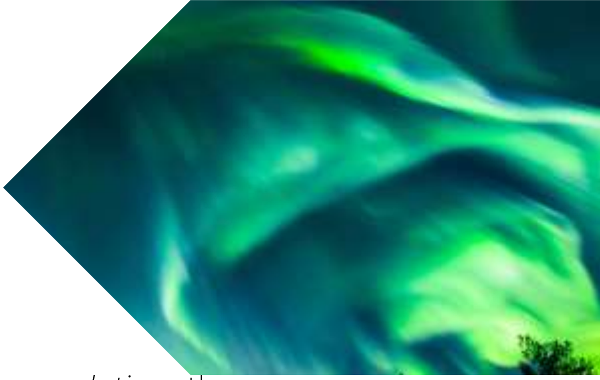

APRIL 2025

IFRS IN BRIEF

IAS 19 *Employee Benefits*

SCOPE

IAS 19 applies to all employee benefits except those in scope of IFRS 2 *Share-based Payments.*

Employee benefits are all forms of consideration given in exchange for the service or termination of employment.

Employee benefits are classified as one of four different categories:

- Short-term benefits
- Post-employment benefits
- Other long-term benefits
- Termination benefits

SHORT-TERM BENEFITS

Short-term benefits are those benefits that will be wholly settled before twelve months after the end of the annual reporting period in which the employee renders the related service. It can include:

- Wages and salaries
- Paid annual leave and sick leave
- Short-term bonuses
- Non-monetary benefits

Short-term benefits shall be recognised as an expense at an un-discounted amounts in the period where the employee provides the related service.

The treatment of compensated absences such as annual leave and sick leave depends on the nature of the leave

- *Accumulating*, - where the employee will be paid out for unused leave, the expense is recognised as the employee provides the service that entitles them to that leave
- *Non-accumulating* –the expense is recognised as the leave is provided

Profit sharing and bonus plans shall be recognised as a liability only when:

- The entity has a legal or constructive obligation to pay; and
- The amount can be reasonably estimated.

POST-EMPLOYMENT BENEFITS

Post-employment benefits are retirement benefits and other post employment benefits that employees are entitled to after they cease working for the employer. Post-employment benefits are classified as either

- Defined contribution plans
- Defined benefit plans

Where an employer participates in a multi-employer plan, it treats it as a defined contribution or defined benefit plan based on the terms of the underlying plan. However when sufficient information is not available to use defined benefit accounting for a multi-employer plan it is accounted for as a defined contribution plan.

DEFINED CONTRIBUTION PLANS

Under a defined contribution plan an entity's obligations are limited to the amount that it agrees to contribute to the fund.

An expense and liability are recognised as the employee renders the services that entitles them to that contribution.

DEFINED BENEFIT PLANS

Defined benefit plans are post-employment plan that are not a defined contribution plan. Generally, under a defined benefit plan an entity's obligation is to provide a fixed future benefit based on service provided to date.

Accounting for defined benefit plans is based on actuarial assumptions of amount that the entity will need to payout in the future discounted to a present value.

The net defined benefit liability(asset) is recognised by:

- Estimating the future benefit payable for service provided to date using the expected unit credit method
- Discount the benefit to current value
- Deduct the value of any plan assets.

The amount calculated above is adjusted to reflect any effect of limiting a net defined benefit asset to an asset ceiling, being the total of unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The amounts in the income statement are presented as:

- Service costs
- Net interest costs
- Remeasurements (recognised in other comprehensive income)

OTHER LONG-TERM BENEFITS

Other long-term benefits are all other benefits that are not wholly settled before twelve months after the end of the annual reporting period in which the employ renders the related service. It can include:

- Long term paid absence
- Jubilee benefits
- Long-term disability benefits
- Profit sharing plans
- Deferred remuneration

The accounting principles are similar to that for a defined benefit post employment plan, except a single item is recognised in profit or loss.

TERMINATION BENEFITS

Termination benefits are obligations that arise from the entity's decision to terminate an employee's employment, rather than because of the employee's service.

Termination benefits are recognised as an expense at the earlier of when:

- The entity can no longer withdraw the offer of those benefits; or
- The entity recognises a restructuring provision in accordance with IAS 37 which involves the payment of termination benefits.

Termination benefits are recognised in accordance with the nature of the benefit

- If it will be wholly settled within twelve months after the end of the reporting period - recognised as a liability at an un-discounted amounts in the period where the decision is taken
- Otherwise – - recognised as a liability in the period where the decision is taken consistent with the requirements for other long-term benefits.

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