IFRS

# STAFF PAPER

**February 2018**

**IASB Meeting**

| | | | |
|---|---|---|---|
| **Project** | **Disclosure Initiative: Principles of Disclosure** | | |
| Paper topic | Comment letter feedback—location of information | | |
| CONTACTS | Kathryn Donkersley | kdonkersley@ifrs.org | +44 (0) 20 7246 6970 |
| | Aishat Akinwale | aakinwale@ifrs.org | +44 (0) 20 7246 6910 |



## Objective

1. This paper provides a detailed analysis of feedback received from comment letters on Section 4 of the *Disclosure Initiative—Principles of Disclosure* Discussion Paper. Feedback from users of financial statements is summarised separately in Agenda Paper 11B. Section 4 of the Discussion Paper considers whether and when an entity can:
   (a) provide information that is necessary to comply with IFRS Standards ('IFRS information') outside the financial statements; and
   (b) provide information that is not necessary to comply with IFRS Standards ('non-IFRS information') inside the financial statements.
2. This paper is structured as follows:
   (a) Key messages (paragraphs 3-5);
   (b) Background and questions in the Discussion Paper (paragraphs 6-7);
   (c) IFRS information outside the financial statements (paragraphs 8-28);
      (i) overview (paragraphs 8-11);
      (ii) support for IFRS information outside the financial statements (paragraphs 12-14);
      (iii) concerns about the specific preliminary views in the Discussion Paper (paragraphs 15-23);

    - (iv) other feedback about IFRS information outside the financial statements (paragraphs 24-28);
- (d) Non-IFRS information inside the financial statements (paragraphs 29-49);
    - (i) overview (paragraphs 29-34);
    - (ii) support for including non-IFRS information in the financial statements (paragraph 35);
    - (iii) defining non-IFRS information (paragraphs 36-40);
    - (iv) feedback about the specific preliminary views in the Discussion Paper (paragraphs 41-44);
    - (v) support for prohibiting all non-IFRS information from the financial statements (paragraph 45);
    - (vi) prohibiting specific types of information (paragraphs 46-49);
- (e) Views on location of information collectively (paragraph 50);
- (f) Appendix A—existing IFRS Standards disclosure requirements that permit IFRS information outside the financial statements;
- (g) Appendix B—definition of 'annual report' in the International Standards on Auditing;
- (h) Appendix C—feedback from the International Audit and Assurance Standards Board (extracts);
- (i) Appendix D—extracts from IAS 1 *Presentation of Financial Statements*.

## Key messages

3. Most respondents supported the Board developing a principle that an entity can provide IFRS information outside the financial statements in some circumstances. However, many of these respondents expressed concerns about the specific preliminary views in the Discussion Paper and thought the Board would need to do further work before developing such a principle (paragraphs 8-28).

4. Most respondents agreed that the Board should not prohibit an entity from including information in its financial statements that it has identified as 'non-IFRS information' or by a similar labelling. Many respondents also agreed that the Board should develop requirements about how an entity provides any non-IFRS information in the financial statements. However, many of these respondents had concerns about the specific preliminary views in the Discussion Paper, and about how the Board would define non-IFRS information. Respondents thought the Board would need to address these concerns before developing any requirements in this area (paragraphs 29-45).

5. Respondents had mixed views on whether the Board should prohibit any specific types of information from inclusion in the financial statements (paragraphs 46-49).

## Background and questions in the Discussion Paper

6. In Section 4 of the Discussion Paper, the Board observed that duplication and fragmentation of information can make financial statements and annual reports more difficult to analyse and understand. In order to address these concerns, the Board considered developing requirements that would permit the presentation of IFRS information outside the financial statements, and non-IFRS information inside the financial statements.

7. The feedback described in this paper includes the responses provided by stakeholders answering the following three questions in the Discussion Paper:

**Question 5**

The Board's preliminary view is that a general disclosure standard should include a principle that an entity can provide information that is necessary to comply with IFRS Standards outside financial statements if the information meets the requirements in paragraphs 4.9(a)-(c).

(a) Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative(s) do you suggest, and why?

(b) Can you provide any examples of specific scenarios, other than those currently included in IFRS Standards (see paragraphs 4.3-4.4), for which you think an entity should or should not be able to provide information necessary to comply with IFRS Standards outside the financial statements? Why? Would these scenarios meet the criteria in paragraphs 4.9(a)-(c)?

**Question 6**

The Board's preliminary view is that a general disclosure standard:

- should not prohibit an entity from including information in its financial statements that it has identified as 'non-IFRS information', or by a similar labelling, to distinguish it from information necessary to comply with IFRS Standards; but
- should include requirements about how an entity provides such information as described in paragraphs 4.38(a)-(c).

Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative(s) do you suggest, and why?

**Question 7**

The Board did not discuss whether any specific information—for example, information that is inconsistent with IFRS Standards—should be required to be identified as described in paragraphs 4.38(a)-(c) or should be prohibited from being included in the financial statements.

Do you think the Board should prohibit the inclusion of any specific types of additional information in the financial statements? If so, which additional information, and why?

## IFRS information outside the financial statements

### *Overview*

8. Most respondents supported the Board developing a principle that an entity can provide IFRS information outside the financial statements in some circumstances (paragraphs 12-14). These respondents included some regulators and most respondents from all other stakeholder groups.

9. However, many of the respondents that supported this approach also:

   (a) expressed concerns about the specific preliminary views in the Discussion Paper. In other words, these respondents supported the Board developing a principle but did not necessarily agree with the specific principle described in the Discussion Paper (paragraphs 15-23); and

(b) identified other concerns they did not think were satisfactorily addressed in the Discussion Paper (paragraphs 24-28).

10. Consequently, many respondents thought the Board would need to perform further work before developing a principle about IFRS information outside the financial statements. In particular, respondents thought the Board would need to co-ordinate with other parties such as local regulators, national standard-setting bodies and the International Auditing and Assurance Standards Board (IAASB) (paragraph 26).

11. Some respondents, including many regulators, did not agree with the Board permitting IFRS information outside the financial statements. These respondents raised the same benefits and concerns as those that supported the approach (paragraphs 12-28). However, these respondents thought that the concerns outweighed the benefits.

### *Support for IFRS information outside the financial statements*

12. Respondents that supported permitting IFRS information outside the financial statements did so because they thought it would:

(a) allow entities to present all related information in one place, or clearly link it via cross-reference, thereby helping to:

(i) avoid duplication, repetition and unnecessary volume in the financial statements;

(ii) avoid fragmentation of information (ie related information in different places or not clearly linked);

(iii) achieve coherency across various reporting documents. Some described this as allowing entities to tell a ‘single story’;

(b) provide entities with flexibility to decide how best to communicate information with users; and

(c) allow entities to report information that is identical every year outside the financial statements, thus avoiding ‘clutter’.

13. These respondents also identified a number of specific examples of IFRS information for which they thought reporting outside the financial statements would be particularly useful. These examples included, but were not limited to:

(a) IFRS information that laws and regulations in a jurisdiction require an entity to report in a document other than the financial statements;

(b) information about executive remuneration or director remuneration;

(c) regulatory capital reporting by banks and insurers;

(d) disclosures about financial risk management;

(e) information about investments in subsidiaries, joint ventures and associates;

(f) pension scheme information; and

(g) share based payment information.

14. Some respondents observed that many entities already report IFRS information outside the financial statements or interim report. These respondents noted specific paragraphs of existing IFRS Standards that permit information to be included in the financial statements by way of cross-reference. These paragraphs can be found in Appendix A.

### *Concerns about the specific preliminary views in the Discussion Paper*

15. Many respondents expressed concerns about the details in the Board’s preliminary view. In particular, these respondents did not support some or all of the three criteria described in paragraph 4.9 of the Discussion Paper:

> The Board’s preliminary view is that a general disclosure standard should include a principle that information necessary to comply with IFRS Standards can be provided outside the financial statements if such information meets the following requirements:
>
> (a) it is provided within the entity’s annual report;
>
> (b) its location outside the financial statements makes the annual report as a whole more understandable, the financial statements

> remain understandable and the information is faithfully represented; and
>
> (c) it is clearly identified and incorporated in the financial statements by means of a cross-reference that is made in the financial statements.

### *Concerns about the term 'annual report'*

16. Some respondents expressed concerns about the Board using the term 'annual report'. In particular, these respondents thought 'annual report' might be difficult to apply consistently because it means different things in different jurisdictions. Respondents said that in some jurisdictions, 'annual report' includes documents that are separate from the financial statements, or published at a different time to the financial statements. They provided the following examples:

    (a) in Canada, management commentary documents are often filed separately from the financial statements; and

    (b) in Australia, the financial statements can be published as a separate document from the rest of the annual report for some entities.

17. Some respondents commented on the description of an annual report as a 'single reporting package'. These respondents:

    (a) thought that term 'single reporting package' was unclear. For example, respondents questioned whether a 'single reporting package':

        (i) must be a single document; or

        (ii) could include multiple documents and if so, whether it could include documents issued at a different time to the financial statements;

    (b) raised concerns about applying the term 'single reporting package' consistently in different jurisdictions. For example, application of the term might be different depending on whether the management commentary in a jurisdiction is published in the same document as the financial statements, and whether it is published at the same time; or

    (c) referred to feedback provided in response to the use of the term 'annual reporting package' in the March 2017 Exposure Draft: *Improvements to*

*IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34).* Some of these respondents had similar concerns about the use of the term 'single reporting package' as they previously had about 'annual reporting package'. Some respondents added that the distinction between these two terms is unclear, and using both of them in IFRS Standards could cause confusion.

18. Some of the respondents that expressed concerns about using the term 'annual report' suggested alternative approaches. They suggested the Board should consider:

    (a) using the term 'single document' instead of 'annual report'; or

    (b) not using a specific term to describe the documents in which IFRS information can be located. Instead, they suggested the Board should consider developing a principle to limit the permitted locations. These respondents suggested that providing IFRS information outside the financial statements should only be permitted in a document that:

        (i) is available at the same time as the financial statements;

        (ii) is available on the same terms as the financial statements;

        (iii) will continue to be available for as long as the financial statements are available; and

        (iv) cannot be changed after the financial statements have been issued.

19. A few respondents suggested the Board should retain the reference to 'annual report', but suggested aligning its definition with that in the International Standards on Auditing (ISAs) (Appendix B). These respondents thought that a consistent definition of 'annual report' across auditing and accounting standards would make the term easier to apply.

### *Concerns about making the annual report as a whole more understandable*

20. Some respondents expressed concerns about the preliminary view that IFRS information can be provided outside the financial statements if its location makes the annual report as a whole more understandable. Respondents thought this

requirement is subjective and would be difficult to apply and enforce. Respondents with this view included accounting firms, regulators and the IAASB. A few respondents added that the annual report is not within the scope of an auditor's responsibility and, thus, auditors cannot be held accountable for a requirement based on the understandability of the annual report. A few respondents also added that, in some jurisdictions, the annual report can be prepared later than the audited financial statements.

*Views on cross-referencing*

21. Most respondents agreed that if IFRS information is provided outside the financial statements, then the Board should require that information to be appropriately cross-referenced. Many respondents added that, in their view, the Board should also require an entity to clearly label any IFRS information outside the financial statements—both as IFRS information and, if applicable, as audited information.

22. Nevertheless, many respondents had concerns about excessive use of cross-referencing. These concerns included:

    (a) the risk that the understandability of the financial statements would be reduced by fragmenting, scattering, or obscuring information;

    (b) the risk of circular cross-references or long chains of cross-references; and

    (c) potential difficulties in identifying the complete set of information that comprises the financial statements.

23. Some of the respondents that identified these concerns recommended that the Board develop a principles-based set of requirements to limit the circumstances in which cross-referencing can be used. Respondents thought this would avoid excessive cross-referencing. Specific suggestions made by respondents for those principles included:

    (a) principles that limit the locations in which cross-referenced information is permitted – these suggestions were consistent with those described in paragraph 18(b);

    (b) principles that limit the type of information that can be included in the financial statements only by way of cross-reference. For example:

(i) some respondents suggested the Board should only permit IFRS information outside the financial statements if that information is also required by local laws and regulations to be disclosed elsewhere. Respondents thought this approach would help to avoid both duplication of information and excessive cross-referencing; and

(ii) a few respondents said that the Board would need to develop principles that would prevent entities from reporting ‘critical’ information—such as the primary financial statements or segmental reporting note—outside the financial statements.

### *Other feedback about IFRS information outside the financial statements*

24. In addition to the feedback provided on the specific preliminary views in the Discussion Paper, respondents raised a number of other issues about IFRS information outside the financial statements. These related to:

(a) potential audit implications (paragraph 25);

(b) the need for the Board to co-ordinate with other parties (paragraph 26);

(c) ongoing access to and availability of information (paragraph 27); and

(d) technology and digital reporting (paragraph 28).

#### *Potential audit implications*

25. Many respondents expressed concerns about potential audit implications of permitting entities to provide IFRS information outside the financial statements. In particular, respondents were concerned about:

(a) potential implications of including IFRS information in documents that would not fall within the scope of an auditor’s responsibilities. Respondents from all stakeholder groups made these comments, including accounting firms, regulators and the IAASB. Some relevant extracts from the IAASB comment letter can be found in Appendix C;

(b) the risk of some IFRS information not being audited because it might be difficult to identify the complete set of information making up the financial statements; and

(c) clarity for users of financial statements about which information outside the financial statements has been audited. A few added that the value of audit to users might diminish if it is not clear to them exactly what information is subject to audit. As described in Agenda Paper 11B, users themselves also raised similar concerns. Users highlighted the importance of ensuring that all IFRS information has been audited, and clearly identifying which information outside the financial statements has been audited.

*Need for the Board to co-ordinate with other parties*

26. Some respondents thought that the Board would need to co-ordinate with other organisations before developing any requirements around IFRS information outside the financial statements. In particular, these respondents thought the Board would need to work with:

(a) the IAASB to fully understand and address the concerns identified in paragraph 25; and

(b) local regulators or standard-setting bodies to fully understand all of the ways in which any principle developed by the Board might interact with local reporting requirements and regulations in individual jurisdictions (see, for example, paragraph 16).

*Ongoing access to and availability of information*

27. Some respondents expressed concerns about IFRS information located in documents that would not be available or easily accessible in the long term. In particular, these respondents had the following concerns about IFRS information in documents that are:

(a) not easily or freely accessible to users;

(b) not available for the same length of time as the financial statements themselves; or

(c) subject to change after the financial statements have been published.

*Technology and digital reporting*

28. Some respondents were concerned that the discussions in the Discussion Paper about IFRS information outside the financial statements did not address digital reporting and technology. These comments were part of a broader concern about digital reporting and technology that is described in Agenda Paper 11D. Particular comments about the ways in which technology could affect the Board's considerations around IFRS information outside the financial statements included:

(a) the use of hyperlinks might make cross-referencing redundant;

(b) conversely, the use of hyperlinks might increase the risks around availability and accessibility of information – for example by introducing the risk of hyperlinks to IFRS information outside the financial statements not working properly; and

(c) the term 'annual report' (or any other term the Board might use to describe the location of information) might cease to have meaning in a digital reporting environment.

## Non-IFRS information inside the financial statements

### *Overview*

29. Most respondents agreed that the Board should not prohibit an entity from including information in its financial statements that it has identified as 'non-IFRS information' or by a similar labelling (paragraph 35). These respondents included some regulators and most respondents of all other stakeholder types.

30. Many respondents supported the Board including requirements in a general disclosure standard about how an entity provides any non-IFRS information in the financial statements. However, many of these respondents also identified concerns that they thought the Board would need to address. These concerns related to:

(a) how the Board would define non-IFRS information (paragraphs 36-40); and

(b) the particular requirements described in the Discussion Paper (paragraphs 41-44).

31. A few respondents said they did not support the development of requirements about how an entity provides any non-IFRS information in the financial statements. This was because they thought:

(a) such requirement would be unnecessary. They observed that voluntary information is already provided in financial statements today and is useful to users of financial statements; or

(b) it would be too difficult for the Board to define ‘non-IFRS information’ in an operational way.

32. A few respondents, including some regulators, thought that the Board should prohibit the inclusion of *all* non-IFRS information from the financial statements (paragraph 45).

33. The Discussion Paper asked a question about whether the Board should prohibit the inclusion of any *specific types* of non-IFRS information from the financial statements. Respondents provided mixed views (paragraphs 46-49):

(a) many supported excluding some types of non-IFRS information from the financial statements, and provided examples of information they thought the Board should prohibit; and

(b) many others thought the Board should not prohibit any information from inclusion in the financial statements.

34. Some respondents questioned the interaction between this section of the Discussion Paper and the Primary Financial Statements project. These respondents thought that some of the Board’s considerations about non-IFRS information were similar to those about management performance measures in the Primary Financial Statements project. Some of these respondents thought the Board should consider these matters together (see Agenda Paper 11D).

### *Support for including non-IFRS information in the financial statements*

35. Most respondents agreed that the Board should not prohibit an entity from including information in its financial statements that it has identified as 'non-IFRS information' or by a similar labelling. This was because:

    (a) entities often include non-IFRS information inside the financial statements today. Many respondents said that, in their view, this information is often useful to users. Some added that permitting entities to include non-IFRS information in the financial statements gives entities the flexibility to:

        (i) provide entity specific information that is not required by IFRS Standards but, nevertheless, is relevant to users; and

        (ii) present related information together, or tell a 'single story';

    (b) laws and regulations in some jurisdictions require entities to report information that is not required by IFRS Standards. Many respondents thought that prohibiting non-IFRS information from the financial statements could make it difficult for entities in those jurisdictions to comply with both IFRS Standards and local laws and regulations; and

    (c) many respondents thought it would not be operational to prohibit an entity from including non-IFRS information in the financial statements. In most cases, this was because of concerns about how to define 'non-IFRS information' (paragraphs 36-40).

### *Defining non-IFRS information*

36. Many respondents said that, if the Board develops requirements relating to non-IFRS information in the financial statements, it needs to clearly define 'non-IFRS information'.

37. Many respondents added that, in their view, the discussions in the Discussion Paper did not clearly define non-IFRS information. In particular, respondents expressed concerns about the three categories of information described in paragraph 4.33 of the Discussion Paper:

    (a) Category A—information specifically required by IFRS Standards;

(b) Category B—additional information necessary to comply with IFRS Standards; and

(c) Category C—additional information that is not in Category A or Category B. This includes information that is inconsistent with IFRS Standards and some non-financial information.

38. Many respondents agreed with Board's preliminary view that Category A information and Category B information are both IFRS information. A few respondents said there is no need for the Board to distinguish between these two categories. However, respondents had concerns about Category C information.

39. Firstly, some respondents were confused about the distinction between Category B information and Category C information. Respondents thought that an entity would only consider disclosing Category C information if they thought that information could be relevant to users. However, they noted that if information is relevant to users then it would be captured by the requirements in IAS 1 *Presentation of Financial Statements* (Appendix D) and hence such information could be viewed as Category B information.

40. Secondly, some respondents thought that Category C was confusing because it captured too many different types of information. In particular, respondents thought that the following two types of information should not be in the same category and should be treated differently:

(a) information that is inconsistent with IFRS Standards. Some respondents suggested that the Board should prohibit this type of information from being included in the financial statements; and

(b) information that is consistent with IFRS Standards and is only defined as non-IFRS information by virtue of disclosure not being necessary to comply with the Standards. For example, this might include information that is an aggregation of two or more pieces of IFRS information. Respondents suggested that the Board should permit information of this type in the financial statements.

### *Feedback about the specific preliminary views in the Discussion Paper*

41. The Board's preliminary view, as described in the Discussion Paper, is that an entity should be required to do the following with respect to non-IFRS information:

    (a) identify clearly such information as not being prepared in accordance with IFRS Standards and, if applicable, as unaudited;

    (b) provide a list of such information, together with the statement of compliance with IFRS Standards; and

    (c) explain why the information is useful and has been included in the financial statements. For information to be useful, it must comply with the qualitative characteristics of financial information (ie it must be relevant and faithfully represented).

42. Most respondents agreed with the requirements described in paragraph 41(a). Some said that clear identification and labelling of non-IFRS information is essential. Some added that, in their view, the Board should also require an entity to provide:

    (a) an explanation of any non-IFRS information (for example, the basis of preparation); and

    (b) a reconciliation to IFRS information.

43. Many respondents disagreed with the requirement described in paragraph 41(b). These respondents said that if non-IFRS information is clearly identified then providing a list of that information will not add value or be helpful to users. They added that such a list would effectively be duplicated information and may detract from the importance of the statement of compliance with IFRS Standards.

44. Many respondents also disagreed with the requirement described in paragraph 41(c). This was because respondents thought such a requirement would only lead an entity to disclose boilerplate information.

### *Support for prohibiting all non-IFRS information from the financial statements*

45. A few respondents, including some regulators, thought the Board should prohibit an entity from presenting any non-IFRS information in the financial statements. This was because:

    (a) some respondents thought that allowing non-IFRS information in the financial statements could:

        (i) impair comparability between entities;

        (ii) impair clarity and understandability of the financial statements;

        (iii) increase complexity; and

        (iv) create confusion for users about which information has been audited;

    (b) some regulators said that if non-IFRS information is useful and relevant to users, then the Board should modify IFRS Standards to require that information. They added that, in their view, allowing non-IFRS information to be included in the financial statements could make IFRS Standards less credible as a reporting framework; and

    (c) a few respondents said that if information is relevant and in compliance with IFRS principles, then IAS 1 *Presentation of Financial Statements* already requires an entity to provide that information (Appendix C). Consequently, these respondents think non-IFRS information should be excluded from the financial statements.

### *Prohibiting specific types of information*

46. Respondents had mixed views on whether the Board should prohibit the inclusion of some specific types of non-IFRS information from the financial statements:

    (a) almost all regulators thought the Board should prohibit some specific types of non-IFRS information from the financial statements;

    (b) most preparers thought the Board should not prohibit any specific types of non-IFRS information from the financial statements; and

(c) other stakeholder groups expressed mixed views.

47. Regulators, and other respondents that supported prohibiting some specific types of non-IFRS information from the financial statements, gave examples of the type of information they thought the Board should prohibit. In particular, many of these respondents thought the Board should prohibit the inclusion of information that is misleading or inconsistent with IFRS information. A few of these respondents acknowledged that there might be judgement involved in determining whether information is misleading.

48. Some respondents supported the Board prohibiting the inclusion of all non-IFRS information in the financial statements except for information that is required by local laws and regulations. Respondents with this view agreed with the arguments described in paragraph 45 for prohibiting non-IFRS information from the financial statements. However, these respondents acknowledged that prohibiting all non-IFRS information in the financial statements could create conflicts with local laws and regulations.

49. Many other respondents thought that the Board should not prohibit any specific information from inclusion in the financial statements. This was because they thought prohibiting specific types of information:

(a) would not be in keeping with a principles-based framework;

(b) might lead to unintended consequences;

(c) would not allow preparers the flexibility to determine how to communicate with uses most effectively. These respondents commented that additional voluntary information often facilitates user understanding; and

(d) might risk the Board stepping into the remit of market regulators. These respondents noted that many market regulators already have comprehensive rules about, for example, not presenting misleading information.

### Views on location of information collectively

50. A few respondents expressed a concern about the collective effect of all the preliminary views in this section of the Discussion Paper. These respondents said that if the Board implemented all of its preliminary views about location of information, this could have an adverse effect on the overall effectiveness of communication. This is because, in their view, the financial statements and other documents could become 'cluttered' with labels and explanations about:

    (a) IFRS information outside the financial statements;

    (b) non-IFRS information inside the financial statements; and

    (c) whether information both inside and outside the financial statements has been audited.

## Appendix A—existing IFRS Standards disclosure requirements that permit IFRS information outside the financial statements

### *References that relate to financial statements*

**IFRS 7** ***Financial Instruments: Disclosures (paragraph B6)***

The disclosures required by paragraphs 31-42 shall be either given in the financial statements or incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.

**IAS 19** ***Employee Benefits (paragraph 150)***

The information required by paragraph 149(c) and (d) can be disclosed by cross-reference to disclosures in another group entity's financial statements if:

(a) that group entity's financial statements separately identify and disclose the information required about the plan; and

(b) that group entity's financial statements are available to users of the financial statements on the same terms as the financial statements of the entity and at the same time as, or earlier than, the financial statements of the entity.

### *References that relate to interim reports*

**IFRS 1** ***First-time Adoption of International Financial Reporting Standards (paragraph 32(b))***

In addition to the reconciliations required by (a), an entity's first interim financial report in accordance with IAS 34 for the part of the period covered by its first IFRS financial statements shall include the reconciliations described in paragraph 24(a) and (b) (supplemented by the details required by paragraphs 25 and 26) or a cross-reference to another published document that includes those reconciliations.

**IAS 34** ***Interim Financial Reporting (paragraph 16A)***

In addition to disclosing significant events and transactions in accordance with paragraphs 15-15C, an entity shall include the following information, in the notes to its interim financial statements or elsewhere in the interim financial report. The following disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete.

## Appendix B—definition of ‘annual report’ in the International Standards on Auditing

**Extract from ISA 720 (revised) *The auditor’s responsibilities relating to other information and related conforming amendments*:**

12. For purposes of the ISAs, the following terms have the meanings attributed below:

(a) Annual report – A document, or combination of documents, prepared typically on an annual basis by management or those charged with governance in accordance with law, regulation or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity’s operations and the entity’s financial results and financial position as set out in the financial statements. An annual report contains or accompanies the financial statements and the auditor’s report thereon and usually includes information about the entity’s developments, its future outlook and risks and uncertainties, a statement by the entity’s governing body, and reports covering governance matters.

## Appendix C—feedback from the International Audit and Assurance Standards Board (extracts)

**IAASB comment letter (extracts) (CL#88)**

There may be inconsistencies of interpretation between the term "*annual report*" as defined in ISA 720 (Revised) and the proposed description of the term in DP-PoD. This may also cause some confusion for users and could result in misunderstandings about the scope of the annual report for purposes of auditor reporting in relation to ISA 720. For example:

- As noted in DP-PoD (paragraphs 4.20 and 4.21), the ISA 720 clarifies that the "*annual report*" may be a document or a combination of documents. ISA 720 also clarifies that when the annual report comprises two or more documents they may not always be made available at the same time and it is specifically envisaged that some such documents may not be available until after the date of the auditor's report (see paragraph 6 of ISA 720).
- DP-PoD describes the "*annual report*" (paragraph 4.10) as "*a <u>single reporting package</u> issued by the entity that includes financial statements and has boundaries similar to those described in [ISA 720]*". It is not clear if the IASB intends to include within the concept of "boundaries" matters such as whether the package can comprise more than one document, and if so whether such documents may be made available at different times, or whether the term 'single reporting package' is intended to indicate that the annual report is a single document.

….

[The comment below was made specifically with reference to the term 'annual reporting package' in the March 2017 Exposure Draft *Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34)*]

Under ISA 720, the auditor has no responsibility to review some of the documents that would or might be included in the definition of '*annual reporting package'* (e.g., preliminary announcements are specifically excluded from the scope of other information under ISA 720). In auditing management assertions about the new segment difference disclosures, the auditor would have to undertake audit procedures with respect to such other parts, in accordance with the requirements in ISAs other than ISA 720, whether or not such other parts were within the scope of ISA 720.

This may give rise to some confusion for users as to the extent of the auditor's responsibilities with respect to such documents when they do not fall within the scope of ISA 720 – for example it may not be understood by users that the auditor does not have any responsibility to read and consider whether there are any other material inconsistencies between those documents and the financial statements or their knowledge obtained in the course of the audit.

## Appendix D—extracts from IAS 1 *Presentation of Financial Statements*

**IAS 1 *Presentation of Financial Statements***

55 An entity shall present additional line items (including by disaggregating the line items listed in paragraph 54), headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.

85 An entity shall present additional line items (including by disaggregating the line items listed in paragraph 82), headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income when such presentation is relevant to an understanding of the entity's financial performance.

112 The notes shall:

(b) provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them