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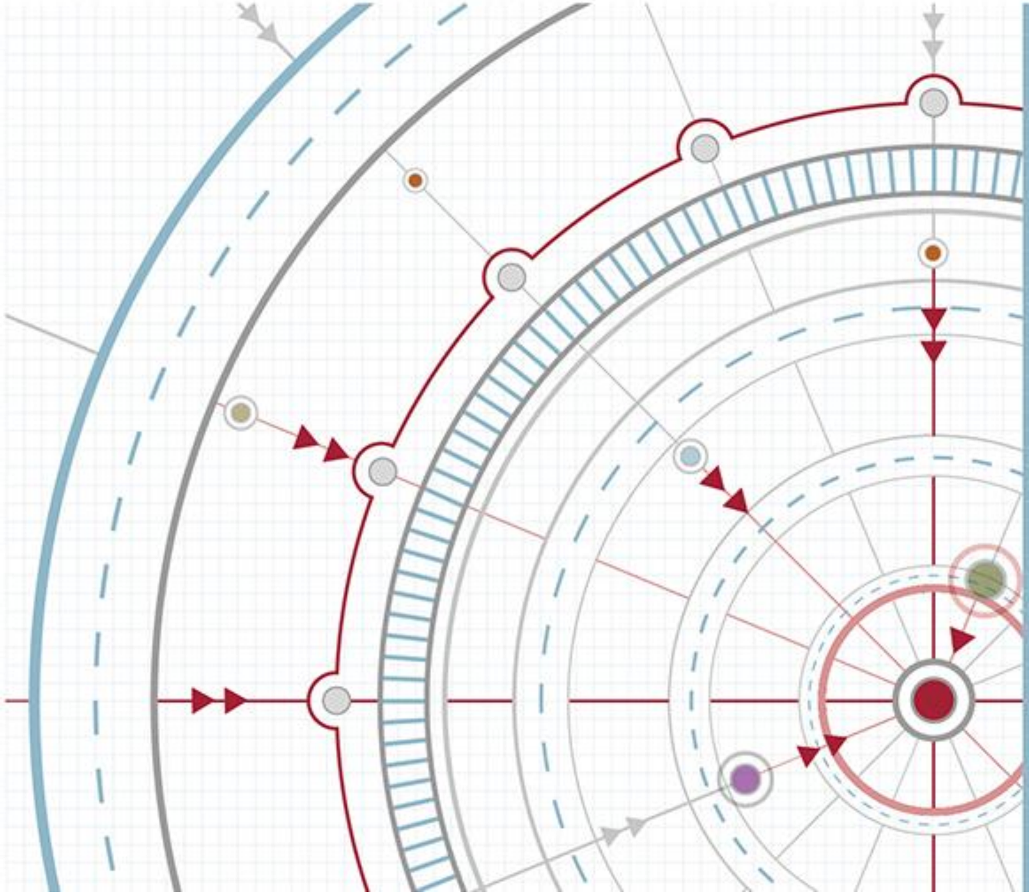

Primary Financial Statements

Introductory session

Joint CMAC and GPF meeting
October 2020

Aida Vatrenjak

Nick Barlow

Il-Hong Park

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Reminder

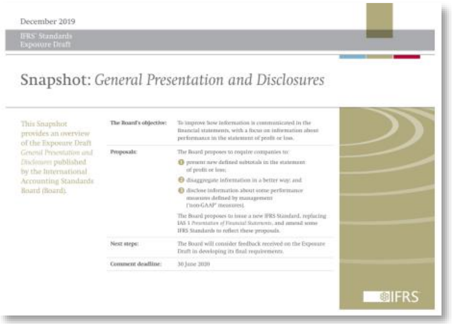
Consultation

Q4 2019	Q1–Q3 2020	Q4 2020
Exposure Draft published for public comment	Comment period (ended 30 September)*	Board considers feedback

The proposals, if finalised, would result in a new Standard and replace IAS 1 *Presentation of Financial Statements*.

Published materials

Exposure Draft & Illustrative Examples



Snapshot

Video and webinars

*Extended from 30 June due to covid-19 pandemic.

Project responds to investor needs

What investors say	Board's main proposals*
Subtotals in the statement of profit or loss need to be comparable between different companies.	❶ Require companies to present additional **defined subtotals** in the statement of profit or loss.
Companies should provide more granular information and information grouped in a way that provides better inputs for our analysis.	❷ Strengthen requirements for **disaggregating information**
Performance measures defined by management can provide useful information, but should be used in a more transparent and disciplined way.	❸ Require companies to disclose information about **management performance measures** in the notes.

*The Exposure Draft also contains other proposals, including targeted improvements to the statement of cash flows.

Outreach feedback: Investors

Operating, investing and financing category subtotals
(comparability)

Operating expenses by function and by nature
(information about nature for each function)

Other disaggregation proposals

Integral and non-integral associates/JVs
(limited utility)

Unusual items
(mixed views on narrow definition)

Management performance measures
(audit, consistency between periods)

IAS 7 amendments
(comparability)

Green: Broadly agree (support) with limited questions

Amber: Partially agree with a number of concerns

Red: Broadly disagree with a significant level of concerns raised

Outreach feedback: Preparers

Operating, investing and financing category subtotals
(change, forex allocation)

Operating expenses by function and by nature
(costly)

Other disaggregation proposals

Integral and non-integral
(unexpected outcome, guidance)

Unusual items
(too narrow definition)

Management performance measures
(scope, tax and NCI)

IAS 7 amendments

Green: Broadly agree (support) with limited questions

Amber: Partially agree with a number of concerns

Red: Broadly disagree with a significant level of concerns raised

Breakout sessions

- The objective is to obtain members' views on selected topics on which we have heard divergent views and help the team in thinking about ways to address the feedback.
- During the breakout session, we will focus on:
  - Topic 1: Classification of income and expenses from foreign exchange differences and derivatives (see slide 18 for breakout topic 1)
  - Topic 2: Scope of proposals for management performance measures (see slide 28 for breakout topic 2)
  - We ask that Group 1 starts discussion with Topic 1
  - We ask that Group 2 starts discussion with Topic 2
- During the summer we held optional workshops with some CMAC and GPF members discussing some of the other topics – slides 7 – 13 summarise the discussion

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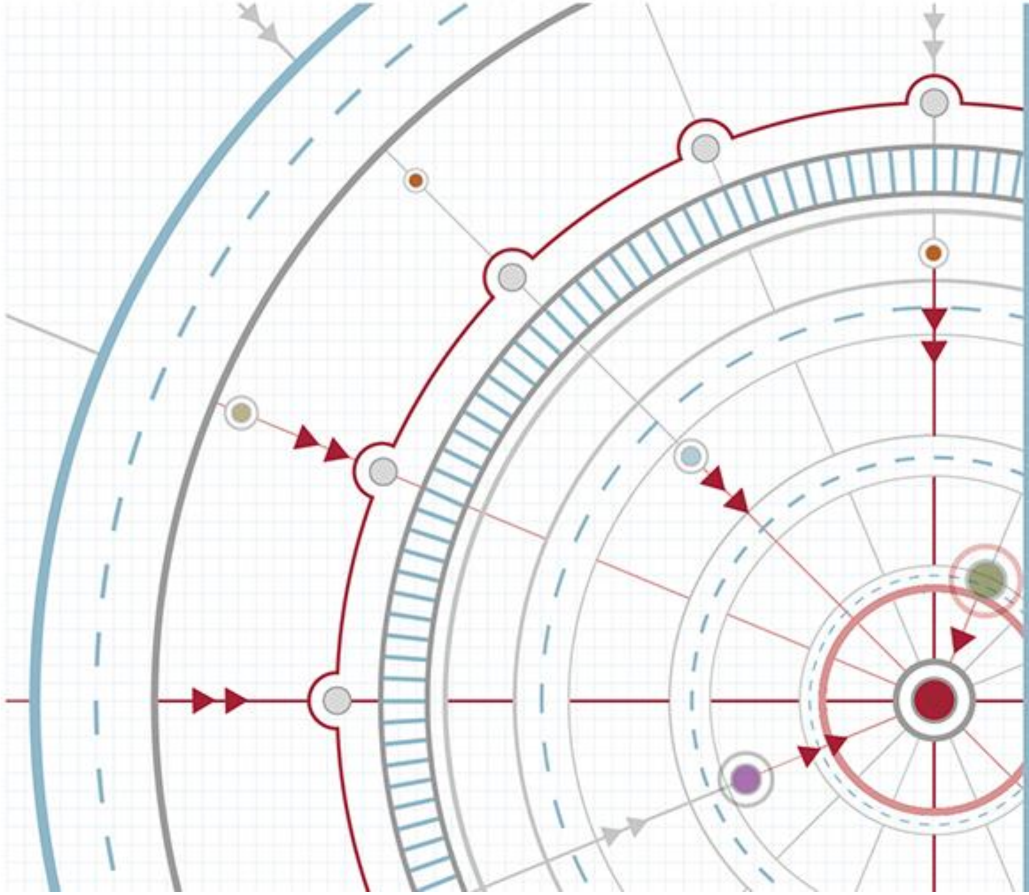

Primary Financial Statements

Feedback from workshops with CMAC and GPF participants held in Aug and Sep 2020

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

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Background

- Three optional workshops were held with CMAC and GPF members in August–September 2020.
- Objective of workshops: Obtain views on selected topics on which we have heard divergent views, and help the team start thinking about ways to address the feedback.
- Topics discussed:
  1. Analysis of expenses by nature or function: note disclosure by nature, and ban on mixing by function and nature in the statement of profit or loss
  2. Integral and non-integral associates and joint ventures
  3. Management performance measures: scope, link to public communications & tax and NCI effect.
- Topics 1 and 2 were discussed in all three workshops, and topic 3 was discussed in two workshops (one was very brief).
- 8 of 17 CMAC members and 8 of 12 GPF members attended a workshop.

Topic 1: Disclosure of expenses by nature

Usefulness of the proposed disclosure to users

- Three preparers questioned the usefulness of expenses by nature at group level for groups with business units with different cost structures.
- Two users preferred disaggregation of expenses by nature by segments. Two users preferred disaggregation of fixed vs. variable expenses.
- Two users said the proposed disclosure at group level is still useful to make basic forecasts.
- Three users said the proposed disclosure should also be provided in interim reports.
- Two users said they need a complete analysis of expenses by nature, as proposed. One user said they only use selected items, such as depreciation, amortisation and unusual items.

Costs of the proposed disclosure for preparers

- Six preparers said it would be very difficult and costly to disclose expenses by nature.
- Two preparers said manufacturers cannot disaggregate cost of sales by nature due to limitation of standard costing system. One of those preparers said production cost would be easier to disaggregate by nature; the other preparer said that would also be challenging to disaggregate.
- Three preparers said they had the information at individual unit level but it would be challenging to consolidate due to project accounting and elimination of intra-group transactions.
- One preparer already had the required information and would incur no additional costs to disclose it.

Topic 1: Ban on mixing nature and function

- One user supported the ban because it avoids incomplete line items (incomplete cost of sales in particular).
- Two users do not support the ban because they want depreciation and amortisation on the face for all companies (including in a P&L by function) to calculate EBITDA. Two preparers disagreed.
- One user and four preparers do not support the ban; they think presentation of material (including unusual) items by nature should be permitted in P&L by function because:
  - it is more likely that material (including unusual) items would be included in preliminary and quarterly results announcements if they are presented on the face.
  - some items cannot meaningfully be allocated to functions, such as goodwill impairment or gains or losses on disposal. Aggregating such items in a function such as ‘general & administrative expenses’ or ‘other expenses’ is less useful than presenting them separately.
  - it is counterintuitive that goodwill is proposed to be a minimum line item on the balance sheet but goodwill impairment cannot be presented in an analysis by function.
- Two users think companies should not clutter the P&L with too much information and they prefer material (including unusual) items by nature to be disclosed in a note.

Topic 2: Associates and joint ventures

- Comments received from preparers that certain investments they thought should be integral to the main business activity would be classified as non-integral because the definition of non-integral refers to entities that generate returns independently. Those preparers thought an entity should be integral for reasons such as: active management, impact of strategy (or business reason), shared risks, same line of business rather than being based on independent returns.
- Comments received from users that presenting income and expenses from integral separately from non-integral in the statement of profit and loss did not provide useful information on its own. However, users indicated that useful information could be obtained from the disclosure of the reasons why management concluded that an entity was either integral or non-integral (e.g. management's intent).
- Mixed views on possible solutions with some supporting revised indicators, some a rebuttable presumption of integral, and some a management view approach. Also some support, in particular from users, for including information in the notes rather than the face of the P&L.
- Mixed views on the possible location for presentation of a single line item for all associates and joint ventures accounted for using the equity method (if a split of integral and non-integral were not required) – some, mostly users, supported classification outside the operating category; some, mostly preparers, supported classification in operating.

Topic 3: MPMs – information about tax and NCI

- Most discussion was about tax and NCI information:
  - User participants have said that information about tax and NCI effect is useful for adjusted EPS analysis. They also said the information they need is high-level and not a precise calculation.
  - A credit analyst noted that tax and NCI effect information is less useful for credit analysts and more useful for equity analysts. However, another credit analyst said that banking credit analysts are also interested in tax and NCI information to analyse capital generation.
  - Preparers that currently report adjusted EPS numbers reported they already had information about tax and NCI for adjustments. Other preparers reported significant challenges with calculating tax and NCI effect for individual adjustments and questioned usefulness of the information to users of financial statements.
  - There were no specific suggestions on how to address challenges with preparing this information apart from confirming user information needs are high-level.

Topic 3: Definition of MPMs

- Users support the proposals, however also expressed desire to expand the scope to include additional measures such as free cash flow.
- Preparers that commented did not note specific challenges in applying the definition.
- Users that commented want to see inclusion of any MPMs communicated at the time of the results publication.
- We have not received specific comments on public communications from preparers, apart from one commenting that MPM proposals should also apply to private companies that have no public communications.

Appendix – questions discussed in workshops

Topic 1: analysis of operating expenses

	Note disclosure— expenses by nature if P&L by function	**Statement of profit or loss—** ban on mixing
Preparers	• What are the main challenges to analysing expenses by nature?	• What aspects of the proposal are you particularly concerned about?
Users	• Why does information about expenses by nature provide useful information for your analysis?	• What practices of mixed expense analysis are you particularly concerned about?
All	• Would any of the approaches described in the slides address challenges identified by preparers without loss of relevant information for users? • Are there any other approaches that could be considered? • Are there particular expenses that cannot be allocated and/or are best presented separately in P&L regardless of whether an entity presents expenses by nature or by function?	

Topic 2: Associates and joint ventures

Preparers (GPF):

- What part(s) of the definitions and guidance are difficult to apply or require significant judgement (e.g. Definition of investing? Examples of significant interdependency?)

Users (CMAC):

- How would the separation of information about integral and non-integral associates and joint ventures be useful to users' analyses?

All:

- Would any of the approaches described in the slides address challenges identified by stakeholders without loss of relevant information for users? Are there any other approaches that could be considered? Please discuss pros and cons.
- What additional guidance could be added in approach A to help with consistent application? Where in the statement of profit or loss do you think the share of profit or loss from associates and joint ventures accounted for using the equity method should be presented under approach C?

Topic 3: Management performance measures

Preparers (GPF)

- Do you see challenges with applying the definition of MPMs? What are the key issues?
- What challenges do you face in preparing information about the tax and NCI effect of reconciling items for MPMs?

Users (CMAC)

- Do you think the scope of the measures included in the definition of MPMs is useful?
- Why is tax and NCI information on reconciling items for MPMs important to your analyses?

All:

- Would any of the approaches address the concerns raised about the scope of 'public communications' without loss of useful information for users? Are there other approaches to be considered? Please discuss pros and cons.
- Please discuss consequences of MPMs being only a subset of useful non-GAAP measures and how any unintended effect could be alleviated?
- Are there ways to address the challenges with tax and NCI disclosures identified by preparers without loss of relevant information for users?

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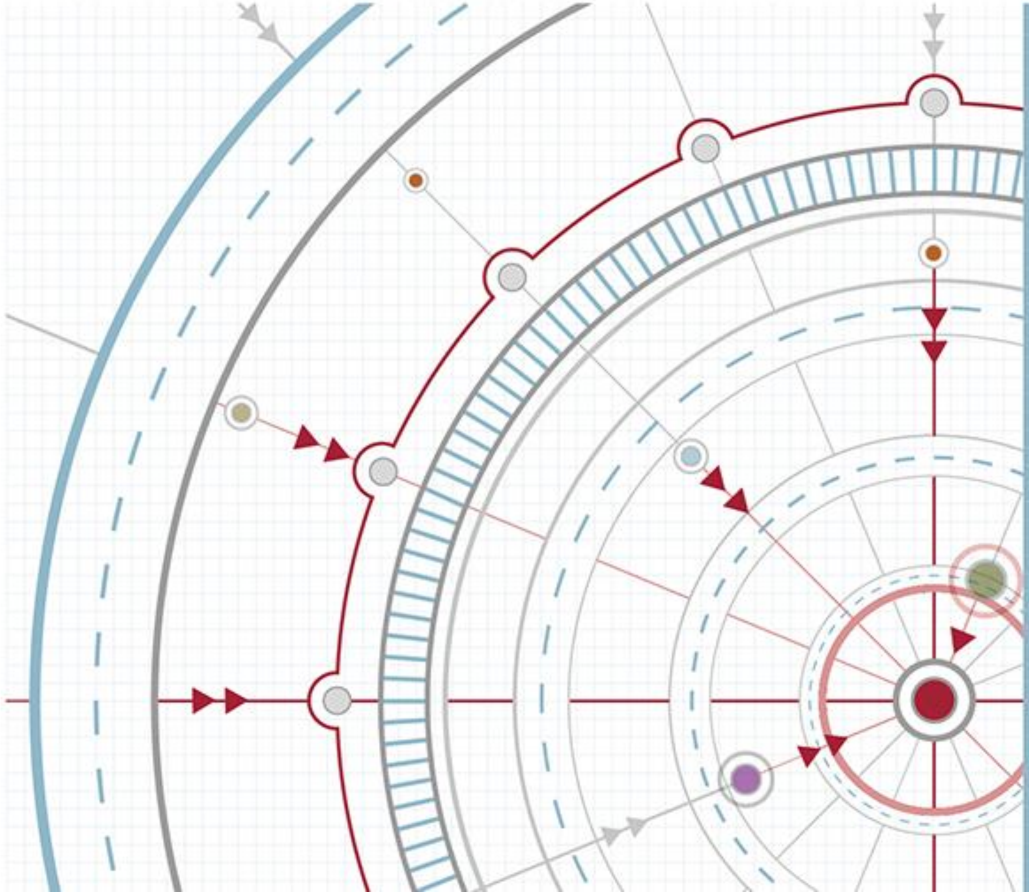

Breakout topic 1 – Foreign Exchange

CMAC-GPF October 2020

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

Aim of this session

- We are seeking from:
  - CMAC members: help us better understand the information users find most useful in applying the proposals for the classification of foreign exchange differences.
  - GPF members: help us better understand challenges preparers have in applying the proposals for the classification of foreign exchange differences.
- To facilitate brainstorming on ways in which we could address stakeholders' concerns, we will:
  - Provide a reminder of what was proposed in the ED
  - Share feedback obtained to date from stakeholders

What is proposed in the Exposure Draft
FX gains or losses—P&L classification

Same category as income or expense giving rise to gain or loss:

Exchange differences related to financing activities (eg on debt denominated in a foreign currency)	Financing category
Exchange differences on cash and cash equivalents	Financing category
Exchange differences on investments (eg on investments in bonds denominated in a foreign currency)	Investing category
All other exchange differences	Operating category

Proposal—classification of FX to categories (without hedging)

Revenue	**347,000**
Other income	3,800
Changes in inventories of finished goods and work in progress	3,000
Raw materials used	(146,000)
Employee benefits	(107,000)
Depreciation	(37,000)
Foreign exchange (translation of working capital - operating)	**(2,500)**
Operating profit	**61,300**
Share of profit or loss of non-integral associates and joint ventures	3,380
Dividend income	3,500
Profit before financing and income tax	68,180
Expenses from financing activities	(3,800)
Unwinding of discount on pension liabilities and provisions	(3,000
Foreign exchange (translation of long-term debt - financing)	**1,000**
Profit before tax	62,380
Income tax expense	(11,230)
Profit for the year	51,150

Revenue on sales in foreign currency translated at transaction date so includes any effects from FX

Translation of monetary assets and liabilities (e.g. AR*, AP**, Debt) result in FX gains and losses in P&L. Proposal classifies to category that gives rise to the expense (e.g. FX on debt in financing)

FX on foreign subsidiaries and associates recognised in equity until disposal

* Accounts Receivable
** Accounts Payable

Rejected alternative —classification of FX in a single location (without hedging)

Revenue	**347,000**
Other income	3,800
Changes in inventories of finished goods and work in progress	3,000
Raw materials used	(146,000)
Employee benefits	(107,000)
Depreciation	(37,000)
Operating profit	**63,800**
Share of profit or loss of non-integral associates and joint ventures	3,380
Dividend income	3,500
Profit before financing and income tax	70,680
Expenses from financing activities	(3,800)
Unwinding of discount on pension liabilities and provisions	(3,000
Foreign exchange gains* (translation of long-term debt)	**1,000**
Foreign exchange losses* (translation of working capital)	**(2,500)**
Profit before tax	62,380
Income tax expense	(11,230)
Profit for the year	51,150

*If the proposals were amended to classify FX translation differences in a single location, the most appropriate location would need to be decided. For illustrative purposes they are included in the financing category to be consistent with common practice for companies that present in a single location.

Revenue on sales in foreign currency translated at transaction date so still includes any effects from FX

FX on translation of working capital no longer reflected in operating. Volatility reduced in Operating profit and Profit before financing and income tax.

Translation related FX gains offset translation related FX losses in location presented. Individual categories are not identified

Background—proposals

The Board proposes including the foreign exchange differences in each category

- **Provides faithful representation of entities operating, investing, and financing activities**—e.g. stripping out FX related to an entity's main business activities may give an incomplete picture of operating profit
- FX on translation recognised in same category as FX on transactions
- Similar to many entities' **current practice**

Preliminary feedback identified potential challenges to classifying FX in categories

- It may be **costly** for some entities to track FX differences related to operating, financing and investing
- Exchange differences can introduce **volatility** that some think should be presented outside operating profit
- Some users said **disclosure** is required to provide relevant information

Impacts of hedging

- Hedging can be used to manage volatility in the statement of financial performance. For example an entity can enter into transactions with offsetting risks.
- Offsetting occurs in the statement of financial performance from:
  - Transactions that naturally offset (economic hedges)
  - Using derivative instruments without the use of hedge accounting
  - Using hedge accounting:
    - Fair value hedge (advances P&L impact of a recognised asset or liability)
    - Cash flow hedge (delays P&L impact of a derivative through OCI)
- The location in the P&L is generally not specified in IFRS Standards and practice has developed over time for the most logical place (there is an agenda decision that clarifies what can be called interest revenue calculated using effective interest method)
- There is an interaction between any requirements for the classification of foreign exchange differences and any requirements for hedging. However, hedging requirements must also consider other risks (e.g. interest rate, commodity price)

Derivatives & risk management—P&L classification

<table>
<tr><th colspan="2"></th><th>Derivatives</th><th>Non-derivative financial instruments</th></tr>
<tr><td rowspan="2">Used for risk management</td><td>Designated as a hedging instrument</td><td colspan="2">Include in the category affected by the risk the entity intends to manage, except when it would involve grossing up gains and losses—then include in the investing category</td></tr>
<tr><td>Not designated as a hedging instrument</td><td>Classify as above except when it would involve undue cost or effort—then include in the investing category</td><td rowspan="2">Apply Board’s definitions for categories</td></tr>
<tr><td colspan="2">Not used for risk management</td><td>Include in the investing category</td></tr>
</table>

Early feedback from preparers

Systems changes, sometimes significant, will be required to identify foreign exchange differences attributable to each category in statement of profit or loss.

Currently, some companies present all foreign exchange differences in a single location below operating profit. This approach has the benefit of presenting all foreign exchange differences in a single place.

Some would prefer classification options for foreign exchange differences to allow the presentation of risk management activities that may cross P&L categories (eg foreign currency risk on sales transactions hedged with foreign currency debt).

Some companies will need to make fundamental IT systems changes to be able to fully allocate foreign exchange differences to each of the corresponding categories of operating, financing or investing.

Some companies collect foreign exchange differences in a central treasury function and hedge them on a net basis. This makes it difficult to identify the related P&L categories of the original transactions.

Questions for CMAC and GPF members

Preparers (GPF):

- Do you face any challenges in allocating foreign exchange differences to the relevant categories as proposed in the Exposure Draft? If so, what are they?

Users (CMAC):

- In your financial statement analysis, how important is it for foreign exchange differences to be allocated to different categories depending on income and expenses they relate to?
- If foreign exchange was allocated to a single location, what additional disclosures would be required to understand the foreign exchange impact on the financial statements?

All:

- How important is comparability between entities for the classification of income and expenses from foreign exchange and derivatives?
- How important is it to apply the same approach for classifying income and expenses from foreign exchange differences as for classifying income and expenses from derivatives?

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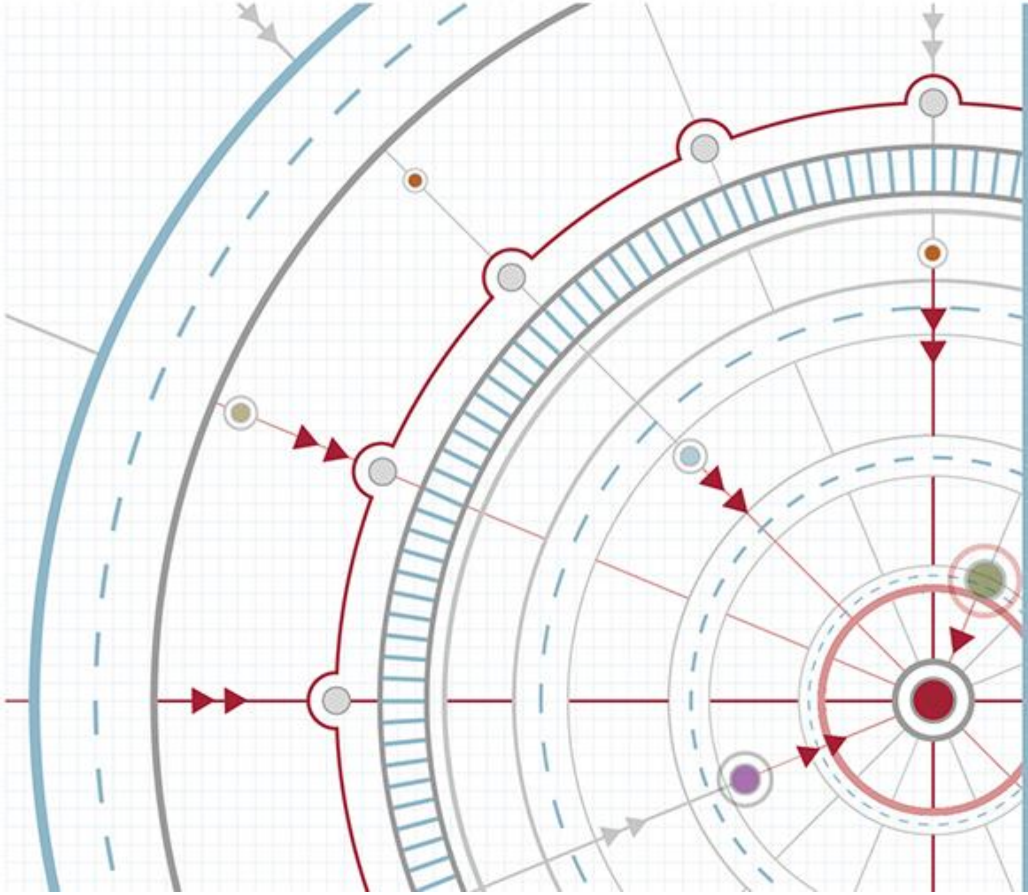

Primary Financial Statements Breakout topic 2 – Management performance measures

CMAC-GPF October 2020

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

Aim of this session

- We plan to focus the discussion with CMAC and GPF members on the scope of the proposals for management performance measures.
- To facilitate brainstorming with members on ways in which we could address stakeholders' concerns, we will:
  - Provide a reminder of what was proposed in the ED
  - Share feedback obtained to date from stakeholders

What is proposed in the Exposure Draft – management performance measures

Disclosure in the notes of *subtotals of income and expenses* that:

Are used in *public communications outside* financial statements

Complement totals or subtotals specified by IFRS Standards

Communicate management's view of an aspect of an entity's financial performance

Accompanied by disclosures in a **single note** to **enhance transparency**

What is proposed in the Exposure Draft – scope of MPMs

Performance measures

Non-financial performance measures

For example:
- Number of subscribers
- Customer satisfaction score
- Store surface

Financial performance measures

(Sub)totals of income and expenses

IFRS-specified

For example:
- Profit or loss
- Operating profit

MPMs

For example:
- Adjusted profit
- Adjusted operating profit
- Adjusted EBITDA

Other measures that are not subtotals of income/expenses

For example:
- Free cash flow
- Net debt
- Same-store sales

Early feedback on Exposure Draft

Users	• Strong support for the proposals, particularly for consistency between periods and audit of MPMs as well as tax and NCI information for individual adjustments • Most suggest extending the scope to include measures such as free cash flow and return on capital employed, either in this or subsequent projects

Preparers	• Concern about overlap with Management Commentary and duplication of information • Concern about completeness as scope of MPMs limited to a subset of APMs • Label confusing as might imply wider scope and that measures are used for management remuneration • Hard to assess whether some measures could be in scope (eg those involving cash-based adjustments) • Challenges with calculating tax and NCI effect for individual adjustments, more challenging than existing requirement to separately identify tax on OCI items. System changes and new processes would be required, concerned about audit scrutiny • 20 fieldwork participants so far identified 0 – 4 MPMs.

Early feedback on Exposure Draft

Auditors/ National Standard Setters	• Concerns about the broad scope of public communications – Concerns about audit of completeness – Cannot check all public communications – Do public communications include a blog, twitter, speeches and presentations that may be updated on websites • Unsure how to audit faithful representation criteria for MPMs • Entities can use cash-based measures or ratios to avoid MPM scrutiny

Regulators	• Many support, but some still concerned about interaction with regulatory requirements for non-GAAP measures • Some questions around audit • Different effects, in some jurisdictions bringing MPMs in financial statements could make them ‘IFRS measures’ per regulatory guidance

Key concerns and possible ways forward

Overwhelming support from investors, many of whom would like the proposals to extend to other performance measures, with three themes of others' concerns:

MPMs provide incomplete picture of financial performance and can be misleading if not shown together with other measures.
Also, there would be duplication of information provided in management report

Consider:
- cross-refer to MPMs disclosed outside financial statements
- expand the scope of MPM measures

Having to consider measures used in all public communications makes auditors' work overly onerous

Consider risks and benefits to referring to narrower set of public communications

Proposed disclosure of tax and NCI information for individual adjustments is very costly to prepare

Confirm benefits to users versus costs to preparers and auditors

Focus in this session

Discussed in Aug-Sep workshops

Expanding the scope

Scope of MPMs could be expanded to include additional measures, for example subtotals which are used in computation of ratios, or even broader scope to include cash flow and balance sheet measures

- Would need to consider how to define expanded scope, for example whether to limit to subtotals used as a part of another measure (for example ratios) or have broader scope and how could such scope be defined.
- Would need to consider disclosure requirements and constraints relating to any measure or a part of it that is not a subtotal of income and expense, for example if free cash flow is in the scope what it should be reconciled to.
- Significant time and consultation likely to be required.

Cross-referencing

Companies could be permitted to cross-refer to information about MPMs included (in a singled note) outside financial statements rather than providing MPM disclosures in the financial statements

- Current IFRS 7, IFRS 14 and IAS 34 allow cross-reference to disclosures provided in other statements (such as management commentary) providing those are available to users on the same terms as the financial statements and at the same time (full extract in appendix)
- Cross-referencing was considered in the Principles of Disclosure Discussion Paper and will be discussed in forthcoming Exposure Draft *Management Commentary Practice Statement*.

Factors to consider with cross-referencing

Permission rather than requirement so companies can still provide full MPM note in the financial statements

Need to avoid fragmentation – **single location** of MPM a huge benefit to investors – could stipulate cross-reference can be to a single location only

Need to be clearly marked as **audited** if the rest of report where it is included is not subject to the same level of audit

Need to be **easy** for investors **to find** – for example the cross reference could be required to a specific location rather than a general section

Need to cover the **same period** as in the financial statements

Should permission for **cross-referencing** extend to **other information**, such as unusual income and expenses (for example when provided together with MPMs), segment disclosures?

Questions for CMAC and GPF members

Preparers (GPF):

- Do you see any practical issues with using cross-referencing? If so, what are they?
- Do you see any application issues with expanding the scope of MPMs?

Users (CMAC):

- Would providing information on MPMs using cross-reference have any potential negative effect on usefulness? If so, how can this be managed?
- If the scope of MPMs was to be expanded, which types of measures would be useful to include?

All:

- Do you have comments or suggestions for factors to consider in cross-referencing (slide 36)?
- Do you think cross-referencing should be permitted for other disclosures required by the ED, for example unusual income and expenses?
- What approach could be considered for potential expansion of the scope of MPMs? Please discuss pros and cons.

Appendix A – Feedback on the Discussion Paper *Disclosure Initiative – Principles of Disclosure (cross-referencing)*

POD DP feedback on cross-referencing

- 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.
- However, many respondents had concerns about excessive use of cross-referencing including the risk that the understandability of the financial statements would be reduced by fragmenting, scattering, or obscuring information.
- Many respondents, including accounting firms, regulators and the IAASB expressed concerns about potential audit implications.
- Some respondents expressed concerns about IFRS information located in documents that would not be available or easily accessible to users.
- Some respondents said that the use of hyperlinks might make cross-referencing redundant considering technology and digital reporting.

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Appendix B – Use of cross-referencing in IFRS 7, IFRS 14 and IAS 34

IFRS

IFRS 7: credit risk disclosures

35C An entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated **by cross-reference** from the financial statements to other statements, 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.

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.

IFRS 7: credit risk disclosures

Location of disclosures of risks arising from financial instruments (paragraph B6)

BC43 Many respondents to ED 7 argued that disclosures about risks in paragraphs 31–42 should not be part of the financial statements for the following reasons:

(a) The information would be difficult and costly to audit.

(b) The information is different from information generally included in financial statements because it is subjective, forward-looking and based on management's judgement. Thus, the information does not meet the criteria of comparability, faithful representation and completeness.

(c) Inclusion of such information in a management commentary section outside the financial statements would be consistent with practice in other jurisdictions, including the US. Having this information in the financial statements would put IFRS preparers at a disadvantage relative to their US peers.

BC44 Respondents raised concerns that the disclosure of sensitivity analysis in particular should not be part of the financial statements. Respondents stated that sensitivity analysis cannot be prepared with the degree of reliability expected or information in the financial statements, and that the subjectivity in the sensitivity analysis and the hypothetical alternative values could undermine the credibility of the fair values recognised in the financial statements.

IFRS 7: credit risk disclosures

BC45 The Board considered whether the disclosures should be part of the information provided by management outside the financial statements. The Board noted that respondents generally regarded the disclosures proposed in ED 7 as useful, even if they did not agree that they should be located in the financial statements. The Board's view is that financial statements would be incomplete and potentially misleading without disclosures about risks arising from financial instruments. Hence, it concluded that such disclosures should be part of the financial statements. The Board rejected the argument that increased transparency puts an entity at a disadvantage; greater certainty on the part of investors can provide a significant advantage by lowering the entity's cost of capital.

BC46 The Board also noted that some entities might prefer to present the information required by the IFRS together with material such as a management commentary or risk report that is not part of the financial statements. Some entities might be required by regulatory authorities to provide in a separate report information similar to that required by the IFRS. Accordingly, the Board decided these disclosures should be given in the financial statements or incorporated **by cross-reference** from the financial statements to some other statement that is available to users of the financial statements on the same terms as the financial statements and at the same time.

IAS 34: other disclosures

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.

IFRS 14: explanation of activities subject to rate regulation

31 The disclosures required by paragraph 30 shall be given in the financial statements either directly in the notes 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. If the information is not included in the financial statements directly or incorporated by cross-reference, the financial statements are incomplete.

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