

International Financial Reporting Standards



Agenda Paper 7

Non-IFRS information

CMAC Meeting

October 2014

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

- Part of the Disclosure Initiative's 'Principles of Disclosure' (POD) research project
- The POD project is meant to address comments received during the IASB's *Agenda Consultation 2011*
- To date, the team has reviewed a variety of publications containing recommendations for the overall improvement of financial reporting disclosures
- As a result we have identified *information in a complete set of IFRS financial statements* as one of the POD research topics, which includes presentation and disclosure of non-IFRS financial information.

- The main issues this project aims to address around this topic are:
 - (a) What types of information should be considered ‘non-IFRS’ financial information?
 - (b) May an entity disclose non-IFRS information in a complete set of IFRS financial statements?
 - (c) If yes, where in the financial statements can non-IFRS disclosures be made- ie can they be made in the primary financial statements?

Objective of this CMAC session

- To hear CMAC's views on the inclusion or use of non-GAAP/non-IFRS financial information as part of financial statements
 - what we are referring to here as 'contradictory' information
- Obtain input from CMAC for developing guidance and clarification about providing 'supplementary information' in IFRS financial statements

What are the problems with presentation and disclosure of 'non-IFRS' information?

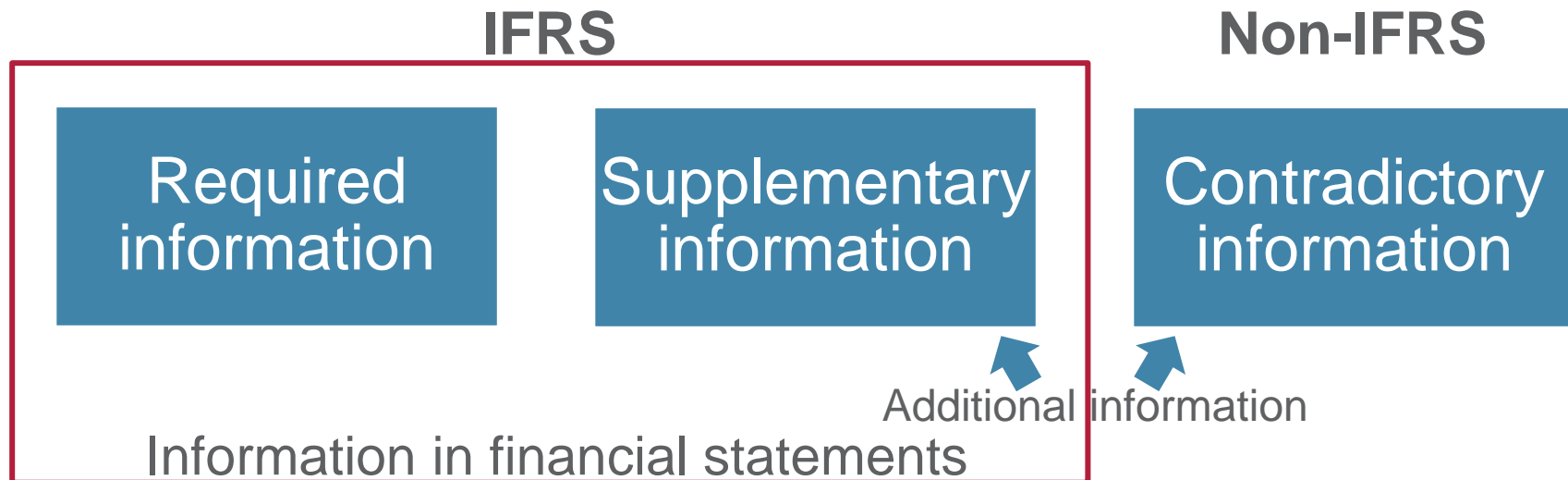
- Efforts by management to show good results could result in misleading information
- Increased complexity
- Regulatory guidance on non-IFRS (or non-GAAP) financial information varies globally, causing comparability issues

What the team is doing

- We are identifying types of financial information discussed within the context of non-IFRS financial information (not just performance measures)
- We are analysing whether sufficient guidance in IFRS already exists and helping the Board determine whether clarifications and/or additional guidance are necessary
- We are not developing guidance for financial information that is not part of financial statements but that is reported together in the same reporting package (eg in the annual report)

Distinguishing this type of financial information

- We do not intend to directly define the term ‘non-IFRS’ financial information. Instead we are considering making the following distinction:



How might we distinguish what is additional information?

- IFRS does not specify all the disclosures needed in an entity's financial statements
- Much of the information in financial statements could therefore be viewed as 'supplementary'
- Difficult to determine what is supplementary and what is contradictory

Possible characteristics of additional information

Supplementary Information

Recognised and measured in accordance with IFRS

Disclosed in accordance with a specified IFRS disclosure objective/requirement

Meets 'objective/role' of financial statements eg information about:

- assets, liabilities, income, expense, equity of the entity
- present/past transactions

Fair presentation

- Neutral
- Clear

Contradictory information

Not recognised or measured in accordance with IFRS

Not related to a specific disclosure requirement

Meets the broader objective of financial reporting ie relevant information about:

- future transactions and events ie forecasts, budgets, future purchases or sales

Misleading

- Undue prominence
- Unclear labelling

Types of 'additional information' — often described as 'non-IFRS'

- Forward-looking information (eg earnings forecast, backlog)
- 'Performance measures' such as EBITDA, free operating cash flows, underlying earnings
- Alternative measures (eg profit or loss on non-IFRS basis)
- Pro-forma information
- Ratios (eg ROCE, receivables turnover ratio)
- Non-financial information (sustainability reporting, information about industry regulation)
- Information labelled as unusual or infrequently occurring
- Immaterial information

CMAC members: do you agree with these examples? Do you have any additional items that are not in our list?

Presentation and disclosure of 'supplementary' information in financial statements

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- Some supplementary information is widely used in financial statements and may be simple to understand (eg total assets)
- Other types might demand more details or explanations (eg EBITDA or its variations)

CMAC members: do you agree with supplementary information being presented on the face of the financial statements?

Possible examples of contradictory information: additional columns with alternative measurements to IFRS standards

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In millions of dollars	Note	2012			2011		
		Before IFRS X	IFRS X	IFRS	Before IFRS X	IFRS X	IFRS
Revenue		50,000.00	-	50,000.00	45,000.00	-	45,000.00
Cost of sales	X	- 20,000.00	9,000.00	- 11,000.00	- 18,000.00	8,500.00	- 9,500.00
SG&A	X	- 10,000.00	-	- 10,000.00	- 8,000.00	-	- 8,000.00
Other operating income	X	- 5,000.00	- 3,000.00	- 8,000.00	- 6,000.00	- 5,000.00	- 11,000.00
Profit before tax		15,000.00	-	21,000.00	13,000.00	-	16,500.00
Tax Expense	X	- 5,000.00	- 2,100.00	- 7,100.00	- 3,800.00	- 900.00	- 4,700.00
Profit	X	10,000.00		13,900.00	9,200.00		11,800.00

Possible examples of contradictory information: additional columns excluding fair-value measurements

In millions of dollars	Note	2012			2011		
		Before fair value measurements	Fair value measurements	TOTAL	Before fair value measurements	Fair value measurements	TOTAL
Revenue		50,000.00	-	50,000.00	45,000.00	-	45,000.00
Cost of sales	X	- 20,000.00	9,000.00	- 11,000.00	- 18,000.00	8,500.00	9,500.00
SG&A	X	- 10,000.00	-	- 10,000.00	- 8,000.00	-	8,000.00
Other operating income	X	- 5,000.00	- 3,000.00	- 8,000.00	- 6,000.00	- 5,000.00	11,000.00
Profit before tax		15,000.00	-	21,000.00	13,000.00	-	16,500.00
Tax Expense	X	- 5,000.00	- 2,100.00	- 7,100.00	- 3,800.00	- 900.00	4,700.00
Profit	X	10,000.00		13,900.00	9,200.00		11,800.00

Possible examples of contradictory information: additional columns excluding exceptional items

In millions of dollars	Note	2012		
		Before exceptional items	Exceptional items	TOTAL
Revenue		50,000.00	-2,000.00	48,000.00
Cost of sales	X	-20,000.00	-	- 20,000.00
SG&A	X	-10,000.00	-1,500.00	- 11,500.00
Other operating income	X	-5,000.00	-2,500.00	- 7,500.00
Profit before tax		15,000.00	-	9,000.00
Tax Expense	X	-5,000.00	-	- 5,000.00
Profit	X	10,000.00		4,000.00

CMAC members: do you think these examples are types of 'contradictory' information? Can you provide other examples of information you think is 'contradictory'?

Presentation and disclosure of 'contradictory' information in financial statements

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- Some users find contradictory information relevant
- One of the discussions we will bring to the Board is about placement of 'contradictory' information in IFRS financial statements

CMAC members: would you be comfortable with this type of information being presented/disclosed in IFRS financial statements if clearly labelled as such?

Thank you

