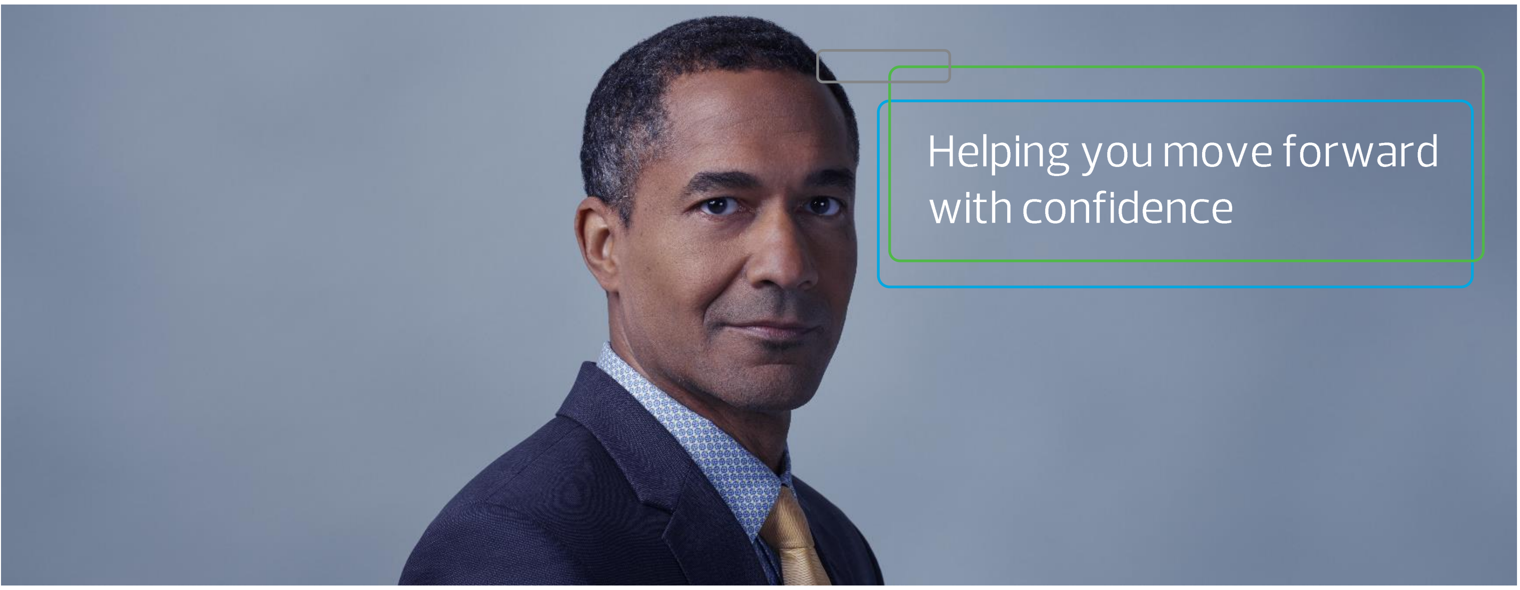

NEW IFRS REPORTING REQUIREMENTS

This newsletter summarises the new reporting requirements for financial years ending 31st December 2020.

Which Standard?	What changed?	How will it impact?
Amendment to IFRS 16 Leases	IFRS 16, 'Leases', was amended to provide lessees with a practical expedient that allows a lessee the option not to assess whether a COVID-19-related rent concession is a lease modification. Lessors are not provided similar relief, and therefore must continue to account for such rent concessions as a lease modification where applicable. The expedient applies only to concessions that are directly due to COVID-19, and only if the following three criteria are met: ✓ the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; ✓ the reduction in lease payments affects only payments originally due on or before 30th June 2021; and ✓ there is no substantive change to other terms and conditions of the lease.	In the application of the expedient, COVID-19 related concessions are accounted for as though they are variable lease payments with the modification recognised directly in the income statement when it occurs. Rent abatements will result in a reduction of the lease liability for forgone rent in accordance with the requirements of IFRS 9, 'Financial Instruments', for the treatment of the de-recognition of liabilities, with the corresponding credit recognised directly in the income statement.
Amendment to IFRS 3 Business Combinations	The amendment is to the definition of a business in order to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; narrow the definition of a business and of outputs and introduce an optional fair value 'concentration test'.	The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical, and oil and gas. Application of the changes would also affect the accounting for disposal transactions, since the requirements of IFRS 10, 'Consolidated Financial Statements', apply to the recognition of proceeds from the sale of a business, whereas the requirements of IFRS 15, 'Revenue from Contracts With Customers' apply to the recognition of proceeds from the sale of an asset.

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Amendments to IAS 1 and IAS 8	The amendments clarify the definition of material and align it with the definition used in the revised Conceptual Framework. The concept of obscuring information has been included as part of the new definition, and the threshold for materially influencing users was altered from 'could influence' to 'could reasonably be expected to influence'. 'Users' was also replaced with 'primary users'. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.	The introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements.
Interest Rate Benchmark Reform – Phase 1	The IASB issued an amendment to IFRS 9, 'Financial Instruments', IAS 39, 'Financial Instruments: Recognition and Measurement', and IFRS 7, 'Financial Instruments: Disclosures' for the impact of the Interest Rate Benchmark Reform. The amendments are currently grouped into two phases: – Phase 1 focuses on the accounting impact of the uncertainty preceding the IBOR reform on hedge accounting – Phase 2 focuses on what the consequences would be on financial reporting if the IBOR benchmark were replaced by another benchmark. The amendments in Phase 1 provide temporary reliefs that enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.	From a disclosure perspective, under IFRS 7, 'Financial Instruments: Disclosures', companies are now required to provide users with additional information on their hedging relationships that are directly impacted by the interest rate benchmark reform.