

ZAMBIA ANNUAL BUSINESS CONFERENCE

IFRS 9 Financial Instruments

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Agenda

- IFRS 9 – Why the change
- IFRS 9 – Impact on adoption
- IFRS 9 – What changed?
- IFRS 9 – Classification & measurement
- IFRS 9 – Communicating the change
- IFRS 16 – Leases
- Other developments – IASB priorities

Financial instruments – Why the change

Classification and Measurement

- Classification-requires financial assets to be classified on the basis of the business model within which they are held and their contractual cash flow characteristics.

Impairment

- A much needed and strongly supported forward-looking 'expected loss' model
- The IASB's response to the global financial crisis

General Hedge Accounting

- An improved and widely welcomed model that better aligns accounting with risk management approach

Macro Hedge Accounting

July 2014

International Financial Reporting Standard*

IFRS 9 Financial Instruments



Separate project

Financial assets – Impact on adoption

South African JSE listed adopters



Banking
Dec 2018



Mining
Dec 2018



Telecoms
Dec 2018

↓ 20.37%

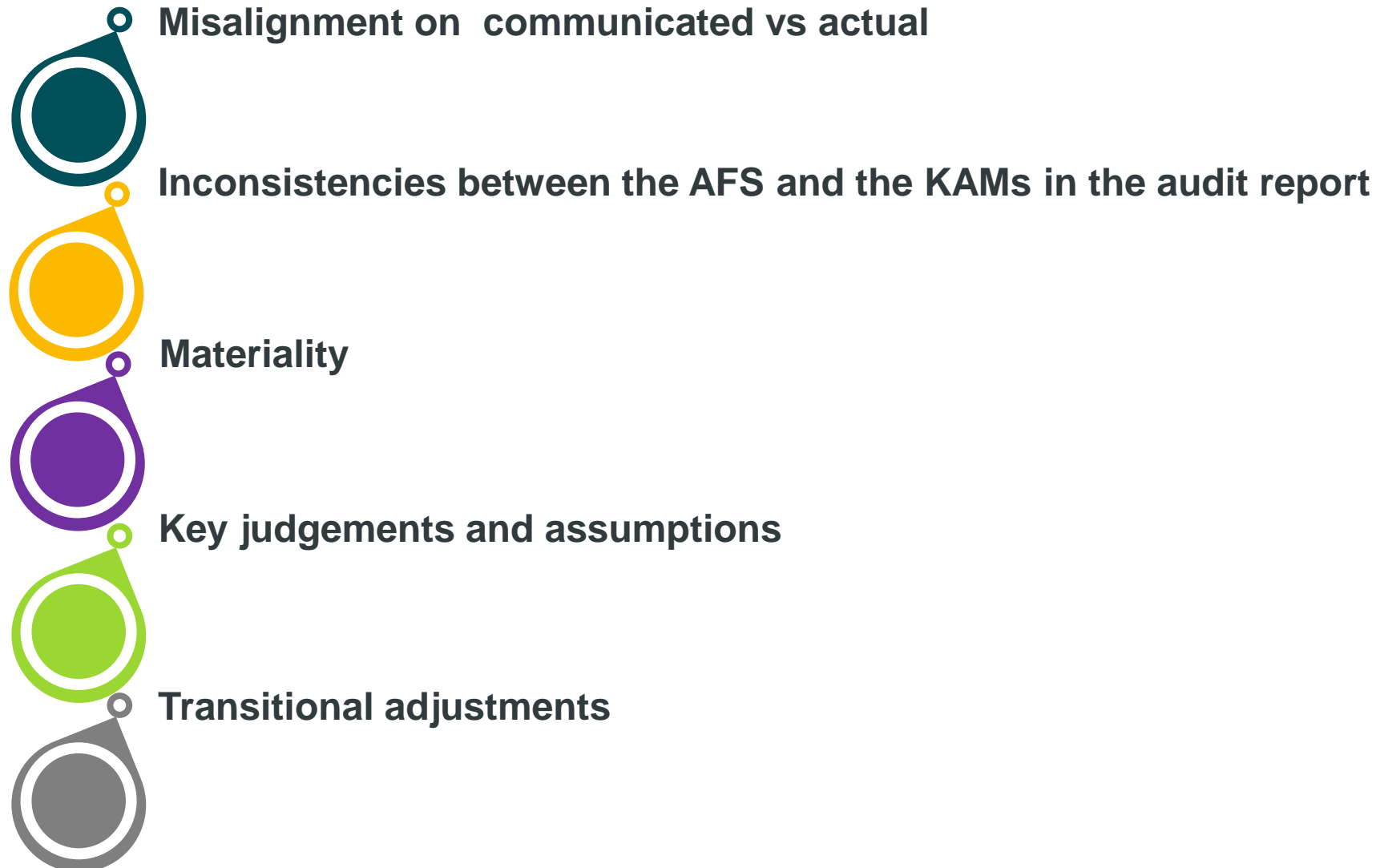
↓ 11.48%

Additional ECL adjusted against
opening retained earnings

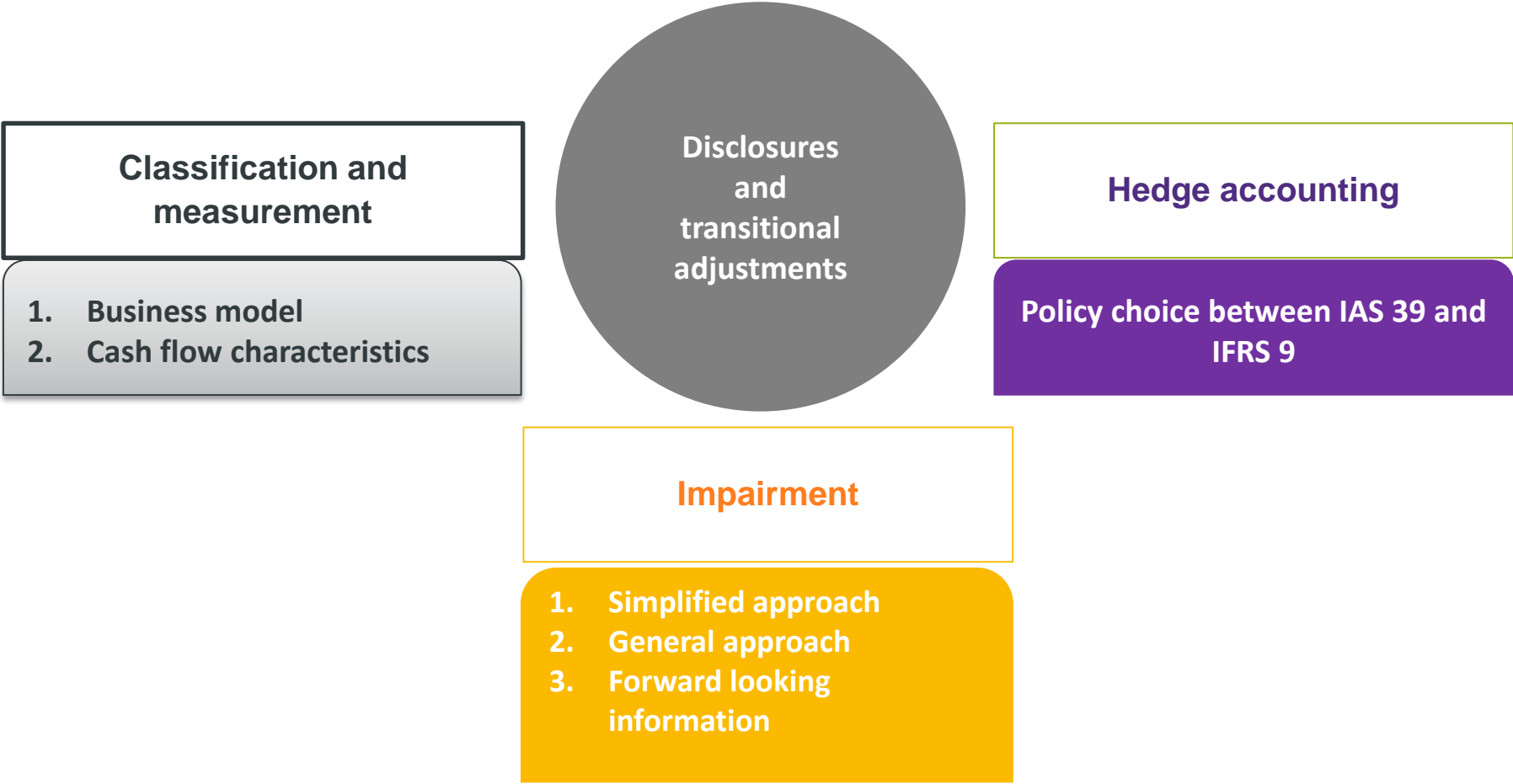
↓ 54.12%

All the three took the modified retrospective approach – adoption adjustments recognised in opening retained earnings. Most of the entities went with modifies retrospective approach. Possible dividend blocker due to reduced distributable reserves.

Thematic review of IFRS 9 implementation

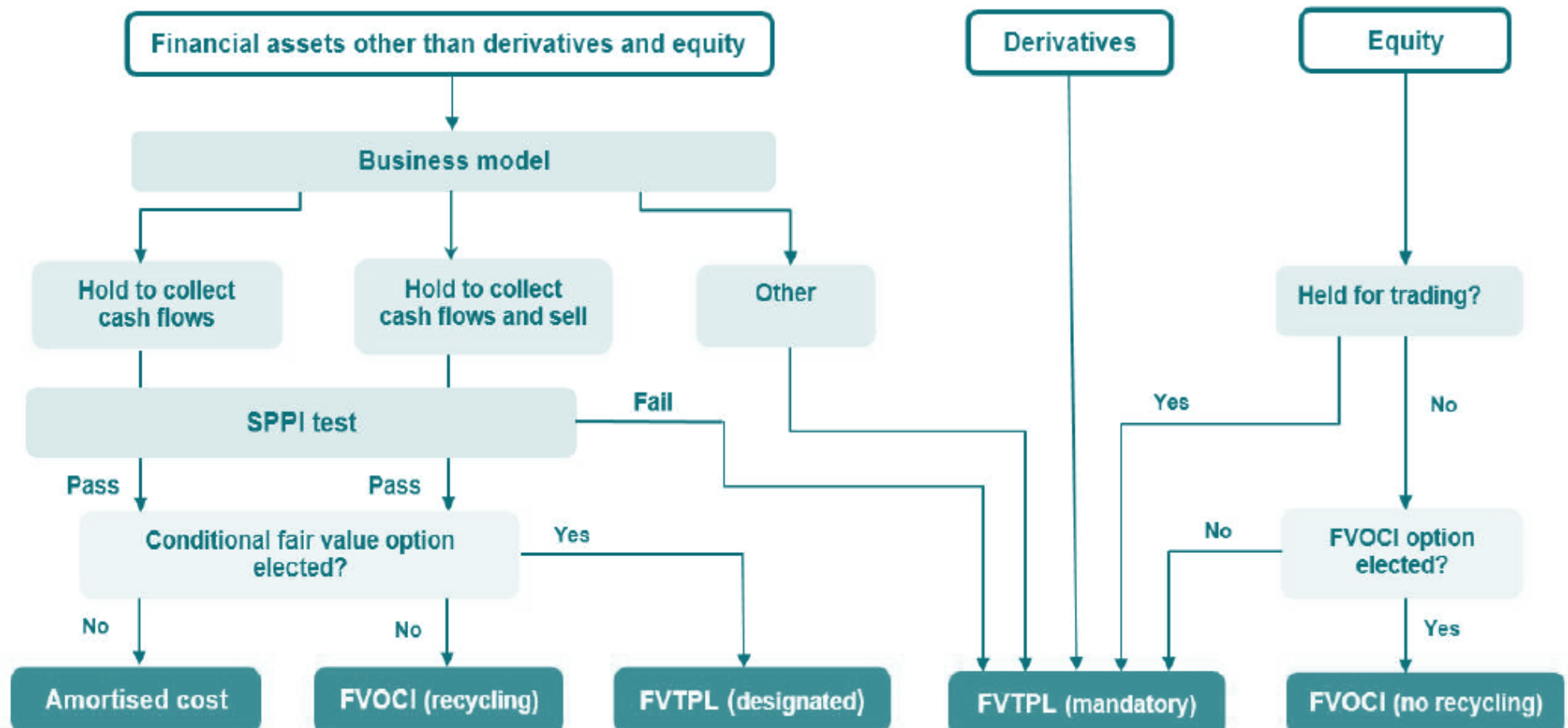


Financial instruments – What changed ?



Financial assets - classification & measurement

Classification & Measurement flowchart



Financial assets – communicating the change

Classification and measurement of financial assets

The following table and the accompanying notes below explain the original measurement categories under IAS 39 Financial instruments: Recognition and measurement (IAS39) and the new measurement categories under IFRS 9 for each class of the Group's financial assets at 1 April 2018.

Rm	Original classification IAS 39	New classification and measurement IFRS 9	Original carrying amount IAS 39	New carrying amount ¹ IFRS 9
Financial assets				
Unlisted equity investments	Available-for-sale	Fair value through profit or loss	83	83
Public debt and bonds	Loans & receivables	Amortised cost	637	637
Unit trust investments	Fair value through profit or loss	Fair value through profit or loss	328	328
Cash held in restricted deposits	Loans & receivables	Amortised cost	3 567	3 567
Loans receivable	Loans & receivables	Amortised cost	347	347
Trade and other receivables	Loans & receivables	Amortised cost	25 179	25 179
Finance receivables ²	Loans & receivables	Fair value through other comprehensive income	2 718	2 814
Total financial assets			32 859	32 955

Notes:

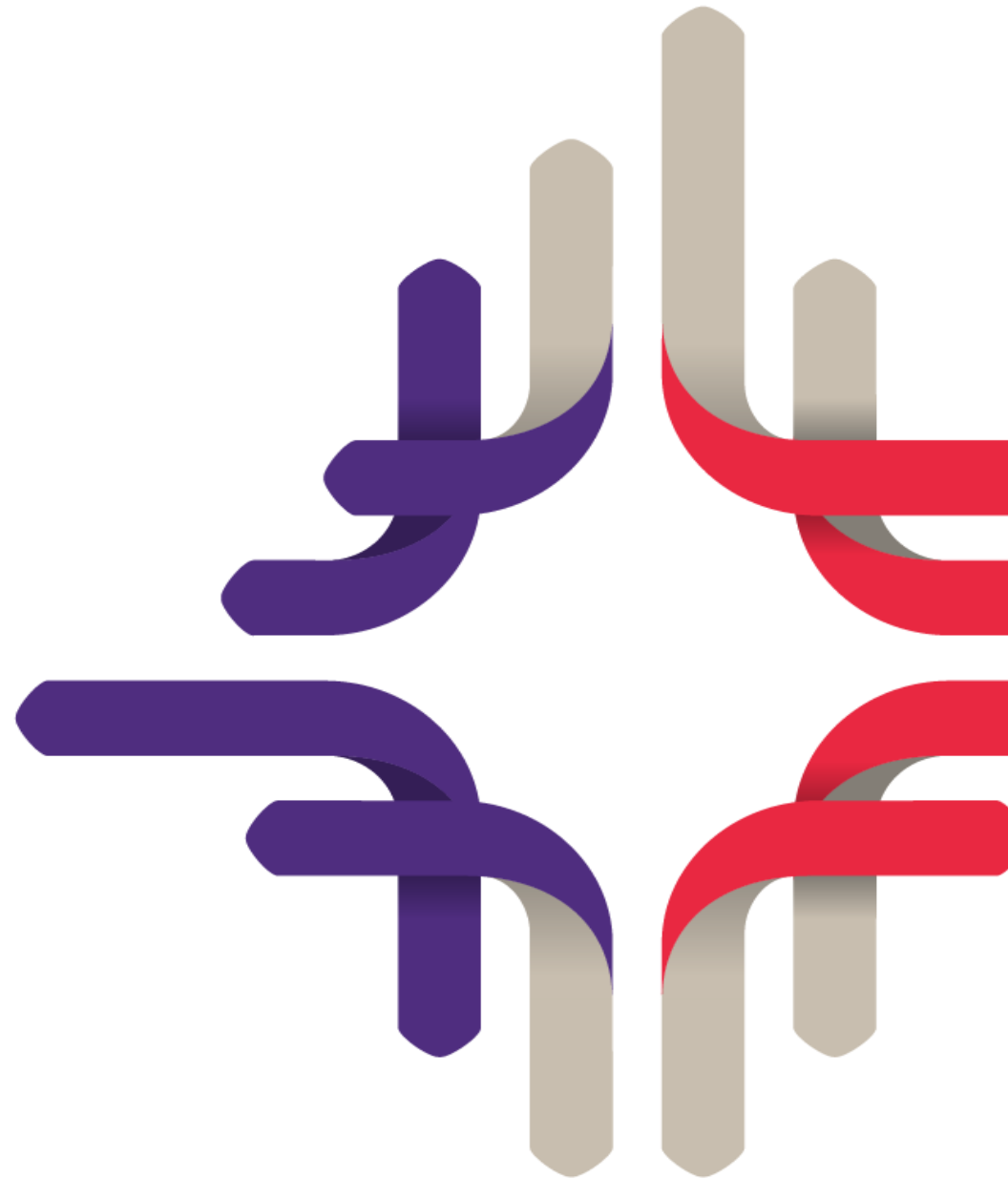
1. Before adjusting for the impact of applying the expected credit loss model.
2. The Group provides financing to customers to acquire devices at an additional contractual charge which is included in finance receivables. The business model under IFRS 9 for finance receivables has been determined to be "hold to collect and sell". As a result, the Group has reclassified finance receivables relating to device financing from loans and receivables to fair value through other comprehensive income. The full change in the carrying amount arises from a change in measurement attribute on transition to IFRS 9.

Impairment

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase. The Group has determined that the application of IFRS 9's impairment requirements, and the adoption of IFRS 15 at 1 April 2018 results in an additional impairment allowance as follows:

	Rm
Loss allowance 31 March 2018	826
Recognition of additional allowance on trade and other receivables at 31 March 2018	237
Additional loss allowance on device revenue contract assets recognised on adoption of IFRS 15	210
Loss allowance at 1 April 2018	1 273

Other developments



Other developments – IASB priorities

Better Communication in Financial Reporting

Materiality Practice Statement
Non-mandatory - apply to financial statements prepared after 14 Sept 2017

Primary Financial Statements

Disclosure Initiative

