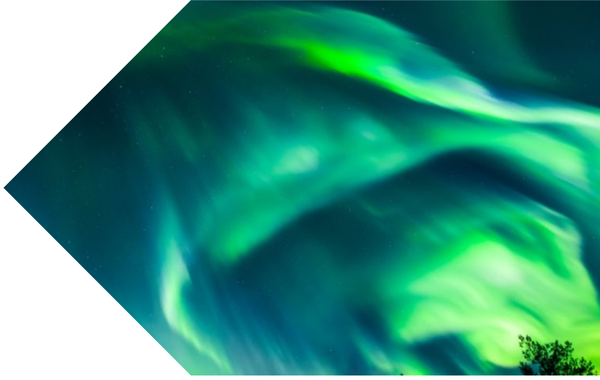
APRIL 2025



IFRS IN BRIEF

IFRS 7 Financial Instruments: Disclosures

SCOPE

IFRS 7 outlines the disclosure requirements associated with financial instruments, which is typically all instruments in the scope of IFRS 9 *Financial Instruments*.

The credit risk disclosures also apply to contract assets determined under IFRS 15 *Revenue from Contracts with Customers*, but to which the impairment requirements of IFRS 9 apply

Disclosures required by IFRS 7 should be made by class of financial instruments, which is reconcilable to the line items presented in the statement of financial position.

SIGNIFICANCE OF FINANCIAL INSTRUMENTS TO THE STATEMENT OF FINANCIAL POSITION

Disclosures are required of the following to assist users in understanding the impact of financial instruments on the statement of financial position

- Total carrying amount of financial instrument by each category of financial instrument as determined under IFRS 9
- Details of investments in equity instruments that have been classified as fair value through other comprehensive income including the rationale for the classification
- Details of any reclassification of financial assets that has occurred during the period
- Details of any financial assets and liabilities that are subject to offsetting agreements, and the effects of (potential) netting on the financial position
- The detail of any financial assets that have been pledged as collateral for financial liabilities or contingent liabilities.
- Details of any collateral that the entity holds in relation to its financial assets
- Details of any compound financial instruments that contain both an equity component and multiple interdependent embedded derivatives
- Details of any loans payable that are in default at the end of the period or were in default at any stage during the period, including any remediation that has occurred.
- Loss allowance amounts for financial assets classified as fair value through comprehensive income.

SIGNIDICANCE OF FINACIAL INSTRUMENTS TO THE STATEMENT OF COMPREHENSIVE INCOME

Disclosures are required of specific amounts relating to financial instruments, either on the face of the income statement or in the notes. These disclosures include:

- Net gain or loss on financial instruments, by instrument type
- Total interest income and expense determined using effective interest rate
- Fee income and expenses

HEDGE ACCOUNTING

Detailed qualitative and quantitative disclosures to help users of financial statements understand:

- Risk management strategy and how it is implemented

- How hedging activities impact the timing and uncertainty of cash flows
- The impacts hedging has had on the statement of financial position, statement of comprehensive income and statement of changes in equity, including hedge ineffectiveness.

These disclosures necessarily include details of any cash flow hedges, fair value hedges or hedges of net investments that the entity has.

FAIR VALUE

The fair value of all financial instruments is required and in a way that it can be compared to its carrying amount unless the carrying amount is a reasonable approximation of the fair value.

NATURE AND EXTENT OF RISKS ARISING FROM FINANICAL INSTRUMENTS

Disclosures should be provided about the risks that arise from financial instruments that the entity holds and how those risks are managed. The required disclosures are both:

- *Quantitative*
  Exposure to the risks at the end of the reporting period and the concentration of that risk.
- *Qualitative*
  Explaining how the risks arise and how the entity manages the risks.

Specific disclosures are required bout three key types of risks:

CREDIT RISK

The risk that one part to a financial instrument will cause a financial loss for another party by failing to discharge an obligation. Disclosures required include:

- Credit risk management practices
- Maximum exposures to credit risk
- Collateral held and other enhancements
- Information about financial assets that are past due or impaired

LIQUIDITIY RISK

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities when they arise.

A maturity analysis of all undiscounted contractual cash payments is required, along with a discussion on how the entity manages its liquidity risk.

MARKET RISK

The risk that the fair value or future cash flows of a financial instrument will vary because of changes in market prices. Specifically it arise from:

- Currency risk
- Interest rate risk
- Other price risk

For each of these risks entities must disclose their exposure at year-end and a sensitivity analysis of the impact of a reasonably possible change in each of these factors on both profit and loss and equity.

TRANSFERRED FINANCIAL ASSETS

Where entities have transferred financial assets that have not been entirely derecognised, IFRS 7 requires disclosures to enable users to understand

- The nature of and the risks associated with the entity's continuing involvement in the derecognised assets
- The relationship between the assets retained on the statement of financial position and any associated liabilities that are not entirely derecognised.

INTEREST RATE REFORMS

Entities should disclose information to ensure users understand the effect of interest rate reform on the their financial instruments and risk management strategy including:

- The nature and extent of risk of exposure to financial instruments subject to interest rate reform
- The progress in completing the transition to alternate benchmarks.

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