September 2019

STAFF PAPER

IFRS® Interpretations Committee meeting

Project	**Changes in liabilities arising from financing activities (IAS 7)**		
Paper topic	Agenda decision to finalise		
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Introduction

1. At its June 2019 meeting, the IFRS Interpretations Committee (Committee) discussed a request from users of financial statements (investors) about the disclosure requirements in IAS 7 *Statement of Cash Flows* that relate to changes in liabilities arising from financing activities. Specifically, investors asked whether the disclosure requirements in paragraphs 44B–44E of IAS 7 are adequate to require an entity to provide disclosures that meet the objective in paragraph 44A of IAS 7.

2. In June the Committee published a tentative agenda decision. In that tentative agenda decision, the Committee concluded that the requirements in IFRS Standards provide an adequate basis for an entity to disclose information about changes in liabilities arising from financing activities that enables investors to evaluate those changes. Accordingly, the Committee concluded that the disclosure requirements in paragraphs 44B–44E of IAS 7, together with requirements in IAS 1, are adequate to require an entity to provide disclosures that meet the objective in paragraph 44A.

3. The purpose of this paper is to:

   (a) analyse the comments on the tentative agenda decision; and

(b) ask the Committee whether it agrees with our recommendation to finalise the agenda decision.

4. There are two appendices to this paper:

(a) Appendix A—proposed wording of the agenda decision; and

(b) Appendix B—comment letters.

Comment letter summary

5. We received nine comment letters by the comment letter deadline. All comments received, including any late comment letters, are available on our website[1]. This agenda paper includes analysis of only the comment letters received by the comment letter deadline. These are reproduced in Appendix B to this paper.

6. Seven respondents (Deloitte, Mazars, PwC, the Malaysian Accounting Standards Board, the Institute of Indonesia Chartered Accountants, the Accounting Standards Committee of Germany, and the Institute of Chartered Accountants of Nigeria) agree with the Committee's decision not to add this matter to its standard-setting agenda for the reasons set out in the tentative agenda decision. However, PwC has comments on about particular aspects of the agenda decision and makes some suggestions to simplify the agenda decision.

7. The Accounting Standards Board of Japan (ASBJ) and David Hardidge disagree with the Committee's decision not to add this matter to its standard-setting agenda. The respondents disagree for the following reasons:

(a) the ASBJ says it is inappropriate to publish an agenda decision with the intention of changing practice. In its view, the Committee should undertake standard-setting to respond to the request from investors.

[1] At the date of finalising this agenda paper, there were no late comment letters.

(b) David Hardidge says the Committee has not identified or addressed the underlying issue but says he does not have enough information to identify what that underlying issue might be.

8. Further details about these matters, together with our analysis, is presented below.

Staff analysis

References to the Basis for Conclusions

Respondent's comments

9. PwC says an agenda decision should not include any suggestion that the Basis for Conclusions changes, or is incorporated into, IFRS Standards. In its view, some of the references in the tentative agenda decisions to paragraphs in the Basis for Conclusions of IAS 7 appear to give these paragraphs undue weight and might imply that they are part of the Standard.

10. The respondent says 'the Board might have decided to set the disclosure objective in paragraph 44A based on the Board's understanding of investor needs, but the disclosure objective in that paragraph is to provide information that allows users to evaluate changes in liabilities arising from financing activities.' Accordingly, it says it is appropriate to address whether an entity that provides the disclosures required by IAS 7 meets the disclosure objective in paragraph 44A. However, the Committee should not comment on the interaction between the disclosures required by IAS 7 or the disclosure objective and investor needs. PwC suggests that some references in the tentative agenda decision to the Basis for Conclusions paragraphs be amended to refer to the objective in paragraph 44A.

Staff Analysis

11. Paragraph 44A of IAS 7 sets out a disclosure objective and requires an entity to provide 'disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities…'. In order to meet that objective, the entity applies the requirements in paragraphs 44B–44E of IAS 7. Accordingly, at its

June 2019 meeting, the Committee assessed whether an entity that applies the requirement in paragraphs 44B–44E meets the disclosure objective in paragraph 44A. The application of the requirements in paragraphs 44B–44E requires entities to apply judgement in determining what information is relevant to investors in evaluating changes in liabilities arising from financing activities.

12. We agree that the Basis for Conclusions on IAS 7 accompanies, and is not part of, the Standard. Nonetheless, it explains how the Board determined the disclosure objective in paragraph 44A, and therefore includes some information that we think is helpful in providing colour and context for entities when considering whether their disclosures meet that objective.

13. We therefore continue to think it is appropriate for the agenda decision to refer to some paragraphs of the Basis for Conclusions that provide helpful context for entities in applying the requirements in paragraphs 44A–44E.

14. That said, we agree with PwC that there are a few references in the tentative agenda decision to the investor needs in paragraph BC10 that would more appropriately refer to the objective in paragraph 44A. We also recommend removing the Committee's comment on the interaction between the investor needs in paragraph BC10 and the objective in paragraph 44A. Appendix A to this paper sets out our recommended changes to the wording of the tentative agenda decision in this respect.

The objective of explanatory material

Respondent's comments

15. The ASBJ said it is inappropriate to publish an agenda decision with the intention of changing practice. It says that whether and when entities apply any change that results from the agenda decision would vary by jurisdiction. In its view, the Committee should undertake standard-setting to respond to the request from investors. This would ensure that all entities consistently apply the material included in the tentative agenda decision.

Staff analysis

16. We disagree with the ASBJ. The objective of explanatory material in an agenda decision is to improve the consistency of application of IFRS Standards. Stakeholders generally submit questions to the Committee because of differences in existing reporting methods, or because such differences are expected to arise. In other words, the objective of developing explanatory material is in fact to change or influence practice, thereby improving consistency of application, to the extent that this can be achieved by explaining how existing Standards apply to particular questions (and when it has been concluded that standard-setting is not needed).

17. Based on its analysis and discussion, the Committee concluded that the requirements in IAS 7 provide an adequate basis for an entity to disclose information about changes in liabilities arising from financing activities that enables investors to evaluate those changes. We have not received any information suggesting otherwise and, accordingly, continue to agree with the Committee's decision not to add the matter to its standard setting agenda.

Wording and other suggestions

18. The following table summarises respondents' comments together with our analysis and conclusions.

Respondents' comments	Staff analysis and conclusions
1. Simplifying the agenda decision PwC says the tentative agenda decision largely repeats the requirements in IAS 7. It suggests simplifying the agenda decision by repeating less of what is in IAS 7 and stating that the requirements in IAS 7 are sufficient to meet the disclosure objective.	When drafting explanatory material in an agenda decision, we try to ensure that the agenda decision includes sufficient information to be understandable as a standalone document. Feedback from stakeholders has confirmed that they find this approach useful and, indeed, we have been told

Respondents' comments	Staff analysis and conclusions
	that some have found the drafting of some agenda decisions to be overly succinct. Nonetheless, in this instance we agree that the tentative agenda decision includes some repetition. Appendix A to this paper sets out our recommended changes to delete a number of quotes from IAS 7—in these cases, the relevant requirements are explained elsewhere in the agenda decision.
2. Reference to educational material PwC says the concerns identified relate more to the incorrect application of the requirements rather than a lack of clarity in the Standards. Accordingly, it suggests that the agenda decision include a reference to existing educational material to assist stakeholders with consistent application.	We agree that it would be helpful to refer to relevant educational material, in particular the article '[Changes in financing liabilities—what does good disclosure look like]()' published by Nick Anderson in February 2019. We think such a reference should accompany, but not form part of, the agenda decision. We would include a link to the article alongside the agenda decision (if finalised) on our website, and also refer to it in IFRIC® Update.
3. Addressing the underlying issue David Hardidge said the Committee has not identified or addressed the underlying issue but says he does not have enough information to identify what that underlying issue might be. The respondent:	The request asked whether the disclosure requirements in paragraphs 44B–44E of IAS 7 are adequate to require an entity to provide disclosures that meet the objective in paragraph 44A. The Committee's analysis and conclusion address the question asked (ie the underlying issue). We note that the purpose of the additional research performed was to confirm and

Respondents' comments	Staff analysis and conclusions
a. outlines some questions that he says might help identify the underlying issue; b. provides excerpts of illustrative financial statements from global accounting networks together with some personal observations; and c. suggests staff include extracts of financial statements reviewed as part of their research in the agenda paper.	supplement our understanding of the concerns raised by investors. Although the financial statements we reviewed are available publicly, identifying the sample of entities reviewed or including excerpts of their financial statements in our analysis is unnecessary and could have unintended consequences for those entities.

Staff recommendation

19. On the basis of our analysis, we recommend:

(a) finalising the agenda decision as published in IFRIC Update in June 2019, with the changes noted in paragraphs 14 and 18 of this paper. Appendix A to this paper sets out the proposed wording of the final agenda decision; and

(b) including a reference to the article 'Changes in financing liabilities—what does good disclosure look like' in a section of IFRIC Update that accompanies, but does not form part of, the agenda decision.

Question for the Committee

Does the Committee agree with our recommendations in paragraph 19 of this paper?

Appendix A—Proposed wording of the agenda decision

A1. We propose the following wording for the final agenda decision (new text is underlined, and deleted text is struck through).

Disclosure of changes in liabilities arising from financing activities (IAS 7 *Statement of Cash Flows*)

The Committee received a request from users of financial statements (investors) about the disclosure requirements in IAS 7 that relate to changes in liabilities arising from financing activities. Specifically, investors asked whether the disclosure requirements in paragraphs 44B–44E of IAS 7 are adequate to require an entity to provide disclosures that meet the objective in paragraph 44A of IAS 7.

Meeting the disclosure objective (Paragraph 44A of IAS 7)

Paragraph 44A of IAS 7 requires an entity to provide 'disclosures that enable [investors] to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes'. To the extent necessary to satisfy this objective, paragraph 44B specifies that an entity discloses the following changes in liabilities arising from financing activities:

(a) changes from financing cash flows;

(b) changes arising from obtaining or losing control of subsidiaries or other businesses;

(c) the effect of changes in foreign exchange rates;

(d) changes in fair values; and

(e) other changes.

The Board explained in paragraph BC16 that it developed the disclosure objective in paragraph 44A to reflect the needs of investors, including those summarised in paragraph BC10. The Board also noted in paragraph BC18 that when considering whether it has fulfilled the objective in paragraph 44A, an entity takes into consideration the extent to which information about changes in liabilities arising from financing activities provides relevant information to investors, considering the needs of investors summarised in paragraph BC10. These investor needs are:

(a) to check their understanding of the entity's cash flows and use that understanding to improve their confidence in forecasting the entity's future cash flows;

(b) to provide information about the entity's sources of finance and how those sources have been used over time; and

(c) to help them understand the entity's exposure to risks associated with financing.

~~Consequently, the Committee concluded that, to meet the disclosure objective in paragraph 44A of IAS 7, an entity considers whether its disclosures enable investors to check their understanding of the entity's cash flows, to provide information about the entity's sources of finance and to help them understand the entity's exposure to risks associated with financing as described in paragraph BC10.~~

Reconciling between the opening and closing balances of liabilities arising from financing activities

Paragraph 44D of IAS 7 states that '[o]ne way to fulfil the disclosure requirement in paragraph 44A is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including the changes identified in paragraph 44B'. ~~When an entity discloses such a reconciliation, it shall provide sufficient information to enable investors to link items included in the reconciliation to the statement of financial position and the statement of cash flows'.~~

~~Consequently,~~ When an entity discloses such a reconciliation ~~as described in paragraph 44D~~, ~~the Committee observed that the entity~~ it provides information that enables investors to link items included in the reconciliation to other areas of the financial statements. In doing this, an entity applies:

(a) paragraph 44C to identify liabilities arising from financing activities and use them as the basis of the reconciliation. Paragraph 44C defines these liabilities as 'liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities'. If an entity also chooses to define, and reconcile, a different 'net debt' measure, this does not remove the requirement to identify the entity's liabilities arising from financing activities as defined in paragraph 44C.

(b) paragraph 44E to disclose changes in liabilities arising from financing activities separately from changes in any other assets and liabilities. ~~Paragraph 44E states '[i]f an entity provides the disclosure required by paragraph 44A in combination with disclosures of changes in other assets and liabilities, it shall disclose the changes in liabilities arising from financing activities separately from changes in those other assets and liabilities'.~~

(c) paragraph 44D ~~of IAS 7~~ to provide sufficient information to enable investors to link the items included in the reconciliation to amounts reported in the statement of financial position and the statement of cash flows, or related notes. An entity develops disclosures that enable investors to link (i) the opening and closing balances of the liabilities arising from financing activities reported in the reconciliation, to (ii) amounts reported in the entity's statement of financial position (or related notes) regarding those liabilities.

The Committee also observed that an entity applies judgement in determining the extent to which it disaggregates and explains the changes in liabilities arising from financing activities included in the reconciliation to meet the objective in paragraph 44A~~, considering the investor information needs described in paragraph BC10~~. In this respect, the Committee noted the following:

(a) in disaggregating liabilities arising from financing activities, and cash and non-cash changes in those liabilities, an entity applies paragraph 44B of IAS 7 and paragraph 30A of IAS 1 *Presentation of Financial Statements*. Paragraph 30A of IAS 1 states that '[a]n entity shall not reduce the understandability of its financial statements…by aggregating material items that have different natures or functions'. Accordingly~~, in considering the investor information needs in paragraph BC10~~, an entity discloses any individually material items separately in the reconciliation. Such items include material classes of liability (or asset) arising from financing activities and material reconciling items (ie cash or non-cash changes).

(b) in explaining liabilities arising from financing activities, and cash and non-cash changes in those liabilities, an entity applies paragraph 44B of IAS 7 and paragraph 112(c) of IAS 1. Paragraph 112(c) of IAS 1 requires an entity to disclose 'information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them'. Accordingly, applying paragraphs 44A–44E an entity determines the appropriate structure for its reconciliation including the appropriate level of disaggregation. Thereafter, the entity determines whether additional explanation is needed to meet the disclosure objective in paragraph 44A. An entity would explain each class of liability (or asset) arising from financing activities included in the reconciliation and each reconciling item in a way that (i) provides information about its sources of finance, (ii) enables investors to check their understanding of the entity's cash flows, and (iii) enables investors to link items to the statement of financial position and the statement of cash flows, or related notes.

Accordingly, the Committee concluded that the requirements in IFRS Standards provide an adequate basis for an entity to disclose information about changes in liabilities arising from financing activities that enables investors to evaluate those changes. Accordingly, the Committee concluded that the disclosure requirements in paragraphs 44B–44E of IAS 7, together with requirements in IAS 1, are adequate to require an entity to provide disclosures that meet the objective in paragraph 44A of IAS 7. Consequently, the Committee ~~[~~decided~~]~~ not to add the matter to its standard-setting agenda.

Appendix B—Comment letters

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20 August 2019

Sue Lloyd
Chair
IFRS Interpretations Committee
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E14 4HD

Dear Ms Lloyd

Tentative agenda decision – Disclosure of changes in liabilities arising from financing activities (IAS 7 *Statement of Cash Flows*)

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the June 2019 IFRIC Update of the tentative decision not to take onto the Committee's agenda the request for clarification on disclosure of changes in liabilities arising from financing activities.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda for the reasons set out in the tentative agenda decision.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely

Veronica Poole
Global IFRS Leader

pwc

Ms Sue Lloyd
Chair, IFRS Interpretations Committee
Columbus Building
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London

E14 4HD

8 August 2019

Dear Sue

Tentative agenda decision – Disclosure of Changes in Liabilities Arising from Financing Activities (IAS 7 *Statement of Cash Flows*)

We are pleased to respond to your invitation to comment on the tentative agenda decision – Disclosure of Changes in Liabilities Arising from Financing Activities (IAS 7 *Statement of Cash Flows*)—published in June 2019, on behalf of PricewaterhouseCoopers.

Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of member firms who commented on the tentative agenda decision. "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We agree with the Committee's analysis of the submission and its conclusion that the disclosure requirements in IAS 7 *Statement of Cash Flows* (IAS 7) are sufficient to meet the disclosure objective in that standard. We also agree that the Committee should explain in an agenda decision why it has not taken the issue onto its agenda.

The Basis for Conclusions that accompanies a standard explains the basis for the Board's conclusions, but is not part of the standard and does not contain requirements. The Committee uses the Basis for Conclusions to help it understand the requirements in the standards and develop explanatory material. The Committee should not suggest in an agenda decision that the Basis for Conclusions changes or is incorporated into the standards. We are concerned that some of the references in the tentative agenda decision to paragraphs BC10, BC16 and BC18 appear to give these paragraphs undue weight and imply they are part of the standard. The Board might have decided to set the disclosure objective in paragraph 44A of IAS 7 based on the Board's understanding of investor needs, but the disclosure objective in that paragraph is to provide information that allows users to evaluate changes in liabilities arising from financing activities.

We therefore agree that the Committee can determine and state in an agenda decision whether an entity that provides the disclosures required by IAS 7 meets the disclosure objective in paragraph 44A. However, we believe that the Committee should not comment on the interaction between the disclosures required by IAS 7 or the disclosure objective and investor needs.

We suggest that the agenda decision is amended to address the disclosure objective of paragraph 44A and not paragraphs BC10, BC 16 and BC18. For example, the references under the heading 'Reconciling between the opening and closing balances of liabilities arising from financing activities' should be to the disclosure objective in paragraph 44A and the requirements of paragraphs 44B – 44E.

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Agenda decisions often provide explanatory material that clarifies how the guidance and principles in IFRS standards apply to a specific situation. The tentative agenda decision in this case largely repeats the guidance in IAS 7 and does not provide additional explanatory material. We suggest the Committee consider whether the final agenda decision could be simplified to make the key observation that the requirements of IAS 7 are sufficient to meet the disclosure objective but repeat less of what is in the standard.

We note that some of the concerns identified by investors are more related to the incorrect application of the standard rather than any lack of clarity in the standard. We suggest that the Committee could draw attention in the agenda decision to the existing educational material to assist financial statement preparers and users.

If you have any questions in relation to this letter please do not hesitate to contact Henry Daubeney, PwC Global Chief Accountant and Head of Reporting (+ 44 7841 569635).

Yours sincerely,

PricewaterhouseCoopers

PricewaterhouseCoopers

MAZARS

Mrs Sue Lloyd

IFRS Interpretations Committee

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United Kingdom

Paris, 1 August 2019

Tentative Agenda Decisions – IFRIC Update November 2018

Dear Sue,

MAZARS is pleased to comment on the various IFRS Interpretations Committee Tentative Agenda Decisions published in the June 2019 IFRIC Update.

We have gathered all our comments as appendices to this letter, which can be read separately and are meant to be self-explanatory.

We would like to draw your attention to three issues that we think are worth considering:

- The Tentative Agenda Decision on the Lessee's Incremental Borrowing Rate is not conclusive as to whether IBR should reflect the payment profile of the lease. We believe that sufficient guidance exists in the standard and the basis for conclusions for the Committee to reach the conclusion that IBR should be consistent with the payment profile of the lease.

- The assessment of the lease term is the most important area of judgement in applying IFRS 16, and we observe that significant diversity exists in practice on that matter. This is a strong indicator that the standard needs clarifications, and we believe these clarifications cannot be provided through a simple agenda decision considering the interactions of the different paragraphs of the standard and inconsistencies between the standard itself and the corresponding basis for conclusions. That is why we urge

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Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

the Committee and/or the Board to undertake a narrow-scope standard-setting project on the lease term. In the meantime, we believe the Committee should not issue any agenda decision because its conclusions would preempt the outcome of the debate to be held during the standard-setting process.

- By not considering the question of whether the amount of airline compensation for delays or cancellations recognised as a reduction of revenue should be limited to reducing the transaction price to nil, the Committee fails to address an area of significant diversity in practice. A conclusion on that issue would be of great help.

Should you have any questions regarding our comments on the various tentative agenda decisions, please do not hesitate to contact Michel Barbet-Massin (+33 1 49 97 62 27) or Edouard Fossat (+33 1 49 97 65 92).

Yours faithfully

Michel Barbet-Massin

Financial Reporting Advisory

Edouard Fossat

Appendix 6

Disclosure of Changes in Liabilities Arising from Financing Activities (IAS 7 Statement of Cash Flows) — Agenda Paper 5–5A

We agree with the Interpretations Committee's decision not to add this matter to its standard-setting agenda, and we agree with the explanations provided in the Agenda Decision to help preparers in meeting the disclosures objectives of paragraph 44A of IAS 7.

Accounting Standards Board of Japan (ASBJ)
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06 August 2019

Ms. Sue Lloyd
Chair of the IFRS Interpretations Committee
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Canary Wharf, London, E14 4HD
United Kingdom

Comments on the Tentative Agenda Decision Relating to
IAS 7 *Statement of Cash Flows* —
Disclosure of Changes in Liabilities arising from Financing Activities

1. The Accounting Standards Board of Japan (the "ASBJ" or "we") welcome the opportunity to comment on the IFRS Interpretation Committee (the "Committee")'s tentative agenda decision relating to IAS 7 *Statement of Cash Flows* — Disclosure of Changes in Liabilities arising from Financing Activities, proposed in the June 2019 IFRIC Update.

2. Our understanding is that, as a response to concerns raised by users that the quality of the disclosures is insufficient, the Committee is proposing to explain how to implement the exiting requirements of IAS 7 with the intention of changing the practices of entities, acknowledging that the requirements themselves are appropriate but there are problems in the practices of entities applying those requirements.

3. However, we believe that it is inappropriate to issue guidance in the form of an agenda decision with the intention of changing practice. This is because, when agenda decisions are used, whether the agenda decisions are mandatory may depend on the jurisdiction, and thus it is not certain that all entities will be subject to the new guidance.

4. Our understanding is that the issue addressed by the tentative agenda decision was raised by the users of financial statements. In order to respond to the request of

users, we are of the view that IFRS standards should be clarified through the amendments, such as annual improvements, reflecting what was proposed in the tentative agenda decision (for example, matters to be noted when applying paragraph 44A to 44E of IAS 7), into IAS 7, so that all entities would consistently be subject to the new guidance.

5. We hope our comments are helpful for the Committee's and the IASB's consideration in the future. If you have any questions, please feel free to contact us.

Yours sincerely,

Atsushi Kogasaka
Chair
Accounting Standards Board of Japan

MASB MALAYSIAN ACCOUNTING STANDARDS BOARD
LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA

20 August 2019

Ms. Sue Lloyd
Chair
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Dear Ms. Lloyd

IFRS Interpretations Committee Tentative Agenda Decisions

The Malaysian Accounting Standards Board (MASB) welcomes the opportunity to provide comments on the Tentative Agenda Decisions published in IFRIC Update June 2019.

Our detailed responses are enclosed in the Appendix to this letter.

If you need further clarification, please contact the undersigned by email at beeleng@masb.org.my or at +603 2273 3100.

Thank you.

Yours sincerely,

TAN BEE LENG
Executive Director

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Appendix

Compensation for Delays or Cancellations (IFRS 15 *Revenue from Contracts with Customers*) - Agenda Paper 8

We agree with the Interpretations Committee's conclusion that compensation for delays or cancellations, as described in the request, is a variable consideration and an entity applies IFRS 15 paragraphs 50-59 accordingly.

However, we would like to request the Interpretations Committee to clarify whether the amount of compensation recognised as a reduction of revenue is limited to reducing the transaction price to nil. Without such clarification an accounting policy would have to be developed for compensation exceeding the consideration received, either as reduction of revenue or separate expense. In this regard, the clarification would improve financial reporting as entities would be applying the requirement consistently and therefore comparable financial results are provided to users of financial statements.

- **Fair Value Hedge of Foreign Currency Risk on Non-Financial Assets (IFRS 9 *Financial Instruments*) - Agenda Paper 4**
- **Lessee's Incremental Borrowing Rate (IFRS 16 *Leases*) - Agenda Paper 2**
- **Lease Term and Useful Life of Leasehold Improvements (IFRS 16 *Leases* and IAS 16 *Property, Plant and Equipment*) - Agenda Paper 3**
- **Presentation of Liabilities or Assets Related to Uncertain Tax Treatments (IAS 1 *Presentation of Financial Statements*) - Agenda Paper 7**
- **Disclosure of Changes in Liabilities Arising from Financing Activities (IAS 7 *Statement of Cash Flows*) - Agenda Paper 5-5A**
- **Subsequent Expenditure on Biological Assets (IAS 41 *Agriculture*) - Agenda Paper 9**

We agree with the Interpretations Committee's reasons set out in the respective Tentative Agenda Decision for not adding these items onto its agenda.

IKATAN AKUNTAN INDONESIA
(INSTITUTE OF INDONESIA CHARTERED ACCOUNTANTS)

Jakarta, August 20th 19

Ref.: 1288/DSAK/IAI/VIII/2019

Ms. Sue Lloyd
Chairperson
IFRS Interpretation Committee,
IFRS Foundation,
London, UK

DSAK IAI Comments on the Tentative Agenda Decision - Disclosure of Changes in Liabilities arising from Financing Activities (IAS 7).

Dear Ms. Sue Lloyd,

The Indonesian Financial Accounting Standards Board (DSAK IAI), as part of the Institute of Indonesia Chartered Accountants, is the national accounting standard-setter in Indonesia.

On behalf of DSAK IAI, I am writing to comment on the Tentative Agenda Decision - Disclosure of Changes in Liabilities arising from Financing Activities (IAS 7).

Our detailed responses to the questions are attached in the Appendix to this letter below.

We hope that our comments could contribute to the IFRIC's future deliberations. Should you have further concerns regarding our comments, please do not hesitate to contact us at dsak@iaiglobal.or.id.

Thank you.

Best Regards,

IKATAN AKUNTAN INDONESIA
(Institute of Indonesia Chartered Accountants)

Djohan Pinnarwan
Chairman
The Indonesian Financial Accounting Standards Board
Institute of Indonesia Chartered Accountants

APPENDIX - Comment Letter of Tentative Agenda Decision - Disclosure of Changes in Liabilities arising from Financing Activities (IAS 7)

DSAK IAI agrees with IFRIC's Tentative Agenda Decision - Disclosure of Changes in Liabilities arising from Financing Activities and not to add it in its standard setting agenda. Applying par 44A an entity should consider the needs of the investor which summarised in BC10 including the disclosure enables investors to check their understanding of the entity's cash flows. Applying par 44D, the entity should provide information that enables investors to link items included in the reconciliation to other areas of the financial statements.

Entity should also applies judgment in disaggregates and explains the changes in liability arises from financing activities considering the investor information needs described in paragraph BC10 and applies par 30A of IAS 1 *Presentation of Financial Statements* that 'An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions'.

We view IAS 7 Par 44A-44E has provided an adequate basis for disclosure of changes in liabilities arising from financing activities.

--- End of Document ---

Deutsches Rechnungslegungs Standards Committee e.V.

Accounting Standards Committee of Germany

DRSC

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Berlin, 19 August 2019

Dear Sue,

IFRS IC's tentative agenda decisions in its June 2019 meeting

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the tentative agenda decisions taken by the IFRS Interpretations Committee (IFRS IC) and published in the June 2019 *IFRIC Update*.

We agree with most of the tentative agenda decisions. However, we do not agree with the conclusion and/or the reasons behind three of these.

Please find our specific comments in the appendix to this letter. If you would like to discuss our views further, please do not hesitate to contact Jan-Velten Große (grosse@drsc.de) or me.

Yours sincerely,

Andreas Barckow

President

Appendix – Detailed Comments

Tentative decision on IFRS 9 – Fair value hedge of FX risk on non-financial assets

We are not convinced that the IFRS IC's discussion and its findings help appropriately addressing the questions raised.

We have concerns with the IFRS IC's description where the FX volatility arises from in the different fact patterns (PPE, inventory, etc.). As per the tentative agenda decision, the (potentially designated) FX risk arises from pricing a non-financial asset "in one particular currency at a global level". In contrast, as per the Agenda Paper the non-financial assets are "routinely [be] denominated in a particular currency" or "purchased in an established market". As these are different, nonetheless precise, descriptions of FX market circumstances under which assets are to be translated into the functional currency, it remains unclear whether the condition in IFRS 9.6.5.2(a) is considered met under any of these circumstances. Depending on this, the wording might inadvertently narrow the fact patterns to which the IFRS IC's tentative decision would apply.

Tentative decision on IFRS 15 –Compensation for delays or cancellations

We do not fully agree with the tentative decision and conclusion in respect of the submitted fact pattern. Specifically, we would have appreciated a more holistic discussion that included variations of the fact pattern submitted or modified circumstances in order to better distinguish between situations where something is indeed a reduction of the selling price per IFRS 15 or separate obligations provided for under IAS 37. Without this, the tentative decision is not as helpful as it could be, as it does not illustrate potential legal or contractual rights and obligations that could distinguish between (a) compensations "still" being a variable consideration of the very same performance obligation and (b) those being a separate obligation, thus in the scope of IAS 37. Examples are distinguishing primary services vs. collateral services/obligations, low or non-performance vs. (penalty for) harm/damage, legal warranties vs. contractual guarantees, service-type warranties, product liabilities, etc. This said, we suggest the IFRS IC extend its discussion in this regard. This is of particular interest, as an agenda decision by the IFRS IC could affect service contracts in many different industries and not merely affect the airline sector concerned in the specific agenda item request.

Further, we question the appropriateness of not addressing the very important question of how to account for compensations that exceed the transaction price as we do believe this to be important in the fact patterns concerned, which is why it should not be ignored. Therefore, we request the IFRS IC to continue its discussion by considering and answering this follow-up question.

Given the broad relevance and complexity of this issue, we also suggest the IFRS IC re-consider whether clarifying IFRS 15 by way of an agenda decision is appropriate, esp. against the proposals in the revised Due Process Handbook.

Tentative decision on IFRS 16 – Lessee's incremental borrowing rate

We believe that the tentative decision and the explanation should be clarified. As the IFRS IC only states that "IFRS 16 does not **explicitly** require…" to determine the implicit borrowing rate based on a loan with a similar payment profile, it remains unclear whether, or under which circumstances, this is still implicitly required or not.

Since we understand IFRS 16 not to require an entity to revert to a loan with a similar payment profile, and in this respect agree with the tentative decision, we suggest that the word "explicitly" in the agenda's wording be deleted.

ICAN

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
(Established by Act of Parliament No. 15 of 1965)

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Registrar/Chief Executive
JOHN I. EVBODAGHE, MBA, FCA

19 August 2019

ICAN/ED/R&T/AUG/2019

IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
London E14 4HD
United Kingdom

Dear Sir,

RE: IFRS INTERPRETATIONS COMMITTEE TANTATIVE AGENDA DECISION

The Institute of Chartered Accountants of Nigeria (ICAN) has considered the above requests for comments on the Tentative Agenda Decisions and hereby submit comments as follows:

Presentation of Liabilities or Assets related to Uncertain Tax Treatments (IAS 1)

We agree with the position of the Committee not to make the presentation of liabilities or assets related to uncertain tax treatments a standard-setting agenda. The provisions of par. 54 (n) and 54 (o) as considered, are adequate guidance on their presentation. However, the committee may need to emphasize that entities clarify their presentation in their accounting policy.

Lease Term and Useful Life of Leasehold Improvements (IFRS 16 and IAS 16)

Adequate Provisions are already made in the standards and the Committee's decision not to add the matter to its standard-setting agenda is supported but to include more illustrative examples on the determination of lease term of cancellable and renewable leases.

Disclosure of Changes in Liabilities arising from Financing Activities (IAS 7)

We agree with the decision of the Committee that the disclosure requirements in Par. 44B-44E of IAS 7, together with the requirements in IAS 1 are adequate to meet the information needs of investors.

Subsequent Expenditure on Biological Assets (IAS 41)

We agree with the Committee's decision not to make subsequent expenditure on biological assets a matter to its standard-setting agenda. As relied upon by the Committee, Par. B62 of IAS 41 and the clarity in applying Par. 117-124 of IAS 1 are adequate on the reporting to by an entity.

Compensation for Delays or Cancellations (IFRS 15)

We agree with the position of the Committee that the principles and requirements in IFRS 15 provide an adequate basis for an entity to determine its accounting for obligations to compensate customers for delays or cancellations. However, we believe that the Committee should provide necessary guidance where the variable compensation (example- penalty imposed by legislation with respect to the contract) is higher than the purchase consideration or price.

Lessee's Incremental Borrowing Rate (IFRS 16)

We agree with the position of the Committee not to include the determination of incremental borrowing rate to its standard-setting agenda because the principles and requirements for this item are adequately spelt out in IFRS 16.

Yours faithfully,

for: Registrar/Chief Executive

Ben Ukaegbu, PhD, ACA
Deputy Registrar, Technical Services

PO Box 1411
Beenleigh QLD 4207
20 August 2019

Ms Sue Lloyd
Chair IFRS Interpretations Committee
International Accounting Standards Board
Columbus Building, 7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Online submission: https://www.ifrs.org/projects/work-plan/disclosure-of-changes-in-liabilities-arising-from-financing-activities-ias-7/comment-letters-projects/tad-disclosure-of-changes-in-liabilities-arising-from-financing-activities/

Dear Sue

Tentative agenda decision— Disclosure of Changes in Liabilities arising from Financing Activities (IAS 7)

I am pleased to make this submission on the Tentative Agenda Decision — Disclosure of Changes in Liabilities arising from Financing Activities (IAS 7).

I have extensive experience in accounting advice on International Financial Reporting Standards across a wide range of clients, industries and issues in the for-profit, not-for-profit, private and public sectors.

My clients have included listed companies, unlisted and private companies, charitable and not-for-profit organisations, federal, state and local government departments and agencies in the public sector, and government owned corporations (government business enterprises). I also have some commercial, standard setting and academic experience.

Underlying issue

While the issue of the final Agenda Decision as drafted would appear to be harmless, I believe that the underlying issue has not been identified or addressed. Consequently, the Committee may be issuing an agenda decision essentially supporting the current disclosure, when the Committee should instead be recommending amendments to the standard.

Without having examples of where the problems are, I am not able to provide any insights into what people should be doing differently. After all, their financial statements have been signed off by their auditors.

Lack of information

I have the following questions that might identify the underlying issue:

- What response have the companies (identified by investors as having deficient disclosures) given to the investors? There have been two financial years (December year end) of these disclosures. I would have expected that any implementation problems for the first financial year to have been rectified in the second financial year after feedback from investors.

- Who were the auditors? Are deficiencies spread across numerous audit firms, or concentrated on a few? Why are the auditors agreeing that the deficient disclosures (per investors) are adequate?

- Do the illustrative disclosures in the Big 4 audit firms model financial statements comply with IAS 7 and meet investor expectations? If not, then we are already starting in the wrong position.

- Have staff forwarded the results of their research to respective national standard setters for follow-up by the applicable regulators?

My initial thoughts were whether the deficient disclosures were inadvertent or deliberate. The errors are clearly inadvertent. Given that some of the deficient disclosures have bene repeated, and presumably after investor feedback, then this indicates that the actions are deliberate. If deliberate, then is there an element of a company trying to tell its story, and falling foul of the standard? If so, then maybe the standard needs to be amended.

Therefore, the Committee should determine the underlying issue before concluding the matter.

Explanatory material

Given the financial statements referred to by the submitter and those referred to be IASB staff are public, then extracts should have been included in the submission and / or staff papers.

Having real life examples of the problems in applying IAS 7 (excluding the errors) would have been very useful in putting the issue into context, and possibly identifying the underlying issue which could then be addressed.

While the recent IFRS 15 Costs to Fulfil a Contract issue Agenda Decision was along the lines of follow the standard, the submission had a really good example. I have been able to use that example as a basis for my presentations on the issue. There have been a few ah ha! moments when participants realise the previous constant margin on construction contracts will not carry forward under IFRS 15 when an output method is used. Consequently, I have bene able to provide insights with an example.

Without having examples of where the problems are, I am not able to provide similar insights into what people should be doing differently.

Big 4 example disclosures

I have attached extracts from the big 4 auditing firms illustrative financial statements relating to the financing activities liabilities reconciliation. I have also included observations on those extracts.

My first reaction was that each of the firms had different approaches to defining net debt.

My second reaction was surprise at the diversity of approaches. I had expected less diversity given that the UK has required a net debt reconciliation for some time, and I had expected learnings from that requirement to have carried through to the IASB disclosures.

Other observations across the four firms include:

- The reconciliation disclosures varied from very detailed (KPMG) to very aggregated (PwC).
- Sometimes current and non-current were aggregated, sometimes not. Splitting current and non-current then requires another reconciling item for movement from non-current to current.
- Accrued interest caused problems – sometimes being included in an 'other' category.
- The various definitions of net debt are likely to cause problems if investors are expecting a net debt reconciliation compared to a broader borrowings definition.

Yours sincerely,

David Hardidge
https://www.linkedin.com/in/davidhardidge/

Deloitte IFRS model financial statements 2018

Source:

https://www.iasplus.com/en/publications/global/models-checklists/2018/ifrs-mfs-2018

https://www.iasplus.com/en/publications/global/models-checklists/2018/ifrs-mfs-2018/at_download/file/Model%20Financial%20Statements%202018%20-%20final%20-%20toc.pdf

Observations

- The model financial statements do not have numbers, so any problems are not likely to be obvious
- The level of disaggregation of financial liabilities is a lot more then EY (see below).
- Net debt uses a simple definition of debt (borrowings), so any problems with different definitions of debt and financial liabilities are not likely to be obvious.
- The 'Other' category includes accrued interest.
- Includes in the reconciliation non-borrowings where there is no financing activity cash flow – interest rate swaps fair value hedging or economically hedging financing liabilities, and contingent consideration.
- Financing cash flows in the reconciliation are net.

Extract from balance sheet (current liabilities not included as they go over the page).

IAS 1:60 – 61; IAS 1:69 – 76	***Non-current liabilities***			
IAS 1:54(m); IAS 1:55	Borrowings	32		
IAS 1:54(m); IAS 1:55	Convertible loan notes	33		
IAS 1:55	Retirement benefit obligations	58		
IAS 1:54(o); IAS 1:56	Deferred tax liabilities	35		
IAS 1:54(l)	Long-term provisions	39		
IAS 1:54(m); IAS 1:55	Deferred income – government grant	59		
IAS 1:55; IFRS 15:105; IFRS 15:116(a)	Contract liabilities	60		
IAS 1:54(m); IAS 1:55	Obligations under finance leases	36		
IAS 1:54(m); IAS 1:55	Liability for share-based payments	57		
IAS 1:55	Lease incentives	56		
	Total non-current liabilities			
IAS 1:60 – 61; IAS 1:69 – 76	***Current liabilities***			
IAS 1:54(k)	Trade and other payables	37		

Extract from cash flow statement

IAS 7:10; IAS 7:17; IAS 7:21 - 24	**Financing activities**			
IAS 7:31; IAS 7:34	Dividends paid			
IAS 7:17(d)	Repayments of borrowings			
IAS 7:17(b)	Repurchase of treasury shares			
IAS 7:17(e)	Payments of obligations under finance leases			
IAS 7:17(c)	Proceeds on issue of convertible loan notes			
IAS 7:17(a)	Proceeds on issue of shares			
IAS 7:17(c)	Proceeds from sale of own shares			
IAS 7:21	Proceeds from loans and borrowings			
IAS 7:28	Transaction costs related to the loans and borrowings			
	Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control	21		
	Net cash (used in)/from financing activities			

Gearing ratio

The gearing ratio at the year-end is as follows:

	31/12/2018	31/12/2017
	CU	CU (Restated)
Debt		
Cash and cash equivalents (including cash and bank balances in a disposal group held for sale)		
Net debt		
Equity		
Net debt to equity ratio	%	%

Debt is defined as long- and short-term borrowings (excluding derivatives and financial guarantee contracts) as detailed in notes 32 and 33.

Equity includes all capital and reserves of the Group that are managed as capital.

IFRS 7:8(g)

32. Borrowings

Unsecured borrowing at FVTPL		
Redeemable cumulative preference shares		
Unsecured borrowing at amortised cost		
Bank overdrafts		
Bank loans		
Bills of exchange		
Loans from related parties		
Loans from government		
Perpetual notes		
Secured borrowing at amortised cost		
Bank overdrafts		
Bank loans		
Finance lease liabilities (see note 36)		
Total borrowings		
Amount due for settlement within 12 months		
Amount due for settlement after 12 months		

			Non-cash changes						
	1 January 2018	Financing cash flows (i)	Equity component of convertible loan notes	Acquisition of subsidiary (note 53)	Disposal of subsidiary (note 52)	Fair value adjustments (notes 11, 12 and 62)	New finance leases	Other changes (ii)	31 December 2018
	CU	CU	CU	CU	CU	CU	CU	CU	CU
Convertible loan notes (note 33)									
Perpetual notes (note 32)									
Bank loans (note 32)									
Loans from related parties (note 32)									
Finance lease liabilities (note 36)									
Bills of exchange (note 32)									
Redeemable preference shares (note 33)									
Interest rate swaps fair value hedging or economically hedging financing liabilities (note 34)									
Contingent consideration (note 38)									
Total liabilities from financing activities									

(i) The cash flows from bank loans, loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

(ii) Other changes include interest accruals and payments.

EY - Good Group (International) Limited – Illustrative Consolidated Financial Statements (December 2018)

Source:

https://www.ey.com/gl/en/issues/ifrs/issues_gl_ifrs_nav_core-tools-library

https://www.ey.com/Publication/vwLUAssets/ey-good-group-international-limited-illustrative-consolidated-financial-statements-december-2018/$FILE/ey-good-group-international-limited-illustrative-consolidated-financial-statements-december-2018.pdf

Observations

- Financing activities liabilities reconciliation balances can be linked to the balance sheet.
- The financing activities cash flows in the cash flow statement agree to the financing activities liabilities reconciliation.
- The 'Other' category is large in the financing activities liabilities reconciliation. This includes accrued interest.
- The illustrative company's net debt includes trade payables as debt. This contrasts to the financing activities liabilities reconciliation that excludes trade and other payables as those cash flows are not included in financing activities.
- The illustrative company's net debt excludes convertible preference shares. This contrasts to the financing activities liabilities reconciliation that includes convertible preference shares as those cash flows are not included in financing activities. The convertible preference shares movements are not separately disclosed in the financing activities liabilities reconciliation.
- Includes in the reconciliation non-borrowings where there is no financing activity cash flow – dividends payable and derivatives.
- The line items disclosed in the reconciliation needed some manual recalculation to reconcile back to the balance sheet.

Extract from balance sheet

Non-current liabilities				IAS 1.60
Interest-bearing loans and borrowings	21	20,346	21,703	IAS 1.54(m)
Other non-current financial liabilities	21	806	–	IAS 1.54(m), IFRS 7.8
Provisions	27	1,898	19	IAS 1.54(l)
Government grants	28	3,300	1,400	IAS 20.24
Contract liabilities	4,29	2,962	–	IFRS 15.105
Net employee defined benefit liabilities	30	3,050	2,977	IAS 1.55, IAS 1.78(d)
Deferred tax liabilities	15	2,454	898	IAS 1.54(o), IAS 1.56
Deferred revenue		–	955	
		34,816	27,952	
Current liabilities	32			IAS 1.60, IAS 1.69
Trade and other payables	4,29	16,969	24,353	IAS 1.54(k)
Contract liabilities	4	2,880	–	IFRS 15.105
Refund liabilities	21	6,242	–	IFRS 15.B21
Interest-bearing loans and borrowings	21	2,460	2,775	IAS 1.54(m), IFRS 7.8(g)
Other current financial liabilities	21	2,953	254	IAS 1.54(m), IFRS 7.8
Government grants	28	149	151	IAS 1.55, IAS 20.24
Income tax payable		3,511	3,563	IAS 1.54(n)
Provisions	27	902	504	IAS 1.54(l)
Dividends payable	26	410	–	
Deferred revenue		–	2,701	
		36,476	34,301	
Liabilities directly associated with the assets held for sale	14	13,125	–	IAS 1.54(p), IFRS 5.38
		49,601	34,301	
Total liabilities		**84,417**	**62,253**	
Total equity and liabilities		**145,198**	**108,800**	

Extract from cash flow statement

Financing activities				*IAS 7.10, IAS 7.21*
Proceeds from exercise of share options		175	200	*IAS 7.17(a)*
Acquisition of non-controlling interests	8	(325)	–	*IAS 7.42A*
Transaction costs on issue of shares	25	(32)	–	*IAS 7.17(a)*
Payment of finance lease liabilities		(51)	(76)	*IAS 7.17(e)*
Proceeds from borrowings		5,649	4,871	*IAS 7.17(c)*
Repayment of borrowings		(2,032)	(4,250)	*IAS 7.17(d)*
Dividends paid to equity holders of the parent	26	(1,979)	(1,600)	*IAS 7.31*
Dividends paid to non-controlling interests		(30)	(49)	*IFRS 12.B10(a)*
Net cash flows from/(used in) financing activities		**1,375**	**(904)**	
Net increase in cash and cash equivalents		5,251	3,624	
Net foreign exchange difference		339	326	*IAS 7.28*
Cash and cash equivalents at 1 January		12,266	8,316	
Cash and cash equivalents at 31 December	24	**17,856**	**12,266**	*IAS 7.45*

6. Capital management *continued*

	2018	**2017**
	€000	**€000**
		Restated
Interest-bearing loans and borrowings other than convertible preference shares (Note 21.2)	20,028	21,834
Trade and other payables (Note 32)	16,969	20,023
Less: cash and short-term deposits (Note 24)	(17,528)	(14,916)
Net debt	**19,469**	**26,941**
Convertible preference shares (Note 21.2)	2,778	2,644
Equity	58,371	45,102
Total capital	61,149	47,746
Capital and net debt	**80,618**	**74,687**
Gearing ratio	24%	36%

21.2 Financial liabilities: Interest-bearing loans and borrowings

	Interest rate	Maturity	2018	2017
	%		€000	€000
Current interest-bearing loans and borrowings				
Obligations under finance leases and hire purchase contracts (Note 33)	7.8	2019/2018	83	51
Bank overdrafts	EURIBOR+1.0	On demand	966	2,650
€1,500,000 bank loan	EURIBOR+0.5	1 Nov 2019	1,411	–
€2,200,000 bank loan	EURIBOR+0.5	31 Mar 2018	–	74
Total current interest-bearing loans and borrowings			**2,460**	**2,775**
Non-current interest-bearing loans and borrowings				
Obligations under finance leases and hire purchase contracts (Note 33)	7.8	2020-2021	905	943
8% debentures	8.2	2020-2026	3,374	3,154
8.25% secured loan of USD3,600,000	*LIBOR+0.2	31 May 2024	2,246	–
Secured bank loan	LIBOR+2.0	31 Jul 2024	3,479	3,489
€1,500,000 bank loan (2017: €1,400,000)	EURIBOR+0.5	1 Nov 2019	–	1,357
€2,750,000 bank loan (2017: €2,500,000)	EURIBOR+1.1	2021-2023	2,486	2,229
€2,200,000 bank loan	EURIBOR+0.5	31 Mar 2022	2,078	2,078
€5,809,000 bank loan	7.5	1 Jan 2023	–	5,809
Loan from a third-party investor in Fire Equipment Test Lab Limited	11.0	2021	3,000	–
Convertible preference shares	11.6	2023	2,778	2,644
Total non-current interest-bearing loans and borrowings			**20,346**	**21,703**
Total interest-bearing loans and borrowings			**22,806**	**24,478**

IFRS 7.7

* Includes the effects of related interest rate swaps.

21.6 Changes in liabilities arising from financing activities

IAS 7.44A
IAS 7.44C

IAS 7.44B, IAS.44D

	1 January 2018 €000	Cash flows €000	Reclassified as part of disposal group €000	Foreign exchange movement €000	Changes in fair values	New leases €000	Other €000	31 December 2018 €000
Current interest-bearing loans and borrowings (excluding items listed below)	2,724	(2,032)	–	(6)	–	–	1,691	2,377
Current obligations under finance leases and hire purchase contracts	51	(51)	–	–	–	5	78	83
Non-current interest-bearing loans and borrowings (excluding items listed below)	20,760	5,649	(5,809)	(51)	–	–	(1,108)	19,441
Non-current obligations under finance leases and hire purchase contracts	943	–	–	–	–	40	(78)	905
Dividends payable	–	–	–	–	–	–	410	410
Derivatives	–	–	–	–	58	–	–	58
Total liabilities from financing activities	24,478	3,566	(5,809)	(57)	58	45	993	23,274

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including obligations under finance leases and hire purchase contracts to current due to the passage of time, the accrual of special dividends that were not yet paid at the year-end, and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings. The Group classifies interest paid as cash flows from operating activities.

KPMG - Annual Illustrative disclosures 2018

Source:

https://home.kpmg/xx/en/home/services/audit/international-financial-reporting-standards/ifrs-illustrative-financial-statements.html

https://home.kpmg/content/dam/kpmg/xx/pdf/2018/09/2018-ifs.PDF

Observations

- Very detailed disclosures. Appears that the financing activities liabilities reconciliation starts with the cash flows from financing activities, and then allocates these amounts across liabilities and equity – e.g. the convertible notes gross proceeds of 5,000 is split between liability and equity.
- Then non-cash flows are added, e.g. capitalised interested, new leases.
- Shows separate line items for interest expense and interest paid
- The definition of debt for net debt is total liabilities
- The columns disclosed in the reconciliation (other loans and borrowings) needed some manual recalculation to reconcile back to the balance sheet.

Extract from balance sheet

	Liabilities				
IAS 1.54(m)	Loans and borrowings	*28*	**21,920**	19,031	20,358
IAS 1.55, 78(d)	Employee benefits	*13*	**912**	453	1,136
IAS 1.54(k)	Trade and other payables	*29*	**290**	5	4
IAS 1.55	Deferred income	*30*	**1,424**	1,462	-
IAS 1.54(l)	Provisions	*31*	**1,010**	-	740
IAS 1.54(o), 56	Deferred tax liabilities	*14*	**549**	406	323
IAS 1.60	**Non-current liabilities**[e]		**26,105**	21,357	22,561
IAS 1.55	Bank overdraft	*19*	**334**	282	303
IAS 1.54(n)	Current tax liabilities		**4,853**	1,693	25
IAS 1.54(m)	Loans and borrowings	*28*	**4,988**	5,546	3,003
IAS 1.55, 78(d)	Employee benefits	*13*	**20**	388	13
IAS 1.54(k)	Trade and other payables[h]	*29*	**23,541**	21,767	29,473
IAS 1.55	Contract liabilities	*8*	**160**	-	-
IAS 1.55	Deferred income	*30*	**-**	168	140
IAS 1.54(l)	Provisions	*31*	**660**	1,540	140
			34,556	31,384	33,097
IFRS 5.38, 40, IAS 1.54(p)	Liabilities directly associated with the assets held for sale	*20*	**4,410**	-	-
IAS 1.60	**Current liabilities**[e]		**38,966**	31,384	33,097
	Total liabilities		**65,071**	52,741	55,658
	Total equity and liabilities		**110,629**	87,016	84,012

Extract from cash flow statement

For the year ended 31 December

	In thousands of euro	Note	2018	2017 Restated*
IAS 1.10(d), 29, 38–38A, 113				
	Cash flows from financing activities			
IAS 7.17(a)	Proceeds from issue of share capital	26(A)	**1,550**	-
IAS 7.17(c)	Proceeds from issue of convertible notes	28(C)	**5,000**	-
IAS 7.17(c)	Proceeds from issue of redeemable preference shares	28(D)	**2,000**	-
IAS 7.17(c)	Proceeds from loans and borrowings		**591**	4,439
IAS 7.17(a)	Proceeds from sale of treasury shares		**30**	-
IAS 7.17(a)	Proceeds from exercise of share options	26(A)	**50**	-
IAS 7.16(h)	Proceeds from settlement of derivatives		**5**	11
IAS 7.21	Transaction costs related to loans and borrowings	28(C)–(D)	**(311)**	-
IAS 7.42A	Acquisition of NCI	36	**(200)**	-
IAS 7.17(b)	Repurchase of treasury shares		**-**	(280)
IAS 7.17(d)	Repayment of borrowings		**(5,055)**	(2,445)
IAS 7.17(e)	Payment of finance lease liabilities		**(454)**	(590)
IAS 7.31, 34	Dividends paid[c]	26(C)	**(1,243)**	(571)
IAS 7.10	**Net cash from financing activities**		**1,963**	564
	Net decrease in cash and cash equivalents		**(385)**	(633)
	Cash and cash equivalents at 1 January**		**1,568**	2,226
IAS 7.28	Effect of movements in exchange rates on cash held		**(13)**	(25)
	Cash and cash equivalents at 31 December**	19	**1,170**	1,568

* See Notes 5 and 44

In thousands of euro	2018	2017 Restated*
Total liabilities	**65,071**	52,741
Less: cash and cash equivalents	**(1,504)**	(1,850)
Net debt	**63,567**	50,891
Total equity	**45,558**	34,275
Less: hedging reserve	**(432)**	(490)
Less: cost of hedging reserve	**(5)**	26
Adjusted equity	**45,121**	33,811
Net debt to adjusted equity ratio	**1.41**	1.51

* See Notes 5 and 44.

28. Loans and borrowings

See accounting policies in Notes 45(B)(i)–(ii), (O)(i), (O)(iii), (R)(ii), (S) and (T).

In thousands of euro	*Note*	2018	2017
Non-current liabilities			
Secured bank loans		**7,554**	8,093
Unsecured bond issues		**6,136**	9,200
Convertible notes		**4,678**	-
Redeemable preference shares		**1,939**	-
Finance lease liabilities		**1,613**	1,738
		21,920	19,031
Current liabilities			
Current portion of secured bank loans		**1,055**	3,985
Unsecured bank loans		**503**	117
Unsecured bond issues		**3,064**	-
Dividends on redeemable preference shares		**51**	-
Current portion of finance lease liabilities		**315**	444
Loan from associate	*41(C)*	**-**	1,000
		4,988	5,546

28. Loans and borrowings (continued)

F. Reconciliation of movements of liabilities to cash flows arising from financing activities*

		Liabilities					Derivatives (assets)/liabilities held to hedge long-term borrowings		Equity				
In thousands of euro	*Note*	Bank overdrafts used for cash management purposes	Other loans and borrowings	Convertible notes	Redeemable preference shares	Finance lease liabilities	Interest rate swap and forward exchange contracts used for hedging – assets	Interest rate swap and forward exchange contracts used for hedging – liabilities	Share capital/ premium	Reserves	Retained earnings	NCI	Total
Restated balance at 1 January 2018		282	22,395	-	-	2,182	(205)	8	18,050	439	13,795	3,093	60,039
Changes from financing cash flows													
Proceeds from issue of share capital	*26(A)*	-	-	-	-	-	-	-	1,550	-	-	-	1,550
Proceeds from issue of convertible notes	*28(C)*	-	-	4,837	-	-	-	-	-	163	-	-	5,000
Proceeds from issue of redeemable preference shares	*28(D)*	-	-	-	2,000	-	-	-	-	-	-	-	2,000
Proceeds from loans and borrowings		-	591	-	-	-	-	-	-	-	-	-	591
Proceeds from sale of treasury shares		-	-	-	-	-	-	-	19	11	-	-	30
Proceeds from exercise of share options	*26(A)*	-	-	-	-	-	-	-	50	-	-	-	50
Proceeds from settlement of derivatives		-	-	-	-	-	4	1	-	-	-	-	5
Transaction costs related to loans and borrowings	*28(C)–(D)*	-	-	(250)	(61)	-	-	-	-	-	-	-	(311)
Acquisition of NCI	*36*	-	-	-	-	-	-	-	-	8	(93)	(115)	(200)
Repayment of borrowings		-	(5,055)	-	-	-	-	-	-	-	-	-	(5,055)
Payment of finance lease liabilities		-	-	-	-	(454)	-	-	-	-	-	-	(454)
Dividend paid	*26(C)*	-	-	-	-	-	-	-	-	-	(1,243)	-	(1,243)
Total changes from financing cash flows		-	(4,464)	4,587	1,939	(454)	4	1	1,619	182	(1,336)	(115)	1,963
Changes arising from obtaining or losing control of subsidiaries or other businesses		-	500	-	-	-	-	-	87	-	120	-	707
The effect of changes in foreign exchange rates		-	(122)	-	-	-	-	-	-	-	-	-	(122)
Changes in fair value		-	-	-	-	-	24	16	-	-	-	-	40
Other changes													
Liability-related													
Change in bank overdraft	*19*	52	-	-	-	-	-	-	-	-	-	-	52
New finance leases	*21(C)*	-	-	-	-	200	-	-	-	-	-	-	200
Capitalised borrowing costs	*21(E), 22(D)*	-	231	-	-	-	-	-	-	-	-	-	231
Interest expense	*10*	-	1,061	91	51	210	-	-	-	-	-	-	1,413
Interest paid		-	(1,289)	-	-	(210)	-	-	-	-	-	-	(1,499)
Total liability-related other changes		52	3	91	51	200	-	-	-	-	-	-	397
Total equity-related other changes		-	-	-	-	-	-	-	-	598	8,177	849	9,624
Balance at 31 December 2018		334	18,312	4,678	1,990	1,928	(177)	24	19,756	1,219	20,756	3,827	72,647

PWC – Value Accounts Holdings (Australia) 2018

Source:

https://www.pwc.com.au/ifrs/value-accounts.html

https://www.pwc.com.au/assurance/ifrs/assets/value-accounts_dec2018.pdf

Observations

- Disclosures for the financing activities liabilities reconciliation were aggregated at a very high level. For example, borrowings was one balance (aggregating various components), and cash flows was one balance (aggregating proceeds and repayments).
- Net debt deducts liquid investments.
- The 'Other' category is relatively large in the financing activities liabilities reconciliation for those items affected. Other includes accrued interest.

Extract from balance sheet

LIABILITIES				
Current liabilities				
Trade and other payables	7(f)	**15,760**	11,723	13,004
Contract liabilities [10]	3(b)	**1,982**	1,525	655
Borrowings	7(g)	**9,155**	8,750	7,869
Derivative financial instruments	12(a)	**1,376**	1,398	445
Current tax liabilities		**1,700**	1,138	989
Employee benefit obligations [7]	8(g)	**690**	470	440
Provisions	8(h)	**2,697**	1,240	730
		33,360	26,244	24,132
Liabilities directly associated with assets classified as held for sale	15	**-**	500	-
Total current liabilities		**33,360**	26,744	24,132
Non-current liabilities				
Borrowings	7(g)	**91,754**	79,330	76,250
Deferred tax liabilities	8(d)	**12,465**	6,968	4,532
Employee benefit obligations [7]	8(g)	**6,749**	4,881	4,032
Provisions	8(h)	**1,573**	1,382	1,304
Total non-current liabilities		**112,541**	92,561	86,118
Total liabilities		**145,901**	119,305	110,250

Extract from cash flow statement

Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	9(a)	**12,413**	-
Proceeds from calls on shares and calls in arrears	9(a)	**1,500**	-
Proceeds from borrowings	10(c)	**45,903**	25,796
Payments for shares bought back	9(a)	**(1,350)**	-
Payments for shares acquired by the VALUE IFRS Employee Share Trust		**(1,217)**	(299)
Share issue and buy-back transaction costs	9(a)	**(245)**	-
Repayment of borrowings	10(c)	**(33,334)**	(24,835)
Principal elements of finance lease payments	10(c)	**(805)**	-
Transactions with non-controlling interests	16(c)	**(1,500)**	-
Dividends paid to company's shareholders	13(b)	**(22,271)**	(10,470)
Dividends paid to non-controlling interests in subsidiaries	16(b)	**(3,017)**	(1,828)
Net cash (outflow) from financing activities		**(3,923)**	(11,636)

(c) Net debt reconciliation 4-7

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	**2018 $'000**	2017 $'000
Cash and cash equivalents	**57,098**	31,268
Liquid investments (i)	**11,300**	10,915
Borrowings – repayable within one year (including overdraft)	**(9,155)**	(8,750)
Borrowings – repayable after one year	**(91,754)**	(79,330)
Net debt	**(32,511)**	(45,897)
Cash and liquid investments	**68,398**	42,183
Gross debt – fixed interest rates	**(57,220)**	(47,930)
Gross debt – variable interest rates	**(43,689)**	(40,150)
Net debt	**(32,511)**	(45,897)

(g) Borrowings

	2018			2017		
	Current $'000	Non-current $'000	Total $'000	Current Restated $'000	Non-current Restated $'000	Total Restated $'000
Secured						
Bank overdrafts	**2,650**	**-**	**2,650**	2,250	-	2,250
Bank loans (i)	**4,250**	**37,535**	**41,785**	2,865	45,035	47,900
Debentures (vi)	**-**	**-**	**-**	2,000	2,000	4,000
Lease liabilities (v)	**755**	**2,639**	**3,394**	755	3,195	3,950
Other loans	**450**	**8,580**	**9,030**	150	14,100	14,250
Total secured borrowings (i)	**8,105**	**48,754**	**56,859**	8,020	64,330	72,350
Unsecured						
Bills payable	**1,050**	**-**	**1,050**	730	-	730
Convertible notes (iii)	**-**	**16,815**	**16,815**	-	-	-
Redeemable preference shares (iv)	**-**	**11,000**	**11,000**	-	11,000	11,000
Loans from related parties *	**-**	**15,185**	**15,185**	-	4,000	4,000
Total unsecured borrowings	**1,050**	**43,000**	**44,050**	730	15,000	15,730
Total borrowings	**9,155**	**91,754**	**100,909**	8,750	79,330	88,080

	Other assets [5]		Liabilities from financing activities				
	Cash/ bank overdraft $'000	Liquid invest-ments (i) $'000	Finance leases due within 1 year $'000	Finance leases due after 1 year $'000	Borrow. due within 1 year $'000	Borrow. due after 1 year $'000	Total $'000
Net debt as at 1 January 2017	21,573	10,370	-	-	(4,249)	(76,250)	(48,556)
Cash flows	7,229	1,235	-	-	(1,496)	535	7,503
Acquisitions – finance leases and lease incentives	-	-	(755)	(3,195)	-	-	(3,950)
Foreign exchange adjustments	216	-	-	-	-	(420)	(204)
Other changes (ii)	-	(690)	-	-	-	-	(690)
Net debt as at 31 December 2017	29,018	10,915	(755)	(3,195)	(5,745)	(76,135)	(45,897)
Restatement on adoption of AASB 9 (see note 26(b))	-	-	-	-	-	(465)	(465)
Net debt as at 1 January 2018	29,018	10,915	(755)	(3,195)	(5,745)	(76,600)	(46,362)
Cash flows	25,678	(465)	805	-	(5)	(12,564)	13,449
Foreign exchange adjustments	(248)	15	-	-	-	(31)	(264)
Other changes (ii)	-	835	(805)	556	-	80	666
Net debt as at 31 December 2018	**54,448**	**11,300**	**(755)**	**(2,639)**	**(5,750)**	**(89,115)**	**(32,511)**

(ii) Other changes include non-cash movements and interest payments which are presented as operating cash flows in the statement of cash flows.