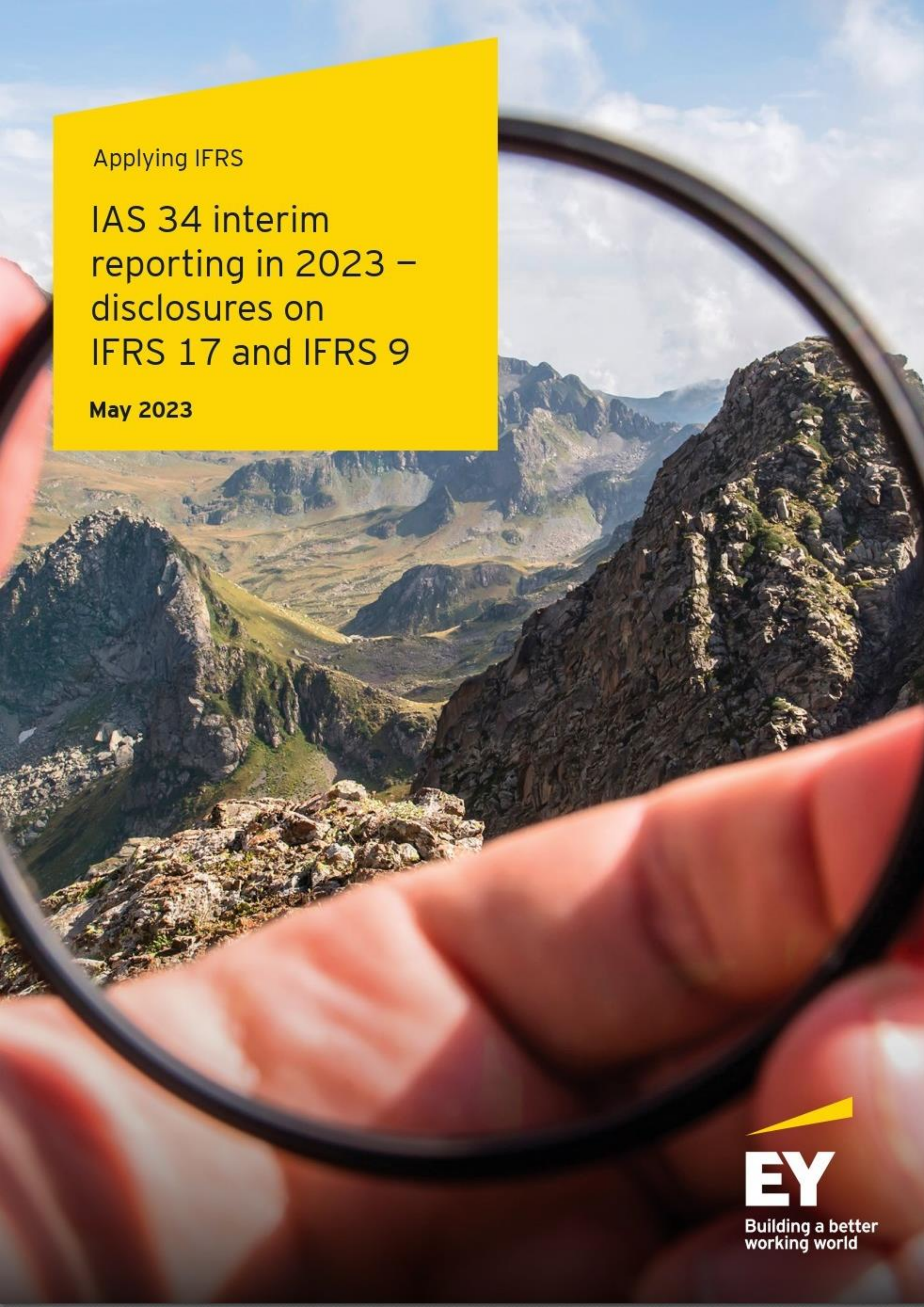
Applying IFRS

IAS 34 interim reporting in 2023 – disclosures on IFRS 17 and IFRS 9

May 2023



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Contents

What you need to know[1]

- Insurers publishing interim financial statements in accordance with IAS 34 *Interim Financial Reporting* will prepare their first financial statements in compliance with IFRS 17 *Insurance Contracts* and, for many of them, IFRS 9 *Financial Instruments* during 2023.
- Entities will need to apply judgement in determining the appropriate disclosures included in their interim financial statements on the basis of the general guidance included in IAS 34. In assessing relevant disclosures, entities need to consider the disclosure requirements of IFRS 17 and IFRS 7 *Financial instruments: disclosures* (the disclosure requirements of financial instruments accounted for under IFRS 9 are included in IFRS 7).
- In determining the appropriate transition disclosures to be made in interim financial statements in 2023, entities should also consider the relevant requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, and the transitional disclosure requirements of IFRS 17 and IFRS 7.

[1] This publication assumes that insurers are first applying IFRS 17 and IFRS 9 in the same period on 1 January 2023, as most insurers are likely to do so.

Overview

IFRS 17's effective date of 1 January 2023 has already passed, and most insurers have also applied IFRS 9 for the first time at that date. Insurance entities must consider what to disclose in the first financial statements in which IFRS 17 and IFRS 9 are applied, which for entities that prepare interim reports will be required either in the first quarter of 2023 or in the first half-year in 2023, depending on their reporting cycle. In addition, entities preparing more than one set of interim financial statements for 2023 will need to consider what to disclose in their subsequent interim reports prepared in accordance with IFRS 17 and IFRS 9.[2]

Regulators and investors will be keen to understand the financial impacts following the application of the new accounting standards. Given the scale of the changes introduced by IFRS 17 and IFRS 9, disclosures provided by entities will be key to ensure transparency in the annual and interim periods of first-time application of the new standards.

1. Relevant requirements in IAS 34

Entities that are required, or choose to, publish interim financial statements in accordance with IAS 34 will prepare interim financial statements applying IFRS 17 and IFRS 9 for the first time in 2023.

An entity may choose to include a complete or a condensed set of financial statements in an interim financial report. The recognition and measurement guidance in IAS 34, together with the disclosures required by IAS 34, apply to both complete and condensed financial statements presented for an interim period. This means that a complete set of financial statements, prepared for an interim period, would include all of the disclosures required by IAS 34 as well as those required by other IFRSs.

This publication focuses on the disclosure to include in a condensed set of interim financial statements.[3]

IAS 34 has not been amended following the release of IFRS 17 and. thus, there are no specific disclosure requirements applicable to insurance contracts in IAS 34. As such, the general IAS 34 requirements apply, as follows:

- The interim financial report must include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Information disclosed in relation to those events and transactions should update the relevant information presented in the most recent annual financial report[4] (paragraphs 15B and 15C provide illustrations of such events and transactions).
- The interim financial report is intended to provide an update on the latest complete set of annual financial statements, so it focuses on new activities, events, and circumstances.[5]

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[2] For IFRS 17 and IFRS 9 illustrative disclosure in annual financial statements please refer to our publications, Good Life Insurance (International) Limited and Good General Insurance (International) Limited.

[3] For illustrative disclosures in interim condensed financial statements of a listed manufacturing company please refer to Good Group: Interim Financial Statements.

[4] IAS 34.15.

[5] IAS 34.6.

- Users of an entity's interim financial report will have access to the most recent annual financial report of that entity, so it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report.[6]
- The entity must provide a statement that the same accounting policies and methods of computation are applied 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.[7]
- The entity must also disclose 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.[8]
- For financial instruments, the entity must provide certain disclosures about fair value required by IFRS 7[9] and IFRS 13 *Fair Value measurement*.

Paragraph 16A includes other disclosure aspects that are less relevant for the purpose of this publication, and are, therefore, not commented on in the following analysis.

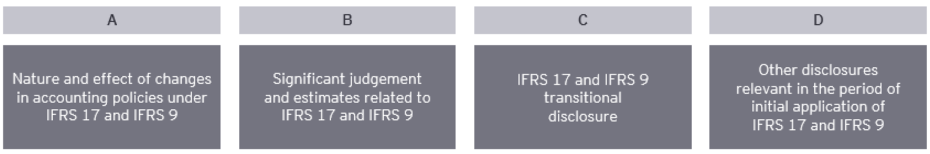
2. Applying the IAS 34 requirements

Entities need to adopt a structured approach when assessing what disclosures to make in the interim periods in the first year of applying IFRS 17 and IFRS 9. In the following sections, we highlight some of the relevant considerations that must be made when the interim financial statements are prepared according to the condensed format in IAS 34.

The disclosure requirements of IAS 34 related to accounting policy changes are generic, and, as mentioned above, the standard does not include any specific requirements applicable to insurance contracts. Entities will have to apply significant judgement when determining the appropriate disclosures. The discussion below is non-exhaustive and may suggest some disclosures not relevant to all entities. Entities must also consider their own circumstances when determining the appropriate disclosures.

2.1. Disclosures in the first interim financial statements after adoption of IFRS 17 and IFRS 9

When determining the relevant disclosures in first interim financial statements after adopting IFRS 17 and IFRS 9, entities should consider the following:



6 IAS 34.15A.
7 IAS 34.16A(a).
8 IAS 34.16A(d).
9 IAS 34.16A(j).

A) Nature and effect of changes in accounting policies under IFRS 17 and IFRS 9

IAS 34 requires an entity to include "a description of the nature and effect of changes in accounting policies"[10]. When determining how to best meet the requirement to disclose the 'nature and effect' in interim financial statements, the more specific requirements applicable to annual financial statements (e.g., IAS 8.28) may be considered in the assessment of how to best disclose the nature and effect of the new standards in the interim financial statements.

Some examples of disclosure items on the nature and effect of the accounting policies that entities should consider in determining the nature and extent of disclosures necessary to allow users to understand the impact of the initial application of IFRS 17 and IFRS 9 may include:

Nature of change in accounting policies - IFRS 17	► Accounting policy adopted in relation to: level of aggregation; separations of components; initial recognition date; onerous contracts test; and contract boundary definition applied to insurance and reinsurance contracts ► Description of the models applied for measuring insurance and reinsurance contracts at initial recognition and subsequently ► Accounting policies related to the application of the Premium Allocation Approach (PAA): criteria satisfied for its adoption, elections for insurance acquisition cash-flows and discounting ► Criteria for the adoption of the Variable Fee Approach (VFA) ► Accounting policy as to whether to accrete interest on insurance acquisition cash-flows and rate used for such accretion ► Approach used to recognise and measure the loss component and the loss-recovery component ► Application of risk mitigation option for eligible contracts applying the VFA (Variable Fee Approach) ► Accounting policy election regarding the presentation of changes in the risk adjustment for non-financial risk (i.e., insurance service expenses or disaggregation between insurance service expenses and insurance finance income or expenses) ► Accounting policy election for the presentation of insurance finance income or expense (i.e., whether disaggregated or not between P&L and OCI) ► Accounting policy election as to whether to change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements and in the annual reporting period

[10] IAS 34.16A(a).

	► Net or gross presentation of reinsurance held in profit or loss ► Approach used in determining how to adopt the exemption under EU-IFRS from applying the annual cohort requirement to mutualised business (EU reporters only)
Nature of change in accounting policies - IFRS 9	► The IFRS 9 measurement categories used, and the methodology applied in performing the Business Model and the Solely Payment of Principle and Interest (SPPI) tests ► The election to present in non-recyclable OCI subsequent changes in fair value of an investment in equity instruments ► Changes in applying the fair value option for financial assets and financial liabilities and qualitative background for designation or de-designation (distinguishing situations where an accounting mismatch continues to exist or not) ► Description of newly established hedging relationships when adopting IFRS 9 hedge accounting (if applicable)
Effect of changes in accounting policies for IFRS 17 and IFRS 9	► The impact of the initial application of IFRS 17 and IFRS 9 on shareholder equity as at 1 January 2022 and 1 January 2023. Movements between OCI reserves and the other elements of equity balance should be clearly highlighted ► The amount of the IFRS 17 Contractual Service Margin (CSM) and of the IFRS 9 Expected Credit Loss (ECL) allowance as at 1 January 2022 and 1 January 2023 (refer also to the reconciliation disclosures required by IFRS 17 and IFRS 7 included in section C below) ► The amount of total comprehensive income (disaggregated into profit or loss and OCI as applicable) for the year 2022 applying IFRS 17 and IFRS 9 (if comparatives are restated) and how it compares to the one presented under IFRS 4 and IAS 39 in the previous year For specific IFRS 17 and IFRS 7 transitional disclosure refer to section C below.

B) Significant judgments and estimates related to IFRS 17 and IFRS 9

IFRS 17 and IFRS 9 require extensive judgements and estimates in several areas of the measurement of insurance contracts and financial assets. These requirements are not explicitly referred to in IAS 34, but when determining how to best meet the IAS 34 requirements in interim financial statements[11], the IFRS 17 and IFRS 7 requirements applicable to annual financial statements need to be considered by entities in their assessment of how to disclose the effects of significant judgements and estimates in the interim financial statements.

Some examples of disclosure items that entities should consider in determining the nature and extent of disclosures necessary to allow users to understand the

[11] IAS 34.16A.

effects of significant judgements and estimates related to the initial application of IFRS 17 and IFRS 9 include:

IFRS 17	► The level at which the entity disaggregates the information for the purpose of the disclosure requirements ► The assumptions used to measure insurance and reinsurance contracts and the process for estimating those assumptions ► The method applied to determine discount rates and the yield curve used ► The approach used to determine the risk adjustment for non-financial risk and the confidence level used ► The judgement applied in the amortisation of the Contractual Service Margin (CSM), including the identification of the coverage units ► The judgement applied to allocate insurance acquisition cash flows to groups of insurance contracts
IFRS 7	► Description of the methodology used for measuring financial instruments at initial recognition and subsequently ► Inputs, assumptions and estimation techniques used for the ECL calculation. ► The assessment of a significant increase in credit risk, including the use of practical expedients such as the low risk simplification and rebuttable presumptions for a significant increase in credit risk and credit-impaired assessment.

C) IFRS 17 and IFRS 7 transitional disclosures

For annual financial statements, specific disclosure of the transitional provisions is required by IFRS 17 and IFRS 7. These requirements are not explicitly referred to in IAS 34. However, when determining how to best meet the IAS 34 requirements in interim financial statements[12], the IFRS 17 and IFRS 7 requirements applicable to annual financial statements need to be considered by entities in their assessment of how to disclose the impacts of the adoption of the new accounting standards on the financial statements.

Entities are required to apply IFRS 17 retrospectively as if it had always been applied (i.e., a fully retrospective application) [13]. If this approach is impracticable, then IFRS 17 provides two alternative approaches (i.e., a modified retrospective approach and a fair value approach). Selecting the transition method requires judgement by the entity and could have a significant impact on the way the entity recognises its future profit. Therefore, disclosure of the application of the transition methods and the related judgements will be key to users.

[12] IAS 34.16A.
[13] IFRS 17.C3.

Transition disclosures that entities should consider in accordance with IFRS 17 are, as follows:

IFRS 17	► An overview of which transition method (i.e., full retrospective, modified retrospective and fair value approach) has been applied to the groups of insurance and reinsurance contracts at transition. The judgements made in assessing the transition method applied, the simplifications made in applying the modified retrospective approach and the methodology used in determining the fair value amount applying the fair value approach[14] ► A reconciliation from the opening balance (at the beginning of the period 1 January 2023) to the closing balance (at the reporting date) of the CSM and the amount of insurance revenue separately disclosed for each of the transition approaches, showing separately groups of contracts applying the modified retrospective approach, groups of contracts applying the fair value approach and all other contracts[15] ► A reconciliation from the opening balance (at the beginning of the period 1 January 2023) to the closing balance (at the reporting date) of the cumulative amounts included in other comprehensive income for financial assets measured at fair value through other comprehensive income related to the groups of insurance contracts for groups of contract to which the entity set the amounts in OCI to nil at the transition date[16] ► Qualitative information explaining the extent to which the classification overlay for financial assets presented in comparative periods on initial application of IFRS 17 has been applied and whether and to what extent the impairment requirements of IFRS 9 have been applied under the classification overlay[17]

IFRS 9 requires an entity to apply IFRS 9 retrospectively as if it had always been applied.[18] However, IFRS 7 includes certain specific transition provisions designed to make the initial application of IFRS 9 easier and also requires certain transition disclosures to show the effects of adopting IFRS 9.[19]

IFRS 9 permits, but does not require, the restatement of comparative information if, and only if, it is possible without the use of hindsight and the restated financial statements reflect all of the requirements of IFRS 9.[20] Also, even if comparative periods are restated, IFRS 9 cannot be applied to items already derecognised at the date of initial application (i.e., 1 January 2023 if IFRS 9 is first applied in a calendar year ending 31 December 2023). However, IFRS 17 includes transition guidance relating to comparative information presented on initial application of IFRS 17 and IFRS 9 that permits entities to

[14] IFRS 17.115.
[15] IFRS 17.114.
[16] IFRS 17.116.
[17] IFRS 17.C28E.
[18] IFRS 9.7.2.1.
[19] IFRS 7.42I-42S.
[20] IFRS 9.7.2.15.

apply a classification overlay to financial assets for which comparative figures have not been adjusted applying IFRS 9 in the comparative period.[21]

Some examples of transition disclosures that entities should consider in accordance with IFRS 7 include, as follows:

IFRS 7	▶ Whether comparatives have been restated for IFRS 9 and/or whether the classification overlay for financial assets presented in comparative periods has been applied
	▶ Regarding classification and measurement, a reconciliation table between IAS 39 and IFRS 9 measurement categories at the date of initial application (1January 2023).[22] Such a reconciliation would show:
	  ▶ Changes in applying the fair value option for financial assets and financial liabilities[23]
	  ▶ Changes in the carrying amount arising from a change in measurement category[24]
	▶ For financial assets and liabilities that were reclassified from FVTPL to amortised cost or FVOCI, the entity may consider disclosing the fair value at the end of the reporting period, and the fair value gain or loss that would have been recorded if the reclassification had not occurred.[25] This would usefully be supplemented with a description of the main instruments reclassified as well as the reasons for their reclassification (non-SPPI characteristics or business model test)
	▶ A reconciliation between ending impairment allowances of IAS 39 (and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* for guarantees and loan commitments) and the opening loan loss allowances determined in accordance with IFRS 9 at the date of initial application (1 January 2023).[26] This disclosure can be provided by the related financial assets' measurement categories in accordance with IAS 39 and IFRS 9. In this context, it is very helpful to highlight separately the impact of reclassifications between measurement categories
	▶ Whether the entity has been able to use reasonable and supportable information to determine the credit risk at initial recognition of financial assets on transition or whether it had to rely on the transitional provisions (recognising a loss allowance at an amount equal to lifetime expected credit losses until the assets are derecognised unless they are low credit risk at the reporting date)
	▶ For IFRS 7 illustrative transition disclosures in annual financial statements please refer to Good Bank (International) Limited (December 2018).

[21] IFRS 17.C28A-C28E.
[22] IFRS 7.42i (a-b).
[23] IFRS 7.42 i (c).
[24] IFRS 7.42I.
[25] IFRS 7.42M.
[26] IFRS 7.42 P-Q.

D) Other disclosures relevant in the period of initial application of IFRS 17 and IFRS 9

IFRS 17 and IFRS 7 include a number of disclosures that provide useful information that enables users to understand the amounts recognised in the financial statements, the significant judgements made and the nature and extent of risks. IAS 34 is based on the principle that users of an entity's interim financial report will have access to the most recent annual financial report of that entity. Therefore, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report.

However, IFRS 17 and IFRS 7 will introduce a number of disclosures in 2023 that are new. Also, in some cases the disclosures required by IFRS 17 and IFRS 7 will be of a similar nature to the disclosures included in the 2022 annual financial statements (e.g., risk sensitivity analysis disclosure, maturity analyses and claims developments), but the two new standards may significantly affect the amounts reported in those disclosures under IFRS 17 and IFRS 9 due to the change in accounting policies applied and estimates made since the end of the last annual reporting period.

Given the anticipated impact of these changes, an entity should consider which disclosures to include to provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period.[27] In determining the nature and extent of disclosures necessary in the interim financial statements to allow users to understand the impact of the application of IFRS 17 and IFRS 9, disclosures that entities are expected to consider as part of their assessment include, for example:

- The IFRS 17 reconciliation tables by types of liability (or asset) and by components for insurance contracts issued and reinsurance contracts held
- When to expect to recognise the CSM remaining at the end of the reporting period in profit or loss
- The IFRS 9 reconciliation table of the ECL allowances by stages

How We See It

- IAS 34 does not provide specific guidance on what needs to be disclosed in interim financial statements in relation to IFRS 17 and IFRS 9. Therefore, entities are expected to use significant judgement in determining the amount of disclosure to be included in their first interim financial statements prepared in accordance with IFRS 17 and IFRS 9. The extent of the disclosure would also be aligned to the extent of the impacts that the new accounting standards have on the entity's financial statements on initial application. Given that, in many cases, the impact of these two new standards will be (very) significant to an entity, an extensive set of related disclosures should be expected for the first interim financial statements in 2023.
- In order to comply with the requirements of IAS 34, entities need to disclose their new accounting policies and the significant judgements applied with the introduction of IFRS 17 and IFRS 9.

[27] IAS 34.15.

- IFRS 7 requires disclosures regarding the transition to IFRS 9 as at the date of initial application of the standard (i.e., 1 January 2023). Entities that decide to restate IFRS 9 comparatives may decide to provide the user with additional information based on these IFRS 7 disclosures about the transition to IFRS 9 as at 1 January 2022 on a voluntary basis, in conjunction with the required disclosures on effects of the transition to IFRS 17 on that date.
- In preparing their disclosures, entities also need to consider specific requirements issued by local regulators. Some jurisdictions might require a specific set of disclosures to be included in interim reports. Entities must monitor local developments in order to ensure they comply with these requirements.
- Entities could consider disclosing information with a different granularity in interim reports as compared to the granularity and detail applied in annual financial statements. For example, when preparing the IFRS 17 reconciliation tables, entities could consider presenting them in a more condensed way by merging different lines. However, entities may also want to ensure consistency between interim and annual reports in the way information is presented, such as using the same disaggregation of insurance and reinsurance contracts in order to facilitate comparability.

2.2. Disclosures in subsequent interim financial statements

Entities might prepare more than one set of interim financial statements during the year of adoption of a new standard. In that case, they need to apply judgement in order to assess which disclosures related to IFRS 17 and IFRS 9 included in their first interim financial statements need to be updated on the basis of significant events and transactions that occurred since the end of the last annual reporting period in order to comply with the requirements of IAS 34.

If the information presented in the previous annual period is affected by significant events and transactions, then the entities must provide information consistent with that which was disclosed in the first interim financial statements, updated for the new information about events and transactions available during the subsequent interim period.[28]

In some cases, the additional disclosures in a subsequent interim period only relate to the subsequent interim period as IAS 34.16A allows for cross referencing to other documents available on the same terms. In case that entities are planning to reduce the disclosure to be included in subsequent interim reports, it is important to check what the views of local regulators are in respect of cross-referencing information in financial statements. For a cross-reference to be acceptable, the information given 'elsewhere in the interim financial report' needs to both satisfy the disclosure requirements in IFRS and be available on the same terms as the interim financial statements, i.e., users must have access to the referenced material (for example, the management commentary or a risk report) on the same basis and at the same time they access the interim financial statements from which the reference is made. The cross-reference must identify the specific part that includes the required disclosure to allow the reader to easily navigate within the interim financial report.

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[28] IAS 34.15

In any event, if an entity becomes aware of new information about the transitional impact of the new standards as at the date of initial application in a subsequent interim period, the previously reported disclosures will have to be updated in that later interim period to reflect the new information.

Furthermore, entities need to be aware that local regulators may have additional requirements regarding transition disclosure in subsequent interim financial statements in the year of adoption.

How We See It

- Entities need to evaluate whether additional disclosure is required in case that, during the quarter, they experience new events and transactions that are significant to an understanding of the changes in financial position and performance since the end of the last annual reporting period. Therefore, they need to carefully assess which IFRS 17 and IFRS 9 disclosures need to be updated. For example, IFRS 17 reconciliation tables by type of insurance liabilities (or assets) and type of cash flow and IFRS 9 reconciliation table of the ECL allowance would likely be subject to updates if new information becomes available during the subsequent interim period. Other disclosures such as the insurance and financial risk sensitivity analysis and when to expect the CSM to be recognised in profit or loss may not necessarily require updating, provided that there have been no significant changes compared to the previous quarter.

- Entities must consider the views of local regulators when planning not to repeat in the current interim financial statements, any disclosures already included in previous interim reports or other documents. That is because there are different views among regulators as to whether the nature and effect of changes including transition disclosures must be repeated in full in each set of interim financial statements issued during the year or whether cross-referencing earlier interim financial statements or other documents outside the current interim report is acceptable.

2.3. Comparative information in interim financial statements

The components of interim financial statements must include the primary financial statements presented for the current interim period with comparative information as required by IAS 34. [29]

For entities presenting condensed financial statements under IAS 34, there is no explicit requirement for comparative information to be presented in the explanatory notes. Where an explanatory note is required by the standard or otherwise determined to be needed to provide useful information about the changes in the financial position and performance of the entity since the end of the last annual reporting period, entities must consider whether to provide explanatory notes for each period presented.

Given the amount of changes introduced by IFRS 17 and IFRS 9 compared to what has been recognised, measured and disclosed in the previous annual report, entities must apply judgement in determining which level of comparative information for explanatory note disclosures is necessary to provide the user of the financial statements with information on trends and changes affecting the

[29] IAS 34.20-22

entity over the period. Disclosures that entities may consider as part of their assessment are, for example, comparative information for the IFRS 17 reconciliation tables by type of liability (or asset) and by components for insurance contracts issued and reinsurance contracts held and the IFRS 9 reconciliation table of the ECL allowances by stages. The question arises as to what comparative period should be used for presenting the IFRS 17 reconciliation tables in an IAS 34 interim report.

How We See It

- Presenting reconciliation tables for both the comparative interim period (e.g., 1 January 2022 – 30 June 2022) and the full annual comparative period (1 January 2022 – 31 December 2022) would both include information that may be relevant to understanding an entity's financial position and performance during the interim period. The same would be true for reconciliation tables covering the full comparative period (2022) separately showing both the comparative interim period presented (e.g., 1 January 2022 to 30 June 2022) and the remainder of the comparative annual period (e.g., 1 July 2022 to 31 December 2022).
- However, also considering the lack of specific guidance in IAS 34 on comparative information in the note disclosures, other alternatives may also provide a valid basis for providing users with information on trends and changes affecting the entity over the period for a condensed set of interim financial statements.
- It is important that entities consider what financial statement element(s) the comparative figures relate to and what information they consider most useful to users of the interim financial statements in this context:
  - When including the comparative interim period (e.g., 1 January 2022 – 30 June 2022), the insurer would focus its comparative information in the reconciliation tables on how the carrying amounts have changed in relation to the performance over the comparative half-yearly period as reflected in the comparative half-year income statement;
  - When including the full annual comparative period (1 January 2022 – 31 December 2022), the insurer would focus its comparative information in the reconciliation tables on how the changes in the carrying amounts over the full annual comparative period relate to the exposure from the financial position of insurance assets and liabilities in the comparative balance sheet date (31 December 2022).

3. Location of disclosures related to the IFRS 17 and IFRS 9 transition for interim financial reporting

As mentioned earlier, in the first financial statements issued in 2023, entities are required to publish transition disclosures related to the adoption of IFRS 17 and IFRS 9. These disclosures are key to enable the users of the financial statements to understand how the entity transitioned from the previous accounting standards to the new accounting standards and explain the impact of the new standards on initial application.

There are different approaches that entities can consider in deciding how to include their transition information. These are:

- **In the interim financial statements in the relevant individual sections of the notes.** Each disclosure is included in the section to which it relates (i.e., new accounting policies section, significant judgement applied section, etc.)
- **In the interim financial statements in a single section of the notes** (i.e., transition disclosure section)
- **In a separate transition document outside the interim financial statements** (i.e., report on transition to IFRS 17 and IFRS 9). For this to be acceptable, it needs to both satisfy the disclosure requirements in IFRS and be available on the same terms as the interim financial statements, i.e., users must have access to the referenced material on the same basis and at the same time they access the interim financial statements from which the reference is made.

These approaches have advantages and disadvantages in terms of preparation and presentation of the transitional information in respect of IFRS 17 and IFRS 9 for users of the financial statements. Therefore, entities should carefully consider which approach they will apply in preparing their 2023 interim financial statements.

How We See It

- When an entity applies new accounting standards for the first time, investors and other stakeholders are keen to understand the changes and the impact that the adoption of new IFRSs have on the entity financial statements. As such, the transition disclosure is very important to them.
- Entities may consider the possibility of publishing the transition disclosure in a separate transition document issued either together or before the publication of their first 2023 interim financial statements. This approach was used by certain banks in 2018 when they first applied IFRS 9 to help the reader of the financial statements to understand the transition to the new accounting standards. Entities that consider including as much disclosure as possible in their transition document in order to then avoid repeating the same disclosure in interim financial statements, must consider the views of local regulators when planning not to repeat, in the current interim financial statements, any disclosures already included in previous interim reports or other documents.
- Any possibility of cross-referencing information as permitted under IAS 34.16A, is not applicable in annual financial statements. Therefore, entities must include the full set of (transition) disclosures required by IAS 8, IFRS 17 and IFRS 7 in their 2023 annual financial statements.

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