



**Dissemination of interim,  
annual financial statements,  
and annual reports in  
newspapers and company  
websites**

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# Annual Reports

## **What is included in an annual report?**

- Audited financial statements
- Details of directors and key management
- Chairman's statement
- CEO's statement
- Corporate governance statement
- Corporate social responsibility statement
- Financial highlights and financial review
- Report of the directors
- Auditors report

# IAS 1

# IAS 1 Presentation of Financial Statements

## Scope and Objective of IAS 1



### □ Scope:

- Applies to all general purpose financial statements based on International Financial Reporting Standards.
- “**General purpose financial statements**” are those intended to serve users who do not have the authority to demand financial reports tailored for their own needs.

### □ Objective:

- To prescribe the basis for presentation of general purpose financial statements,
- To ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.
- IAS 1 sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

# IAS 1 Presentation of Financial Statements

## Objective of Financial Statements

The objective of general purpose financial statements is to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users in making economic decisions.

To meet that objective, financial statements provide information about an entity's:

- Assets,
- Liabilities,
- Equity,
- Income and expenses, including gains and losses.
- contributions by and distributions to owners in their capacity as owners; and
- Cash flows.



# IAS 1 Presentation of Financial Statements

## Components of financial statements

A complete set of financial statements should include:

- a statement of financial position (balance sheet) at the end of the period,
- a statement of comprehensive income for the period,
- a statement of changes in equity for the period,
- a statement of cash flows for the period,
- notes, comprising a summary of accounting policies and other explanatory notes,
- Comparative information in respect of the preceding period, and
- a statement as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statement or when it reclassifies items in its financial statement.



# IAS 1 Presentation of financial statements

## Fair Presentation and Compliance with IFRSs

- The financial statements must "present fairly" the financial position, financial performance and cash flows of an entity.
- Inappropriate accounting policies not acceptable even with disclosure.
- Caveat where disclosure conflicts with objective of IAS 1. (with detailed disclosure of the nature, reasons, and impact of the departure)

### ***Critical to note:***

*IAS 1 requires that an entity whose financial statements comply with IFRSs make **an explicit and unreserved statement** of such compliance in the notes.*



# IAS 1 Presentation of financial statements

## Test your knowledge

Which of the following components is required in a complete set of IFRS financial statements?

- a) Review of main factors determining financial performance
- b) Report of the entity's source of funding, gearing and risk management policies
- c) A list of resources of the entity that are not recognised in the statement of financial position under IFRS
- d) Notes, comprising a summary of significant accounting policies and other explanatory information





# IAS 1 Presentation of financial statements

## Solution

Which of the following components is required in a complete set of IFRS financial statements?

- a) Review of main factors determining financial performance
- b) Report of the entity's source of funding, gearing and risk management policies
- c) A list of resources of the entity that are not recognised in the statement of financial position under IFRS
- d) Notes, comprising a summary of significant accounting policies and other explanatory information



# IAS 1 Presentation of financial statements

## Elements of IAS 1

- **Going concern** - except intent to liquidate, cease trading or no realistic alternative
- **Accrual basis** - except cash flow information
- **Consistency** - unless a change is justified either by a change in circumstances or a requirement of a new IFRS
- **Materiality and aggregation**
- **Offsetting** - not allowed unless required or permitted by an IFRS
- **Comparative Information** – including narratives when it will aid understanding of Current Period's financial statement
- **Reporting Period** - disclose reason(s) and that amounts presented are not entirely comparable
- **Consistency of Presentation of financial statement**-unless required by IFRS or more appropriate presentation

# IAS 1 Presentation of Financial Statements

## Test your knowledge - Accrual Basis of Accounting

Bank Y entered into a purchase contract to purchase 50 boxes of printing papers from Company Z. At the end of December when it prepares its financial statements under IFRS, only 40 boxes were delivered to Bank Y by Company Z. At the time, Bank Z had paid for all 50 boxes in advance.

Question – how much of purchases of printing papers can bank Y present in its financial statements?



# IAS 1 Presentation of Financial Statements

## **Accrual Basis of Accounting – Solution**

Y entered into a purchase contract to purchase 50 boxes of printing papers from Company Z. At the end of December when it prepares its financial statements under IFRS, only 40 boxes were delivered to Bank Y by Company Z. At the time, Bank Z had paid for all 50 boxes in advance.

Question – how much of purchases of printing papers can bank Y present in its financial statements?

*Solution – Bank Y can only recognize amounts for 40 boxes that had been delivered to the bank by Company Z as at the end of the year. Although Bank Y has paid the entire amount for 50 boxes, only 40 boxes had been delivered.*

# IAS 1 Presentation of Financial Statements

## Structure and Content of Financial Statements

### ❑ Identification of the financial statements

An entity shall clearly identify the financial statements and distinguish them from other information in the same published document.

For the information presented to be understandable, an entity shall display the following information prominently, and repeat it when necessary:

- a. the name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period;
- b. whether the financial statements are of an individual entity or a group of entities;
- c. the date of the end of the reporting period or the period covered by the set of financial statements or notes;
- d. the presentation currency; and
- e. the level of rounding used in presenting amounts in the financial statements.

# IAS 1 Presentation of Financial Statements

## Structure and Content of Financial Statements (*cont'd*)

### ❑ Statement of financial position

**Assets** shall be classified as **current** and **non-current**.

- **Current Assets** are assets the entity:
  - a. expects to realize, consume or sell in its normal operating cycle.
  - b. holds primarily for trading
  - c. expects to realize within 12 months after the reporting period.
  - d. cash or cash equivalent
- **Other assets are non-current, although the use of 'long term' is not prohibited.**

**Liabilities** shall be classified as **current** and **non-current**

- **Current liabilities** are liabilities the entity:
  - a. Expects to settle in its normal operating cycle
  - b. Holds primarily for trading
  - c. Is due to settle within 12 months after the reporting period.
  - d. Does not have unconditional right to defer for at least 12 months after its reporting period.
- **Other liabilities are non current.**

# IAS 1 Presentation of Financial Statements

## Structure and Content of Financial Statements

(*cont'd*)

**A must  
note!!!!!!!  
!!!!**

IAS 1 requires presentation of current and non-current assets, and current and non-current liabilities, as separate classifications in its balance sheet **except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity.**

Since for a bank presentation based on liquidity would ordinarily provide information that is more reliable and more relevant, this is the format that is ordinarily adopted.



# IAS 34



# Introduction to IAS 34: Interim Financial Reporting

*Interim Financial Reporting* came into effect on 1st January, 1999.

Amendment was made as part of Annual Improvements to IFRS 2009/2011 to clarify the total assets and total liabilities for segment information in interim financial reporting. The amendment was effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

To implement the standard, one needs a good knowledge of all Standards

Being familiar with *IAS 1* will allow you to see its strong interaction with *IAS 34*, as each addresses the requirements for the presentation of financial statements

Let's now look briefly at some of the details of *IAS 34*, focusing mainly on why we have it, its scope, and benefits.



# IAS 34: A definition

*IAS 34* addresses interim financial reports. So first, let's clarify what's meant by an interim financial report.

## **Definition:**

**An interim financial report is a financial report containing either:**

- a complete set of financial statements (as described in *IAS 1: Presentation of Financial Statements*) for an interim period (period shorter than an entity's full financial year)
- or**
- a set of condensed financial statements for an interim period



# IAS 34 - Purpose

Let's now look at the **purpose** of interim financial statements, and what this Standard **prescribes**...

**Interim financial reports are intended to provide an update on the period since the latest complete set of annual financial statements, or since the previous interim financial statements.**

**The focus should be new activities, events, or circumstances.**

**It should not be a duplication of information relating to the previous year-end.**

**For an interim report, *IAS 34* prescribes:**

- a minimum content of the statement of financial position, statement of comprehensive income, changes in equity and statement of cash flows (form , content and components)
- selected explanatory notes (specified by *IAS 34*)
- periods for which an entity is required to present an interim financial statement
- that materiality should be set
- the principles for recognition and measurement
- which periods to restate, if there is a change in accounting policy

# Benefits of IAS 34

The benefits of understanding and knowing how to apply *IAS 34*, are that you will be able to:

**understand the basis of preparation of an interim report**

**evaluate whether the published information at an interim period is relevant**

*IAS 34* specifies the **content** for an interim financial report, but does **not** prescribe:

**which entities should publish interim financial reports**

**how frequently**

**how soon after the end of an interim period**



# Scope of IAS 34

## Why do entities need to publish interim financial reports

- Governments, securities regulators, stock exchanges, and standard setting bodies often require enterprises whose debt or equity securities are publicly traded to publish interim financial reports.

## When does this standard apply?

- *IAS 34* applies if an entity is required or elects to publish an interim financial report in accordance with International Financial Reporting Standards.
- The fact that an entity may not have provided interim financial reports during a financial year or may have provided interim financial reports that do not comply with this standard, does not prevent the entity's annual financial statements from conforming to International Financial Reporting Standards if they otherwise do so.

## What does this standard encourage entities to publish?

- *IAS 34* encourages publicly traded entities to provide interim financial reports that conform to the **recognition**, **measurement**, and **disclosure** principles set out in the Standard. Specifically, publicly traded entities are encouraged to:
  - provide interim financial reports at least as of the end of the first half of their financial year **and**
  - make their interim financial reports available not later than 60 days after the end of the interim period.

## Scope of IAS 34 (Cont'd)

Interim reports should include interim financial statements (condensed or complete) for specific periods.

- You should present income statements for the current interim period and cumulatively for the current financial year to date, with comparative income statements for the comparable interim periods (current and year-to-date) of the preceding financial year.
- You should present the statement of profit or loss and other comprehensive income at the end of the current interim period, and the comparative information in respect of the preceding period as specified in paragraphs 38 and 38A of *IAS 1*.

Note that the titles of financial statements used are as reflected in *IAS 1 Presentation of Financial Statements*. Entities are permitted to use titles for the statements other than those used in the *IAS 34* (for example, an entity may use "statement of comprehensive income" instead of "statement of profit or loss and other comprehensive income". An entity would be expected to use the same titles in its interim financial report as are used in its annual financial statements.

- You should disclose the statement of changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the financial year which immediately precedes it.

## Scope of IAS 34 (Cont'd)

- You should present income statements for the current interim period and cumulatively for the current financial year to date, with comparative income statements for the comparable interim periods (current and year-to-date) of the preceding financial year.
- You should present the statement of profit or loss and other comprehensive income at the end of the current interim period, and the comparative information in respect of the preceding period as specified in paragraphs 38 and 38A of *IAS 1*.
- Note that the titles of financial statements used are as reflected in *IAS 1 Presentation of Financial Statements*. Entities are permitted to use titles for the statements other than those used in the *IAS 34* (for example, an entity may use "statement of comprehensive income" instead of "statement of profit or loss and other comprehensive income". An entity would be expected to use the same titles in its interim financial report as are used in its annual financial statements.

# Matters left to local regulators

IAS 34 specifies the **content** of an interim financial report that is described as conforming to International Financial Reporting Standards. However, IAS 34 does not mandate:

- **which entities should publish interim financial reports,**
- **how frequently, or**
- **how soon after the end of an interim period.**

Such matters will be decided by national governments, securities regulators, stock exchanges, and accountancy bodies. [IAS 34.1]

However, the Standard encourages publicly-traded entities to provide interim financial reports that conform to the recognition, measurement, and disclosure principles set out in IAS 34, at least as of the end of the first half of their financial year, such reports to be made available not later than 60 days after the end of the interim period. [IAS 34.1]



# Minimum content of an interim financial report

- **Definition:** *IAS 34* defines the **minimum content** of an interim financial report as including condensed financial statements and selected explanatory notes.
- *IAS 34* does not prohibit or discourage an enterprise from:
  - publishing a complete set of financial statements (as described in *IAS 1*) in its interim financial report.
  - including in condensed interim financial statements more than the minimum line items, **or**
  - including selected explanatory notes as set out in this Standard
- The interim financial report is intended to provide an update on the latest complete set of annual financial statements. Accordingly, it focuses on new activities, events, and circumstances and does not duplicate information previously reported.
- Bearing this in mind, can you recall what's included in a complete set of financial statements under *IAS 1*?

# Components of an Interim financial report

*IAS 1* defines a complete set of financial statements as including the components listed below:

- **statement of financial position**
- **statement of profit or loss and other comprehensive income**
- **statement of changes in equity**
- **statement of cash flows**
- **accounting policies and explanatory notes**
- **comparative information in respect of the preceding period as specified in paragraphs 38 and 38A of *IAS 1***
- **a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements, in accordance with paragraphs 40A-40D of *IAS 1***

# Components of an Interim financial report (Cont'd)

Minimum components of an Interim Financial Report

**What is the difference between a complete set of interim financial statements under *IAS 1* and a condensed set under *IAS 34*? The major difference is the word "condensed", but additionally no detailed accounting policies need to be disclosed if they are the same as the previous reported period. Let's now look at what "condensed" means under *IAS 34***

**So, an entity can adopt one of two different sets of statements from an interim period.**

- *A complete set of financial statements*
  - If the entity decides to report a complete set of financial statements, the form and the content of those statements should conform to the requirements of *IAS 1*.
  - In the statement that presents the components of profit or loss for an interim period, an entity shall present basic and diluted earnings per share for that period.

# Components of an Interim financial report (Cont'd)

## Minimum components of an Interim Financial Report (Cont'd)

- *A condensed set of set of financial statements*
  - If the entity opts for a condensed set, the statements should include, at a minimum:
    - each of the headings and subtotals that were included in its most recent annual financial statements and
    - the significant events and transactions and other disclosures, as required in this Standard
    - In the statement that presents the components of profit or loss for an interim period, an entity shall present basic and diluted earnings per share for that period, if the entity is within the scope of IAS 33.



# Comparison IAS 1/IAS 34 Presentation

## **Complete set of financial statements (IAS 1)**

- (a) statement of financial position;
- (b) statement of profit or loss and other comprehensive income;
- (c) statement of changes in equity;
- (d) statement of cash flows;
- (e) accounting policies and explanatory notes, and;
- (f) comparative information in respect of the preceding period as specified in paragraph 38 and 38A of IAS 1

## **Condensed set of financial statements (IAS 34)**

- (a) condensed statement of financial position;
- (b) condensed statement of profit or loss and other comprehensive income;
- (c) condensed statement of changes in equity;
- (d) condensed statement of cash flows; and
- (e) Selected explanatory notes

**If the entity decides to report a complete set of financial statements, the form and the content of those statements should conform to the requirements of IAS1.**

# Recognition

## Applying consistent accounting policies

- An entity should apply the same accounting policies in its interim financial statements as are applied in its annual financial statements. The only exception to this is when accounting policy changes are made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements.
- However, the frequency of an entity's reporting (annual, half-yearly, or quarterly) should not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes should be made on a year-to-date basis.
- The principles for recognising assets, liabilities, income and expenses for interim periods are the same as in annual financial statements.



# Recognition (Cont'd)

- **Principle:** Under the Conceptual Framework for Financial Reporting (the Framework), recognition is the “process of incorporating in the statement of financial position or statement of comprehensive income an item that meets the definition of an element and satisfies the criteria for recognition”.
- The definitions of assets, liabilities, income, and expenses are fundamental to recognition, both at annual and interim financial end of the reporting period.
- In measuring the assets, liabilities, income, expenses, and cash flows reported in its financial statements, an entity that reports only annually is able to take into account information that becomes available throughout the financial year.
- Its measurements are, in effect, on a year-to-date basis



# Disclosures

Disclosures are related to the **materiality** of the events.

**Materiality should be assessed in relation to the interim period financial data. In making assessments of materiality, you should recognise that interim measurements may rely on estimates to a greater extent than measurements of annual financial data.**

Let's look at two definitions of "materiality".

## The Framework

- The Preface to IAS states that *"International Accounting Standards are not intended to apply to immaterial items"*.
- The Framework states that *"information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements"*.

## IAS 1 and IAS 8

- IAS 1 requires separate disclosure of material items, including (for example) discontinued operations, and IAS 8 requires changes in accounting estimates, errors, and changes in accounting policies, but does not contain quantified guidance as to materiality.
- Recognition and disclosure should be based on materiality in relation to interim period data to avoid misleading inferences that might result from nondisclosure.



# Disclosures (Cont'd)

## Conclusion

- While judgement is always required in assessing materiality for financial reporting purposes, *IAS 34* bases the recognition and disclosure decision on data for the interim period by itself for reasons of understandability of the interim figures.
- The overriding goal is to ensure that an interim financial report includes all information that is relevant to understanding an enterprise's:
  - financial position at the period end  
**and**
  - performance during the interim period



# **CMA GUIDELINES**

## Extracts

## Other Disclosure requirements - CMA

These mainly relate to public interest entities that are regulated

CMA requirements on disclosures are included in the CMA rules and guidelines

Information dissemination requirements on continuing obligations of public issuers include the following:

- Every issuer whose securities have been offered to the public shall comply with the continuing obligations specified in the Fifth Schedule with respect to the relevant market segment.
- In relation to the continuing obligation to disclose information, an issuer shall make immediate public disclosure of information which might reasonably be expected to have a material effect on market activity in the prices of, its securities.
- The information required to be disclosed under these Regulations shall be disclosed within twenty-four hours of the event, simultaneously to the Authority, the securities exchange at which the issuer's securities are listed, if applicable, and to the public during non-trading hours of the relevant market segment.
- The announcement shall state whether the consent of the Authority or the securities exchange or other person is necessary and where necessary, the issuer shall apply for such consent within seven days of the announcement.
- An issuer who fails to comply with any continuing obligation within the prescribed time shall be liable to pay a penalty at the rate prescribed by the Authority.

## Other Disclosure requirements – CMA (Cont'd)

Content of public communication and circular to shareholders as per **THE CAPITAL MARKETS (LICENSING REQUIREMENTS) (GENERAL) REGULATIONS, 2002.**

### **PART IX - DISSEMINATION OF INFORMATION TO THE PUBLIC AND SHAREHOLDERS**

- **63.** (1) All circulars to shareholders and the public including advertisements, offer documents and any other communication by listed companies, professionals and persons licensed under the Act shall be factual and statements made shall be for the purpose of:
  - (a) assisting in the evaluation of a particular security, or type of securities;
  - (b) promoting the industry, the service offered or the desirability of investing in securities in general; or
  - (c) providing shareholders or the public with accurate and adequate information about the listed company or securities transaction and market activity.
- (2) No material fact or qualification may be omitted if such omission would cause a shareholders' circular, advertisement or offer document to be misleading in the context of other information presented to the shareholders, investors or the general public.

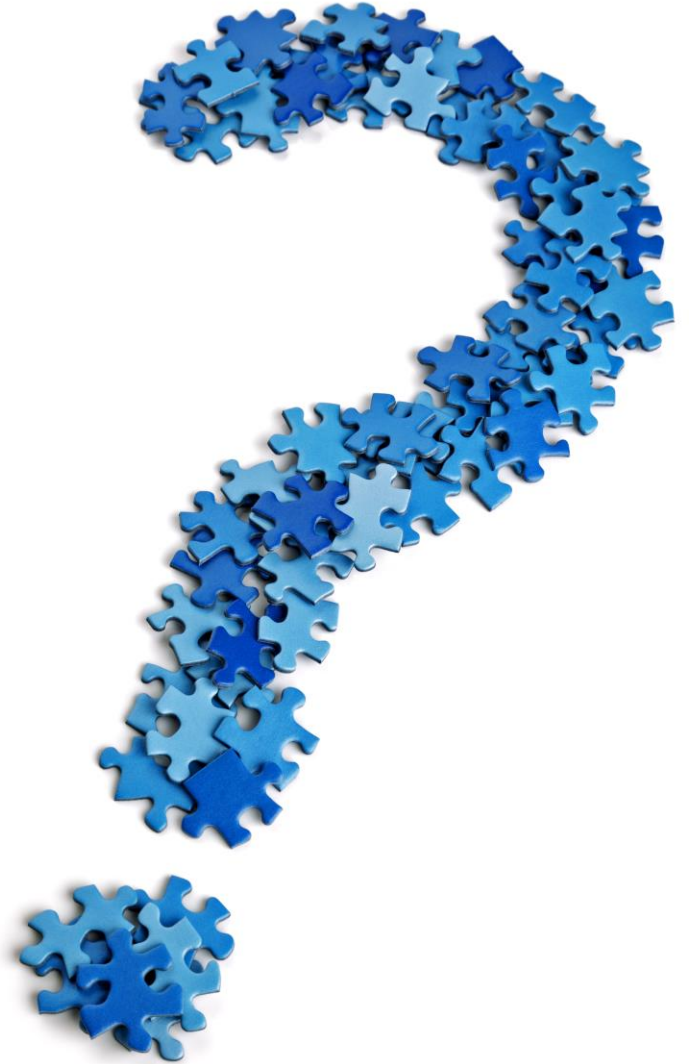
## Other Disclosure requirements – CMA (Cont'd)

- (3) In making a recommendation with respect to any security a licensed person, issuer or analyst shall:-
  - (a) disclose the price at the time of the recommendation and, if applicable, the fact that such licenced person or analyst makes a market in the securities recommended (where applicable);
  - (b) recommend a buy or sell action and shall disclose the basic facts and assumptions in support of such recommendation and whether the licenced person or analyst or person associated to it owns more than a nominal amount of such securities.
  - (c) highlight all risk factors that such licenced person or analyst has taken into consideration in the recommendation; and
  - (d) state the source of the facts and the recommended time frame for the validity of assumptions.
- (4) Any offer of a report, analysis including their updates or other service without any charge must be provided as such without any condition or obligation other than what is clearly described in the offer.

## Other Disclosure requirements – CMA (Cont'd)

- (5) No claim with respect to research or analysis, capacity or expertise under which the facilities are available, may be made beyond those in actual possession of the person making the claim.
- (6) All statements made in a circular to shareholders and an advertisement directed to the general public shall be supported by facts the source of which shall be disclosed therein.
- (7) All circulars, advertisements or offer of securities to shareholders of listed companies shall be submitted to the Authority for approval prior to distribution, provided that the Authority may require the inclusion of such additional information which in its opinion is relevant to the shareholders or investors.
- (8) For the purposes of this regulation -
  - (a) “analyst” includes business, economic, financial or any other analyst by whatever name who analyses and expresses opinions or recommendations about securities or public listed companies;
  - (b) “nominal” in relation to a security means a value of ten thousand shillings or less.

# Questions & Answers





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