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Legislation

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(1) Text with EEA relevance.

EN

Acts whose titles are printed in light type are those relating to day-to-day management of agricultural matters, and are generally valid for a limited period.

The titles of all other acts are printed in bold type and preceded by an asterisk.

I

(Acts whose publication is obligatory)

COMMISSION REGULATION (EC) No 108/2006

of 11 January 2006

amending Regulation (EC) No 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards (IFRS) 1, 4, 6 and 7, International Accounting Standards (IAS) 1, 14, 17, 32, 33, and 39, International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 6

(Text with EEA relevance)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards [1], and in particular Article 3(1) thereof,

Whereas:

(1) By Commission Regulation (EC) No 1725/2003 [2] certain international standards and interpretations that were extant at 14 September 2002 were adopted.

(2) On 30 June 2005, the International Accounting Standards Board (IASB) issued Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and the Basis for Conclusions of IFRS 6 *Exploration for and evaluation of mineral resources*, to clarify the wording of an exception provided to first-time adopters of IFRSs who choose to adopt IFRS 6 before 1 January 2006.

(3) On 18 August 2005 the IASB published IFRS 7 *Financial instruments: Disclosure*. It introduces new requirements to improve the information on financial instruments that is given in entities' financial statements. It replaces IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and some of the requirements in IAS 32 *Financial Instruments: Disclosure and Presentation*.

(4) On 18 August 2005 the IASB also issued an Amendment to IAS 1 *Presentation of Financial Statements — Capital Disclosures* which introduces requirements for disclosures about an entity's capital.

(5) On 18 August 2005 the IASB issued Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 4 *Insurance Contracts — Financial Guarantee Contracts*. The amendments are intended to ensure that issuers of financial guarantee contracts include the resulting liabilities in their balance sheet.

(6) On 1 September 2005 the International Financial Reporting Interpretations Committee (IFRIC) published IFRIC Interpretation 6 *Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment*, hereinafter 'IFRIC 6'. IFRIC 6 clarifies the accounting for liabilities for waste management costs.

(7) The consultation with technical experts in the field confirm that IFRS 1, IFRS 4, IFRS 7, IAS 1, IAS 39 and IFRIC 6 meet the technical criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

(8) The adoption of IFRS 7 implies, by way of consequence, amendments to other international accounting standards in order to ensure consistency between international accounting standards. Those consequential amendments are affecting IFRS 1, IFRS 4, IAS 14, IAS 17, IAS 32, IAS 33, and IAS 39.

(9) Regulation (EC) No 1725/2003 should therefore be amended accordingly.

(10) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

[1] OJ L 243, 11.9.2002, p. 1.

[2] OJ L 261, 13.10.2003, p. 1. Regulation as last amended by Regulation (EC) No 2106/2005 (OJ L 337, 22.12.2005, p. 16).

HAS ADOPTED THIS REGULATION:

Article 1

Annex to Regulation (EC) No 1725/2003 is amended as follows:

1. International Financial Reporting Standard (IFRS) 1 *First-time Adoption of IFRSs* is amended in accordance with Amendments to IFRS 1 and the Basis for Conclusions of IFRS 6 *Exploration for and evaluation of mineral resources* as set out in the Annex to this Regulation;

2. The International Accounting Standard (IAS) 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions is replaced by IFRS 7 *Financial instruments: Disclosure* as set out in the Annex to this Regulation;

3. International Accounting Standard (IAS) 1 *Presentation of Financial Statements — Capital Disclosures* is amended in accordance with the Amendment to IAS 1 as set out in the Annex to this Regulation;

4. IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 4 *Insurance Contracts* are amended in accordance with Amendments to IAS 39 and IFRS 4 as set out in the Annex to this Regulation;

5. International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 6 *Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment* is inserted as set out in the Annex to this Regulation;

6. The adoption of IFRS 7 implies, by way of consequence, amendments to IFRS 1 and 4 and IAS 14, IAS 17, IAS 32, IAS 33 and IAS 39 in accordance with Appendix C of IFRS 7 as set out in the Annex to this Regulation;

7. IAS 32 is amended in accordance with the Amendments to IAS 39 and IFRS 4 as set out in the Annex to this Regulation.

Article 2

(1) Each company shall apply the Amendment to IFRS 1 and the Amendments to IAS 39 and IFRS 4 as set out in the Annex to this Regulation as from the commencement date of its 2006 financial year at the latest.

(2) Each company shall apply IFRS 7 and the Amendment to IAS 1 as set out in the Annex to this Regulation as from the commencement date of its 2007 financial year at the latest.

(3) Each company shall apply IFRIC 6 as set out in the Annex to this Regulation as from the commencement date of its 2006 financial year at the latest.

However, companies with a December commencement date shall apply IFRIC 6 as from the commencement date of its 2005 financial year at the latest.

Article 3

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 11 January 2006.

For the Commission
Charlie McCREEVY
Member of the Commission

ANNEX

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1	Amendments to IFRS 1 *First-time Adoption of IFRSs* and the Basis for Conclusions of IFRS 6 *Exploration for and evaluation of mineral resources*
IFRS 7	IFRS 7 *Financial instruments: Disclosure*
IAS 1	Amendment to IAS 1 *Presentation of Financial Statements — Capital Disclosures*
IAS 39 IFRS 4	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 4 *Insurance Contracts — Financial Guarantee Contracts*
IFRIC 6	IFRIC Interpretation 6 *Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment*

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Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*

This document sets out amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendments finalise proposals that were contained in an Exposure Draft of Proposed Amendments to this IFRS that was published on 29 April 2005.

Amendment to IFRS 1

Paragraph 36B and the preceding heading are amended as follows.

Exemption from the requirement to present comparative information for IFRS 6

36B An entity that adopts IFRSs before 1 January 2006 and chooses to adopt IFRS 6 *Exploration for and Evaluation of Mineral Resources* before 1 January 2006 need not apply the requirements of IFRS 6 to comparative information presented in its first IFRS financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARD 7

Financial Instruments: Disclosures

OBJECTIVE

1. The objective of this IFRS is to require entities to provide disclosures in their financial statements that enable users to evaluate:

   (a) the significance of financial instruments for the entity's financial position and performance;

   and

   (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks.

2. The principles in this IFRS complement the principles for recognising, measuring and presenting financial assets and financial liabilities in IAS 32 *Financial Instruments: Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement*.

SCOPE

3. This IFRS shall be applied by all entities to all types of financial instruments, except:

   (a) those interests in subsidiaries, associates and joint ventures that are accounted for in accordance with IAS 27 *Consolidated and Separate Financial Statements*, IAS 28 *Investments in Associates* or IAS 31 *Interests in Joint Ventures*. However, in some cases, IAS 27, IAS 28 or IAS 31 permits an entity to account for an interest in a subsidiary, associate or joint venture using IAS 39; in those cases, entities shall apply the disclosure requirements in IAS 27, IAS 28 or IAS 31 in addition to those in this IFRS. Entities shall also apply this IFRS to all derivatives linked to interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in IAS 32.

   (b) employers' rights and obligations arising from employee benefit plans, to which IAS 19 *Employee Benefits* applies.

   (c) contracts for contingent consideration in a business combination (see IFRS 3 *Business Combinations*). This exemption applies only to the acquirer.

   (d) insurance contracts as defined in IFRS 4 *Insurance Contracts*. However, this IFRS applies to derivatives that are embedded in insurance contracts if IAS 39 requires the entity to account for them separately.

   (e) financial instruments, contracts and obligations under share-based payment transactions to which IFRS 2 *Share-based Payment* applies, except that this IFRS applies to contracts within the scope of paragraphs 5-7 of IAS 39.

4. This IFRS applies to recognised and unrecognised financial instruments. Recognised financial instruments include financial assets and financial liabilities that are within the scope of IAS 39. Unrecognised financial instruments include some financial instruments that, although outside the scope of IAS 39, are within the scope of this IFRS (such as some loan commitments).

5. This IFRS applies to contracts to buy or sell a non-financial item that are within the scope of IAS 39 (see paragraphs 5-7 of IAS 39).

CLASSES OF FINANCIAL INSTRUMENTS AND LEVEL OF DISCLOSURE

6. When this IFRS requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the balance sheet.

SIGNIFICANCE OF FINANCIAL INSTRUMENTS FOR FINANCIAL POSITION AND PERFORMANCE

7. **An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.**

Balance sheet

Categories of financial assets and financial liabilities

8. The carrying amounts of each of the following categories, as defined in IAS 39, shall be disclosed either on the face of the balance sheet or in the notes:

(a) financial assets at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held for trading in accordance with IAS 39;

(b) held-to-maturity investments;

(c) loans and receivables;

(d) available-for-sale financial assets;

(e) financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held for trading in accordance with IAS 39;

and

(f) financial liabilities measured at amortised cost.

Financial assets or financial liabilities at fair value through profit or loss

9. If the entity has designated a loan or receivable (or group of loans or receivables) as at fair value through profit or loss, it shall disclose:

(a) the maximum exposure to *credit risk* (see paragraph 36(a)) of the loan or receivable (or group of loans or receivables) at the reporting date.

(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk.

(c) the amount of change, during the period and cumulatively, in the fair value of the loan or receivable (or group of loans or receivables) that is attributable to changes in the credit risk of the financial asset determined either:

(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to *market risk*;

or

(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.

Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates.

(d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the loan or receivable was designated.

10. If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 9 of IAS 39, it shall disclose:

(a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability determined either:

(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk (see Appendix B, paragraph B4);

or

(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the liability.

Changes in market conditions that give rise to market risk include changes in a benchmark interest rate, the price of another entity's financial instrument, a commodity price, a foreign exchange rate or an index of prices or rates. For contracts that include a unit-linking feature, changes in market conditions include changes in the performance of the related internal or external investment fund.

(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

11. The entity shall disclose:

(a) the methods used to comply with the requirements in paragraphs 9(c) and 10(a).

(b) if the entity believes that the disclosure it has given to comply with the requirements in paragraph 9(c) or 10(a) does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant.

Reclassification

12. If the entity has reclassified a financial asset as one measured:

(a) at cost or amortised cost, rather than at fair value;

or

(b) at fair value, rather than at cost or amortised cost,

it shall disclose the amount reclassified into and out of each category and the reason for that reclassification (see paragraphs 51-54 of IAS 39).

Derecognition

13. An entity may have transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition (see paragraphs 15-37 of IAS 39). The entity shall disclose for each class of such financial assets:

(a) the nature of the assets;

(b) the nature of the risks and rewards of ownership to which the entity remains exposed;

(c) when the entity continues to recognise all of the assets, the carrying amounts of the assets and of the associated liabilities;

and

(d) when the entity continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets, the amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.

Collateral

14. An entity shall disclose:

(a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 37(a) of IAS 39;

and

(b) the terms and conditions relating to its pledge.

15. When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:

(a) the fair value of the collateral held;

(b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it;

and

(c) the terms and conditions associated with its use of the collateral.

Allowance account for credit losses

16. When financial assets are impaired by credit losses and the entity records the impairment in a separate account (eg an allowance account used to record individual impairments or a similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets.

Compound financial instruments with multiple embedded derivatives

17. If an entity has issued an instrument that contains both a liability and an equity component (see paragraph 28 of IAS 32) and the instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features.

Defaults and breaches

18. For *loans payable* recognised at the reporting date, an entity shall disclose:

(a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;

(b) the carrying amount of the loans payable in default at the reporting date;

and

(c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

19. If, during the period, there were breaches of loan agreement terms other than those described in paragraph 18, an entity shall disclose the same information as required by paragraph 18 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the reporting date).

Income statement and equity

Items of income, expense, gains or losses

20. An entity shall disclose the following items of income, expense, gains or losses either on the face of the financial statements or in the notes:

(a) net gains or net losses on:

(i) financial assets or financial liabilities at fair value through profit or loss, showing separately those on financial assets or financial liabilities designated as such upon initial recognition, and those on financial assets or financial liabilities that are classified as held for trading in accordance with IAS 39;

(ii) available-for-sale financial assets, showing separately the amount of gain or loss recognised directly in equity during the period and the amount removed from equity and recognised in profit or loss for the period;

(iii) held-to-maturity investments;

(iv) loans and receivables;

and

(v) financial liabilities measured at amortised cost;

(b) total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not at fair value through profit or loss;

(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:

(i) financial assets or financial liabilities that are not at fair value through profit or loss;

and

(ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions;

(d) interest income on impaired financial assets accrued in accordance with paragraph AG93 of IAS 39;

and

(e) the amount of any impairment loss for each class of financial asset.

Other disclosures

Accounting policies

21. In accordance with paragraph 108 of IAS 1 *Presentation of Financial Statements*, an entity discloses, in the summary of significant accounting policies, the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.

Hedge accounting

22. An entity shall disclose the following separately for each type of hedge described in IAS 39 (ie fair value hedges, cash flow hedges, and hedges of net investments in foreign operations):

    (a) a description of each type of hedge;

    (b) a description of the financial instruments designated as hedging instruments and their fair values at the reporting date;

    and

    (c) the nature of the risks being hedged.

23. For cash flow hedges, an entity shall disclose:

    (a) the periods when the cash flows are expected to occur and when they are expected to affect profit or loss;

    (b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur;

    (c) the amount that was recognised in equity during the period;

    (d) the amount that was removed from equity and included in profit or loss for the period, showing the amount included in each line item in the income statement;

    and

    (e) the amount that was removed from equity during the period and included in the initial cost or other carrying amount of a non-financial asset or non-financial liability whose acquisition or incurrence was a hedged highly probable forecast transaction.

24. An entity shall disclose separately:

    (a) in fair value hedges, gains or losses:

        (i) on the hedging instrument;

        and

        (ii) on the hedged item attributable to the hedged risk.

    (b) the ineffectiveness recognised in profit or loss that arises from cash flow hedges;

    and

    (c) the ineffectiveness recognised in profit or loss that arises from hedges of net investments in foreign operations.

Fair value

25. Except as set out in paragraph 29, for each class of financial assets and financial liabilities (see paragraph 6), an entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount.

26. In disclosing fair values, an entity shall group financial assets and financial liabilities into classes, but shall offset them only to the extent that their carrying amounts are offset in the balance sheet.

27. An entity shall disclose:

(a) the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates.

(b) whether fair values are determined, in whole or in part, directly by reference to published price quotations in an active market or are estimated using a valuation technique (see paragraphs AG71-AG79 of IAS 39).

(c) whether the fair values recognised or disclosed in the financial statements are determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument (ie without modification or repackaging) and not based on available observable market data. For fair values that are recognised in the financial statements, if changing one or more of those assumptions to reasonably possible alternative assumptions would change fair value significantly, the entity shall state this fact and disclose the effect of those changes. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in equity, total equity.

(d) if (c) applies, the total amount of the change in fair value estimated using such a valuation technique that was recognised in profit or loss during the period.

28. If the market for a financial instrument is not active, an entity establishes its fair value using a valuation technique (see paragraphs AG74-AG79 of IAS 39). Nevertheless, the best evidence of fair value at initial recognition is the transaction price (ie the fair value of the consideration given or received), unless conditions described in paragraph AG76 of IAS 39 are met. It follows that there could be a difference between the fair value at initial recognition and the amount that would be determined at that date using the valuation technique. If such a difference exists, an entity shall disclose, by class of financial instrument:

(a) its accounting policy for recognising that difference in profit or loss to reflect a change in factors (including time) that market participants would consider in setting a price (see paragraph AG76A of IAS 39);

and

(b) the aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference.

29. Disclosures of fair value are not required:

(a) when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables;

(b) for an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments, that is measured at cost in accordance with IAS 39 because its fair value cannot be measured reliably;

or

(c) for a contract containing a discretionary participation feature (as described in IFRS 4) if the fair value of that feature cannot be measured reliably.

30. In the cases described in paragraph 29(b) and (c), an entity shall disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those financial assets or financial liabilities and their fair value, including:

(a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably;

(b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably;

(c) information about the market for the instruments;

(d) information about whether and how the entity intends to dispose of the financial instruments;

and

(e) if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

31. **An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the reporting date.**

32. The disclosures required by paragraphs 33-42 focus on the risks that arise from financial instruments and how they have been managed. These risks typically include, but are not limited to, credit risk, *liquidity risk* and market risk.

Qualitative disclosures

33. For each type of risk arising from financial instruments, an entity shall disclose:

(a) the exposures to risk and how they arise;

(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk;

and

(c) any changes in (a) or (b) from the previous period.

Quantitative disclosures

34. For each type of risk arising from financial instruments, an entity shall disclose:

(a) summary quantitative data about its exposure to that risk at the reporting date. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in IAS 24 *Related Party Disclosures*), for example the entity's board of directors or chief executive officer.

(b) the disclosures required by paragraphs 36-42, to the extent not provided in (a), unless the risk is not material (see paragraphs 29-31 of IAS 1 for a discussion of materiality).

(c) concentrations of risk if not apparent from (a) and (b).

35. If the quantitative data disclosed as at the reporting date are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative.

Credit risk

36. An entity shall disclose by class of financial instrument:

(a) the amount that best represents its maximum exposure to credit risk at the reporting date without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with IAS 32);

(b) in respect of the amount disclosed in (a), a description of collateral held as security and other credit enhancements;

(c) information about the credit quality of financial assets that are neither *past due* nor impaired;

and

(d) the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

Financial assets that are either past due or impaired

37. An entity shall disclose by class of financial asset:

(a) an analysis of the age of financial assets that are past due as at the reporting date but not impaired;

(b) an analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors the entity considered in determining that they are impaired;

and

(c) for the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value.

Collateral and other credit enhancements obtained

38. When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (eg guarantees), and such assets meet the recognition criteria in other Standards, an entity shall disclose:

(a) the nature and carrying amount of the assets obtained;

and

(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

Liquidity risk

39. An entity shall disclose:

(a) a maturity analysis for financial liabilities that shows the remaining contractual maturities;

and

(b) a description of how it manages the liquidity risk inherent in (a).

Market risk

Sensitivity analysis

40. Unless an entity complies with paragraph 41, it shall disclose:

(a) a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;

(b) the methods and assumptions used in preparing the sensitivity analysis;

and

(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.

41. If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (eg interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified in paragraph 40. The entity shall also disclose:

(a) an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided;

and

(b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.

Other market risk disclosures

42. When the sensitivity analyses disclosed in accordance with paragraph 40 or 41 are unrepresentative of a risk inherent in a financial instrument (for example because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.

EFFECTIVE DATE AND TRANSITION

43. An entity shall apply this IFRS for annual periods beginning on or after 1 January 2007. Earlier application is encouraged. If an entity applies this IFRS for an earlier period, it shall disclose that fact.

44. If an entity applies this IFRS for annual periods beginning before 1 January 2006, it need not present comparative information for the disclosures required by paragraphs 31-42 about the nature and extent of risks arising from financial instruments.

WITHDRAWAL OF IAS 30

45. This IFRS supersedes IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions.*

APPENDIX A

Defined terms

This appendix is an integral part of the IFRS.

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.
currency risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
interest rate risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
liquidity risk	The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.
loans payable	Loans payable are financial liabilities, other than short-term trade payables on normal credit terms.
market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: **currency risk, interest rate risk** and **other price risk**.
other price risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from **interest rate risk** or **currency risk**), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
past due	A financial asset is past due when a counterparty has failed to make a payment when contractually due.

The following terms are defined in paragraph 11 of IAS 32 or paragraph 9 of IAS 39 and are used in the IFRS with the meaning specified in IAS 32 and IAS 39.

— amortised cost of a financial asset or financial liability

— available-for-sale financial assets

— derecognition

— derivative

— effective interest method

— equity instrument

— fair value

— financial asset

— financial instrument

— financial liability

— financial asset or financial liability at fair value through profit or loss

— financial asset or financial liability held for trading

— forecast transaction

— hedging instrument

— held-to-maturity investments

— loans and receivables

— regular way purchase or sale

APPENDIX B

Application guidance

This appendix is an integral part of the IFRS.

CLASSES OF FINANCIAL INSTRUMENTS AND LEVEL OF DISCLOSURE (PARAGRAPH 6)

B1 Paragraph 6 requires an entity to group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The classes described in paragraph 6 are determined by the entity and are, thus, distinct from the categories of financial instruments specified in IAS 39 (which determine how financial instruments are measured and where changes in fair value are recognised).

B2 In determining classes of financial instrument, an entity shall, at a minimum:

(a) distinguish instruments measured at amortised cost from those measured at fair value.

(b) treat as a separate class or classes those financial instruments outside the scope of this IFRS.

B3 An entity decides, in the light of its circumstances, how much detail it provides to satisfy the requirements of this IFRS, how much emphasis it places on different aspects of the requirements and how it aggregates information to display the overall picture without combining information with different characteristics. It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist users of financial statements and obscuring important information as a result of too much aggregation. For example, an entity shall not obscure important information by including it among a large amount of insignificant detail. Similarly, an entity shall not disclose information that is so aggregated that it obscures important differences between individual transactions or associated risks.

SIGNIFICANCE OF FINANCIAL INSTRUMENTS FOR FINANCIAL POSITION AND PERFORMANCE

Financial liabilities at fair value through profit or loss (paragraphs 10 and 11)

B4 If an entity designates a financial liability as at fair value through profit or loss, paragraph 10(a) requires it to disclose the amount of change in the fair value of the financial liability that is attributable to changes in the liability's credit risk. Paragraph 10(a)(i) permits an entity to determine this amount as the amount of change in the liability's fair value that is not attributable to changes in market conditions that give rise to market risk. If the only relevant changes in market conditions for a liability are changes in an observed (benchmark) interest rate, this amount can be estimated as follows:

(a) First, the entity computes the liability's internal rate of return at the start of the period using the observed market price of the liability and the liability's contractual cash flows at the start of the period. It deducts from this rate of return the observed (benchmark) interest rate at the start of the period, to arrive at an instrument-specific component of the internal rate of return.

(b) Next, the entity calculates the present value of the cash flows associated with the liability using the liability's contractual cash flows at the end of the period and a discount rate equal to the sum of (i) the observed (benchmark) interest rate at the end of the period and (ii) the instrument-specific component of the internal rate of return as determined in (a).

(c) The difference between the observed market price of the liability at the end of the period and the amount determined in (b) is the change in fair value that is not attributable to changes in the observed (benchmark) interest rate. This is the amount to be disclosed.

This example assumes that changes in fair value arising from factors other than changes in the instrument's credit risk or changes in interest rates are not significant. If the instrument in the example contains an embedded derivative, the change in fair value of the embedded derivative is excluded in determining the amount to be disclosed in accordance with paragraph 10(a).

Other disclosure — accounting policies (paragraph 21)

B5 Paragraph 21 requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. For financial instruments, such disclosure may include:

(a) for financial assets or financial liabilities designated as at fair value through profit or loss:

(i) the nature of the financial assets or financial liabilities the entity has designated as at fair value through profit or loss;

(ii) the criteria for so designating such financial assets or financial liabilities on initial recognition;

and

(iii) how the entity has satisfied the conditions in paragraph 9, 11A or 12 of IAS 39 for such designation. For instruments designated in accordance with paragraph (b)(i) of the definition of a financial asset or financial liability at fair value through profit or loss in IAS 39, that disclosure includes a narrative description of the circumstances underlying the measurement or recognition inconsistency that would otherwise arise. For instruments designated in accordance with paragraph (b)(ii) of the definition of a financial asset or financial liability at fair value through profit or loss in IAS 39, that disclosure includes a narrative description of how designation at fair value through profit or loss is consistent with the entity's documented risk management or investment strategy.

(b) the criteria for designating financial assets as available for sale.

(c) whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date (see paragraph 38 of IAS 39).

(d) when an allowance account is used to reduce the carrying amount of financial assets impaired by credit losses:

(i) the criteria for determining when the carrying amount of impaired financial assets is reduced directly (or, in the case of a reversal of a write-down, increased directly) and when the allowance account is used;

and

(ii) the criteria for writing off amounts charged to the allowance account against the carrying amount of impaired financial assets (see paragraph 16).

(e) how net gains or net losses on each category of financial instrument are determined (see paragraph 20(a)), for example, whether the net gains or net losses on items at fair value through profit or loss include interest or dividend income.

(f) the criteria the entity uses to determine that there is objective evidence that an impairment loss has occurred (see paragraph 20(e)).

(g) when the terms of financial assets that would otherwise be past due or impaired have been renegotiated, the accounting policy for financial assets that are the subject of renegotiated terms (see paragraph 36(d)).

Paragraph 113 of IAS 1 also requires entities to disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (PARAGRAPHS 31-42)

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.

Quantitative disclosures (paragraph 34)

B7 Paragraph 34(a) requires disclosures of summary quantitative data about an entity's exposure to risks based on the information provided internally to key management personnel of the entity. When an entity uses several methods to manage a risk exposure, the entity shall disclose information using the method or methods that provide the most relevant and reliable information. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* discusses relevance and reliability.

B8 Paragraph 34(c) requires disclosures about concentrations of risk. Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The identification of concentrations of risk requires judgement taking into account the circumstances of the entity. Disclosure of concentrations of risk shall include:

(a) a description of how management determines concentrations;

(b) a description of the shared characteristic that identifies each concentration (eg counterparty, geographical area, currency or market);

and

(c) the amount of the risk exposure associated with all financial instruments sharing that characteristic.

Maximum credit risk exposure (paragraph 36(a))

B9 Paragraph 36(a) requires disclosure of the amount that best represents the entity's maximum exposure to credit risk. For a financial asset, this is typically the gross carrying amount, net of:

(a) any amounts offset in accordance with IAS 32;

and

(b) any impairment losses recognised in accordance with IAS 39.

B10 Activities that give rise to credit risk and the associated maximum exposure to credit risk include, but are not limited to:

(a) granting loans and receivables to customers and placing deposits with other entities. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets.

(b) entering into derivative contracts, eg foreign exchange contracts, interest rate swaps and credit derivatives. When the resulting asset is measured at fair value, the maximum exposure to credit risk at the reporting date will equal the carrying amount.

(c) granting financial guarantees. In this case, the maximum exposure to credit risk is the maximum amount the entity could have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability.

(d) making a loan commitment that is irrevocable over the life of the facility or is revocable only in response to a material adverse change. If the issuer cannot settle the loan commitment net in cash or another financial instrument, the maximum credit exposure is the full amount of the commitment. This is because it is uncertain whether the amount of any undrawn portion may be drawn upon in the future. This may be significantly greater than the amount recognised as a liability.

Contractual maturity analysis (paragraph 39(a))

B11 In preparing the contractual maturity analysis for financial liabilities required by paragraph 39(a), an entity uses its judgement to determine an appropriate number of time bands. For example, an entity might determine that the following time bands are appropriate:

(a) not later than one month;

(b) later than one month and not later than three months;

(c) later than three months and not later than one year;

and

(d) later than one year and not later than five years.

B12 When a counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which the entity can be required to pay. For example, financial liabilities that an entity can be required to repay on demand (eg demand deposits) are included in the earliest time band.

B13 When an entity is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the entity can be required to pay. For example, an undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

B14 The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows, for example:

(a) gross finance lease obligations (before deducting finance charges);

(b) prices specified in forward agreements to purchase financial assets for cash;

(c) net amounts for pay-floating/receive-fixed interest rate swaps for which net cash flows are exchanged;

(d) contractual amounts to be exchanged in a derivative financial instrument (eg a currency swap) for which gross cash flows are exchanged;

and

(e) gross loan commitments.

Such undiscounted cash flows differ from the amount included in the balance sheet because the balance sheet amount is based on discounted cash flows.

B15 If appropriate, an entity shall disclose the analysis of derivative financial instruments separately from that of non-derivative financial instruments in the contractual maturity analysis for financial liabilities required by paragraph 39(a). For example, it would be appropriate to distinguish cash flows from derivative financial instruments and non-derivative financial instruments if the cash flows arising from the derivative financial instruments are settled gross. This is because the gross cash outflow may be accompanied by a related inflow.

B16 When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the reporting date.

Market risk — sensitivity analysis (paragraphs 40 and 41)

B17 Paragraph 40(a) requires a sensitivity analysis for each type of market risk to which the entity is exposed. In accordance with paragraph B3, an entity decides how it aggregates information to display the overall picture without combining information with different characteristics about exposures to risks from significantly different economic environments. For example:

(a) an entity that trades financial instruments might disclose this information separately for financial instruments held for trading and those not held for trading.

(b) an entity would not aggregate its exposure to market risks from areas of hyperinflation with its exposure to the same market risks from areas of very low inflation.

If an entity has exposure to only one type of market risk in only one economic environment, it would not show disaggregated information.

B18 Paragraph 40(a) requires the sensitivity analysis to show the effect on profit or loss and equity of reasonably possible changes in the relevant risk variable (eg prevailing market interest rates, currency rates, equity prices or commodity prices). For this purpose:

(a) entities are not required to determine what the profit or loss for the period would have been if relevant risk variables had been different. Instead, entities disclose the effect on profit or loss and equity at the balance sheet date assuming that a reasonably possible change in the relevant risk variable had occurred at the balance sheet date and had been applied to the risk exposures in existence at that date. For example, if an entity has a floating rate liability at the end of the year, the entity would disclose the effect on profit or loss (ie interest expense) for the current year if interest rates had varied by reasonably possible amounts.

(b) entities are not required to disclose the effect on profit or loss and equity for each change within a range of reasonably possible changes of the relevant risk variable. Disclosure of the effects of the changes at the limits of the reasonably possible range would be sufficient.

B19 In determining what a reasonably possible change in the relevant risk variable is, an entity should consider:

(a) the economic environments in which it operates. A reasonably possible change should not include remote or 'worst case' scenarios or 'stress tests'. Moreover, if the rate of change in the underlying risk variable is stable, the entity need not alter the chosen reasonably possible change in the risk variable. For example, assume that interest rates are 5 per cent and an entity determines that a fluctuation in interest rates of ± 50 basis points is reasonably possible. It would disclose the effect on profit or loss and equity if interest rates were to change to 4.5 per cent or 5.5 per cent. In the next period, interest rates have increased to 5.5 per cent. The entity continues to believe that interest rates may fluctuate by ± 50 basis points (ie that the rate of change in interest rates is stable). The entity would disclose the effect on profit or loss and equity if interest rates were to change to 5 per cent or 6 per cent. The entity would not be required to revise its assessment that interest rates might reasonably fluctuate by ± 50 basis points, unless there is evidence that interest rates have become significantly more volatile.

(b) the time frame over which it is making the assessment. The sensitivity analysis shall show the effects of changes that are considered to be reasonably possible over the period until the entity will next present these disclosures, which is usually its next annual reporting period.

B20 Paragraph 41 permits an entity to use a sensitivity analysis that reflects interdependencies between risk variables, such as a value-at-risk methodology, if it uses this analysis to manage its exposure to financial risks. This applies even if such a methodology measures only the potential for loss and does not measure the potential for gain. Such an entity might comply with paragraph 41(a) by disclosing the type of value-at-risk model used (eg whether the model relies on Monte Carlo simulations), an explanation about how the model works and the main assumptions (eg the holding period and confidence level). Entities might also disclose the historical observation period and weightings applied to observations within that period, an explanation of how options are dealt with in the calculations, and which volatilities and correlations (or, alternatively, Monte Carlo probability distribution simulations) are used.

B21 An entity shall provide sensitivity analyses for the whole of its business, but may provide different types of sensitivity analysis for different classes of financial instruments.

Interest rate risk

B22 *Interest rate risk* arises on interest-bearing financial instruments recognised in the balance sheet (eg loans and receivables and debt instruments issued) and on some financial instruments not recognised in the balance sheet (eg some loan commitments).

Currency risk

B23 *Currency risk* (or foreign exchange risk) arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this IFRS, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

B24 A sensitivity analysis is disclosed for each currency to which an entity has significant exposure.

Other price risk

B25 *Other price risk* arises on financial instruments because of changes in, for example, commodity prices or equity prices. To comply with paragraph 40, an entity might disclose the effect of a decrease in a specified stock market index, commodity price, or other risk variable. For example, if an entity gives residual value guarantees that are financial instruments, the entity discloses an increase or decrease in the value of the assets to which the guarantee applies.

B26 Two examples of financial instruments that give rise to equity price risk are a holding of equities in another entity, and an investment in a trust, which in turn holds investments in equity instruments. Other examples include forward contracts and options to buy or sell specified quantities of an equity instrument and swaps that are indexed to equity prices. The fair values of such financial instruments are affected by changes in the market price of the underlying equity instruments.

B27 In accordance with paragraph 40(a), the sensitivity of profit or loss (that arises, for example, from instruments classified as at fair value through profit or loss and impairments of available-for-sale financial assets) is disclosed separately from the sensitivity of equity (that arises, for example, from instruments classified as available for sale).

B28 Financial instruments that an entity classifies as equity instruments are not remeasured. Neither profit or loss nor equity will be affected by the equity price risk of those instruments. Accordingly, no sensitivity analysis is required.

APPENDIX C

Amendments to other IFRSs

The amendments in this appendix shall be applied for annual periods beginning on or after 1 January 2007. If an entity applies the IFRS for an earlier period, these amendments shall be applied for that earlier period. In the amended paragraphs, new text is underlined and deleted text is struck through.

C1 In International Financial Reporting Standards, including International Accounting Standards and Interpretations, references to IAS 32 *Financial Instruments: Disclosure and Presentation* are replaced by references to IAS 32 *Financial Instruments: Presentation*, unless otherwise stated below.

C2 IAS 32 *Financial Instruments: Disclosure and Presentation* (as revised in 2003) is amended as described below.

The title is amended to 'IAS 32 *Financial Instruments: Presentation*'.

Paragraph 1 is deleted and paragraphs 2-4(a) are amended as follows:

2. The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.

3. The principles in this Standard complement the principles for recognising and measuring financial assets and financial liabilities in IAS 39 *Financial Instruments: Recognition and Measurement*, and for disclosing information about them in IFRS 7 *Financial Instruments: Disclosures*.

SCOPE

4. This Standard shall be applied by all entities to all types of financial instruments except:

(a) those interests in subsidiaries, associates and joint ventures that are accounted for in accordance with IAS 27 *Consolidated and Separate Financial Statements*, IAS 28 *Investments in Associates* or IAS 31 *Interests in Joint Ventures*. However, in some cases, IAS 27, IAS 28 or IAS 31 permits an entity to account for an interest in a subsidiary, associate or joint venture using IAS 39; in those cases, entities shall apply the disclosure requirements in IAS 27, IAS 28 or IAS 31 in addition to those in this Standard. Entities shall also apply this Standard to all derivatives linked to interests in subsidiaries, associates or joint ventures.

Paragraphs 5 and 7 are deleted.

The second sentence of paragraph 40 is amended as follows:

40. … In addition to the requirements of this Standard, disclosure of interest and dividends is subject to the requirements of IAS 1 and IFRS 7.

The last sentence of paragraph 47 is amended as follows:

47. … When an entity has a right of set-off, but does not intend to settle net or to realise the asset and settle the liability simultaneously, the effect of the right on the entity's credit risk exposure is disclosed in accordance with paragraph 36 of IFRS 7.

The last sentence of paragraph 50 is amended as follows:

50. … When financial assets and financial liabilities subject to a master netting arrangement are not offset, the effect of the arrangement on an entity's exposure to credit risk is disclosed in accordance with paragraph 36 of IFRS 7.

Paragraphs 51-95 are deleted.

Paragraph 98 is footnoted as follows:

In August 2005 the IASB relocated all disclosures relating to financial instruments to IFRS 7 *Financial Instruments: Disclosures*.

In the Appendix (Application Guidance), paragraphs AG24 and AG40 and the last sentence of paragraph AG39 are deleted.

C3 IAS 1 *Presentation of Financial Statements* is amended as described below.

Paragraph 4 is deleted.

In paragraph 56, 'IAS 32' is replaced by 'IFRS 7 *Financial Instruments: Disclosures*', and in paragraphs 105(d)(ii) and 124, 'IAS 32' is replaced by 'IFRS 7'.

The last sentence of paragraph 71(b) is amended as follows:

71(b) … For example, a financial institution may amend the above descriptions to provide information that is relevant to the operations of a financial institution.

The fourth sentence of paragraph 84 is amended as follows:

84. … For example, a financial institution may amend the descriptions to provide information that is relevant to the operations of a financial institution.

C4 IAS 14 *Segment Reporting* is amended as described below.

In paragraphs 27(a) and (b), 31, 32, 46 and 74, the phrase 'the board of directors and [to] [the] chief executive officer' is replaced by 'key management personnel'.

In paragraphs 27(b), 30 and 32 the phrase 'the directors and management' is replaced by 'key management personnel'.

The first sentence of paragraph 27 is amended as follows:

27. An entity's internal organisational and management structure and its system of internal financial reporting to key management personnel (for example, the board of directors and the chief executive officer) shall normally be the basis for identifying the predominant source and nature of risks and differing rates of return facing the entity and, therefore, for determining which reporting format is primary and which is secondary, except as provided in subparagraphs (a) and (b) below: …

The third sentence of paragraph 28 is amended as follows:

28. … Therefore, except in rare circumstances, an entity will report segment information in its financial statements on the same basis as it reports internally to key management personnel. …

The first sentence of paragraph 33 is amended as follows:

33. Under this Standard, most entities will identify their business and geographical segments as the organisational units for which information is reported to key management personnel or the senior operating decision maker, which in some cases may be a group of people, for the purpose of evaluating each unit's past performance and for making decisions about future allocations of resources. …

C5 In paragraph 31 of IAS 17 *Leases*, 'IAS 32 *Financial Instruments: Disclosure and Presentation*' is replaced by 'IFRS 7 *Financial Instruments: Disclosures*', and in paragraphs 35, 47 and 56, 'IAS 32' is replaced by 'IFRS 7'.

C6 In paragraph 72 of IAS 33 *Earnings per Share*, 'IAS 32' is replaced by 'IFRS 7 *Financial Instruments: Disclosures*'.

C7 IAS 39 *Financial Instruments: Recognition and Measurement* (as amended in April 2005) is amended as described below.

Paragraph 1 is amended as follows:

1. The objective of this Standard is to establish principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Requirements for presenting information about financial instruments are in IAS 32 *Financial Instruments: Presentation*. Requirements for disclosing information about financial instruments are in IFRS 7 *Financial Instruments: Disclosures*.

In paragraph 45, 'IAS 32' is replaced by 'IFRS 7'.

Paragraph 48 is amended as follows:

48. In determining the fair value of a financial asset or a financial liability for the purpose of applying this Standard, IAS 32 or IFRS 7, an entity shall apply paragraphs AG69-AG82 of Appendix A.

C8 IAS 39 *Financial Instruments: Recognition and Measurement* (as amended in June 2005) is amended as described below.

In paragraph 9, the definition of a financial asset or financial liability at fair value through profit or loss is amended as follows:

… In IFRS 7, paragraphs 9-11 and B4 require the entity to provide disclosures about financial assets and financial liabilities it has designated as at fair value through profit or loss, …

C9 In IFRS 1 *First-time Adoption of International Financial Reporting Standards*, paragraph 36A is amended, and a heading and paragraph 36C are added as follows:

36A In its first IFRS financial statements, an entity that adopts IFRSs before 1 January 2006 shall present at least one year of comparative information, but this comparative information need not comply with IAS 32, IAS 39 or IFRS 4. An entity that chooses to present comparative information that does not comply with IAS 32, IAS 39 or IFRS 4 in its first year of transition shall:

(a) apply the recognition and measurement requirements of its previous GAAP in the comparative information for financial instruments within the scope of IAS 32 and IAS 39 and for insurance contracts within the scope of IFRS 4;

…

In the case of an entity that chooses to present comparative information that does not comply with IAS 32, IAS 39 and IFRS 4, references to the 'date of transition to IFRSs' shall mean, in the case of those Standards only, the beginning of the first IFRS reporting period. Such entities are required to comply with paragraph 15(c) of IAS 1 to provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Exemption from the requirement to provide comparative disclosures for IFRS 7

36C An entity that adopts IFRSs before 1 January 2006 and chooses to adopt IFRS 7 *Financial Instruments: Disclosures* in its first IFRS financial statements need not present the comparative disclosures required by IFRS 7 in those financial statements.

C10 IFRS 4 *Insurance Contracts* is amended as described below.

Paragraph 2(b) is amended as follows:

(b) financial instruments that it issues with a *discretionary participation feature* (see paragraph 35). IFRS 7 *Financial Instruments: Disclosures* requires disclosure about financial instruments, including financial instruments that contain such features.

Paragraph 35(d) is added as follows:

(d) although these contracts are financial instruments, an issuer applying paragraph 19(b) of IFRS 7 to contracts with a discretionary participation feature shall disclose the total interest expense recognised in profit or loss, but need not calculate such interest expense using the effective interest method.

After paragraph 37, the heading and paragraphs 38 and 39 are amended and paragraph 39A is added as follows:

Nature and extent of risks arising from insurance contracts

38. An insurer shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from insurance contracts.

39. To comply with paragraph 38, an insurer shall disclose:

(a) its objectives, policies and processes for managing risks arising from insurance contracts and the methods used to manage those risks.

(b) [deleted]

(c) information about *insurance risk* (both before and after risk mitigation by reinsurance), including information about:

(i) sensitivity to insurance risk (see paragraph 39A).

(ii) concentrations of insurance risk, including a description of how management determines concentrations and a description of the shared characteristic that identifies each concentration (eg type of insured event, geographical area, or currency).

(iii) actual claims compared with previous estimates (ie claims development). The disclosure about claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments, but need not go back more than ten years. An insurer need not disclose this information for claims for which uncertainty about the amount and timing of claims payments is typically resolved within one year.

(d) information about credit risk, liquidity risk and market risk that paragraphs 31-42 of IFRS 7 would require if the insurance contracts were within the scope of IFRS 7. However:

(i) an insurer need not provide the maturity analysis required by paragraph 39(a) of IFRS 7 if it discloses information about the estimated timing of the net cash outflows resulting from recognised insurance liabilities instead. This may take the form of an analysis, by estimated timing, of the amounts recognised in the balance sheet.

(ii) if an insurer uses an alternative method to manage sensitivity to market conditions, such as an embedded value analysis, it may use that sensitivity analysis to meet the requirement in paragraph 40(a) of IFRS 7. Such an insurer shall also provide the disclosures required by paragraph 41 of IFRS 7.

(e) information about exposures to market risk arising from embedded derivatives contained in a host insurance contract if the insurer is not required to, and does not, measure the embedded derivatives at fair value.

39A To comply with paragraph 39(b)(i), an insurer shall disclose either (a) or (b) as follows:

(a) a sensitivity analysis that shows how profit or loss and equity would have been affected had changes in the relevant risk variable that were reasonably possible at the balance sheet date occurred; the methods and assumptions used in preparing the sensitivity analysis; and any changes from the previous period in the methods and assumptions used. However, if an insurer uses an alternative method to manage sensitivity to market conditions, such as an embedded value analysis, it may meet this requirement by disclosing that alternative sensitivity analysis and the disclosures required by paragraph 41 of IFRS 7.

(b) qualitative information about sensitivity, and information about those terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the insurer's future cash flows.

APPENDIX D

Amendments to IFRS 7 if the Amendments to IAS 39 Financial Instruments: Recognition and Measurement — *The Fair Value Option* have not been applied

In June 2005 the Board issued Amendments to IAS 39: Financial Instruments: Recognition and Measurement — The Fair Value Option, *to be applied for annual periods beginning on or after 1 January 2006. If an entity applies IFRS 7 for annual periods beginning before 1 January 2006 and it does not apply these amendments to IAS 39, it shall amend IFRS 7 for that period, as follows. In the amended paragraphs, new text is underlined and deleted text is struck through.*

D1 The heading above paragraph 9 and paragraph 11 are amended as follows, and paragraph 9 is deleted.

Financial liabilities at fair value through profit or loss

11. The entity shall disclose:

(a) the methods used to comply with the requirements in paragraph 10(a).

(b) if the entity believes that the disclosure it has given to comply with the requirement in paragraph 10(a) does not faithfully represent the change in the fair value of the financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes to be relevant.

Paragraph B5(a) is amended as follows:

(a) the criteria for designating, on initial recognition, financial assets or financial liabilities as at fair value through profit or loss.

Amendments to IAS 1 *Presentation of Financial Statements*

This document sets out amendments to IAS 1 *Presentation of Financial Statements*. The amendments finalise some of the proposals that were contained in Exposure Draft 7 *Financial Instruments: Disclosures* (ED 7) published in July 2004. The remaining proposals in ED 7 were finalised in IFRS 7 *Financial Instruments: Disclosures*.

Entities shall apply the amendments in this document for annual periods beginning on or after 1 January 2007. Earlier application is encouraged.

In the Standard, a heading and paragraphs 124A-124C are added, as follows.

Capital

124A An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

124B To comply with paragraph 124A, the entity discloses the following:

(a) qualitative information about its objectives, policies and processes for managing capital, including (but not limited to):

(i) a description of what it manages as capital;

(ii) when an entity is subject to externally imposed capital requirements, the nature of those requirements and how those requirements are incorporated into the management of capital;

and

(iii) how it is meeting its objectives for managing capital.

(b) summary quantitative data about what it manages as capital. Some entities regard some financial liabilities (eg some forms of subordinated debt) as part of capital. Other entities regard capital as excluding some components of equity (eg components arising from cash flow hedges).

(c) any changes in (a) and (b) from the previous period.

(d) whether during the period it complied with any externally imposed capital requirements to which it is subject.

(e) when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

These disclosures shall be based on the information provided internally to the entity's key management personnel.

124C An entity may manage capital in a number of ways and be subject to a number of different capital requirements. For example, a conglomerate may include entities that undertake insurance activities and banking activities, and those entities may also operate in several jurisdictions. When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial statement user's understanding of an entity's capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.

Amendments to International Financial Reporting Standards

IAS 39 *Financial Instruments: Recognition and Measurement*

IFRS 4 *Insurance Contracts*

Financial Guarantee Contracts

AMENDMENTS TO STANDARDS

This document sets out amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 4 *Insurance Contracts* and consequential amendments to IAS 32 *Financial Instruments: Disclosure and Presentation* and IFRS 7 *Financial Instruments: Disclosures*. This document also contains amendments to the Basis for Conclusions on IAS 39 and IFRS 4, the Guidance on Implementing IFRS 4, and Appendix C accompanying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendments result from proposals that were contained in an Exposure Draft of Proposed Amendments to IAS 39 and IFRS 4 — *Financial Guarantee Contracts and Credit Insurance* published in July 2004.

Entities shall apply these amendments for annual periods beginning on or after 1 January 2006. Earlier application is encouraged. If entities adopt these amendments for an earlier period, they shall disclose that fact.

AMENDMENTS TO IAS 39

In the Standard, paragraph 3 is deleted and paragraphs 2(e), 2(h), 4 and 47 are amended. In paragraph 9, the definition of a financial liability at fair value through profit or loss is amended, and a new definition is added immediately after the definition of available-for-sale financial assets. Paragraph AG4 is renumbered as AG3A, and paragraph AG4A is amended and renumbered as AG4. New paragraphs AG4A and 103B are added.

Paragraph 43 is presented below for convenience, but is not amended.

The amendments to paragraphs 2(h) and 47(d) transfer measurement requirements for some loan commitments from the scope section of the Standard to the measurement section, but do not change those requirements.

2. This Standard shall be applied by all entities to all types of financial instruments except:

…

(e) rights and obligations arising under (i) an insurance contract as defined in IFRS 4 *Insurance Contracts*, other than an issuer's rights and obligations arising under an insurance contract that meets the definition of a financial guarantee contract in paragraph 9, or (ii) a contract that is within the scope of IFRS 4 because it contains a discretionary participation feature. However, this Standard applies to a derivative that is embedded in a contract within the scope of IFRS 4 if the derivative is not itself a contract within the scope of IFRS 4 (see paragraphs 10-13 and Appendix A paragraphs AG27-AG33). Moreover, if an issuer of financial guarantee contracts has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts, the issuer may elect to apply either this Standard or IFRS 4 to such financial guarantee contracts (see paragraphs AG4 and AG4A). The issuer may make that election contract by contract, but the election for each contract is irrevocable.

…

(h) loan commitments other than those loan commitments described in paragraph 4. An issuer of loan commitments shall apply IAS 37 to loan commitments that are not within the scope of this Standard. However, all loan commitments are subject to the derecognition provisions of this Standard (see paragraphs 15-42 and Appendix A paragraphs AG36-AG63).

4. The following loan commitments are within the scope of this Standard:

(a) loan commitments that the entity designates as financial liabilities at fair value through profit or loss. An entity that has a past practice of selling the assets resulting from its loan commitments shortly after origination shall apply this Standard to all its loan commitments in the same class.

(b) loan commitments that can be settled net in cash or by delivering or issuing another financial instrument. These loan commitments are derivatives. A loan commitment is not regarded as settled net merely because the loan is paid out in instalments (for example, a mortgage construction loan that is paid out in instalments in line with the progress of construction).

(c) commitments to provide a loan at a below-market interest rate. Paragraph 47(d) specifies the subsequent measurement of liabilities arising from these loan commitments.

9. …

Definitions of four categories of financial instruments

A *financial asset or financial liability at fair value through profit or loss* is a financial asset or financial liability that meets either of the following conditions.

(a) It is classified as held for trading. A financial asset or financial liability is classified as held for trading if it is:

…

(iii) a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

…

Definition of a financial guarantee contract

A *financial guarantee contract* is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

…

Initial measurement of financial assets and financial liabilities

43. When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial liabilities

47. After initial recognition, an entity shall measure all financial liabilities at amortised cost using the effective interest method, except for:

(a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured which shall be measured at cost.

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. Paragraphs 29 and 31 apply to the measurement of such financial liabilities.

(c) financial guarantee contracts as defined in paragraph 9. After initial recognition, an issuer of such a contract shall (unless paragraph 47(a) or (b) applies) measure it at the higher of:

(i) the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;

and

(ii) the amount initially recognised (see paragraph 43) less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

(d) commitments to provide a loan at a below-market interest rate. After initial recognition, an issuer of such a commitment shall (unless paragraph 47(a) applies) measure it at the higher of:

(i) the amount determined in accordance with IAS 37;

and

(ii) the amount initially recognised (see paragraph 43) less, when appropriate, cumulative amortisation recognised in accordance with IAS 18.

Financial liabilities that are designated as hedged items are subject to the hedge accounting requirements in paragraphs 89-102.

AG4 Financial guarantee contracts may have various legal forms, such as a guarantee, some types of letter of credit, a credit default contract or an insurance contract. Their accounting treatment does not depend on their legal form. The following are examples of the appropriate treatment (see paragraph 2(e)):

(a) Although a financial guarantee contract meets the definition of an insurance contract in IFRS 4 if the risk transferred is significant, the issuer applies this Standard. Nevertheless, if the issuer has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts, the issuer may elect to apply either this Standard or IFRS 4 to such financial guarantee contracts. If this Standard applies, paragraph 43 requires the issuer to recognise a financial guarantee contract initially at fair value. If the financial guarantee contract was issued to an unrelated party in a stand-alone arm's length transaction, its fair value at inception is likely to equal the premium received, unless there is evidence to the contrary. Subsequently, unless the financial guarantee contract was designated at inception as at fair value through profit or loss or unless paragraphs 29-37 and AG47-AG52 apply (when a transfer of a financial asset does not qualify for derecognition or the continuing involvement approach applies), the issuer measures it at the higher of:

(i) the amount determined in accordance with IAS 37;

and

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 (see paragraph 47(c)).

(b) Some credit-related guarantees do not, as a precondition for payment, require that the holder is exposed to, and has incurred a loss on, the failure of the debtor to make payments on the guaranteed asset when due. An example of such a guarantee is one that requires payments in response to changes in a specified credit rating or credit index. Such guarantees are not financial guarantee contracts, as defined in this Standard, and are not insurance contracts, as defined in IFRS 4. Such guarantees are derivatives and the issuer applies this Standard to them.

(c) If a financial guarantee contract was issued in connection with the sale of goods, the issuer applies IAS 18 in determining when it recognises the revenue from the guarantee and from the sale of goods.

AG4A Assertions that an issuer regards contracts as insurance contracts are typically found throughout the issuer's communications with customers and regulators, contracts, business documentation and financial statements. Furthermore, insurance contracts are often subject to accounting requirements that are distinct from the requirements for other types of transaction, such as contracts issued by banks or commercial companies. In such cases, an issuer's financial statements typically include a statement that the issuer has used those accounting requirements.

103B ***Financial Guarantee Contracts*** **(Amendments to IAS 39 and IFRS 4), issued in August 2005, amended paragraphs 2(e) and (h), 4, 47 and AG4, added paragraph AG4A, added a new definition of financial guarantee contracts in paragraph 9, and deleted paragraph 3. An entity shall apply those amendments for annual periods beginning on or after 1 January 2006. Earlier application is encouraged. If an entity applies these changes for an earlier period, it shall disclose that fact and apply the related amendments to IAS 32 and IFRS 4 at the same time.**

AMENDMENTS TO IFRS 4

Paragraphs 4(d), B18(g) and B19(f) are amended, paragraph 41A is inserted and a definition of a financial guarantee contract is inserted in Appendix A after the definition of fair value and before the definition of financial risk, as follows.

4 An entity shall not apply this IFRS to:

…

(d) financial guarantee contracts unless the issuer has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts, in which case the issuer may elect to apply either IAS 39 and IAS 32 or this Standard to such financial guarantee contracts. The issuer may make that election contract by contract, but the election for each contract is irrevocable.

41A ***Financial Guarantee Contracts*** **(Amendments to IAS 39 and IFRS 4), issued in August 2005, amended paragraphs 4(d), B18(g) and B19(f). An entity shall apply those amendments for annual periods beginning on or after 1 January 2006. Earlier application is encouraged. If an entity applies those amendments for an earlier period, it shall disclose that fact and apply the related amendments to IAS 39 and IAS 32 at the same time.**

APPENDIX A

Defined terms

Financial guarantee contract	A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

APPENDIX B

B18 The following are examples of contracts that are insurance contracts, if the transfer of insurance risk is significant:

…

(g) credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. These contracts could have various legal forms, such as that of a guarantee, some types of letter of credit, a credit derivative default contract or an insurance contract. However, although these contracts meet the definition of an insurance contract, they also meet the definition of a financial guarantee contract in IAS 39 and are within the scope of IAS 32 and IAS 39, not this IFRS (see paragraph 4(d)). Nevertheless, if an issuer of financial guarantee contracts has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts, the issuer may elect to apply either IAS 39 and IAS 32 or this Standard to such financial guarantee contracts.

B19 The following are examples of items that are not insurance contracts:

…

(f) a credit-related guarantee (or letter of credit, credit derivative default contract or credit insurance contract) that requires payments even if the holder has not incurred a loss on the failure of the debtor to make payments when due (see IAS 39).

AMENDMENTS TO OTHER STANDARDS

Entities shall apply the following consequential amendments to IAS 32 (and IFRS 7, if they already apply IFRS 7) when they apply the related amendments to IAS 39 and IFRS 4.

IAS 32 *Financial Instruments: Disclosure and Presentation*

Paragraphs 4(d) and 12 are amended as follows.

4. This Standard shall be applied by all entities to all types of financial instruments except:

…

(d) insurance contracts as defined in IFRS 4 *Insurance Contracts*. However, this Standard applies to derivatives that are embedded in insurance contracts if IAS 39 requires the entity to account for them separately. Moreover, an issuer shall apply this Standard to financial guarantee contracts if the issuer applies IAS 39 in recognising and measuring the contracts, but shall apply IFRS 4 if the issuer elects, in accordance with paragraph 4(d) of IFRS 4, to apply IFRS 4 in recognising and measuring them.

12. The following terms are defined in paragraph 9 of IAS 39 and are used in this Standard with the meaning specified in IAS 39.

…

— financial asset or financial liability at fair value through profit or loss

— financial guarantee contract

— firm commitment

…

IFRS 7 *Financial Instruments: Disclosures*

Paragraph 3(d) of IFRS 7 and the list of defined terms in Appendix A of IFRS 7 are amended in the same way as IAS 32, as follows.

3. This IFRS shall be applied by all entities to all types of financial instruments, except:

…

(d) insurance contracts as defined in IFRS 4 *Insurance Contracts*. However, this IFRS applies to derivatives that are embedded in insurance contracts if IAS 39 requires the entity to account for them separately. Moreover, an issuer shall apply this IFRS to *financial guarantee contracts* if the issuer applies IAS 39 in recognising and measuring the contracts, but shall apply IFRS 4 if the issuer elects, in accordance with paragraph 4(d) of IFRS 4, to apply IFRS 4 in recognising and measuring them.

APPENDIX A

Defined terms

…

The following terms are defined in paragraph 11 of IAS 32 or paragraph 9 of IAS 39 and are used in the IFRS with the meaning specified in IAS 32 and IAS 39.

…

— financial asset or financial liability at fair value through profit or loss

— financial guarantee contract

— financial asset or financial liability held for trading

…

References to be updated when an entity adopts IFRS 7

When an entity applies IFRS 7, references to IAS 32 are replaced by references to IFRS 7 in the following paragraphs that were added or amended by this document:

— IAS 39, paragraph 103B

— IFRS 4, paragraphs 4(d) and 41A, and paragraph B18(g) of Appendix B (two references)

IFRIC INTERPRETATION 6

Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment

REFERENCES

— IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

— IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

BACKGROUND

1. Paragraph 17 of IAS 37 specifies that an obligating event is a past event that leads to a present obligation that an entity has no realistic alternative to settling.

2. Paragraph 19 of IAS 37 states that provisions are recognised only for 'obligations arising from past events existing independently of an entity's future actions'.

3. The European Union's Directive on Waste Electrical and Electronic Equipment (WE&EE), which regulates the collection, treatment, recovery and environmentally sound disposal of waste equipment, has given rise to questions about when the liability for the decommissioning of WE&EE should be recognised. The Directive distinguishes between 'new' and 'historical' waste and between waste from private households and waste from sources other than private households. New waste relates to products sold after 13 August 2005. All household equipment sold before that date is deemed to give rise to historical waste for the purposes of the Directive.

4. The Directive states that the cost of waste management for historical household equipment should be borne by producers of that type of equipment that are in the market during a period to be specified in the applicable legislation of each Member State (the measurement period). The Directive states that each Member State shall establish a mechanism to have producers contribute to costs proportionately 'e.g. in proportion to their respective share of the market by type of equipment.'

5. Several terms used in the Interpretation such as 'market share' and 'measurement period' may be defined very differently in the applicable legislation of individual Member States. For example, the length of the measurement period might be a year or only one month. Similarly, the measurement of market share and the formulae for computing the obligation may differ in the various national legislations. However, all of these examples affect only the measurement of the liability, which is not within the scope of the Interpretation.

SCOPE

6. This Interpretation provides guidance on the recognition, in the financial statements of producers, of liabilities for waste management under the EU Directive on WE&EE in respect of sales of historical household equipment.

7. The Interpretation addresses neither new waste nor historical waste from sources other than private households. The liability for such waste management is adequately covered in IAS 37. However, if, in national legislation, new waste from private households is treated in a similar manner to historical waste from private households, the principles of the Interpretation apply by reference to the hierarchy in paragraphs 10–12 of IAS 8. The IAS 8 hierarchy is also relevant for other regulations that impose obligations in a way that is similar to the cost attribution model specified in the EU Directive.

ISSUE

8. The IFRIC was asked to determine in the context of the decommissioning of WE&EE what constitutes the obligating event in accordance with paragraph 14(a) of IAS 37 for the recognition of a provision for waste management costs:

— the manufacture or sale of the historical household equipment?

— participation in the market during the measurement period?

— the incurrence of costs in the performance of waste management activities?

CONSENSUS

9. Participation in the market during the measurement period is the obligating event in accordance with paragraph 14(a) of IAS 37. As a consequence, a liability for waste management costs for historical household equipment does not arise as the products are manufactured or sold. Because the obligation for historical household equipment is linked to participation in the market during the measurement period, rather than to production or sale of the items to be disposed of, there is no obligation unless and until a market share exists during the measurement period. The timing of the obligating event may also be independent of the particular period in which the activities to perform the waste management are undertaken and the related costs incurred.

EFFECTIVE DATE

10. An entity shall apply this Interpretation for annual periods beginning on or after 1 December 2005. Earlier application is encouraged. If an entity applies the Interpretation for a period beginning before 1 December 2005, it shall disclose that fact.

TRANSITION

11. Changes in accounting policies shall be accounted for in accordance with IAS 8.