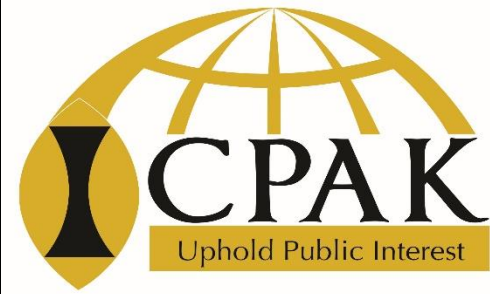


FINANCIAL INSTRUMENTS WORKSHOP

IFRS 7 – Financial Instruments: Disclosures

Nairobi Safari Club, Lilian Towers 10 March 2017

Session Outlook



- Scope
- Significance of Financial Instruments
- Nature and extent of risks arising from financial instruments
- Transfers of financial instruments

IFRS 7 – Financial Instruments: Disclosures

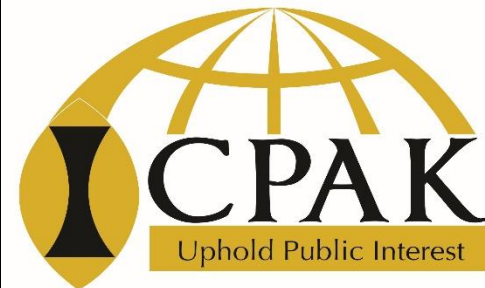


Objective

To provide disclosures in financial statements that enable users to evaluate:

- the significance of financial instruments for the entity's financial position and performance
- the nature and extent of risks arising from financial instruments

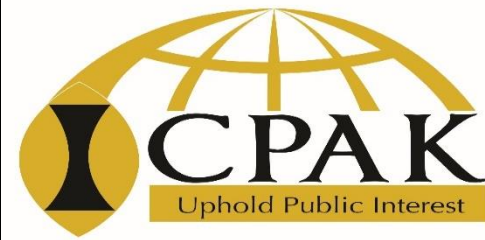
IFRS 7 – Financial Instruments: Disclosures



Scope

- applies to all financial instruments except:
 - Interests in subsidiaries, associates or joint ventures, where IAS 27/28 or IFRS 10/11 permit accounting in accordance with IAS 39/IFRS 9
 - Assets and liabilities resulting from IAS 19
 - Insurance contracts in accordance with IFRS 4 (excluding embedded derivatives in these contracts if IAS 39/IFRS 9 require separate accounting)
 - Financial instruments, contracts and obligations under IFRS 2, except contracts within the scope of IAS 39/IFRS 9
 - Puttable instruments (IAS 32)

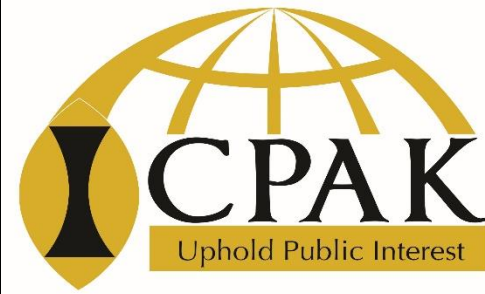
IFRS 7 – Financial Instruments: Disclosures



Overview

- Replaces the disclosures previously required by IAS 30 “Disclosures in Financial Statements of Banks and Similar Financial Institutions”
- Puts all those financial disclosures together in a new standard on Financial Instruments: Disclosures. The remaining parts of IAS 32 deal only with financial instruments presentation matters

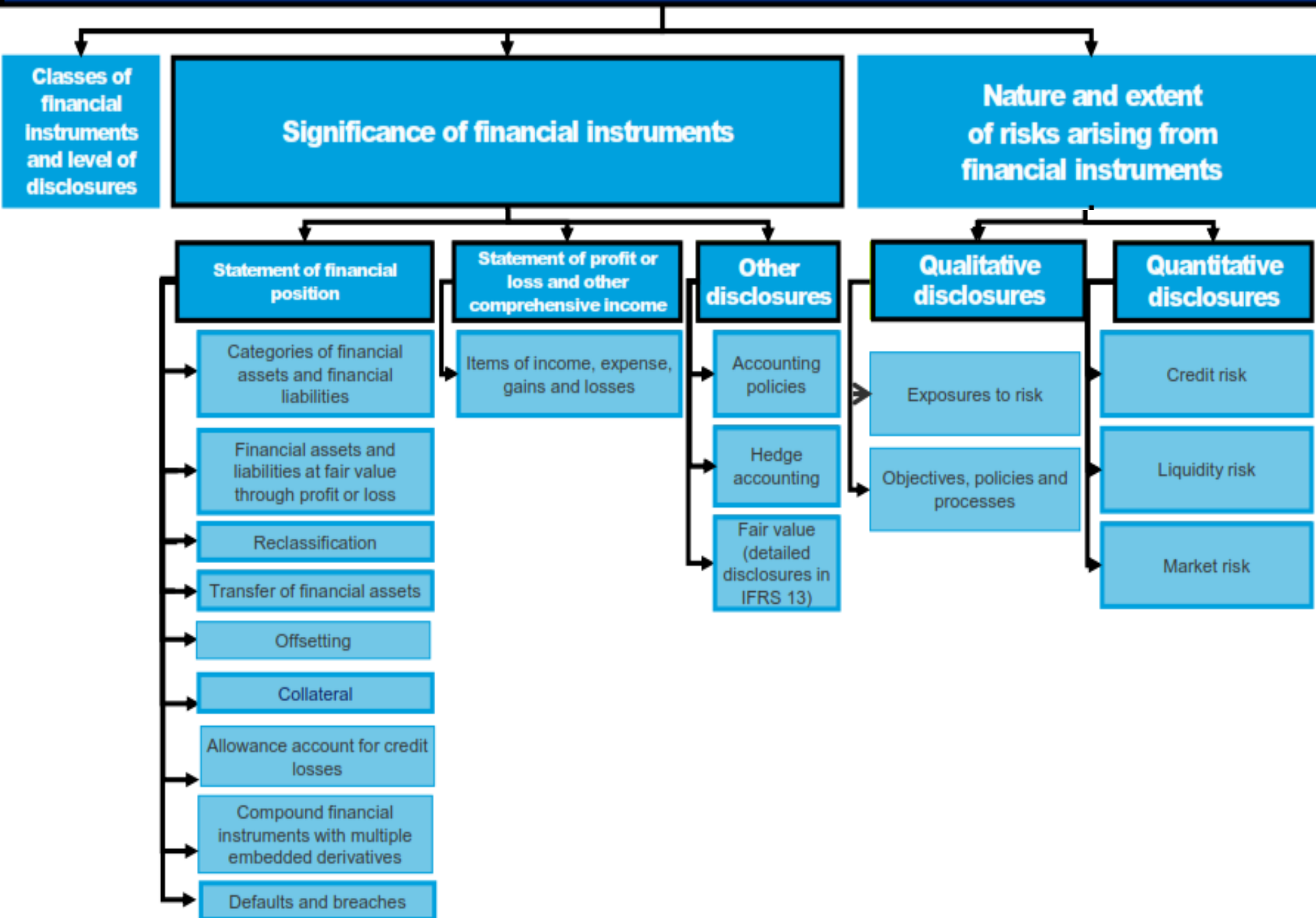
IFRS 7 – Financial Instruments: Disclosures



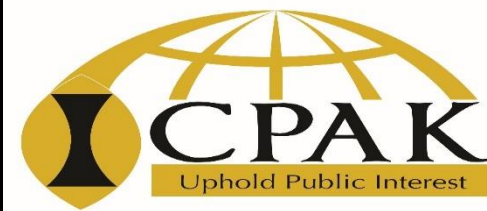
Overview

- Applies to ALL entities that have financial Instruments
- Impacts any entity that holds even simple instruments such as borrowings, accounts payable and receivable, cash and investments
- Entities are required to report the metrics they use internally to manage and measure financial risks
- Requires reporting entities to disclose the sensitivity of their results to movements in market risks as a consequence of their financial instruments

IFRS 7 Backbone



IFRS 7 – Financial Instruments: Disclosures

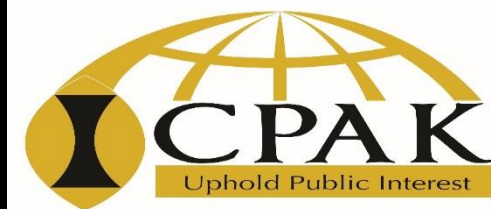


Disclosure

Statement of financial position or respective notes

- Total carrying value of each category of financial assets and liabilities on face of the statement of financial position or in the notes
- Information on fair value of loans and receivables
- Financial liabilities designated as at fair value through profit and loss
- Financial assets reclassified
- Financial assets that do not qualify for derecognition
- Details of financial assets pledged as collateral & collateral held
- Reconciliation of allowance account for credit losses.
- Compound financial instruments with embedded derivatives
- Details of defaults and breaches of loans payable

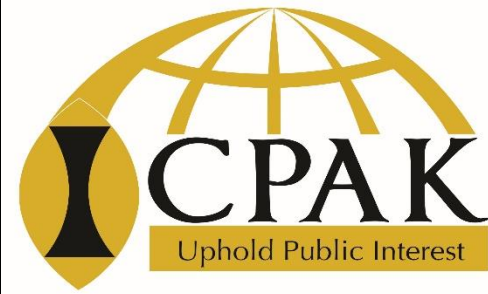
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STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2014

ASSETS	Note	2014 Shs'000	2013 Shs'000
Current assets			
Inventories	11	1,573	1,133
Trade and other receivables from non exchange transactions	12(a)	75,853	69,445
Trade and other receivables from exchange transactions	12(b)	15,631	17,573
Staff loans and advances/guarantee fund	13	26,132	20,382
Held-to-maturity investments	14	295,386	266,168
Staff benevolent fund	15	7,882	7,231
Cash at bank and in hand	16	125,193	94,085
Investors' Compensation Fund	17	518,140	281,049
		1,065,790	757,066
Non-current assets			
Property, plant and equipment	18	101,341	117,573
Intangible assets	19	85,788	126,828
Staff loans and advances/guarantee fund	13	200,408	146,624
Held-to-maturity investments	14	245,045	245,096
Investors' Compensation Fund's investments	17	358,532	446,705
Deferred tax asset	20	28,619	17,154
		1,019,733	1,099,980
Total Assets		2,085,523	1,857,046

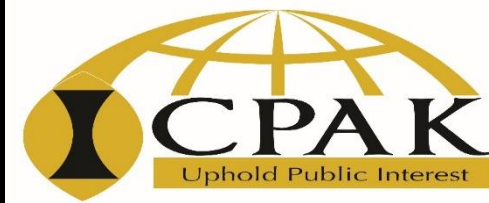
IFRS 7 – Financial Instruments: Disclosures



Income statement, equity and respective notes

- Gain or loss for each category of financial assets and liabilities in the statement of comprehensive income or in the notes
- Total interest income and interest expense (effective interest method)
- Fee income and expense
- Interest on impaired financial assets
- Amount of impairment loss for each financial asset

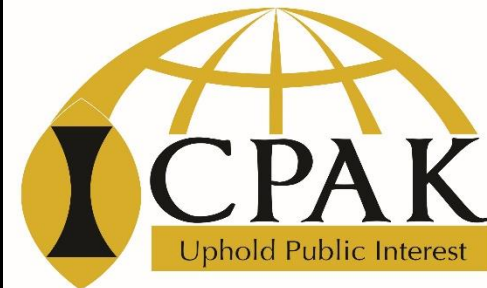
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Consolidated statement of other comprehensive income

For the year ended 31 December	Notes	2014 Shs million	2013 Shs million
Profit for the year		8,387	7,623
Other comprehensive income, net of income tax			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of post-employment benefit obligations	29	49	246
<i>Items that may be subsequently reclassified to profit or loss</i>			
Fair value movement on available-for-sale assets:			
- unrealised net gains/(losses)	16	133	(279)
- deferred income tax	28	(40)	84
		<hr/>	<hr/>
		93	(195)
		<hr/>	<hr/>
Other comprehensive income, net of income tax		142	51
		<hr/>	<hr/>
Total comprehensive income for the year		8,529	7,674
		<hr/>	<hr/>

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OTHER COMPREHENSIVE INCOME

Other comprehensive income to be reclassified to profit or loss in subsequent periods:

(Loss)/gain on revaluation of available-for-sale financial assets

19(b)

(125)

335

Income tax effect

-

-

(125)

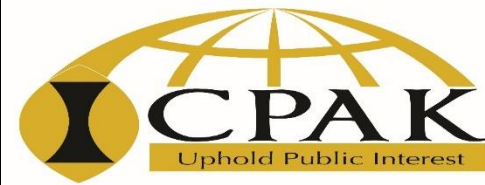
335

Net other comprehensive income to be reclassified to profit or loss in subsequent periods:

(125)

335

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Risk disclosures

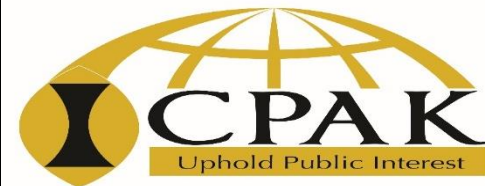
Required for evaluation, nature and extent of risks arising from financial instruments an entity is exposed to.

Qualitative disclosures

For each type of financial instrument:

- exposure to risk and how it arises
- objectives, policies and processes for managing risk and method used to measure risk
- changes in the above from the previous period

IFRS 7 – Financial Instruments: Disclosures



Quantitative disclosures

- Provide information about the extent that entity is exposed to risk based on information provided internally to key management personnel
 - Summary quantitative data about exposure to each risk at the reporting date
 - Disclosures about credit risk, liquidity risk, and market risk and how these risks are managed
 - Concentrations of risks

SPECIFIC QUANTITATIVE DISCLOSURE REQUIREMENTS

credit risk

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

- Maximum exposure to credit risk without taking into account collateral
- Collateral held as security and other credit enhancements
- Information of financial assets that are either past due (when a counterparty has failed to make a payment when contractually due) or impaired
- Information about collateral and other credit enhancements obtained.

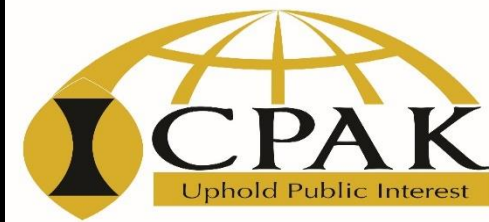
SPECIFIC QUANTITATIVE DISCLOSURE REQUIREMENTS

liquidity risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

- Maturity analysis for financial liabilities that shows the remaining contractual maturities
- Time bands and increment are based on the entities' judgement
- How liquidity risk is managed.

IFRS 7 – Financial Instruments: Disclosures



SPECIFIC QUANTITATIVE DISCLOSURE REQUIREMENTS

market risk

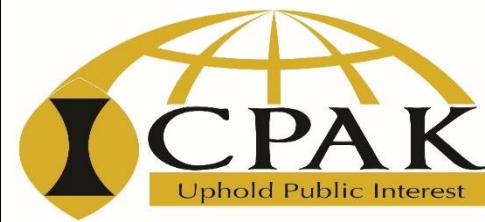
The risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk

- A sensitivity analysis (including methods and assumptions used) for each type of market risk exposed, showing impact on profit or loss and equity

or

- If a sensitivity analysis is prepared by an entity, showing interdependencies between risk variables and it is used to manage financial risks, it can be used in place of the above sensitivity analysis.

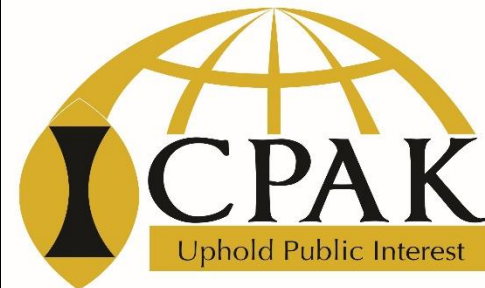
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Quantitative disclosures

For all types of risks, the entity must disclose methods and assumptions used in preparing the analysis disclosed in the financial statements, its internal procedures to mitigate these risks and any changes from previous periods.

IFRS 7 – Financial Instruments: Disclosures



Other disclosures

Accounting policies:

- All relevant accounting policies. Include measurement basis.

Hedge accounting:

- Description of hedge, description and fair value of hedged instrument and type of risk hedged
- Details of cash flow hedges, fair value hedges and hedge of net investment in foreign operations.

Fair value:

- Fair value for each class of financial asset and liability
- Disclose method and relevant assumptions to calculate fair value
- Disclose if fair value cannot be determined.

FAIR VALUE (FV) HIERARCHY

All financial instruments measured at fair value must be classified into the levels below (that reflect how fair value has been determined):

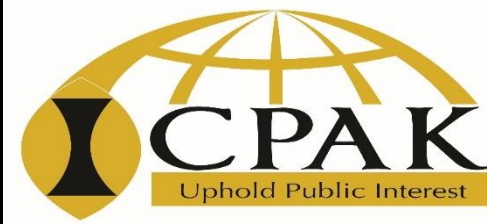
- ☐ **Level 1: Quoted prices, in active markets**
- ☐ **Level 2: Level 1 quoted prices are not available but fair value is based on observable market data**
- ☐ **Level 3: Inputs that are not based on observable market data.**

A financial Instrument will be categorised based on the lowest level of any one of the inputs used for its valuation.

The following disclosures are also required:

- ☐ Significant transfers of financial instruments between each category – and reasons why
- ☐ For level 3, a reconciliation between opening and closing balances, incorporating; gains/losses, purchases/sales/settlements, transfers
- ☐ Amount of gains/losses and where they are included in profit and loss
- ☐ For level 3, if changing one or more inputs to a reasonably possible alternative would result in a significant change in FV, disclose this fact.

IFRS 7 – Financial Instruments: Disclosures

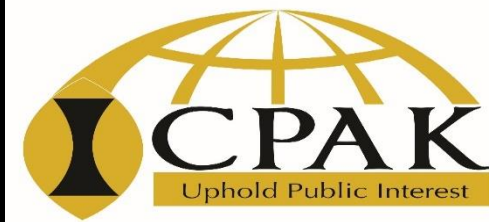


Transfer of Financial Assets

Detailed movement for each class of financial instruments
Information for transferred assets that are and that are not derecognized in their entirety:

- Information to understand the relationship between financial assets and associated liabilities that are not derecognised in their entirety
- Information to evaluate the nature and risk associated with the entities continuing involvement in derecognised assets (IFRS 7)

IFRS 7 – Financial Instruments: Disclosures

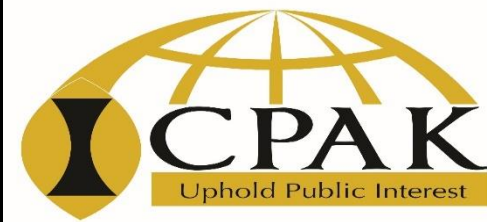


Transfer of Financial Assets

Transferred financial assets that are not derecognised in their entirety

- Required disclosures include description of the nature of the transferred assets, nature of risk and rewards as well as description of the nature and quantitative disclosure depicting relationship between transferred and associated liabilities

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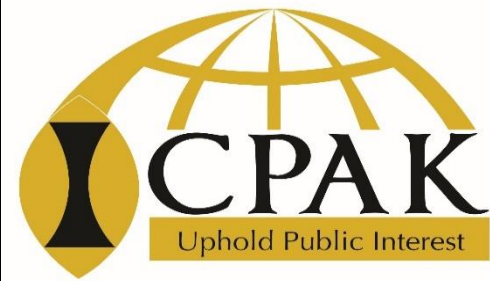


Transfer of Financial Assets

Transferred financial assets that are not derecognised in their entirety

- Required disclosures include the carrying amount of the assets and liabilities recognized, fair value of the assets and liabilities that represent continuing involvement, maximum exposure to loss from the continuing involvement as well as maturity of the undiscounted cashflows to repurchase the derecognized financial assets
- Additional disclosures are required for any gain or loss recognized at the date of transfer.

Conclusion



- Discussion
- Questions?

