June 30 because, based on the circumstances on that date, the contingency is met.

11 First-time adoption of IFRSs

Note: IFRS 1 *First-time Adoption of International Financial Reporting Standards* was revised in November 2008. The objective of the revision was to improve the structure of the Standard – the substance was unchanged. The references below are to the text of the Standard as revised in November 2008.

Where an entity presents an interim financial report under IAS 34 for part of the period covered by its first IFRS financial statements, in addition to complying with IAS 34, the entity is also required to comply with the requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards* applicable to interim reporting periods. In the period of first-time application, IFRS 1 requires a range of further information including presentation of restated comparative information under IAS 34 and reconciliations between amounts reported under previous GAAP and under IFRSs.

The requirement to apply IAS 34 for any interim period falling within the first annual IFRS reporting period is a matter that is contingent on the regulatory requirements of the jurisdiction in which a reporting issuer files financial statements. Previous adopters of IFRSs were not always required to comply with IAS 34 resulting in diversity in practice – specifically, upon the adoption of IFRSs in Europe in 2005, compliance with IAS 34 was not a requirement for the interim financial reports falling with the first IFRS annual reporting periods.

In Canada, however, compliance with IAS 34 is required with the CSA proposing (through CSA Staff Notice 52-324 and the proposed changes to NI 52-107) that IAS 34 be adopted and complied with for all interim financial statements falling within the first annual reporting period of reporting under IFRSs. This is discussed below in more detail.

The sections which follow address the specific minimum requirements that a Canadian issuer will need to comply with for its first interim financial statements. The IAS 34 requirements discussed in the sections earlier in this guide will be applicable for first interim financial statements but additional requirements and considerations must be dealt with in the year of IFRS adoption. These matters are related to one or more of the following items:

- IFRS 1 requirements specific to interim financial reports
- Canadian regulatory requirements
- Selected explanatory information

The IFRS 1 and regulatory requirements are discussed in sections 11.1 and 11.2 below. Section 11.3 addresses the inclusion of selected explanatory information in the context of the first IFRS financial statements of an entity. Section 11.4 looks at subsequent interim reports in and section 11.5 consolidates these requirements through a review of an interim financial report issued in Canada under IAS 34 and IFRS 1.

11.1 Requirement to restate comparative information and present opening IFRS balance sheet

When an entity prepares an interim financial report under IAS 34 for part of the period covered by its first IFRS financial statements, comparative information will need to be restated to comply with IFRSs. [IFRS 1.IG37]

In order to comply with the IFRS requirements around first-time adoption and interim reports, a first-time adopter will need to present financial information under IFRSs for both the current interim period and for the prior period presented. As Canadian issuers are required to comply with IAS 34, this means that upon filing the first quarterly financial statements in the year of IFRS adoption, both current and prior period data must be IFRS compliant. An additional requirement proposed by the CSA is the presentation of an opening IFRS balance sheet in the first interim financial statements.

An ongoing presentation requirement of IFRS financial statements is the inclusion of a restated opening balance sheet upon either a change in accounting policy or a reclassification in its financial statements. IFRS also requires that this statement be presented with equal prominence to the rest of the financial statements. This requirement was introduced through the 2007 amendments to IAS 1 *Presentation of Financial Statements*. A corresponding amendment was made in IFRS 1 whereby the requirement for both the preparation and presentation of an opening IFRS balance sheet was introduced. Previously, first-time adopters had been required to prepare as at the date of transition, but not explicitly present an opening IFRS balance sheet.

Although the above requirements do not specifically extend to interim financial statements, as noted above, the CSA has proposed, through Staff Notice 52-324 and through the proposed changes to NI 51-102, to require Canadian issuers to include an opening balance sheet in the first interim financial statements which form part of the year of IFRS adoption. The rationale behind this requirement is to "assist users of an issuer's interim financial statements in understanding the impact of changeover to IFRS". To the extent that this balance sheet has not been subject to an auditor review then a notice indicating this fact must accompany these financial statements. Of note also, the transition date balance sheet would also be subject to audit upon its inclusion in the annual financial statements prepared in the year of IFRS adoption.

The CSA requirements relating to both compliance with IAS 34 and inclusion of an opening balance sheet in the year of IFRS adoption are effective for the first interim financial statements in the financial year beginning on or after January 1, 2011. For any issuers considering early adoption of IFRSs, this does not translate to less onerous requirements as far as interims are concerned. As outlined in CSA Staff Notice 52-321, the ability to adopt IFRS prior to the mandatory changeover date in Canada, is subject to the granting of exemptive relief by the CSA. Conditions attached to such exemptive relief can reasonably be expected to include the same level of presentation and disclosure requirements of an issuer adopting IFRSs at the mandatory changeover date.

11.2 The entity's first interim financial report under IAS 34

In the entity's *first* interim financial report under IAS 34 for part of the period covered by its first IFRS financial statements, the following reconciliations are required: [IFRS 1.32(b), 24(a) & (b)]

- reconciliations of its equity reported under previous GAAP to its equity under IFRSs for both of the following dates:
  - the date of transition to IFRSs – for a calendar year entity, January 1, 2010; and
  - the end of the latest period presented in the entity' s most recent annual financial statements under previous GAAP – for a calendar year entity, December 31, 2010; and
- a reconciliation to its total comprehensive income in accordance with IFRSs for the latest period in the entity's most recent annual financial statements. The starting point specified for that reconciliation is total comprehensive income in accordance with previous GAAP for the same period or, if an entity did not report such a total, profit or loss under previous GAAP.

Note that these reconciliations are also required to be presented in the entity's first annual IFRS financial statements.

IFRS 1 allows a cross-reference to another published document that includes these reconciliations in place of presentation of the reconciliations themselves in the interim financial report.

These reconciliations are required to give sufficient detail to enable users to understand the material adjustments to the statement of financial position and statement of comprehensive income. If the entity presented a statement of cash flows under its previous GAAP, it is also required to explain the material adjustments to the statement of cash flows. [IFRS 1.25]

If the entity becomes aware of errors made under previous GAAP, the reconciliations required by IFRS 1.24(a) and (b) (see above) should distinguish the correction of those errors from changes in accounting policies. [IFRS 1.26]

Where the entity presented an interim financial report (under previous GAAP) for the comparable interim period of the immediately preceding financial year, the following reconciliations are also required: [IFRS 1.32(a)]

- a reconciliation of its equity under previous GAAP at the end of that comparable interim period to its equity under IFRSs at that date; and
- a reconciliation to its total comprehensive income in accordance with IFRSs for that comparable interim period (current and year-to-date). The starting point specified for that reconciliation is total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP.

These latter two reconciliations are required in *each* interim financial report in the year of adoption.

11.3 Other information material to an understanding of the interim period

In addition, if a first-time adopter did not, in its most recent annual financial statements under previous GAAP, disclose information material to an understanding of the current interim period its interim financial report should disclose that information or include a cross-reference to another published document that includes it. [IFRS 1.33]

The general premise underlying the preparation of an interim financial report is that it should provide an update on events that have occurred since the preparation of the last annual financial statements which it is presumed the user of the financial statement would have access to. An explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of an entity is considered more useful than to replicate information that was substantively already reported in the last annual financial statements [IAS 34.15] There is some lack of clarity as to the extent of information that should be presented in order to ensure the requirements around explanatory information are complied with in the first interim financial statements. An analysis of how some of the examples presented in IAS 34.16 might be interpreted in this situation is included below. Refer also Section 11.5 for extracts from an interim report filed in Canada.

11.3.1 Accounting policies

IAS 34.16 requires that interim financial reports prepared in accordance with its requirements should include a statement that the same accounting policies and methods of computation are followed in the interim financial statements as were followed in the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change. On an ongoing basis, therefore, IAS 34 does not require a complete description of all of the entity's accounting policies in its interim financial reports.

Upon first-time adoption of IFRSs, the basis underlying each of the accounting policies of an entity has changed and so we recommend that the IFRS compliant accounting policies being adopted are disclosed in the first interim IFRS report.

The AcSB Staff Commentary states it is likely that most entities will conclude that a complete list of significant accounting policies should be disclosed in the first interim financial statements in order to meet the requirements of paragraph 16 of IAS 34. This will ensure that users of the financial statements clearly understand the policies being applied in the context of the other policies and financial statements as a whole. If a complete list of accounting policies is not provided, a clear statement would be required that, with the exception of those listed, the accounting policies have not changed as a result of adopting IFRSs.

Changes in accounting policies include those that do not have an immediate measurement effect on the financial statements. For example, on adopting IFRSs, an entity might be required to change its accounting policy for evaluating and measuring impairment. Even though that change might not have an effect at the date of transition, the new policy would be disclosed for the benefit of financial statement users evaluating potential future effects on financial results.

Even when accounting policies have not changed, additional disclosures might be required by IFRSs that were not previously required in accordance with Canadian GAAP.

11.3.2 Items affecting the financial position or performance of the entity

IAS 34 requires that where an item has impacted assets, liabilities, equity, net income and/or the cash flows of an entity and where its incidence, nature or size is unusual that additional details be disclosed. Some judgment will need to be exercised in determining how this should be interpreted in the application of IFRSs for the first-time. Practice to date indicates that an additional level of detail has been disclosed for the following items:

- Items where there has been a significant transitional IFRS adjustment
- Items where the level of disclosure required under IFRSs is significantly more extensive
- Items where the adoption of the IFRS compliant policy is substantively different
- Items which were not previously recognized or are no longer recognized
- Items where there has been a significant presentation reclassification

This is not intended to be an exhaustive list of all disclosure requirements and each first-time adopter should apply judgment in determining the level and nature of disclosure that would be considered meaningful to the financial statement users. The level and nature of information disclosed on items falling into the above categories may be most easily satisfied through full note disclosure (including comparatives) for the item accompanied by an explanation of any transitional adjustment as part of the IFRS 1 note with a related cross reference to the additional note disclosure.

11.3.3 Changes in estimates

Where there has been a change in an estimate since the year-end, additional disclosure is required. Upon first-time adoption, this could arise not only due to changes in the underlying events or circumstances but also as a result of changes in the underlying policies which determine how such items are calculated. Examples could include items such as provisions, impairment assessments and useful life estimates. In addition, changes in contingent liabilities and contingent assets should also be disclosed.

11.4 Subsequent interim financial reports in the year of first-time application

Section 11.2 (see above) sets out the requirements for the entity's first interim financial report prepared under IAS 34 in the year of first-time application. For subsequent interim financial reports in the year of first-time application, only the requirements of IFRS 1.32(a) and IFRS 1.33 (see above) apply. Therefore, reconciliations between IFRSs and previous GAAP are only required in respect of equity at the end of the comparable interim period and of total comprehensive income for the comparable interim period (current and year-to-date).

The Implementation Guidance issued with IFRS 1, reproduced below, illustrates the various reconciliations required.

The CSA in Staff Notice 52-324 and in their proposed revisions to NI 51-102 have proposed to require a domestic issuer to include a balance sheet that complies with IFRS as at the issuer's "transition date" in its first interim financial statements in the first financial year that the issuer adopts IFRS. An issuer's transition date is the beginning of the earliest comparative period presented in the financial statements. For example, an issuer with a calendar year end that has not obtained exemptive relief to early adopt IFRS will have a transition date of January 1, 2010. However, an issuer may file an IPO prospectus at a time when the second or third quarter interim financial report is required to be included in the prospectus, and the first quarter interim financial report is no longer required to be included in the prospectus. Therefore, in the proposed changes from the CSA, to obtain consistent disclosure in all prospectuses in the year of adopting IFRS, the CSA have proposed to add a disclosure requirement to include the IFRS 1 reconciliations and the opening IFRS statement of financial position in an issuer's IPO prospectus.

Example 11.4

Interim financial reporting

[IFRS 1.IG Example 10]

Background

Entity R's first IFRS financial statements have a reporting date of December 31, 20X5, and its first interim financial report under IAS 34 is for the quarter ended March 31, 20X5. Entity R prepared previous GAAP annual financial statements for the year ended December 31, 20X4, and prepared quarterly reports throughout 20X4.

Application of requirements

In each quarterly interim financial report for 20X5, entity R includes reconciliations of:

a) its equity under previous GAAP at the end of the comparable quarter of 20X4 to its equity under IFRSs at that date; and

b) its total comprehensive income (or, if it did not report such a total, profit or loss) under previous GAAP for the comparable quarter of 20X4 (current and year-to-date) to its total comprehensive income under IFRSs.

In addition to the reconciliations required by (a) and (b) and the disclosures required by IAS 34, entity R's interim financial report for the first quarter of 20X5 includes reconciliations of (or a cross-reference to another published document that includes these reconciliations):

a) its equity under previous GAAP at January 1 20X4 and December 31, 20X4 to its equity under IFRSs at those dates; and

b) its total comprehensive income (or, if it did not report such a total, profit or loss) for 20X4 under previous GAAP to its total comprehensive income for 20X4 under IFRSs.

Each of the above reconciliations gives sufficient detail to enable users to understand the material adjustments to the statement of financial position and statement of comprehensive income. Entity R also explains the material adjustments to the statement of cash flows.

If entity R becomes aware of errors made under previous GAAP, the reconciliations distinguish the correction of those errors from changes in accounting policies.

If entity R did not, in its most recent annual financial statements under previous GAAP, disclose information material to an understanding of the current interim period, its interim financial reports for 20X5 disclose that information or include a cross-reference to another published document that includes it. [IFRS 1.33]

11.5 Example interim reports in the year of IFRS adoption

The following extracts are from interim financial statements of a first-time adopter of IFRS, Thomson Reuters Corporation ("Thomson"), who adopted IFRS in Canada on January 1, 2009 (two years prior to the mandatory changeover date). These extracts are provided to illustrate to the readers of this guide how the requirements of IFRS have been applied on first-time adoption. The below is not necessarily indicative of the level of disclosure that would be required for other first-time adopters.

11.5.1 Presentation of opening IFRS balance sheet

Thomson prepared and presented an opening IFRS balance sheet prepared as at the date of its transition to IFRSs in its first interim financial statements. As can be seen from the extract below, this was presented with equal prominence to the current period and immediately prior period comparative balance sheets.

THOMSON REUTERS CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(unaudited)

(millions of U.S. dollars)	Notes	March 31 2009	December 31 2008	January 1 2008
ASSETS				
Cash and cash equivalents		1,251	841	7,497
Trade and other receivables		1,801	1,818	1,581
Other financial assets	19	244	261	70
Prepaid expenses and other current assets	15	656	766	426
Current assets		3,952	3,686	9,574
Computer hardware and other property, net		1,481	1,556	731
Computer software, net		1,283	1,299	721
Other identifiable intangible assets, net		8,505	8,702	3,440
Goodwill		18,077	18,324	6,939
Other financial assets	19	254	286	511
Other non-current assets	16	631	627	488
Deferred tax		95	109	74
Total assets		34,278	34,589	22,478
LIABILITIES AND EQUITY				
Liabilities				
Current indebtedness	19	671	688	595
Payables, accruals and provisions	17	2,122	2,704	1,505
Deferred revenue		1,270	1,193	1,105
Other financial liabilities	19	69	60	29

(millions of U.S. dollars)	Notes	March 31 2009	December 31 2008	January 1 2008
Current liabilities,		4,132	4,645	3,234
Long-term indebtedness	19	7,320	6,783	4,224
Provisions and other non-current liabilities	18	1,720	1,798	851
Other financial liabilities	19	292	222	-
Deferred tax		2,655	2,653	856
Total liabilities		16,119	16,101	9,165
Equity				
Capital		10,053	10,034	2,836
Retained earnings		10,647	10,650	10,476
Accumulated other comprehensive (loss) income		(2,619)	(2,268)	1
Total shareholders' equity		18,081	18,416	13,313
Non-controlling interests	21	78	72	-
Total equity		18,159	18,488	13,313
Total liabilities and equity		34,278	34,589	22,478

11.5.2 Basis of preparation note

Note 1 of the financial statements includes the basis of preparation note for Thomson and discloses compliance with IAS 34. See below for the excerpt of the first part of this note.

Basis of preparation

These amended interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with IFRS, as issued by the IASB. As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with IAS 34, Interim Financial Reporting and by IFRS 1, First-time Adoption of IFRS. These amended interim financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its December 31, 2009 financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

11.5.3 Transition to IFRS note

Note 27 of the financial statements describes the transition of Thomson to IFRS. Examples of items included in this note are:

- An explanation of the transition to IFRS
- A list of the IFRS 1 exemptions and exceptions applied
- Reconciliations of equity, comprehensive income and financial position for prior periods
- Details of areas where there was a significant change in the accounting policy
- Presentation reclassifications

Previously, first-time adopters had been required to prepare, but not explicitly present, an opening IFRS balance sheet as at the date of transition. Thomson provided annual disclosure for four areas: retirement benefits, tax expense, goodwill and provisions.

Thomson's transition to IFRS note for the interim period ended March 31, 2009 can be accessed on SEDAR.com.

Appendices

Model interim report

Global GAAP Holdings Limited

Interim financial report for the 3 months ended March 31, 2009

The model interim financial report of Global GAAP Holdings Limited is intended to illustrate the presentation and disclosure requirements of IAS 34 *Interim Financial Reporting*. The presentation adopted, however, will not be the only possible presentation to meet the reporting requirements.

Global GAAP Holdings Limited is assumed to have presented financial statements in accordance with IFRSs for a number of years. Therefore, it is not a first-time adopter of IFRSs. IFRS 1 *First-time Adoption of International Financial Reporting Standards* includes additional disclosure requirements for interim periods covered by an entity's first IFRS financial statements. These requirements are included in the compliance checklist in the next section of this guide.

In Canada, entities will be required to adopt IFRS in their interim financial statements prior to adopting IFRS in their annual financial statements. Normally, a company would make reference to their annual financial statements for accounting policies and only note the adoption of new accounting policies or changes to existing accounting policies in the interim financial statements. Further, certain notes which are not prescribed under interim financial reporting standards may be excluded or condensed in the interim financial statements. IAS 34 Interim Financial Reporting states that the interim financial report is 'intended to provide an update on the latest complete set of annual financial statements'. Thus, IAS 34 requires less disclosure in interim financial statements than IFRSs require in annual financial statements. However, an entity's interim financial report in accordance with IAS 34 is less helpful to users if the entity's latest annual financial statements were prepared using previous GAAP than if they were prepared in accordance with IFRSs. Therefore a first-time adopter's first interim financial report in accordance with IAS 34 should include sufficient information to enable users to understand how the transition to IFRSs affected previously reported annual, as well as interim, figures. This will result in the interim financial statements in the year of adoption including a full set of accounting policies. Also, certain annual disclosures which are not required under IAS 34 will be useful to allow users to understand the impact of IFRS on the financial statements. This would further include the disclosures and reconciliations from the adoption of IFRS 1 - First-time Adoption of International Financial Reporting Standards. Also, as noted in Section 11.4, the CSA has proposed to require a domestic issuer to include a balance sheet that complies with IFRS as at the issuer's "transition date" in its first interim financial statements in the first financial year that the issuer adopts IFRS.

At the time of this publication, as noted, the CSA has only issued proposed requirements on the transition to IFRS. Entities transitioning to IFRS should monitor CSA publications as further guidance will be provided for reporting issuers in Canada.

The model report illustrates the presentation of a set of condensed financial statements, as envisaged by IAS 34.8. If a complete set of financial statements is published in the interim financial report, the form and content of those statements should conform to the requirements of IAS 1 *Presentation of Financial Statements* for a complete set of financial statements.

As noted in Section 3.2 above, the term "condensed" does not appear in CICA 1751 or in NI 51-102 with regard to interim financial statements, and interim financial statements issued by Canadian public companies have usually not previously been referred to as 'condensed'.

This model interim financial report has been presented without regard to local laws or regulations. Preparers of interim financial reports will need to ensure that the options selected under IFRSs do not conflict with such sources of regulation (e.g., the revaluation of assets is not permitted in certain regimes -

but these financial statements illustrate the presentation and disclosures required where the entity adopts the revaluation model under IAS 16 *Property, Plant and Equipment*). In addition, local laws or securities regulations may specify disclosures in addition to those required by IFRSs. Preparers of interim financial reports will consequently need to adapt the model interim financial report to comply with such additional local requirements.

For users' convenience, the model report incorporates cross-references to IAS 34, and to the compliance checklist included in the next section of this guide.

For the purposes of presenting the statement of comprehensive income, two of the four alternatives allowed under IFRSs for those statements have been illustrated. The alternatives selected should be appropriate to the entity's circumstances, and should generally be consistent with the options selected by the entity for its annual financial statements.

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Condensed Consolidated Statement of Comprehensive Income

Alt 1. Single statement presentation, with expenses analysed by function

Source	Checklist				
IAS 34.8(b)(i) IAS 34.10 IAS 34.20(b)	34001(b) 34003 34004 34011(b)	**Condensed consolidated statement of comprehensive income for the period ended March 31, 2009 [Alt 1]**			
			Notes	**Three months ended**	
				31/3/09	**31/3/08**
				$'000	**$'000**
		Continuing operations			
		Revenue		450,077	297,336
		Cost of sales	5	(272,632)	(176,297)
		Gross profit		177,445	121,039
		Investment revenue		2,927	1,043
		Other gains and losses		8,650	6,037
		Distribution expenses		(73,274)	(55,807)
		Administrative expenses		(78,243)	(52,185)
		Finance costs		(11,859)	(8,492)
		Other expenses		(1,838)	(1,410)
		Gain recognized on disposal of interest in former associate	10	582	-
		Share of profit of associates		4,818	1,669
		Profit before tax		29,208	11,894
		Income tax charge	6	(4,598)	(1,290)
		Profit for the period from continuing operations		24,610	10,604
		Discontinued operation			
		Profit (loss) for the period from discontinued operation	14	2,691	(1,168)
		PROFIT FOR THE PERIOD		27,301	9,436
		Other comprehensive income (loss)			
		Exchange differences arising on translation of foreign operations		3,351	1,023
		Available-for-sale financial assets		(233)	(125)
		Cash flow hedges		(412)	77
		Gain (loss) on revaluation of property	9	32,094	(2,113)
		Income tax relating to components of other comprehensive income		(4,695)	380
		Other comprehensive income (loss) for the period (net of tax)		30,105	(758)
		TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		57,406	8,678

Source	Checklist				
		Condensed consolidated statement of comprehensive income for the period ended March 31, 2009 [Alt 1]			
			Notes	**Three months ended**	
				31/3/09	**31/3/08**
				$'000	**$'000**
		Profit for the period attributable to:			
		Shareholders		20,705	6,776
		Non-controlling interests		6,596	2,660
				27,301	9,436
		Total comprehensive income attributable to:			
		Shareholders		50,810	6,018
		Non-controlling interests		6,596	2,660
				57,406	8,678
IAS 34.11	34005	**Earnings per share**	**7**		
		From continuing and discontinued operations			
		Basic		$0.17	$0.06
		Diluted		$0.12	$0.04
		From continuing operations			
		Basic		$0.05	$0.07
		Diluted		$0.10	$0.05

Note:

Alt 1 above illustrates the presentation of comprehensive income in one statement and analyses expense according to their function. Alt 2 (see next pages) illustrates the presentation of comprehensive income in two statements and analyses expenses according to their nature. The format adopted for condensed financial statements in the interim financial report should be consistent with the format adopted for annual financial statements.

Irrespective of whether the one-statement or the two-statement approach is followed, for the components of other comprehensive income, entities have options regarding the extent to which detail is presented in the statement of comprehensive income or in the notes. Where an entity has opted to present some details in the notes for the purposes of its annual financial statements, those details need not be presented in its interim financial report, except to the extent that their disclosure would be required under IAS 34.16 (see item 34007 in the IAS 34 compliance checklist included in this guide).

In practice, many entities will refer to the minimum disclosure requirements and present the details of expenses in the Notes.

Alt 2. Presentation as two statements, with expenses analysed by nature

Source	Checklist				
IAS 34.8(b)(ii) IAS 34.10 IAS 34.20(b)	34001(b) 34003 34004 34011(b)	**Condensed consolidated income statement for the period ended March 31, 2009 [Alt 2]**			
			Notes	**Three months ended**	
				31/3/09	**31/3/08**
				$'000	**$'000**
		Continuing operations			
		Revenue		450,077	297,336
		Investment revenue		2,927	1,043
		Other gains and losses		8,650	6,037
		Changes in inventories of finished goods and work in progress	5	5,446	7,329
		Raw materials and consumables used		(283.336)	(167,366)
		Employee benefits expense		(133,100)	(111,760)
		Depreciation and amortization expense		(14,302)	(12,498)
		Finance costs		(11,859)	(8,492)
		Other expenses		(695)	(1,404)
		Gain recognized on disposal of interest in former associate	10	582	-
		Share of profit of associates		4,818	1,669
		Profit before tax		29,208	11,894
		Income tax charge	6	(4,598)	(1,290)
		Profit for the period from continuing operations		24,610	10,604
		Discontinued operation			
		Profit (loss) for the period from discontinued operation	14	2,691	(1,168)
		PROFIT FOR THE PERIOD		27,301	9,436
		Attributable to:			
		Shareholders		20,705	6,776
		Non-controlling interests		6,596	2,660
				27,301	9,436
IAS 34.11	34005	Earnings per share	7		
		From continuing and discontinued operations			
		Basic		$0.17	$0.06
		Diluted		$0.12	$0.04
		From continuing operations			
		Basic		$0.05	$0.07
		Diluted		$0.10	$0.05

Source	Checklist				
		Condensed consolidated statement of comprehensive income for the period ended March 31, 2009 [Alt 2]			
			Notes	**Three months ended**	
				31/3/09	**31/3/08**
				$'000	**$'000**
		Profit for the period		27,301	9,436
		Other comprehensive income			
		Exchange differences arising on translation of foreign operations		3,351	1,023
		Available-for-sale financial assets		(233)	(125)
		Cash flow hedges		(412)	77
		Gain (loss) on revaluation of property	9	32,094	(2,113)
		Income tax relating to components of other comprehensive income		(4,695)	380
		Other comprehensive income (loss) for the period (net of tax)		30,105	(758)
		TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		57,406	8,678
		Total comprehensive income attributable to:			
		Shareholders		50,810	6,018
		Non-controlling interests		6,596	2,660
				57,406	8,678

Condensed consolidated statement of financial position

Source	Checklist				
IAS 34.8(a) IAS 34.10 IAS 34.20(a)	34001(a) 34003 34004 34011(a)	**Condensed consolidated statement of financial position at March 31, 2009**			
			Notes	**31/3/09**	**31/12/08**
				$'000	**$'000**
		Assets			
		Current assets			
		Cash and cash equivalents		5,609	1,175
		Derivative financial instruments		1,836	1,798
		Trade and other receivables		181,464	142,062
		Inventories		108,199	91,815
		Finance lease receivables		54,713	49,674
		Other financial assets		35,407	27,932
				387,228	314,456
		Non-current assets			
		Finance lease receivables		84,937	103,565
		Other financial assets		13,373	25,432
		Property, plant and equipment	9	622,227	567,512
		Goodwill	11	3,010	3,562
		Other intangible assets		26,985	21,294
		Investments in associates	10	50,518	12,204
		Deferred tax assets		4,118	3,872
		Other assets		7,746	12,908
				812,914	750,349
		Total assets		1,200,142	1,064,805

Source	Checklist				
		Condensed consolidated statement of financial position at March 31, 2009			
			Notes	**31/12/08**	**31/12/08**
				$'000	**$'000**
		Liabilities and shareholders' equity			
		Current liabilities			
		Trade and other payables		80,862	48,890
		Borrowings	12	171,352	128,633
		Obligations under finance leases		1,470	1,483
		Current tax liabilities		8,229	1,986
		Provisions		6,432	2,065
				268,345	183,057
		Non-current liabilities			
		Borrowings	12	477,966	490,393
		Obligations under finance leases		5,923	1,244
		Retirement benefit obligation		30,714	42,760
		Deferred tax liabilities		12,025	2,972
		Deferred tax liabilities		2,118	-
				528,746	537,369
		Total liabilities		797,091	720,426
		Shareholders' equity			
		Share capital	13	142,343	142,343
		Reserves		68,732	37,341
		Retained earnings		174,059	159,119
		Equity attributable to shareholders		385,134	338,803
		Non-controlling interests		17,917	5,576
		Total shareholders' equity		403,051	344,379
		Total liabilities and shareholders' equity		1,200,142	1,064,805

Condensed consolidated statement of changes in shareholders' equity

Source	Checklist	
		Condensed consolidated statement of changes in shareholders' equity for the period ended March 31, 2009
IAS 34.8(c) IAS 34.10 IAS 34.20(c)	34001(c) 34003 34004 34011(c)	

	Share capital	Properties revaluation reserve	Investments revaluation reserve	Hedging reserve	Foreign currency translation reserve	Other reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at January 1, 2008	142,343	39,552	6,875	1,501	(7,329)	-	149,878	332,820	1,158	333,978
Effect of changes in the accounting for mail order catalogues (note 2)	-	-	-	-	-	-	(92)	(92)	-	(92)
As restated	142,343	39,552	6,875	1,501	(7,329)	-	149,786	332,728	1,158	333,886
Profit for the period	-	-	-	-	-	-	6,776	6.776	2,660	9,436
Exchange differences arising on translation of foreign operations	-	-	-	-	1,023	-	-	1,023		1,023
Available-for-sale financial assets	-	-	(125)	-	-	-	-	(125)		(125)
Cash flow hedges	-	-	-	77	-	-	-	77		77
Loss on revaluation of property	-	(2,113)	-	-	-	-	-	(2,113)		(2,113)
Income tax relating to components of other comprehensive income	-	380	-	-	-	-	-	380		380
Comprehensive income (loss) for the period	-	(1,733)	(125)	77	1,023	-	6,776	6,018	2	31,639
Payment of dividends	-	-	-	-	-	-	(14,472)	(14,472)	-	(14,472)
Balance at March 31, 2008	142,343	37,819	6,750	1,578	(6,306)	-	142,090	324,274	3,820	328,092

Source	Checklist	

Condensed consolidated statement of changes in shareholders' equity
for the period ended March 31, 2009

	Share capital	Properties revaluation reserve	Investments revaluation reserve	Hedging reserve	Foreign currency translation reserve	Other reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at January 1, 2009	142,343	34,418	6,390	1,156	(4,623)	-	159,119	338,803	5,576	344,379
Profit for the period	-	-	-	-	-	-	20,705	20,705	6,596	27,301
Exchange differences arising on translation of foreign operations	-	-	-	-	3,351	-	-	3,351	-	3,351
Available-for-sale financial assets	-	-	(233)	-	-	-	-	(233)	-	(233)
Cash flow hedges	-	-	-	(412)	-	-	-	(412)	-	(412)
Gain on revaluation of property	-	32,094	-		-	-	-	32,094	-	32,094
Income tax relating to components of other comprehensive income	-	(4,695)	-		-	-	-	(4,695)	-	(4,695)
Comprehensive income (loss) for the period	-	27,399	(233)	(412)	3,351	-	20,705	50,810	6,596	57,406
Payment of dividends	-	-	-	-	-	-	(5,765)	(5,765)	-	(5,765)
Difference arising on disposal of interest in B Sub Limited (note 14)	-	-	-	-	-	1,286	-	1,286	3,214	4,500
Non-controlling interests arising on the acquisition of Sub X Limited (note 15)	-	-	-	-	-	-	-	-	2,531	2,531
Balance at March 31, 2009	142,343	61,817	6,157	744	(1,272)	1,286	174,059	385,134	17,917	403,051

Note: This statement complies with the requirements of IAS 1.106, which states that each item of other comprehensive income must be shown separately in the statement of changes in equity. However, the illustrative statement of changes in equity accompanying IAS 1 does not include this level of detail on the face of the financial statement.

The IASB is currently considering a proposal to relax the requirements of IAS 1.106 so as to avoid the current duplication of information in the statement of comprehensive income and the statement of changes in equity.

Condensed consolidated statement of cash flows

Source	Checklist	
IAS 34.8(d) IAS 34.10 IAS 34.20(d) IAS 34.16(c)	34001(d) 34003 34004 34011(d) 34008(c)	**Condensed consolidated statement of cash flows for the period ended March 31, 2009**

	Notes	Three months ended 31/3/09 $'000	Three months ended 31/3/08 $'000
Profit for the period		27,301	9,436
Items not affecting cash and cash equivalents:			
Gain recognized on disposal of interest in former associate		(582)	-
Other gains		(8,650)	(6,037)
Depreciation and amortization expense		14,302	12,498
Employee benefits expense		133,100	117,760
Employee benefits cash payments		(148,380)	(103,662)
Share of profit of associates		(4,818)	(1,669)
Deferred taxes		8,807	(312)
Other operating cash flow (net)		(1,828)	3,474
Changes in non-cash working capital relating to operating activities		(13,204)	(14,992)
Net cash from operating activities		**6,048**	**46,480**
Additions to property, plant and equipment	9	(57,527)	(28,940)
Acquisition of interest in an associate	10	(34,519)	-
Acquisition of a subsidiary	15	(9,491)	-
Proceeds on disposal of property, plant and equipment	9	33,386	9,827
Proceeds on disposal of a subsidiary	14	30,900	-
Proceeds on disposal of interest in a subsidiary	14	4,500	-
Proceeds on disposal of interest in an associate	10	1,245	-
Other investing cash flows (net)		2,600	(17,941)
Net cash used in investing activities		**(28,906)**	**(37,054)**
New bank loan raised	12	50,000	30,000-
Repayments of bank loans	12	(19,818)	(18,230)
Dividends paid	8	(5,765)	(14,472)
Other financing cash flows (net)		2,875	(3,647)
Net cash from (used in) financing activities		**27,292**	**(6,349)**
Net increase in cash and cash equivalents		**4,434**	**3,077**
Cash and cash equivalents at January 1		**1,175**	**2,033**
Cash and cash equivalents at March 31			
Bank balances and cash		5,609	5,110

Notes to the condensed consolidated financial statements

Source	Checklist	
		Notes to the condensed consolidated financial statements **for the period ended March 31, 2009**
IAS 34.8(e)	34001(e)	
IAS 34.19	34010	**1. Basis of preparation** The condensed financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard 34 *Interim Financial Reporting*. As discussed above, the CSA are proposing to require reporting issuers to state compliance with IAS 34 *Interim Financial Reporting*. Regulators in other jurisdictions have not always required however that first time adopters comply with IAS 34 in interim financial reports filed during the year of transition to IFRS. Reporting IFRS for the first time in interim rather than annual financial statements does raise some practical difficulties. Canadian preparers should monitor CSA activities for any further commentary on their expectations for interim reporting during the transition year. **2. Significant accounting policies** The condensed financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments.
IAS 34.16(a)	34007(a)	The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended December 31, 2008, except for the impact of the adoption of the Standards and Interpretations described below. For the first year of adopters, the above sentence is not applicable. As discussed above, Canadian companies transitioning to IFRS will require a full set of accounting policies and certain annual disclosures in the year of adoption. Also, CSA National Instrument 52-107, requires reporting issuers to disclose the reporting currency for the financial information, and disclose the measurement currency if it is different than the reporting currency. The following paragraphs illustrate the type of disclosure of new standards after the first year of adoption. For Canadian companies adopting in 2011, these specific examples will not be applicable. **IFRS 8 *Operating Segments*** **(effective for annual periods beginning on or after January 1, 2009)** IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 3), but has had no impact on the reported results or financial position of the Group. **IAS 1 (revised 2007) *Presentation of Financial Statements*** **(effective for annual periods beginning on or after January 1, 2009)** The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Group. **IAS 23 (revised 2007) *Borrowing Costs*** **(effective for annual periods beginning on or after January 1, 2009)** The revised Standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset is one that takes a substantial period of time to get ready for use or sale. The option of immediately expensing those borrowing costs was removed. However, the revised Standard has had no impact on the reported results or financial position of the Group. **IFRS 3 (revised 2008)** ***Business Combinations* (effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after July 1, 2009)** IFRS 3(revised 2008) has been adopted in advance of its effective date and has been applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. Its adoption has affected the accounting for the acquisition of Sub X Limited in the current period.

Source	Checklist	
		Notes to the condensed consolidated financial statements for the period ended March 31, 2009

The impact of IFRS 3(2008) *Business Combinations* has been:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests). In the current period, in accounting for the acquisition of Sub X Limited, the Group has elected to measure the non-controlling interests at fair value. Consequently, the goodwill recognized in respect of that acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the identifiable net assets of the acquiree;
- to change the recognition and subsequent accounting requirements for contingent consideration. Whereas, under the previous version of the Standard, contingent consideration was recognized at the acquisition date only if it met probability and reliably measurable criteria, under the revised Standard the consideration for the acquisition always includes the fair value of any contingent consideration. Once the fair value of the contingent consideration at the acquisition date has been determined, subsequent adjustments are made against goodwill only to the extent that they reflect fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). Under the previous version of the Standard, adjustments to consideration were always made against goodwill;
- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss, measured at fair value of non-contractual relationships; and
- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being expensed when incurred, whereas previously they were accounted for as part of the cost of the acquisition.

In the current period, these changes in policies have affected the accounting for the acquisition of Sub X Limited as follows:

Statement of financial position

	31/3/09 $'000
Excess of the fair value of non-controlling interests in Sub X Limited over their share of the identifiable net assets (reflected in non-controlling interests)	157
Liability recognized in respect of the fair value of contingent consideration that would not have been recognized under the previous version of the Standard (reflected in provisions)	75
Adjustment of purchase consideration to reflect settlement of law suit against Sub X Limited (profit or loss)	40
Acquisition-related costs expensed when incurred (profit or loss)	(145)
Additional goodwill recognized as result of the adoption of IFRS 3(2008)	127

Statement of comprehensive income

	31/3/09 $'000
Gain recognized to reflect the effective settlement of the Group's law suit against Sub X Limited	40
Acquisition-related costs expensed when incurred	(145)
Decrease in profit for the period as a result of the adoption of IFRS 3(2008)	(105)

The revised Standard has also required additional disclosures in respect of the business combinations in the period (see note 15).

Results in future periods may be affected by future impairment losses in respect of the increased goodwill, and by potential changes in the liability recognized for contingent consideration.

The revised Standard is also expected to affect the accounting for business combinations in future accounting periods, but the impact will only be determined once the detail of future business combination transactions is known.

Source	Checklist	
		Notes to the condensed consolidated financial statements **for the period ended March 31, 2009**
		IAS 27(revised 2008) Consolidated and Separate Financial Statements **(effective for annual periods beginning on or after July 1, 2009)** IAS 27(2008) has been adopted in advance of its effective date from January 1, 2009 and has been applied prospectively. The revised Standard has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in its subsidiaries. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognized where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognized in profit or loss. Under IAS 27(2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognized at its fair value at the date that control is lost. A gain or loss on loss of control is recognized in profit or loss as the difference between the proceeds, if any, and these adjustments. In respect of the disposal during the period of part of the Group's interest in B Sub Limited, the impact of the change in policy has been that the difference of $1.286 million between the consideration received and the transfer between the parent's equity and non-controlling interests has been recognized directly in equity. Had the previous accounting policy been applied, this amount would have been recognized in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the period of $1.286 million. The revised Standard is also expected to affect the accounting for changes in ownership interests in future accounting periods, but the impact will only be determined once the detail of future transactions is known. In Canada, the CICA has issued section 1582 "Business Combinations" which replaces CICA section 1581 and has issued Sections 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests", which replaces existing Section 1600. As the Canadian standards are similar but not identical to IFRS, a Canadian company planning to transition to IFRS in accordance with the timeline as established by the Canadian Accounting Standards Board should consider adopting section 1582 in 2010 for any business combinations in the year to ease the transition to IFRS. Although IFRS 1 contains exemptions for business combinations this would only apply to business combinations entered into prior to the beginning of the transition year (i.e., January 1, 2010 for a calendar year-end entity adopting IFRS in 2011). **IAS 28(2008) *Investments in Associates*** **(effective for annual periods beginning on or after July 1, 2009)** IAS 28(2008) has been adopted in advance of its effective date in the current period. The principle adopted in IAS 27(2008) that a change in accounting basis is recognized as a disposal and re-acquisition at fair value is extended by consequential amendments to IAS 28 such that, on the loss of significant influence, the investor measures at fair value any retained interest in the former associate. This change has affected the accounting for the partial disposal of the Group's interest in K Plus Limited in the period. The difference of $104,000 between the carrying amount and fair value of the interest retained in K Plus Limited has been recognized in profit or loss in the period, net of a tax charge of $31,000. Had the Group's previous accounting policy been followed, the carrying amount of the investment retained would have been regarded as cost for the purpose of subsequent accounting as an available-for-sale investment under IAS 39 and the movement in fair value (and related deferred tax) would have been recognized in other comprehensive income. The profit reported for 2008 has therefore been increased by $73,000 as a result of the change in accounting policy. This increase will be offset by a decrease in profits of an equivalent amount when the investment is disposed of in future accounting periods.

Source	Checklist	
		Notes to the condensed consolidated financial statements for the period ended March 31, 2009
		Improvements to IFRSs issued in May 2008 The Improvements include 35 amendments across 20 different Standards that largely clarify the required accounting treatment where previous practice had varied, and have resulted in a number of changes in the detail of the Group's accounting policies. The only amendment included in *Improvements to IFRSs* that has had a material impact on the Group's accounting policies is the amendment to IAS 38 *Intangible Assets*, which has been amended to state that an entity is permitted to recognise a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services. Mail order catalogues have been specifically identified as a form of advertising and promotional activities. In the past, the Group recognized its inventories of catalogues held as an asset up to the date of dispatch. The amendments to IAS 38 have been applied retrospectively in accordance with the relevant transitional provisions, resulting in a reduction in inventories held at January 1, 2008 of $132,000 and the recognition of a current tax refund due of $40,000 at the same date, leading to a net adjustment to retained earnings at January 1, 2008 of $92,000. [Marketing expenses/raw materials and consumables used] in the three months ended March 31, 2009 have been increased by $12,000 (2008: $7,000), and the current tax charge reduced by $4,000 (2008: $2,000). The impact of the change at March 31, 2009 has been to decrease inventories by $63,000 (2008: $85,000), to increase current tax assets by $40,000 (2008: $40,000), to decrease current tax liabilities by $6,000 (2008: $2,000), and to decrease retained earnings by $17,000 (2008: $43,000). **IAS 32(amended) Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after January 1, 2009)** The amendments to IAS 32 will require that some financial instruments currently meeting the definition of a financial liability be classified as equity because they represent the residual interest in the net assets of the entity. The revisions had no impact on the reported results or financial position of the Group. **IAS 39 (amended) and IFRS 7 (amended) Reclassification of Financial Assets (revised) (effective for annual periods beginning on or after July 1, 2009)** The amendment provides clarification on two issues in relation to hedge accounting: identifying inflation as a hedged risk or portion and hedging with options. The revisions had no impact on the reported results or financial position of the Group. **IFRS 2 (amended) Share-Based Payments (effective for annual periods beginning on or after January 1, 2009)** The principal amendments are: Vesting conditions: they clarify that vesting conditions are those conditions that determine whether the entity receives the services that result in the counterparty's entitlement, they restrict the definition of vesting conditions to include only service conditions and performance conditions and they amend the definition of performance conditions to require the completion of a service period in addition to specified performance targets. Failure to meet a non-vesting condition and cancellations: they provide guidance on how to treat cancellations by the counterparty and circumstances where neither the entity nor the counterparty is in a position to choose whether or not to meet a non-vesting condition. The revisions had no impact on the reported results or financial position of the Group. **IFRS 7 (amended), Financial Instruments: Disclosures** **(effective for annual periods beginning on or after January 1, 2009)** The amendments require enhanced disclosures about fair value measurements and liquidity risk. The amended standard will result in additional disclosures in the annual consolidated financial statements of the Group for the year-ended December 31, 2009. **The following accounting standards and interpretations will be applicable in 2010 and beyond. The Group is currently evaluating the impact that these standards and interpretations may have on the consolidated financial statements.** **IAS 39 (amended) Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods beginning on or after July 1, 2009)** The amendment provides clarification on two issues in relation to hedge accounting: identifying inflation as a hedged risk or portion and hedging with options.

Source	Checklist	
		Notes to the condensed consolidated financial statements for the period ended March 31, 2009
		IFRS 2 and IFRIC 11 (amended), Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2010) The amendment to IFRS 2 clarifies that an entity that receives goods or services from its suppliers must apply IFRS 2 even though the entity has no obligation to make the required share-based cash payments. The amendment to IFRIC 11 specifies that an entity that receives goods or services from its suppliers should measure the goods or services in accordance with the requirements applicable to cash-settled share-based payment transactions. **IFRIC 9 (amended), Reassessment of Embedded Derivatives (effective for annual periods ending on or after June 30, 2009)** The IFRIC clarifies the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the fair value through profit or loss' (FTVPL) category as permitted by the October 2008 amendments to IAS 39. **IFRIC 17, Distributions of Non-cash Assets to Owners** **(effective for annual periods beginning on or after July 1, 2009)** IFRIC 17 provides guidance on accounting for an entity's distribution of assets other than cash as dividends to its shareholders **IFRIC 18, Accounting for Customer Contributions (effective for annual periods beginning on or after July 1, 2009)** The Interpretation introduces new accounting for situations in which an entity receives from a customer (1) property, plant, and equipment, or (2) cash to acquire property, plant, and equipment that the entity will use to provide the customer access to a supply of goods or services. IFRIC 18's objective is to eliminate current differences in accounting for these customer contributions.

Source	Checklist	
		Notes to the condensed consolidated financial statements for the period ended March 31, 2009
IAS 34.16(g)	34007(g)	**3. Segment information**

Note: The information set out below goes beyond the ongoing requirements of IAS 34 because, in the first year of implementation of a new standard, additional information is required that will not have been provided in the previous year's annual financial statements (see section 4.3 of this guide for further discussion).

The Group has adopted IFRS 8 *Operating Segments* with effect from January 1, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

In prior years, segment information reported externally was analysed on the basis of the types of goods supplied by the Group's operating divisions (i.e., electronic equipment, leisure goods, construction services, toys and 'other'). However, information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is more specifically focussed on the category of customer for each type of goods. The principal categories of customer for these goods are direct sales to major customers, wholesalers, retailers and internet sales. The Group's reportable segments under IFRS 8 are therefore as follows:

Electronic equipment- direct sales

- wholesalers and retail outlets
- internet sales

Leisure goods- wholesalers

- retail outlets

Other

The leisure goods segments supply sports shoes and equipment, outdoor play equipment and, prior to discontinuation (see below), toys.

Other operations include the development, sale and installation of computer software for specialised business applications, leasing specialised storage equipment, and distribution services.

In prior years, the Group was involved in the manufacture and sale of toys, which was reported as a separate segment under IAS 14. That operation was discontinued with effect from February 27, 2009 (see note 14). For IFRS 8 purposes, the toy operation is included in the leisure goods reportable segments.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of IFRS 8.

Source	Checklist	
		Notes to the condensed consolidated financial statements for the period ended March 31, 2009
IAS 34.16(g)	34007(g)	The following is an analysis of the Group's revenue and results by operating segment for the periods under review:

	Revenue Three months ended		Segment profit Three months ended	
	31/3/09 $'000	**31/3/08 $'000**	**31/3/09 $'000**	**31/3/08 $'000**
Continuing operations				
Electronic equipment				
• direct sales	99,817	64,116	7,642	4,309
• wholesalers and retail outlets	84,106	43,339	6,719	2,895
• internet sales	81,117	40,746	6,339	2,693
Leisure goods (excluding toys)				
• wholesalers	98,411	83,554	7,722	5,589
• retail outlets	79,700	50,339	6,319	3,367
Other	7,556	15,242	933	1,487
Total for discontinued operations	450,077	297,336	35,674	20,340
Investment revenue			2,927	1,043
Central administration and directors' salaries			(2,934)	(2,646)
Finance costs			(11,859)	(8,492)
Gain recognized on disposal of interest in former associate			582	-
Share of profit of associates			4,818	1,649
Profit before tax (continuing operations)			29,208	11,894
Discontinued operation				
Leisure goods (toys)				
• wholesalers	35,714	34,977	557	879
• retail outlets	28,033	20,288	(625)	(1,829)
Total for discontinued operations	63,747	55,265	(68)	(950)
Central administration and directors' salaries			(386)	(362)
Gain on disposal of toy manufacturing operation			3,883	-
Profit (loss) before tax (discontinued operations)			3,429	(1,312)
Income tax expense (continuing and discontinued)			(5,336)	(1,146)
Consolidated revenue (excluding investment revenue) for the period	513,824	352,601		
Consolidated profit for the period			27,301	9,436

All of the segment revenue reported above is from external customers.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, investment revenue and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Source	Checklist	
		Notes to the condensed consolidated financial statements for the period ended March 31, 2009 continued

The following is an analysis of the Group's assets by operating segment:

	Revenue		Segment profit	
	Three months ended		Three months ended	
	31/3/09	31/3/08	31/3/09	31/3/08
	$'000	$'000	$'000	$'000
Continuing operations				
Electronic equipment				
• direct sales			191,561	159,454
• wholesalers and retail outlets			165,567	107,133
• internet sales			160,571	102,150
Leisure goods (excluding toys)				
• wholesalers			189,828	206,792
• retail outlets			158,635	124,573
Other			22,462	37,910
Total for continuing operations			888,624	738,012
Discontinued operation				
Leisure goods (toys)				
• wholesalers			-	86,995
• retail outlets			-	52,091
Total for discontinued operations			-	139,086
Total segment assets			888,624	877,098

As noted above, IAS 34 requires that the information in the notes to interim financial statements generally be reported on a financial year-to-date basis, although with disclosure of any events or transactions material to an understanding of the current interim period. CICA 1751 requires that segment information, in particular, be provided both for the current interim period and cumulatively for the year to date.

4. Results for the period

[Provide explanatory comments about the seasonality or cyclicality of the interim operations, where applicable.]

5. Changes in inventories/cost of sales

Included in [changes in inventories of finished goods and work in progress/cost of sales] for the three months ended March 31, 2009 is an amount of $2.79 million in respect of exceptional allowances recognized to reduce the carrying amount of inventories to their net realizable value.

6. Income tax charge

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 14 per cent (3 months ended March 31, 2008: 18 per cent).

Source	Checklist	
		Notes to the condensed consolidated financial statements for the period ended March 31, 2009 continued

7. Earnings (loss) per share

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share is based on the following data:

	Three months ended	
	31/3/09	**31/3/08**
	$'000	**$'000**
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to shareholders)	20,705	6,776
Number of shares	**'000**	**'000**
Weighted average number of ordinary shares for the purpose of basic earnings per share	120,111	120,111
Effect of dilutive share options	59,981	38,216
Weighted average number of ordinary shares for the purposes of diluted earnings per share	180,092	158,327

From continuing operations

Earnings figures are calculated as follows:

	Three months ended	
	31/3/09	**31/3/08**
	$'000	**$'000**
Profit for the period attributable to shareholders	20,705	6,776
Less: (profit) loss for the period from discontinued operation	(2,691)	1,168
Earnings for the purposes of basic and diluted earnings per share from continuing operations	18,014	7,944

The numerators used are the same as those detailed above for both basic and diluted earnings per share.

IAS 34.16(f) | 34007(f)

8. Dividends

During the interim period, a dividend of $0.048 (2008: $0.1205) per share was paid to the shareholders.

9. Property, plant and equipment

During the period, the Group spent approximately $57 million on the final stage of construction of its new office premises and on additions to the manufacturing plant in B Land, in order to upgrade its manufacturing capabilities.

It also disposed of certain of its machinery and tools with a carrying amount of $30 million for proceeds of $33 million.

The Group revalued its land and buildings in B Land at January 31, 2009 and recognized a revaluation surplus of $32.09 million. The valuation was carried out by Messrs R.P. Trent & Co. The managers are satisfied that the carrying amount of the land and buildings at March 31, 2009 is not materially different from their fair value.

IAS 34.16(i) | 34007(i)

10. Investments in associates

On February 25, 2009, the Group acquired a 30 per cent interest in A Plus Limited, a company incorporated in C Land and engaged in the manufacture of electronic goods. The consideration for the acquisition was $34.5 million.

At December 31, 2008, the Group held a 40% interest in K Plus Limited and accounted for the investment as an associate. In March 2009, the Group transferred a 30% interest to a third party for proceeds of $1.245 million. The Group has retained the remaining 10% interest as an

Source	Checklist	
		Notes to the condensed consolidated financial statements for the period ended March 31, 2009 continued
		available-for-sale investment. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	$'000
Proceeds of disposal	1,245
Plus: fair value of investment retained	360
Less: carrying amount of investment on the date of loss of significant influence	(1,023)
Profit recognized	582

A current tax charge of $143,000 arose on the gain realised in the period, and a deferred tax charge of $31,000 has been recognized in respect of the portion of the gain not taxable until the remaining interest is disposed of.

FRS 3(2008).B67(d) | 34039

11. Goodwill

Gross

	2009 $'000	2008 $'000
At January 1	3,562	3,562
Additional goodwill arising on the acquisition of Sub X Limited	467	-
Derecognized on the disposal of Sub A Limited	(1,019)	-
	3,010	3,562

Accumulated impairment losses

At January 1 and March 31

IAS 34.16(e) | 34007(e)

12. Borrowings

During the period, the Group obtained a new short-term bank loan in the amount of $50 million (2008: $30 million). The loan bears interest at variable market rates and is repayable within 1 year. The proceeds were used to meet short-term expenditure needs. Repayments of other bank loans amounting to $19.8 million (2008: $18.2 million) were made in line with previously disclosed repayment terms.

IAS 34.16(e) | 34007(e)

13. Share capital

Share capital as at March 31, 2009 amounted to $142,343,000. There were no movements in the share capital of the Company in either the current or the prior interim reporting periods.

IAS 34.16(i) | 34007(i)

14. Disposals of subsidiaries

Disposal of interest in a subsidiary

On January 31, 2009, the Group disposed of 20% of its interest in B Sub Limited, reducing its continuing interest to 80%. The proceeds on disposal of $4.5 million were received in cash.

The difference between the disposal proceeds and the amount transferred to non-controlling interests ($3.214 million) has been recognized directly in equity.

Disposal of subsidiary (discontinued operation)

On February 27, 2009, the Group disposed of Sub A Limited, which carried out all of its toy manufacturing operations. The proceeds on disposal of $30.9 million were received in cash.

Source	Checklist	
		Notes to the condensed consolidated financial statements for the period ended March 31, 2009 continued
		The profit (loss) for the period from the discontinued operation is analysed as follows:

	2 months ended 27/2/09 $'000	3 months ended 31/3/08 $'000
Loss of toy manufacturing operation for the period	(1,192)	(1,168)
Gain on disposal of toy manufacturing operation	3,883	-
	2,691	(1,168)

The results of the toy manufacturing operation for the relevant periods were as follows:

	2 months ended 27/2/09 $'000	3 months ended 31/3/08 $'000
Revenue	63,747	55,265
Operating costs	(61,311)	(54,474)
Finance costs	(2,890)	(2,103)
Loss before tax	(454)	(1,312)
Income tax (charge) credit	(738)	144
Loss after tax	(1,192)	(1,168)

The net assets of Sub A Limited at the date of disposal were as follows:

Source	Checklist		$'000
		Net assets disposed of	25,998
		Attributable goodwill	1,019
			27,017
		Profit on disposal	3,883
		Total consideration	30,900
IAS 34.16(i)	34007(i)	Satisfied by cash, and net cash inflow arising on disposal	30,900
		A profit of $3.88 million was earned on the disposal of Sub A Limited. No tax charge or credit arose on the transaction.	
IAS 34.16(i)	34007(i)	**15. Acquisition of subsidiaries**	
IFRS 3(2008). B64(a) – (d)	34036	On February 15, 2009, the Group acquired an 80% interest in Sub X Limited. Sub X Limited is engaged in distribution activities and was acquired with the objective of significantly improving the Group's distribution logistics.	
		Consideration transferred	**$'000**
		Cash	9,691
		Contingent consideration arrangement (i)	75
			9,766
		Plus: effect of settlement of legal claim against Sub X Limited (ii)	40
			9,806

Source	Checklist	
		Notes to the condensed consolidated financial statements for the period ended March 31, 2009 continued
IFRS 3(2008). B64(g)	34036	(i) The contingent consideration requires the Group to pay the non-controlling interests an additional $300,000 if Sub X Limited's profit before interest and tax (PBIT) in each of the years 2009 and 2010 exceeds $500,000. Sub X's PBIT for the past three years has been $350,000 on average and the managers do not expect that the specified target will be met. $75,000 represents the estimated fair value of this obligation.
IFRS 3(2008). B64(l)	34036	(ii) Prior to the acquisition of Sub X Limited, the Group was pursuing a legal claim against that company in respect of damage to goods in transit to a customer. Although the Group was confident of recovery, this amount has not previously been recognized as an asset. In line with the requirements of IFRS 3(2008), the Group has recognized the effective settlement of this legal claim on the acquisition of Sub X Limited by recognising $40,000 (being the estimated fair value of the claim) as a gain in the [statement of comprehensive income/income statement] within the 'other gains and losses' line item. This has resulted in a corresponding increase in the consideration transferred.
IFRS 3(2008). B64(m)	34036	Acquisition-related costs amounting to $145,000 have been excluded from the cost of acquisition and have been recognized as an expense in the period, within the 'other expenses' line item in the [statement of comprehensive income/income statement].
IFRS 3(2008). B64(i)	34036	**Assets acquired and liabilities assumed at the date of acquisition**

	$'000
Current assets	
Cash & cash equivalents	200
Trade & other receivables	2,943
Inventories	3,631
Non-current assets	
Plant & equipment	7,512
Current liabilities	
Trade and other payables	(2,358)
Non-current liabilities	
Deferred tax liabilities	(58)
	11,870

Source	Checklist	
IFRS 3(2008). B67(a)	34039	The initial accounting for the acquisition of Sub X Limited has only been provisionally determined at the end of the interim reporting period. For tax purposes, the tax values of Sub X's assets are required to be reset based on market values and other factors. At the date of finalisation of this interim financial report, the necessary market valuations and other calculations had not been finalised and the adjustments to deferred tax liabilities and goodwill noted above have therefore only been provisionally determined based on the managers' best estimate of the likely tax values. The market valuations obtained for tax purposes may also impact the recognized fair values of the other assets acquired as part of the business combination.
IFRS 3(2008). B64(h)	34036	The receivables acquired (which principally comprised trade receivables) with a fair value of $2.943 million had gross contractual amounts of $3.3 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected is $220,000.
IFRS 3(2008). B64(o)	34036	**Non-controlling interests**

The non-controlling interest (20%) in Sub X Limited recognized at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to $2,531 million. This fair value was estimated by applying an income approach. The following were the key model inputs used in determining the fair value:

- assumed discount rate range of 18% - 22%;
- assumed long-term sustainable growth rates of 3% - 5%; and
- assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interests in Sub X Limited.

Source	Checklist	
		Notes to the condensed consolidated financial statements for the period ended March 31, 2009 continued
		Goodwill arising on acquisition
IFRS 3(2008). B64(e)	34036	Goodwill arose in the acquisition of Sub X Limited because the acquisition included the customer lists and customer relationships of Sub X Limited as part of the acquisition. These assets could not be separately recognized from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.
IFRS 3(2008). B64(k)	34036	None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.
		Net cash outflow arising on acquisition
		Impact of acquisition on the results of the Group
IFRS 3(2008). B64(q)	34036	Included in the profit for the three months ended March 31, 2009 is $35,000 attributable to Sub X Limited. Revenue for the period includes $673,000 in respect of Sub X Limited.
		Had the acquisition of Sub X Limited been effected at January 1, 2009, the revenue of the Group from continuing operations for the three months ended March 31, 2009 would have been $454.89 million, and the profit from continuing operations would have been $24.8 million. The managers of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group and to provide a reference point for comparison in future periods.
		In determining the 'pro-forma' revenue and profit of the Group had Sub X Limited been acquired at the beginning of the year, the managers have: • calculated depreciation and amortization of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; • based borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination; and • excluded takeover defence costs of Sub X Limited as a pre-acquisition transaction.
IAS 34.16(j)	34007(j)	**16. Contingencies and commitments** [Changes in contingent liabilities or contingent assets since the end of the previous reporting period.]
IAS 34.16(h)	34007(h)	**17. Events after the end of the reporting period** [Material events subsequent to the end of the interim reporting period that have not been reflected in the financial statements for the interim period.]
	34009 (Note)	**18. Related party transactions** [Details of significant related party transactions for the period.]
IAS 34.16(j)	34007(j)	**19. Approval of interim financial statements** The interim financial statements were approved by the board of directors on May 14, 2009.

Goodwill arising on acquisition:

	$'000
Consideration transferred	9,806
Plus: non-controlling interests (at fair value)	2,531
Less: fair value of identifiable net assets acquired	(11,870)
Goodwill arising on acquisition	467

Net cash outflow arising on acquisition:

	$'000
Consideration paid in cash	9,691
Less cash and cash equivalent balances acquired	(200)
	(9,941)

IAS 34 compliance checklist

Reference	Requirement	Source
	This checklist does not reflect any of the proposed requirements from the CSA for domestic reporting issuers such as the proposed requirement for an opening balance sheet in the first interim financial statements during the year of adoption of IFRS and the statement of compliance with IAS 34. Management of reporting issuers should remain alert for any developments in this area. Users of this checklist should keep in mind the NI 51-102 definition of an "interim period" which means, (a)in the case of a year other than a non-standard year ("non-standard year" means a financial year, other than a transition year, that does not have 365 days, or 366 days if it includes February 29) or a transition year ("transition year" means the financial year of a reporting issuer or business in which the issuer or business changes its financial year-end), a period commencing on the first day of the financial year and ending nine, six or three months before the end of the financial year; (a.1)in the case of a non-standard year, a period commencing on the first day of the financial year and ending within 22 days of the date that is nine, six or three months before the end of the financial year; or (b)in the case of a transition year, a period commencing on the first day of the transition year and ending (i)three, six, nine or twelve months, if applicable, after the end of the old financial year; or (ii)twelve, nine, six or three months, if applicable, before the end of the transition year. This checklist addresses the requirements of IAS 34 Interim Financial Reporting. IFRS 1 *First-time Adoption of International Financial Reporting Standards* includes additional disclosure requirements for interim periods covered by an entity's first IFRS financial statements. These requirements are also included in this checklist. Where an entity elects to present a complete set of financial statements at the interim reporting date, IAS 1 Presentation of Financial Statements will apply to those financial statements. Even where a condensed interim financial report is prepared, certain requirements of IAS 1 apply. The sections applicable to condensed interim financial reports, as set out in IAS 1, deal with: • fair presentation and compliance with IFRSs; • going concern; • accrual basis of accounting; • materiality and aggregation; and • offsetting. *Note that this checklist reflects the amendments made in IAS 34 as a result of the 2007 revision of IAS 1, which are effective for annual periods beginning on or after January 1, 2009, with earlier application permitted. Entities that have not yet adopted IAS 1(2007) should refer to the previous version of this checklist available at www.iasplus.com*	
	Minimum components of an interim financial report	
	Note :IAS 34 defines the minimum content of an interim financial report as including condensed financial statements and selected explanatory notes. The interim financial report is intended to provide an update on the latest complete set of annual financial statements. Accordingly, it focuses on new activities, events and circumstances, and does not duplicate information previously reported.	IAS 34.6
34001	An interim financial report shall include, at a minimum, the following components:	
	a) a condensed statement of financial position;	IAS 34.8(a)
	b) a condensed statement of comprehensive income, presented as either:	IAS 34.8(b)
	i) a condensed single statement; or	
	ii) a condensed separate income statement and a condensed statement of comprehensive income;	

Reference	Requirement	Source
	c) a condensed statement of changes in equity;	IAS 34.8(c)
	d) a condensed statement of cash flows; and	IAS 34.8(d)
	e) selected explanatory notes.	IAS 34.8(e)
	Note: If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1, it presents interim condensed information from that separate statement.	IAS 34.8A
	Under Canadian GAAP, a condensed statement of retained earnings is the minimum requirement rather than a condensed statement of all changes in equity. Also, under Canadian GAAP, comprehensive income can be shown in the statement of shareholder's equity. This is not permissible under IFRS.	
	Form and content of interim financial statements	
34002	If an entity publishes a complete set of financial statements in its interim financial report, the form and content of those statements shall conform to the requirements of IAS 1 for a complete set of financial statements.	IAS 34.9
	Note: Even where the entity prepares a condensed interim report, some sections of IAS 1 apply – see the introductory notes at the beginning of this checklist.	
34003	If an entity publishes a set of condensed financial statements in its interim financial report, those condensed statements shall include, at a minimum, each of the headings and subtotals that were included in the entity's most recent annual financial statements and the selected explanatory notes as required by IAS 34.	IAS 34.10
34004	Additional line items or notes shall be included if their omission would make the condensed interim financial statements misleading.	IAS 34.10
	Note: Where the entity has opted to publish a complete set of financial statements for the interim period, the recognition and measurement guidance in IAS 34 applies to those financial statements, and such statements should include all of the disclosures required by IAS 34 (particularly the selected note disclosures in paragraph 16 of IAS 34) as well as those required by other Standards.	IAS 34.7
34005	In the statement that presents the components of profit or loss for an interim period, an entity shall present basic and diluted earnings per share for that period when the entity is within scope of IAS 33.	IAS 34.11
	Note: If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1, it presents basic and diluted earnings per share in that separate statement.	IAS 34.11A
34006	An interim report is prepared on a consolidated basis if the entity's most recent annual financial statements were consolidated statements.	IAS 34.14
	Note: The parent's separate financial statements are not consistent or comparable with the consolidated statements in the most recent annual financial report. If an entity's annual financial report included the parent's separate financial statements in addition to consolidated financial statements, IAS 34 neither requires nor prohibits the inclusion of the parent's separate statements in the entity's interim financial report.	IAS 34.14
	Selected explanatory notes	
	Note: A user of an entity's interim financial report will also have access to the most recent annual financial report of that entity. It is unnecessary, therefore, for the notes to an interim financial report to provide relatively insignificant updates to the information that was already reported in the notes in the most recent annual report. At an interim date, an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period is more useful. See also 34025 below regarding the first interim financial statements in the year of adoption of IFRS.	IAS 34.15
34007	An entity shall include the following information, as a minimum, in the notes to its interim financial statements, if material and if not disclosed elsewhere in the interim financial report:	
	a) a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change;	IAS 34.16(a)
	b) explanatory comments about the seasonality or cyclicality of interim operations;	IAS 34.16(b)

Reference	Requirement	Source
	c) the nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence;	IAS 34.16(c)
	d) the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period;	IAS 34.16(d)
	e) issuances, repurchases, and repayments of debt and equity securities;	IAS 34.16(e)
	f) dividends paid (aggregate or per share) separately for ordinary shares and other shares;	IAS 34.16(f)
	g) if IFRS 8 *Operating Segments* requires the entity to disclose segment information in its annual financial statements, the following segment information:	IAS 34.16(g)
	i) revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker;	
	ii) intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker;	
	iii) a measure of segment profit or loss;	
	iv) total assets for which there has been a material change from the amount disclosed in the last annual financial statements;	
	v) a description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss; and	
	vi) a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation;	
	h) material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;	IAS 34.16(h)
	i) the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations; and	IAS 34.16(i)
	Note: In the case of business combinations, the entity shall disclose the information required by IFRS 3 Business Combinations *(see item 34026 et seq.).*	IAS 34.16(i)
	j) changes in contingent liabilities or contingent assets since the end of the last annual reporting period.	IAS 34.16(j)
34008	The explanatory notes outlined above (paragraph 16 of IAS 34) shall normally be reported on a financial year-to-date basis.	IAS 34.16
34009	Notwithstanding that the explanatory notes outlined above (paragraph 16 of IAS 34) are normally reported on a financial year-to-date basis, the entity shall also disclose any events or transactions that are material to an understanding of the <u>current</u> interim period.	IAS 34.16

Reference	Requirement	Source
	Notes: *1) Examples of the kinds of disclosures that are required by paragraph 16 of IAS 34 are set out below. Individual IFRSs provide guidance regarding disclosures for many of these items:* – the write-down of inventories to net realizable value and the reversal of such a write-down; – recognition of a loss from the impairment of property, plant and equipment, intangible assets, or other assets, and the reversal of such an impairment loss; – the reversal of any provisions for the costs of restructuring; – acquisitions and disposals of items of property, plant and equipment; – commitments for the purchase of property, plant and equipment; – litigation settlements; – corrections of prior period errors; – any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period; and – related party transactions.	IAS 34.17
	Canadian GAAP does not list the same items as IAS 34.16-17 and specifies other items (e.g.. Defined benefit expense).	
	2) Other IFRSs specify disclosures that should be made in financial statements. In that context, financial statements means complete sets of financial statements of the type normally included in an annual financial report and sometimes included in other reports. Except as required by paragraph 16(i) (business combinations – see above), the disclosures required by those other IFRSs are not required if an entity's interim financial report includes only condensed financial statements and selected explanatory notes rather than a complete set of financial statements.	IAS 34.18
	Disclosure of compliance with IFRSs	
34010	If an entity's interim financial report is in compliance with IAS 34, that fact shall be disclosed.	IAS 34.19
	Note: An interim financial report shall not be described as complying with IFRSs unless it complies with all of the requirements of IFRSs.	IAS 34.19
	As noted above, the CSA has proposed to require an issuer to disclose compliance with International Accounting Standard 34 Interim Financial Reporting in its first interim financial statements in the year of adoption. Periods for which interim financial statements are required to be presented	
34011	Interim reports shall include interim financial statements (condensed or complete) for periods as follows:	
	a) statement of financial position as of the end of the current interim period and a comparative statement of financial position as of the end of the immediately preceding financial year;	IAS 34.20(a)
	b) statements of comprehensive income for the current interim period and cumulatively for the current financial year to date, with comparative statements of comprehensive income for the comparable interim periods (current and year-to-date) of the immediately preceding financial year;	IAS 34.20(b)
	Note: As permitted by IAS 1, an interim report may present for each period either a single statement of comprehensive income, or a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).	IAS 34.20(b)
	c) statement of changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year; and.	IAS 34.20(c)
	d) statement of cash flows cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.	IAS 34.20(d)

Reference	Requirement	Source
	Under Canadian GAAP, cash flow statements for the current interim period and cumulatively for the current fiscal year to date, with comparative statements for the comparable interim periods (current and year-to-date) of the immediately preceding fiscal year, should be presented. As noted above, for Canadian public companies this is also a regulatory requirement under NI 51-102. However, with the proposed changes to NI 51-102 released in September 2009, an entity will only be required to present a statement of cash flows for the year to date period and the corresponding comparative period. These changes are subject to change. The expected application date of proposed NI 51-102 would be in 2011 for reporting issuers' interim financial statements. Accordingly, a Canadian reporting issuer early adopting IFRS would continue to follow the existing NI 51-102 guidance and would be required to present a statement of cash flows for the most recent interim period in addition to the year-to-date period required under IAS 34.	
	Note: Appendix A to IAS 34 illustrates the periods required to be presented by an entity that reports half-yearly and an entity that reports quarterly.	IAS 34.22
	As noted above, the CSA has defined an interim period. Further, Canadian reporting issuers would require a statement of cash flows, with comparatives for the most recent interim period in addition to cumulatively for the current financial year to date as required by IAS 34.	
34012	Entities whose business is highly seasonal are <u>encouraged</u> (but not required) to report financial information for the twelve months up to the end of the interim period, and comparative information for the prior twelve-month period.	IAS 34.21
	Note: If such information is reported, on the basis that it may be useful to users of the interim financial report, it is reported in addition to the information required in paragraph 20 of IAS 34 (see above).	IAS 34.21
	Materiality	
34013	In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period financial data.	IAS 34.23
	Notes: *1) In making assessments of materiality, it should be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data.*	IAS 34.23
	2) IAS 1 Presentation of Financial Statements *and IAS 8* Accounting Policies, Changes in Accounting Estimates and Errors *define an item as material if its omission or misstatement could influence the economic decisions of users of the financial statements. IAS 1 requires separate disclosure of material items, including (for example) discontinued operations, and IAS 8 requires disclosure of changes in accounting estimates, errors and changes in accounting policies. Neither Standard contains quantified guidance as to materiality.*	IAS 34.24
	3) While judgement is always required in assessing materiality, IAS 34 bases the recognition and disclosure decision on data for the interim period by itself for reasons of understandability of the interim figures. Thus, for example, unusual items, changes in accounting policies or estimates, and errors are recognised and disclosed on the basis of materiality in relation to interim period data to avoid misleading inferences that might result from non-disclosure. The overriding goal is to ensure that an interim financial report includes all information that is relevant to understanding an entity's financial position and performance during the interim period.	IAS 34.25
	Disclosure in annual financial statements	
34014	If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year, but a separate financial report is not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note to the annual financial statements for that financial year.	IAS 34.26

Reference	Requirement	Source
	Note: IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires disclosure of the nature and (if practicable) the amount of a change in estimate that either has a material effect in the current period or is expected to have a material effect in subsequent periods. Paragraph 16(d) of IAS 34 requires similar disclosure in an interim financial report. Examples include changes in estimate in the final interim period relating to inventory write-downs, restructurings, or impairment losses that were reported in an earlier interim period of the financial year. The disclosure required by paragraph 26 of IAS 34 is consistent with the IAS 8 requirement and is intended to be narrow in scope – relating only to the change in estimate. An entity is not required to include additional interim period financial information in its annual financial statements.	IAS 34.27
	Canadian GAAP has a similar requirement but is not consistently applied to include disclosure in annual financial statements of fourth quarter changes in estimates.	
	Recognition and measurement	
	Note: Appendix B to IAS 34 provides examples of applying the general recognition and measurement principles set out in paragraphs 28 to 39 of IAS 34.	IAS 34.40
	Same accounting policies as annual financial statements	
34015	An entity shall apply the same accounting policies in its interim financial statements as are applied in its annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements.	IAS 34.28
34016	However, the frequency of an entity's reporting (annual, half-yearly, or quarterly) shall not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes shall be made on a year-to-date basis.	IAS 34.28
	Note: Paragraphs 29 to 36 of IAS 34 provide more guidance on the application of the principles set out in paragraph 28 (see above).	
	Revenues received seasonally, cyclically, or occasionally	
34017	Revenues that are received seasonally, cyclically, or occasionally within a financial year shall not be anticipated or deferred as of an interim date if anticipation or deferral would not be appropriate at the end of the entity's financial year.	IAS 34.37
	Note: Examples include dividend revenue, royalties, and government grants. Additionally, some entities consistently earn more revenues in certain interim periods of a financial year than in other interim periods, for example, seasonal revenues of retailers. Such revenues are recognised when they occur.	IAS 34.38
	Costs incurred unevenly during the financial year	
34018	Costs that are incurred unevenly during an entity's financial year shall be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year.	IAS 34.39
	Use of estimates	
34019	The measurement procedures to be followed in an interim financial report shall be designed to ensure that the resulting information is reliable and that all material financial information that is relevant to an understanding of the financial position or performance of the entity is appropriately disclosed.	IAS 34.41
	Notes: *1) While measurements in both annual and interim financial reports are often based on reasonable estimates, the preparation of interim financial reports generally will require a greater use of estimation methods than annual financial reports.* *2) Appendix C to IAS 34 provides examples of the use of estimates in interim periods.*	IAS 34.41 IAS 34.42
	Restatement of previously reported interim periods	
34020	A change in accounting policy (other than one for which the transition is specified by a new IFRS) shall be reflected by:	IAS 34.43
	a) restating the financial statements of prior interim periods of the current financial year and the comparable interim periods of any prior financial years that will be restated in the annual financial statements in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; or	

Reference	Requirement	Source
	b) when it is impracticable to determine the cumulative effect at the beginning of the financial year of applying a new accounting policy to all prior periods, adjusting the financial statements of prior interim periods of the current financial year and comparable interim periods of prior financial years to apply the new accounting policy prospectively from the earliest date practicable.	
	Note: One objective of the preceding principle is to ensure that a single accounting policy is applied to a particular class of transactions throughout an entire financial year. Under IAS 8, a change in accounting policy is reflected by retrospective application, with restatement of prior period financial data as far back as is practicable. However, if the cumulative amount of the adjustment relating to prior financial years is impracticable to determine, then under IAS 8 the new policy is applied prospectively from the earliest date practicable. The effect of the principle in paragraph 43 of IAS 34 (see above) is to require that within the current financial year any change in accounting policy is applied either retrospectively or, if that is not practicable, prospectively, from no later than the beginning of the financial year.	IAS 34.44
	Requirements for interim periods covered by the entity's first IFRS financial statements	
	Notes: *1. The requirements below refer to interim financial reports prepared under IAS 34 for interim periods covered by the entity's first IFRS financial statements. They supplement the requirements of IAS 34 for such interim periods. See Example 10 in the Implementation Guidance issued with IFRS 1 or an illustration of the various reconciliations required.* *2. IFRS 1* First-time Adoption of International Financial Reporting Standards *was revised in November 2008. The objective of the revision was to improve the structure of the Standard – the substance of the previous version was returned. The references below are to the text of the Standard as revised in November 2008.*	
34021	**Where an entity presents an interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements, and it presented an interim financial report for the comparable interim period of the immediately preceding financial year, each such interim financial report shall include:**	IFRS 1.32(a)
	i) a reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity in accordance with IFRSs at that date; and	
	ii) a reconciliation to its total comprehensive income in accordance with IFRSs for that comparable interim period (current and year to date). The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP.	
34022	**In addition to the reconciliations required by paragraph 32(a) of IFRS 1 (see above), the entity's <u>first</u> interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements shall include the following reconciliations described in paragraphs 24(a) and 24(b) of IFRS 1 (supplemented by the details required by paragraphs 25 and 26 of IFRS 1) (unless this disclosure requirement is met by a cross-reference to another published document that includes these reconciliations):**	IFRS 1.32(b)
	a) a reconciliation of its equity reported in accordance with previous GAAP to its equity in accordance with IFRSs for both of the following dates:	IFRS 1.24(a)
	i) the date of transition to IFRSs; and	
	ii) the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP; and	
	b) a reconciliation to its total comprehensive income in accordance with IFRSs for the latest period in the entity's most recent annual financial statements. The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for the same period, or, if an entity did not report such a total, profit or loss under previous GAAP.	IFRS 1.24(b)

Reference	Requirement	Source
	Note: The reconciliations required by paragraphs 24(a) and 24(b) of IFRS 1 (see above) are required to give sufficient detail to enable users to understand the material adjustments to the statement of financial position and statement of comprehensive income.	IFRS 1.25
34023	If the entity presented a statement of cash flows under its previous GAAP, it shall explain the material adjustments to the statement of cash flows.	IFRS 1.25
34024	If the entity has become aware of errors made under previous GAAP, the reconciliations required by paragraphs 24(a) and 24(b) of IFRS 1 (see above) shall distinguish the correction of those errors from changes in accounting policies.	IFRS 1.26
34025	If a first-time adopter did not, in its most recent annual financial statements under previous GAAP, disclose information material to an understanding of the current interim period, its interim financial report shall disclose that information or include a cross-reference to another published document that includes it. The AcSB Staff Commentary states it is likely that most entities will conclude that a complete list of significant accounting policies should be disclosed in the first interim financial statements in order to meet the requirements of paragraph 16 of IAS 34. This will ensure that users of the financial statements clearly understand the policies being applied in the context of the other policies and financial statements as a whole. If a complete list of accounting policies is not provided, a clear statement would be required that, with the exception of those listed, the accounting policies have not changed as a result of adopting IFRSs. Changes in accounting policies include those that do not have an immediate measurement effect on the financial statements. For example, on adopting IFRSs, an entity might be required to change its accounting policy for evaluating and measuring impairment. Even though that change might not have an effect at the date of transition, the new policy would be disclosed for the benefit of financial statement users evaluating potential future effects on financial results. Even when accounting policies have not changed, additional disclosures might be required by IFRSs that were not previously required in accordance with Canadian GAAP.	IFRS 1.33
	Business combinations (entities that have not yet adopted IFRS 3(2008))	
	Where business combinations have occurred during the interim period, IAS 34.16(i) requires the entity to disclose all of the details prescribed for annual financial statements by IFRS 3 Business Combinations. *IFRS 3 was revised in 2008 and, consequently, revised disclosure requirements apply to interim financial reports. These revised requirements should be applied for annual periods beginning on or after July 1, 2009. If an entity applies IFRS 3(2008) for an earlier period, the revised disclosure requirements for interim financial reports should also be applied for that earlier period.* *This section of the checklist sets out the disclosure requirements for entities that have not yet adopted IFRS 3(2008). The disclosure requirements of the revised Standard are set out in the following section.*	
34026	The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of business combinations that were effected:	IFRS 3.66
	a) during the period; and	
	b) after the end of the reporting period but before the financial statements are authorised for issue.	
	Note: Paragraphs 67 to 71 of IFRS 3, set out below, specify the minimum disclosures required to satisfy this requirement.	
	Business combinations effected during the period	
	Note: The information listed below should be disclosed in aggregate for business combinations effected during the period that are individually immaterial.	IFRS 3.68

Reference	Requirement			Source
34027	The acquirer shall disclose the following information for each business combination that was effected during the period:			
	a)	the names and descriptions of the combining entities or businesses;		IFRS 3.67(a)
	b)	the acquisition date;		IFRS 3.67(b)
	c)	the percentage of voting equity instruments acquired;		IFRS 3.67(c)
	d)	the cost of the combination and a description of the components of that cost, including any costs directly attributable to the combination; and		IFRS 3.67(d)
	e)	where equity instruments have been issued or become issuable as part of the cost of the combination, the following information:		IFRS 3.67(d)
		i)	the number of equity instruments issued or issuable;	
		ii)	the fair value of the equity instruments issued or issuable; and	
		iii)	the basis for determining that fair value;	
	f)	in disclosing the basis for determining the fair value of equity instruments issued or issuable as part of the cost of the combination, if a published price for the instruments did not exist at the date of exchange, the significant assumptions used to determine fair value;		IFRS 3.67(d)
	g)	in disclosing the basis for determining the fair value of equity instruments issued or issuable as part of the cost of the combination, if a published price for the instruments existed at the date of exchange, but was not used as the basis for determining the cost of the combination:		IFRS 3.67(d)
		i)	that fact:	
		ii)	the reasons the published price was not used;	
		iii)	the method and significant assumptions used to attribute a value to the equity instruments; and	
		iv)	the aggregate amount of the difference between the value attributed to, and the published price of, the equity instruments;	
	h)	details of any operations the entity has decided to dispose of as a result of the business combination;		IFRS 3.67(e)
	i)	the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities;		IFRS 3.67(f)
	j)	unless disclosure would be impracticable, the carrying amounts of each class of the acquiree's assets, liabilities and contingent liabilities, determined in accordance with IFRSs, immediately before the combination;		IFRS 3.67(f)
	k)	if disclosure of such IFRS carrying amounts immediately before combination is impracticable, that fact, together with an explanation of why this is the case;		IFRS 3.67(f)
	l)	in respect of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost;		IFRS 3.67(g)
		i)	the amount of any such excess recognised in profit or loss in accordance with paragraph 56 of IFRS 3; and	
		ii)	the line item in the statement of comprehensive income in which the excess is recognised;	
	m)	a description of the factors that contributed to a cost that results in the recognition of goodwill, including a description of each intangible asset that was not recognised separately from goodwill and an explanation of why the intangible asset's fair value could not be measured reliably;		IFRS 3.67(h)
	n)	a description of the nature of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost, recognised in profit or loss in accordance with paragraph 56 of IFRS 3;		IFRS 3.67(h)
	o)	unless impracticable, the amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period; and		IFRS 3.67(i)

Reference	Requirement	Source
	p) if it is impracticable to disclose the amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period:	IFRS 3.67(i)
	i) that fact; and	
	ii) an explanation of why this is the case.	
34028	If the initial accounting for a business combination that was effected during the period has been determined only provisionally as described in paragraph 62 of IFRS 3, the entity shall disclose:	IFRS 3.69
	a) that fact; and	
	b) an explanation of why this is the case.	
34029	Unless impracticable, the following information shall be disclosed:	IFRS 3.70
	a) the revenue of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of the period; and	
	b) the profit or loss of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of the period.	
34030	If disclosure of the information required by paragraphs 70(a) and 70(b) of IFRS 3 (see above) would be impracticable, the entity shall disclose:	IFRS 3.70
	a) that fact; and	
	b) an explanation of why this is the case.	
	Business combinations effected after the end of the reporting period	
34031	Where practicable, the acquirer shall disclose the information required by paragraphs 67(a) to 67(i) of IFRS 3 (see above) for each business combination effected after the end of the reporting period but before the financial statements are authorised for issue.	IFRS 3.71
34032	If disclosure of any of the information required by paragraph 71 of IFRS 3 (see above) in respect of business combinations effected after the end of the reporting period would be impracticable, the entity shall disclose:	IFRS 3.71
	a) that fact; and	
	b) an explanation of why this is the case.	
	The effect of adjustments recognised that relate to business combinations that were effected in the current or in previous periods	
34033	The acquirer shall disclose information that enables users of its financial statements to evaluate the financial effects of gains, losses, error corrections and other adjustments recognised in the current period that relate to business combinations that were effected in the current or in previous periods.	IFRS 3.72
	Note: Paragraph 73 of IFRS 3, set out below, specifies the minimum disclosures required to satisfy this requirement.	
34034	The entity shall disclose:	
	a) the amount, and an explanation, of any gain or loss recognised in the current reporting period and that relates to the identifiable assets acquired or liabilities or contingent liabilities assumed in a business combination that was effected in either the current or a previous period that is of such a size, nature or incidence that disclosure is relevant to an understanding of the combined entity's financial performance;	IFRS 3.73(a)
	b) if the initial accounting for a business combination that was effected in the immediately preceding period was determined only provisionally at the end of that period, the amounts, and explanations, of adjustments to the provisional values recognised during the current period; and	IFRS 3.73(b)
	c) the information about error corrections required to be disclosed by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for any of the acquiree's identifiable assets, liabilities or contingent liabilities, or changes in values assigned to those items, that the acquirer recognises during the current period in accordance with paragraphs 63 and 64 of IFRS 3.	IFRS 3.73(c)

Reference	Requirement	Source
	Changes in the carrying amount of goodwill	
	The entity shall disclose information that enables users of its financial statements to evaluate changes in the carrying amount of goodwill during the period.	IFRS 3.74
	Note: Paragraph 75 of IFRS 3, set out below, specifies the minimum disclosures required to satisfy this requirement.	
	The entity shall disclose a reconciliation of the carrying amount of goodwill at the beginning and end of the period, showing separately:	
	a) the gross amount and accumulated impairment losses at the beginning of the period;	IFRS 3.75(a)
	b) additional goodwill recognised during the period, except where that goodwill is included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;	IFRS 3.75(b)
	c) adjustments resulting from the subsequent recognition of deferred tax assets during the period in accordance with paragraph 65 of IFRS 3;	IFRS 3.75(c)
	d) goodwill included in a disposal group classified as held for sale in accordance with IFRS 5 and goodwill derecognised during the period without having previously been included in a disposal group classified as held for sale;	IFRS 3.75(d)
	e) impairment losses recognised during the period in accordance with IAS 36 *Impairment of Assets*;	IFRS 3.75(e)
	Note: In addition to this requirement, the entity is required to disclose information about the recoverable amount and impairment of goodwill in accordance with IAS 36.	IFRS 3.76
	Acquiree´s contingent liabilities	
	If a contingent liability of the acquiree has not been recognised separately as part of allocating the cost of a business combination, because its fair value cannot be measured reliably, the acquirer shall disclose the information about that contingent liability required by IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.	IFRS 3.47
	For contingent liabilities recognised separately as part of the allocation of the cost of a business combination, the acquirer shall disclose the information required by IAS 37 for each class of provision.	IFRS 3.50
	Note: Contingent liabilities recognised separately as part of allocating the cost of a business combination are excluded from the scope of IAS 37. However, the disclosure requirements of that Standard do apply.	IFRS 3.50
	Adjustment of comparative information where the initial accounting was determined provisionally	
	Where the acquirer has made adjustments to provisional values determined at the time of the initial accounting for a business combination, comparative information presented for the periods before the initial accounting for the combination is complete (i.e., for periods before the adjustments are made) shall be presented as if the initial accounting had been completed from the acquisition date.	IFRS 3.62
	Note: Adjustments to comparative information will include any additional depreciation, amortisation or other profit or loss effect recognised as a result of completing the initial accounting.	IFRS 3.62

Reference	Requirement	Source
	Business combinations (entities that have adopted IFRS 3(2008))	
	Where business combinations have occurred during the interim period, IAS 34.16(i) requires the entity to disclose all of the details prescribed for annual financial statements by IFRS 3 Business Combinations. *IFRS 3 was revised in 2008 and, consequently, revised disclosure requirements apply to interim financial reports. These revised requirements should be applied for annual periods beginning on or after July 1, 2009. If an entity applies IFRS 3(2008) for an earlier period, the revised disclosure requirements for interim financial reports should also be applied for that earlier period.* *This section of the checklist sets out the disclosure requirements for entities that have already adoptd IFRS 3(2008). The disclosure requirements of the previous version of the Standard are set out in the previous section.*	
34035	The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of business combinations that occur either:	IFRS 3(2008).59
	a) during the current reporting period; or	
	b) after the end of the reporting period but before the financial statements are authorised for issue.	
	Note: Paragraphs B64 to B66 of IFRS 3(2008), set out below, specify the minimum disclosures required to satisfy this requirement.	
	Business combinations occurring during the reporting period	
	Note: For individually immaterial business combinations occurring during the reporting period that are material collectively, the acquirer shall disclose in aggregate the information required by B64(e) – (q) listed below	IFRS 3(2008).B65
34036	The acquirer shall disclose the following information for each business combination that occurs during the reporting period:	
	a) the name and a description of the acquiree.	IFRS 3(2008).B64(a)
	b) the acquisition date.	IFRS 3(2008).B64(b)
	c) the percentage of voting equity interests acquired.	IFRS 3(2008).B64(c)
	d) the primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree;	IFRS 3(2008).B64(d)
	e) a qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, intangible assets that do not qualify for separate recognition or other factors;	IFRS 3(2008).B64(e)
	f) the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration, such as:	IFRS 3(2008).B64(f)
	i) cash;	
	ii) other tangible or intangible assets, including a business or subsidiary of the acquirer;	
	iii) liabilities incurred, for example, a liability for contingent consideration; and	
	iv) equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of determining the fair value of those instruments or interests;	
	g) for contingent consideration arrangements and indemnification assets:	IFRS 3(2008).B64(g)
	i) the amount recognised as of the acquisition date;	
	ii) a description of the arrangement and the basis for determining the amount of the payment; and	
	iii) an estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, the acquirer shall disclose that fact;	

Reference	Requirement	Source
	h) for acquired receivables: (disclosures required by major class of receivable)	IFRS 3(2008).B64(h)
	i) the fair value of the receivables;	
	ii) the gross contractual amounts receivable; and	
	iii) the best estimate at the acquisition date of the contractual cash flows not expected to be collected;	
	i) the amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed;	IFRS 3(2008).B64(i)
	j) for each contingent liability recognised in accordance with paragraph 23, the information required in paragraph 85 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. If a contingent liability is not recognised because its fair value cannot be measured reliably, the acquirer shall disclose:	IFRS 3(2008).B64(j)
	i) the information required by paragraph 86 of IAS 37; and	
	ii) the reasons why the liability cannot be measured reliably;	
	k) the total amount of goodwill that is expected to be deductible for tax purposes;	IFRS 3(2008).B64(k)
	l) for transactions that are recognised separately from the acquisition of assets and assumption of liabilities in the business combination in accordance with paragraph 51(pre-existing relationships):	IFRS 3(2008).B64(l)
	i) a description of each transaction;	
	ii) how the acquirer accounted for each transaction;	
	iii) the amounts recognised for each transaction and the line item in the financial statements in which each amount is recognised; and	
	iv) if the transaction is the effective settlement of a pre-existing relationship, the method used to determine the settlement amount;	
	m) the disclosure of separately recognised transactions required by (l) shall include the amount of acquisition-related costs and, separately, the amount of those costs recognised as an expense and the line item or items in the statement of comprehensive income in which those expenses are recognised. The amount of any issue costs not recognised as an expense and how they were recognised shall also be disclosed;	IFRS 3(2008).B64(m)
	n) in a bargain purchase:	IFRS 3(2008).B64(n)
	i) the amount of any gain recognised in accordance with paragraph 34 and the line item in the statement of comprehensive income in which the gain is recognised; and	
	ii) a description of the reasons why the transaction resulted in a gain;	
	o) for each business combination in which the acquirer holds less than 100 per cent of the equity interests in the acquiree at the acquisition date:	IFRS 3(2008).B64(o)
	i) the amount of the non-controlling interest in the acquiree recognised at the acquisition date and the measurement basis for that amount; and	
	ii) for each non-controlling interest in an acquiree measured at fair value, the valuation techniques and key model inputs used for determining that value;	
	p) in a business combination achieved in stages:	IFRS 3(2008).B64(p)
	i) the acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date; and	
	ii) the amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination (see paragraph 42 of IFRS 3(2008)) and the line item in the statement of comprehensive income in which that gain or loss is recognised; and	
	q) the following information;	IFRS 3(2008).B64(q)q
	i) the amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period; and	

Reference	Requirement	Source
	ii) the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period.	
	If disclosure of any of the information required by IFRS 3(2008).B64(q) is impracticable (as defined in IAS 8), the acquirer shall disclose that fact and explain why the disclosure is impracticable.	IFRS 3(2008).B64(q)
	Business combinations effected after the end of the reporting period	
34037	If the acquisition date of a business combination is after the end of the reporting period but before the financial statements are authorised for issue, the acquirer shall disclose the information required by paragraph B64 of IFRS 3(2008) (see above) unless the initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue. In that situation, the acquirer shall describe which disclosures could not be made and the reasons why they cannot be made.	IFRS 3(2008).B66
	The effect of adjustments recognised that relate to business combinations that occurred in the period or previous reporting periods	
34038	The acquirer shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognised in the current reporting period that relate to business combinations that occurred in the period or in previous reporting periods.	IFRS 3(2008).61
	Note: Paragraph B67 of IFRS 3(2008), set out below, specifies the minimum disclosures required to satisfy this requirement.	
34039	The entity shall disclose the following information for each material business combination or in the aggregate for individually immaterial business combinations that are material collectively:	
	a) if the initial accounting for a business combination is incomplete (see paragraph 45 of IFRS 3(2008)) for particular assets, liabilities, non-controlling interests or items of consideration and the amounts recognised in the financial statements for the business combination thus have been determined only provisionally:	IFRS 3(2008).B67(a)
	i) the reasons why the initial accounting for the business combination is incomplete;	
	ii) the assets, liabilities, equity interests or items of consideration for which the initial accounting is incomplete; and	
	iii) the nature and amount of any measurement period adjustments recognised during the reporting period in accordance with paragraph 49 of IFRS 3(2008);	
	b) for each reporting period after the acquisition date until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires:	IFRS 3(2008).B67(b)
	i) any changes in the recognised amounts, including any differences arising upon settlement;	
	ii) any changes in the range of outcomes (undiscounted) and the reasons for those changes; and	
	iii) the valuation techniques and key model inputs used to measure contingent consideration;	
	c) for contingent liabilities recognised in a business combination, the acquirer shall disclose the information required by paragraphs 84 and 85 of IAS 37 for each class of provision;	IFRS 3(2008).B67(c)
	d) a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period showing separately:	IFRS 3(2008).B67(d)
	i) the gross amount and accumulated impairment losses at the beginning of the reporting period;	
	ii) additional goodwill recognised during the reporting period, except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;	

Reference	Requirement	Source
	iii) adjustments resulting from the subsequent recognition of deferred tax assets during the reporting period in accordance with paragraph 67 of IFRS 3(2008);	
	iv) goodwill included in a disposal group classified as held for sale in accordance with IFRS 5 and goodwill derecognised during the reporting period without having previously been included in a disposal group classified as held for sale;	
	v) impairment losses recognised during the reporting period in accordance with IAS 36 (IAS 36 requires disclosure of information about the recoverable amount and impairment of goodwill in addition to this requirement.);	
	vi) net exchange rate differences arising during the reporting period in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*;	
	vii) any other changes in the carrying amount during the reporting period;	
	viii) the gross amount and accumulated impairment losses at the end of the reporting period; and	
	e) the amount and an explanation of any gain or loss recognised in the current reporting period that both:	IFRS 3(2008).B67(e)
	i) relates to the identifiable assets acquired or liabilities assumed in a business combination that was effected in the current or previous reporting period; and	
	ii) is of such a size, nature or incidence that disclosure is relevant to understanding the combined entity's financial statements.	
34040	If the specific disclosures required by IFRS 3(2008) and other IFRSs do not meet the objective set out in paragraphs 59 and 61 of IFRS 3(2008) (see above), the acquirer shall disclose whatever additional information is necessary to meet those objectives.	IFRS 3(2008).63

Other resources

Deloitte has a wide range of other publications available to meet your IFRS requirements. These can be downloaded directly using the links below. Suggested publications which act as suitable compliments to this IAS 34 guide are included below for your information.

Web address for IAS Plus model financial statements and checklists:
http://www.iasplus.com/fs/fs.htm

Web address for IAS Plus Deloitte publications:
http://www.iasplus.com/dttpubs/pubs.htm

Specific publications of potential interest for users of this guide:

IFRS Model Financial Statements 2009
Illustrative Financial Statements including IFRS 9
Deloitte Canada 2009 IFRS Compliance Questionnaire
Deloitte Canada 2009 Presentation and Disclosure Checklist
Guide to IFRS 1 First-time Adoption of International Financial Reporting Standards (Second Edition)

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