Summary
The International Accounting Standards Board (IASB) published Annual Improvements to IFRSs 2012 – 2014 Cycle on 25 September 2014.

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The effective date for the above annual improvements is 1 January 2016. Early application is permitted.
Amendments

**IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

*Change in methods of disposal*

The amendment clarifies that the reclassification of an asset or disposal group from being held for sale to being held for distribution to owners, or vice versa, is considered to be a continuation of the original plan of disposal. Upon reclassification, an entity must apply the classification, presentation and measurement requirements of IFRS 5.

If an asset ceases to be classified as held for distribution to owners, the requirements of IFRS 5 for assets that cease to be classified as held for sale apply.

The amendment to IFRS 5 is required to be applied prospectively.

**IFRS 7 Financial Instruments: Disclosures**

*Servicing contracts and the applicability of offsetting amendments in condensed interim financial statements*

**Servicing contracts**

The IASB clarified the circumstances in which an entity has continuing involvement from the servicing of a transferred asset.

Continuing involvement exists if the servicer has a future interest in the performance of the transferred financial asset. Examples of situations where continuing involvement exists are where a transferor’s servicing fee is:

- A variable fee which is dependent on the amount of the transferred asset that is ultimately recovered; or
- A fixed fee not paid in full because of non-performance of the transferred financial asset.

The amendment is required to be applied retrospectively in accordance with IAS 8.

A consequential amendment has been made to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, in order that the same transitional provision applies to first-time adopters.

**Applicability of the offsetting amendments in condensed interim financial statements**

A further amendment to IFRS 7 has clarified that the application of the amendment *Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) issued in December 2011 is not explicitly required for all interim periods. However, it is noted that in some cases these disclosures may need to be included in condensed interim financial statements in order to comply with IAS 34.

The amendment is required to be applied retrospectively in accordance with IAS 8.

**IAS 19 Employee Benefits**

*Discount rate - regional market issue*

The guidance in IAS 19 has been clarified and requires that high quality corporate bonds used to determine the discount rate for the accounting of employee benefits need to be denominated in the same currency as the related benefits that will be paid to the employee.

Entities are required to apply the amendment from the earliest comparative period presented in the financial statements, with initial adjustments being recognised in retained earnings at the beginning of that period.

**IAS 34 Interim Financial Reporting**

*Meaning of ‘elsewhere in the interim financial report’*

The requirements of paragraph 16A of IAS 34 require additional disclosures to be presented either in the:

- Notes to the interim financial statements or
- Elsewhere in the interim financial report.

The amendment clarifies, that a cross-reference is required, if the disclosures are presented ‘elsewhere’ in the interim financial report, such as in the management commentary or the risk report of an entity. However, to comply with paragraph 16A of IAS 34, if the disclosures are contained in a separate document from the interim report, that document needs to be available to users of the financial statements on the same terms and at the same time as the interim report itself.

The amendment to IAS 34 is required to be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

**Effective date**

The annual improvements are effective for periods beginning on or after 1 January 2016, with early application permitted.