

IFRS... a.k.a. iGAAP



IFRS IMPACT TO CHAPTER 4

IFRS... INCOME STATEMENT

Just like USGAAP:

- Income statement is required;
- Segregate continuing from disc. Ops.

Not like USGAAP:

- Expenses categorized by function or nature
- NO such thing as an extraordinary item.

Consolidated income statement – by function of expense

1p81-83, 1p92, 1p36 1p104		Year ended		
		31 December		
		Note	2008	2007
Continuing operations				
1p81(a)	Revenue	5	211,034	112,360
1p92	Cost of sales		(77,366)	(46,682)
1p92	Gross profit		133,668	65,678
1p81(a), 92	Distribution costs		(52,140)	(21,213)
1p92	Administrative expenses		(28,778)	(10,426)
1p92	Other income	26	1,900	1,259
1p83	Other (losses)/gains – net	25	(90)	63
1p83	Loss on expropriated land	27	(1,117)	–
1p83	Operating profit¹		53,443	35,361
1p83	Finance income	30	1,730	1,609
1p81(b)	Finance costs	30	(8,173)	(12,197)
1p83	Finance costs – net	30	(6,443)	(10,588)
1p81(c)	Share of (loss)/profit of associates	8	(174)	145
1p92	Profit before income tax		46,826	24,918
1p81(d), 12p77	Income tax expense	31	(14,611)	(8,670)
1p81(f)	Profit for the year from continuing operations		32,215	16,248
IFRS5p33 (a)	Discontinued operations			
	Profit for the year from discontinued operations	16	100	120
1p81(f)	Profit for the year		32,315	16,368
1p82	Attributable to:			
1p82(b)	Equity holders of the company		29,767	15,512
1p82(a)	Minority interest		2,548	856
			32,315	16,368

Earnings per share for profit and profit from discontinued operations attributable to the equity holders of the company during the year (expressed in C per share)

Basic earnings per share				
33p66	From continuing operations	33	1.26	0.75
33p68	From discontinuing operations		0.01	0.01
			1.27	0.76
Diluted earnings per share²				
33p66	From continuing operations	33	1.15	0.71
33p68	From discontinuing operations		0.01	0.01
			1.16	0.72

IFRS: COMPREHENSIVE INCOME

- Items effect equity but not income (like our “other comprehensive income”).
 - Same as USGAAP, non income items:
 - Unrealized gain/ loss on Avail. For Sale securities.
 - Currency translation.
 - Others which are discussed in 136C
 - WHOPPER of a difference:
 - **Gain/ Loss from reporting land & buildings at fair value.**
 - Don't get too excited about how they present it (SRIE is what they call it, example follows) because they are reworking it to look more like ours!

IFRS EXAMPLE: SRIE... LIKE OUR COMPREH. INCOME

Consolidated statement of recognised income and expense

		Year ended 31 December	
	Note	2008	2007
1p96(b)	Items net of tax		
16p77(f)	Gains on revaluation of land and buildings	19	–
IFRS7p20			
(a)(ii)	Available-for-sale financial assets	19	362
IAS28p39	Share of available-for-sale financial asset reserve of associates	19	(12)
19p93A	Actuarial loss on post employment benefit obligations	23	–
12p80(d)	Impact of change in Euravian tax rate on deferred tax	22	(10)
1p96(b), IFRS7			
p23(c)	Cash flow hedges	19	64
1p96(b)	Net investment hedge	19	(45)
1p96(b)	Currency translation differences	19	2,244
IFRS3p59	Increase in fair values of proportionate holding of Your Shoes Group (note 38)	19	850
1p96(b)	Net income recognised directly in equity	3,453	194
1p96(a)	Profit for the year	32,315	16,368
1p96(c)	Total recognised income for the year	35,768	16,562
	Attributable to:		
1p96(c)	– Equity holders of the company	32,968	15,746
1p96(c)	– Minority interest	2,800	816
		35,768	16,562

IFRS IMPACT TO CHAPTER 5

Balance sheet

LIKE US GAAP:

- Classified (Current vs. non-current)

NOT LIKE USGAAP:

- Equity may be presented before liabilities.
- Long term may be presented before current.
- Use of the term “reserve” permitted.

Consolidated balance sheet

	Note	As at 31 December	
		2008	2007
1p68, 1p104, 1p36			
Assets			
1p51			
Non-current assets			
1p68(a) Property, plant and equipment	6	155,341	100,233
1p68(c) Intangible assets	7	26,272	20,700
1p68(e) Investments in associates	8	13,373	13,244
1p68(n), 1p70 Deferred income tax assets	22	3,520	3,321
1p68(d), IFRS7p8(d) Available-for-sale financial assets	10	17,420	14,910
1p68(d), IFRS7p8(a) Derivative financial instruments	11	395	245
1p68(h), IFRS7p8(c) Trade and other receivables	12	2,322	1,352
		218,643	154,005
1p51, 1p57			
Current assets			
1p68(g) Inventories	13	24,700	18,182
1p68(h), IFRS7p8(c) Trade and other receivables	12	19,765	18,330
1p68(d), IFRS7p8(d) Available-for-sale financial assets	10	1,950	–
1p68(d), IFRS7p8(a) Derivative financial instruments	11	1,069	951
1p68(d), IFRS7p8(a) Financial assets at fair value through profit or loss	14	11,820	7,972
1p68(i), IFRS7p8 Cash and cash equivalents	15	17,928	34,062
		77,232	79,497
IFRS5p38 Assets of disposal group classified as held-for-sale	16	3,333	–
		80,565	79,497
Total assets		299,208	233,502

	Note	As at 31 December	
		2008	2007
Equity			
Capital and reserves attributable to equity holders of the company			
1p68(p) 1p75(e)	17	25,300	21,000
1p75(e)	17	17,144	10,494
1p75(e)	19	15,549	7,005
1p75(e)	18	66,592	48,681
		124,585	87,180
1p68(o)		7,188	1,766
		Total equity	131,773
			88,946
Liabilities			
Non-current liabilities			
1p68(l), IFRS7p8(f)	21	115,121	96,346
1p68(l), IFRS7p8(e)	11	135	129
1p68(n), 1p70	22	12,370	9,053
1p68(k), 1p75(d)	23	4,635	2,233
1p68(k), 1p75(d)	24	1,320	274
		133,581	108,035
Current liabilities			
1p51, 1p60 1p68(j), IFRS7p8(f)	20	16,670	12,478
1p68(m)		2,566	2,771
1p68(l), IFRS7p8(f)	21	11,716	18,258
1p68(l), IFRS7p8(e)	11	460	618
1p68(k)	24	2,222	2,396
		33,634	36,521
IFRS5p38	16	220	–
		33,854	36,521
		Total liabilities	167,435
			144,556
		Total equity and liabilities	299,208
			233,502

STATEMENT OF CASH FLOWS

VERY, VERY SIMILAR.

NOTE: USGAAP shows net income and reconciles that to cash from operations, under IFRS this may be done in the footnotes.

Consolidated cash flow statement

7p10, 18(b), 1p36 1p104	Note	Year ended 31 December	
		2008	2007
Cash flows from operating activities			
	35	56,234	41,776
7p31		(7,835)	(14,773)
7p35		(14,317)	(10,526)
		34,082	16,477
Cash flows from investing activities			
7p39	38	(3,950)	–
7p16(a)	6	(9,755)	(6,042)
7p16(b)	35	6,354	2,979
7p16(a)	7	(3,050)	(700)
7p16(c)	10	(2,781)	(1,126)
7p16(e)	39	(1,000)	(50)
7p16(f)	39	14	64
7p31		1,254	1,193
7p31		1,180	1,120
		(11,734)	(2,562)
Cash flows from financing activities			
7p17(a)	17	950	1,070
7p17(b)	18	(2,564)	–
7p17(c)	21	50,000	–
7p17(c)	21	–	30,000
7p17(c)		8,500	18,000
7p17(d)		(78,117)	(34,674)
7p31		(10,102)	(15,736)
7p31		(1,950)	(1,950)
7p31		(1,920)	(550)
		(35,203)	(3,840)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(12,855)	10,075
Cash, cash equivalents and bank overdrafts at beginning of year		27,598	17,587
Exchange gains/(losses) on cash and bank overdrafts		535	(64)
Cash, cash equivalents and bank overdrafts at end of year		15,278	27,598

35 Cash generated from operations

	2008	2007
7p18(b), 20 Profit before income tax including discontinued operations	47,066	25,118
Adjustments for:		
– Depreciation (note 6)	17,754	9,662
– Amortisation (note 7)	800	565
– Goodwill impairment charge (note 7)	4,650	-
– (Profit)/loss on disposal of property, plant and equipment (see below)	(17)	8
– Share-based payment and increase in retirement benefit obligations	509	1,470
– Fair value gains on derivative financial instruments (note 25)	(86)	(88)
– Fair value (gains)/losses on financial assets at fair value through profit or loss (note 25)	(85)	238
– Dividend income on available-for-sale financial assets (note 26)	(1,100)	(883)
– Dividend income on financial assets at fair value through profit or loss (note 26)	(800)	(310)
– Finance costs – net (note 30)	6,443	10,588
– Share of loss/(profit) from associates (note 8)	174	(145)
– Foreign exchange losses/(gains) on operating activities (note 32)	(277)	(200)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	(6,077)	(966)
– Trade and other receivables	(1,339)	(2,966)
– Financial assets at fair value through profit or loss	(3,747)	(858)
– Trade and other payables	(7,634)	543
Cash generated from operations	56,234	41,776

CHAPTERS 8 & 9 IFRS to USGAAP

INVENTORY is accounted for substantially in the same fashion as we taught for USGAAP, except as follows:

- **LIFO is not allowed for IFRS;**
- Lower of Cost or Market is still applied, but differs:
 - No need to find three values...
“Market” for IFRS is Net Realizable Value.
 - Recovery of write-down is allowed;

CHAPTER 11 IFRS to USGAAP

Again, substantially the same, but where it differs, it is very different:

LIKE USGAAP:

- Capitalize all costs (including interest and overhead allocation)
- Exchanges of non-monetary assets that we just learned is based on recently revised GAAP.. Which was a "convergence" to IFRS.

NOT LIKE USGAAP:

- **Fixed assets at fair value!**
 - Unrealized gains & losses reported to equity without impacting net income (like our "O.C.I")
 - Therefore our rules re: undiscounted cash flows for determining if there is an impairment become moot.

NO SIGNIFICANT DIFFERENCES IFRS VS. USGAAP

Concepts covered in the following chapters are substantially the same for USGAAP and IFRS

6,7 & 10