



HM TREASURY

Financial Reporting Advisory Board Paper

SECRETARIAT PAPER

IAS 34 Interim Financial Reporting

Issue:	Applying IAS 34 <i>Interim Financial Reporting</i> in the context of reportable activities covered by the IFRS based Government Financial Reporting Manual.
Impact on guidance:	The proposed text in Annex A relates to the IFRS-based FReM.
IAS/IFRS adaptation?	No
IPSAS compliant?	N/A
Interpretation for the public sector context?	No
Impact on budgetary regime?	None
Alignment with National Accounts	N/A
Impact on Estimates?	None
Recommendation:	The FRAB endorse the proposal that IAS 34 be applied in full for those bodies that are required or elect to publish an interim financial report.
Timing:	Not yet known: depends on future decision on date for moving to EU-adopted IFRS.

DETAIL

Background

1. IAS 34 addresses interim financial reporting, and is effective for accounting periods beginning on or after 1 January 1999.

Objective of IAS 34

2. The objective of IAS 34 is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial reports for an interim period.

Scope of IAS 34

3. The Standard does not mandate which entities should be required to publish interim financial reports, how frequently, or how soon after the end of an interim period.

4. The Standard applies if an entity is required or elects to publish an interim financial report in accordance with International Financial Reporting Standards.

Minimum components of an interim financial report

5. An interim financial report, must as a minimum, include the following components:

- Condensed Balance Sheet;
- Condensed income statement;
- Condensed statement showing either (i) all changes in equity or (ii) changes in equity other than those arising from capital transactions with owners and distributions to owners;
- Condensed cash flow statement; and
- Selected explanatory notes.

Form and content of interim financial statements

6. The Standard requires that if an entity publishes a complete set of financial statements in its interim financial report, the form and content of those statements must conform to the requirements of IAS 1 *Presentation of Financial Statements*.

7. If an entity publishes a set of condensed financial statements in its interim financial report, the condensed statements must include as a minimum, each of the headings and subtotals that were included in its most recent annual financial statements and the selected explanatory notes as required by IAS 34. Additional line items or notes should be included if their omission would make the condensed financial statements misleading.

Selected explanatory notes

8. It is unnecessary for the notes to the interim financial report to provide relatively insignificant updates to the information previously reported in the notes to the most recent annual report. At the interim date, an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the entity since the last annual reporting date is more useful.

9. The following minimum information shall be included in the notes to the interim financial statements on a financial year to date basis, if material and if not disclosed elsewhere in the interim financial report:

- A statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change;
- Explanatory comments about the seasonality or cyclicity of interim operations;
- The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence;
- The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year, or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period;
- Issuances, repurchases, and repayments of debt and equity securities;
- Dividends paid (aggregate or per share) separately for ordinary shares and other shares;
- Segment revenue and segment result for business segments or geographical segments, whichever is the entity's primary basis of segment reporting (disclosure of segment data is required in an entity's interim financial report only if IAS 14 *Segment Reporting* requires that entity to disclose segment data in its annual financial statements);
- Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;
- The effect of changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations. In the case of business combinations, the entity shall disclose the information required to be disclosed under paragraphs 66-73 of IFRS 3 *Business Combinations*; and
- Changes in contingent liabilities or contingent assets since the last annual balance sheet date.

Disclosure and presentation

10. If an entity's interim financial report is in compliance with IAS 34, then this needs to be disclosed in the report.

11. Interim reports are to include interim financial statements (condensed or complete) for periods as follows:

- Balance sheet as at the end of the current interim period and a comparative balance sheet as of the end of the immediately preceding financial year;
- Income statements for the current interim period and cumulatively for the current financial year to date, with comparative income statements for the comparable interim periods (current and year-to-date) of the immediately preceding financial year;
- Statement showing changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year; and
- Cash flow statement cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.

Recognition and measurement

12. An entity is required to apply the same accounting policies in its interim financial statements that are applied in its annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements.

Comparison with UK GAAP

13. AIM rules require listed companies to prepare interim financial reports for the first six months of each financial year. This mandatory rule is supplemented under UK GAAP by the ASB *Statement on interim reports* – a statement of voluntary best practice, which provides detailed guidance on the content and timing of interim reports.

14. There is currently no FReM requirement for public entities covered by the Manual to publish interim financial reports and the FReM is silent on this issue.

Impact of IAS 34 on Public Sector Accounts

15. It is unlikely that any reporting entity directly covered by the IFRS based FReM will require or elect to publish interim financial reports. However, any entities doing so will require to fully comply with the requirements of IAS 34.

Proposed text for the IFRS based Government Financial Reporting Manual

16. See Annex A for the proposed text for the IFRS based FReM.

Summary and recommendation

17. There is currently no FReM requirement for public entities covered by the Manual to publish interim financial reports, and the FReM is silent on this issue.

18. It is unlikely that any reporting entity directly covered by the IFRS based FReM will require or elect to publish interim financial reports. However, any entities doing so will require to fully comply with the requirements of IAS 34.

19. The FRAB is requested to approve the proposed text for the IFRS based FReM.

FRAB Secretary

12 February 2007

PROPOSED TEXT FOR THE IFRS BASED GOVERNMENT FINANCIAL REPORTING MANUAL

IAS 34 Interim Financial Reporting

Applicability

IAS 34 applies in full for those reporting entities that are required or elect to publish interim financial reports.

Objective of IAS 34

The objective of IAS 34 is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial reports for an interim period.