Financial statements presentation

1.1. Overall principles

Overall principles of financial statements presentation required by IFRS for SMEs are **fair presentation, compliance with the IFRS for SMEs, going concern, frequency of reporting, consistency of presentation, comparative information, materiality and aggregation, complete set of financial statements, identification of the financial statements.** In particular:

Fair presentation – financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses. The additional disclosures are necessary when compliance with the specific requirements of IFRS for SMEs is insufficient to enable users to understand the effect of particular transactions, other events and conditions on the entity's financial position and financial performance.

Compliance with the IFRS for SMEs – an entity whose financial statements comply with the IFRS for SMEs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with the IFRS for SMEs unless they comply with all the requirements of this IFRS. In the extremely rare circumstances when management concludes that compliance with this IFRS would be so misleading that it would conflict with the objective of financial statements of SMEs, the entity shall depart from that requirement unless the relevant regulatory framework prohibits such a departure. When an entity departs from a requirement of IFRS for SMEs, it shall indicate the nature of the departure, including the treatment that the IFRS for SMEs would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements and the treatment adopted. When an entity has departed from a requirement of IFRS for SMEs in a prior period, and that departure affects the amounts recognized in the financial statements for the current period, it shall make corresponding disclosures.

Going concern – when preparing financial statements, the management of an entity using IFRS for SMEs shall make an assessment of the entity's ability to continue as a going concern. An entity is a going concern unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the reporting date. When management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties.

Frequency of reporting – an entity shall present a complete set of financial statements at least annually. When the end of an entity's reporting period changes and the annual financial statements are presented for a period longer or shorter than one year, the entity shall disclose that fact, the reason for using a longer or shorter period, and the fact that comparative amounts presented in the financial statements (including the related notes) are not entirely comparable.

Consistency of presentation – an entity shall retain the presentation and classification of items in the financial statements from one period to the next unless it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies, estimates and errors. When the presentation or classification of items in the financial statements is changed, an entity shall reclassify comparative amounts unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose the nature of the reclassification, the amount of each item or class of items that is reclassified, and the reason for the reclassification. If it is impracticable to reclassify comparative amounts, an entity shall disclose why reclassification was not practicable.

Comparative information – an entity shall disclose comparative information in respect of the previous comparable period for all amounts presented in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

Materiality and aggregation – an entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial. Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users made on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.

Complete set of financial statements – a complete set of financial statements of an entity shall include **a statement of financial position as at the reporting date** (prepared as: (i) either **a single statement of comprehensive income for the reporting period** displaying all items of income and expense recognized during the period and items of other comprehensive income; or (ii) **a separate income statement and a separate statement of comprehensive income**), **a statement of changes in equity for the reporting period, a statement of cash flows for the reporting period, notes**, comprising a summary of significant accounting policies and other explanatory information.

If the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy, the entity may present a single statement of income and retained earnings in place of the statement of comprehensive income and statement of changes in equity.

If an entity has no items of other comprehensive income in any of the periods for which financial statements are presented, it may present only an income statement, or it may present a statement of comprehensive income in which the 'bottom line' is labeled 'profit or loss'.

IFRS for SMEs requires presentation of comparative amounts in respect of the previous period for all amounts presented in the financial statements.

An entity may use titles for the financial statements other than those used in this IFRS as long as they are not misleading.

Identification of the financial statements – an entity shall clearly identify each of the financial statements and the notes and distinguish them from other information in the same document. In addition, an entity shall display the name of the reporting entity and any change in its name since the end of the preceding reporting period, whether the financial statements cover the individual entity or a group of entities, the date of the end of the reporting period and the period covered by the financial statements, the presentation currency, the level of rounding, if any, used in presenting amounts in the financial statements. Additionally, in notes an entity shall disclose the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office), a description of the nature of the entity's operations and its principal activities.

1.2. Statement of Financial position

As a minimum, the statement of financial position shall include line items that present the following amounts:

(a) cash and cash equivalents.

(b) trade and other receivables.

(c) financial assets (excluding amounts shown under (a), (b), (j) and (k))

(d) inventories.

(e) property, plant and equipment.

(f) investment property carried at fair value through profit or loss.

(g) intangible assets.

(h) biological assets carried at cost less accumulated depreciation and impairment.

(i) biological assets carried at fair value through profit or loss.

(j) investments in associates.

(k) investments in jointly controlled entities.

(l) trade and other payables.

(m) financial liabilities (excluding amounts shown under (l) and (p)).

(n) liabilities and assets for current tax.

(o) deferred tax liabilities and deferred tax assets (these shall always be classified as non-current).

(p) provisions.

(q) non-controlling interest, presented within equity separately from the equity attributable to the owners of the parent.

(r) equity attributable to the owners of the parent.

An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, all assets and liabilities shall be presented in order of approximate liquidity (ascending or descending).

An entity shall classify **an asset as current** when:

(a) it expects to realize the asset, or intends to sell or consume it, in the entity's normal operating cycle;

(b) it holds the asset primarily for the purpose of trading;

(c) it expects to realize the asset within twelve months after the reporting date; or

(d) the asset is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

An entity shall classify **all other assets as non-current**. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

An entity shall classify a **liability as current** when:

(a) it expects to settle the liability in the entity's normal operating cycle;

(b) it holds the liability primarily for the purpose of trading;

(c) the liability is due to be settled within twelve months after the reporting date; or

(d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date.

An entity shall classify all **other liabilities as non-current**.

An entity shall disclose, either in the statement of financial position or in the notes, the following subclassifications of the line items presented:

(a) property, plant and equipment in classifications appropriate to the entity.

(b) trade and other receivables showing separately amounts due from related parties, amounts due from other parties, and receivables arising from accrued income not yet billed.

(c) inventories, showing separately amounts of inventories:

(i) held for sale in the ordinary course of business.

(ii) in the process of production for such sale.

(iii) in the form of materials or supplies to be consumed in the production process or in the rendering of services.

(d) trade and other payables, showing separately amounts payable to trade suppliers, payable to related parties, deferred income and accruals.

(e) provisions for employee benefits and other provisions.

(f) classes of equity, such as paid-in capital, share premium, retained earnings and items of income and expense that, as required by this IFRS, are recognized in other comprehensive income and presented separately in equity.

An entity with share capital shall disclose the following, either in the statement of financial position or in the notes:

(a) for each class of share capital:

(i) the number of shares authorized.

(ii) the number of shares issued and fully paid, and issued but not fully paid.

(iii) par value per share, or that the shares have no par value.

(iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period.

(v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital.

(vi) shares in the entity held by the entity or by its subsidiaries or associates.

(vii) shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts.

(b) a description of each reserve within equity.

If, at the reporting date, an entity has a binding sale agreement for a major disposal of assets, or a group of assets and liabilities, the entity shall disclose the following information:

(a) a description of the asset(s) or the group of assets and liabilities.

(b) a description of the facts and circumstances of the sale or plan.

(c) the carrying amount of the assets or, if the disposal involves a group of assets and liabilities, the carrying amounts of those assets and liabilities.

1.3. Statement of Comprehensive Income and Income Statement

An entity shall present its total comprehensive income for a period either:

(a) **in a single statement of comprehensive income**, in which case the statement of comprehensive income presents all items of income and expense recognized in the period, or

(b) in two statements – **an income statement and a statement of comprehensive income** – in which case the income statement presents all items of income and expense recognized in the period except those that are recognized in total comprehensive income outside of profit or loss as permitted or required by this IFRS.

A change from the single-statement approach to the two-statement approach, or vice versa, is a change in accounting policy.

Under **the single-statement approach**, the statement of comprehensive income shall include all items of income and expense recognized in a period. IFRS for SMEs provides different treatment for the following circumstances:

(a) The effects of corrections of errors and changes in accounting policies are presented as retrospective adjustments of prior periods rather than as part of profit or loss in the period in which they arise .

(b) Three types of other comprehensive income are recognized as part of total comprehensive income, outside of profit or loss, when they arise:

(i) some gains and losses arising on translating the financial statements of a foreign operation (see Section 30 Foreign Currency Translation).

(ii) some actuarial gains and losses (see Section 28 Employee Benefits).

(iii) some changes in fair values of hedging instruments (see Section 12 Other Financial Instruments Issues).

As a minimum, an entity shall include in the statement of comprehensive income line items that present the following amounts for the period:

(a) revenue

(b) finance costs

(c) share of the profit or loss of investments in associates and jointly controlled entities accounted by the equity method

(d) tax expense excluding tax allocated to items (e), (g) and (h)

(e) a single amount comprising the total of

(i) **the post-tax profit or loss of a discontinued operation**, and

(ii) **the post-tax gain or loss** recognized on the measurement to fair value **less costs to sell or on the disposal of the net assets constituting the discontinued operation.**

(f) profit or loss (if an entity has no items of other comprehensive income, this line need not be presented)

(g) each item of other comprehensive income

(h) share of the other comprehensive income of associates and jointly controlled entities accounted by the equity method

(i) total comprehensive income (if an entity has no items of other comprehensive income, it may use another term for this line such as profit or loss).

An entity shall disclose separately the following items in the statement of comprehensive income as allocations for the period:

(a) profit or loss for the period attributable to

(i) non-controlling interest.

(ii) owners of the parent.

(b) total comprehensive income for the period attributable to

(i) non-controlling interest.

(ii) owners of the parent.

Under **the two-statement approach**, the income statement shall display, as a minimum, line items that present the amounts in above mentioned paragraph (a) - (f) for the period, with profit or loss as the last line. The statement of comprehensive income shall begin with profit or loss as its first line and shall display, as a minimum, line items that present the amounts in above mentioned paragraph (g) - (i), and profit or loss for the period as well as total comprehensive income for the period, which are attributable to non-controlling interest and owners of the parent.

Regardless to chosen approach – either single-statement or two-statement approach – IFRS for SMEs requires:

(a) to present the effects of corrections of errors and changes in accounting policies as retrospective adjustments of prior periods rather than as part of profit or loss in the period in which they arise.

(b) to present additional line items, headings and subtotals in the statement of comprehensive income (and in the income statement, if presented), when such presentation is relevant to an understanding of the entity's financial performance.

(c) not to present or describe any items of income and expense as 'extraordinary items' in the statement of comprehensive income (or in the income statement, if presented) or in the notes.

(d) to present an analysis of expenses using a classification based on either the nature of expenses or the function of expenses within the entity, whichever provides information that is reliable and more relevant.

(i) by nature of expense - expenses are aggregated in the statement of comprehensive income according to their nature (eg. depreciation, purchases of materials, transport costs, employee benefits and advertising costs), and are not reallocated among various functions within the entity.

(ii) by function of expense – expenses are aggregated according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses.

1.4. Statement of Change in Equity and Statement of Income and Retained Earnings

The statement of changes in equity presents an entity's profit or loss for a reporting period, items of income and expense recognized in other comprehensive income for the period, the effects of changes in accounting policies and corrections of errors recognized in the period, and the amounts of investments by, and dividends and other distributions to, equity investors during the period.

An entity shall present a statement of changes in equity showing in the statement:

(a) **total comprehensive income for the period**, showing separately the total amounts attributable to owners of the parent and to non-controlling interests.

(b) for each component of equity – the effects of retrospective application or retrospective restatement recognized.

(c) for each component of equity – a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

(i) profit or loss.

(ii) each item of other comprehensive income.

(iii) the amounts of investments by, and dividends and other distributions to, owners, showing separately issues of shares, treasury share transactions, dividends and other distributions to owners, and changes in ownership interests in subsidiaries that do not result in a loss of control.

The statement of income and retained earnings presents an entity's profit or loss and changes in retained earnings for a reporting period. IFRS for SMEs permits an entity to present a statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity if the only changes to its equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy.

An entity shall present, in the statement of income and retained earnings, the following items in addition to the information required by statement of comprehensive income and income statement:

(a) retained earnings at the beginning of the reporting period.

(b) dividends declared and paid or payable during the period.

(c) restatements of retained earnings for corrections of prior period errors.

(d) restatements of retained earnings for changes in accounting policy.

(e) retained earnings at the end of the reporting period.

1.5. Statement of Cash Flow

Cash equivalents are short-term, highly liquid investments held to meet short-term cash commitments rather than for investment or other purposes. Therefore, an investment normally qualifies as a cash equivalent only when it has a **short maturity** of, say, **three months or less** from the date of acquisition. **Bank overdrafts** are normally considered financing activities similar to borrowings. However, **if they are repayable on demand and form an integral part of an entity's cash management, bank overdrafts are a component of cash and cash equivalents.**

An entity shall present a statement of cash flows that presents cash flows for a reporting period classified by **operating activities, investing activities and financing activities**.

Operating activities are the **principal revenue-producing activities of the entity**. Therefore, cash flows from operating activities generally result from the transactions and other events and conditions that enter into the determination of profit or loss. Examples of cash flows from operating activities are:

(a) cash receipts from the sale of goods and the rendering of services.

(b) cash receipts from royalties, fees, commissions and other revenue.

(c) cash payments to suppliers for goods and services.

(d) cash payments to and on behalf of employees.

(e) cash payments or refunds of income tax, unless they can be specifically identified with financing and investing activities.

(f) cash receipts and payments from investments, loans and other contracts held for dealing or trading purposes, which are similar to inventory acquired specifically for resale.

Investing activities are the **acquisition and disposal of long-term assets and other investments not included in cash equivalents.** Examples of cash flows arising from investing activities are:

(a) cash payments to acquire property, plant and equipment (including self-constructed property, plant and equipment), intangible assets and other long-term assets.

(b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets.

(c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments classified as cash equivalents or held for dealing or trading).

(d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments classified as cash equivalents or held for dealing or trading).

(e) cash advances and loans made to other parties.

(f) cash receipts from the repayment of advances and loans made to other parties.

(g) cash payments for futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing or trading, or the payments are classified as financing activities.

(h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing or trading, or the receipts are classified as financing activities.

Financing activities are activities that **result in changes in the size and composition of the contributed equity and borrowings of an entity.** Examples of cash flows arising from financing activities are:

(a) cash proceeds from issuing shares or other equity instruments.

(b) cash payments to owners to acquire or redeem the entity’s shares.

(c) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings.

(d) cash repayments of amounts borrowed. cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

An entity shall present cash flows from operating activities using either:

(a) the indirect method, whereby the net cash flow from operating activities is determined by adjusting profit or loss for the effects of:

(i) changes during the period in inventories and operating receivables and payables;

(ii) non-cash items such as depreciation, provisions, deferred tax, accrued income (expenses) not yet received (paid) in cash, unrealized foreign currency gains and losses, undistributed profits of associates, and non-controlling interests; and

(iii) all other items for which the cash effects relate to investing or financing.

or

(b) the direct method, whereby net cash flow from operating activities is presented by disclosing information about major classes of gross cash receipts and gross cash payments. Such information may be obtained either:

(i) from the accounting records of the entity; or

(ii) by adjusting sales, cost of sales and other items in the statement of comprehensive income (or the income statement, if presented) for:

(i.1) changes during the period in inventories and operating receivables and payables;

(i.2) other non-cash items; and

(i.3) other items for which the cash effects are investing or financing cash flows.

An entity shall present separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities. The aggregate cash flows arising from acquisitions and from disposals of subsidiaries or other business units shall be presented separately and classified as investing activities.

An entity shall record cash flows arising from transactions in a foreign currency in the entity's functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow. The entity shall translate cash flows of a foreign subsidiary at the exchange rates between the entity's functional currency and the foreign currency at the dates of the cash flows.

Unrealized gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, to reconcile cash and cash equivalents at the beginning and the end of the period, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency must be presented in the statement of cash flows. Therefore, the entity shall remeasure cash and cash equivalents held during the reporting period (such as amounts of foreign currency held and foreign currency bank accounts) at period-end exchange rates. The entity shall present the resulting unrealized gain or loss separately from cash flows from operating, investing and financing activities.

An entity shall present separately cash flows from interest and dividends received and paid. The entity shall classify cash flows consistently from period to period as operating, investing or financing activities:

> (a) interest paid and interest and dividends received as operating cash flows because they are included in profit or loss; or interest paid and interest and dividends received as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.
>
> (b) dividends paid as a financing cash flow because they are a cost of obtaining financial resources; or dividends paid as a component of cash flows from operating activities because they are paid out of operating cash flows.

An entity shall present separately cash flows arising from income tax and shall classify them as cash flows from operating activities unless they can be specifically identified with financing and investing activities. When tax cash flows are allocated over more than one class of activity, the entity shall disclose the total amount of taxes paid.

Many investing and financing activities do not have a direct impact on current cash flows even though they affect the capital and asset structure of an entity. **An entity shall exclude from the statement of cash flows investing and financing transactions that do not require the use of cash or cash equivalents**. An entity shall disclose such transactions elsewhere in the financial statements in a way that provides all the relevant information about those investing and financing activities. Examples of non-cash transactions are:

> (a) the acquisition of assets either by assuming directly related liabilities or by means of a finance lease.
>
> (b) the acquisition of an entity by means of an equity issue.
>
> (c) the conversion of debt to equity.

An entity shall present the components of cash and cash equivalents and shall present a reconciliation of the amounts presented in the statement of cash flows to the equivalent items presented in the statement of financial position. However, an entity is not required to present this reconciliation if the amount of cash and cash equivalents presented in the statement of cash flows is identical to the amount similarly described in the statement of financial position.

An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity. Cash and cash equivalents held by an entity may not be available for use by the entity because of, among other reasons, foreign exchange controls or legal restrictions.

1.6. Notes to Financial Statements

The notes shall:

(a) present information about the basis of preparation of the financial statements and the specific accounting policies used;

(b) disclose the information required by IFRS for SMEs that is not presented elsewhere in the financial statements; and

(c) provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.

An entity shall, as far as practicable, present the notes in a systematic manner. An entity shall cross-reference each item in the financial statements to any related information in the notes.

An entity normally presents the notes in the following order:

(a) a statement that the financial statements have been prepared in compliance with IFRS for SMEs;

(b) a summary of significant accounting policies applied, which comprises disclosure of:

- (i) the measurement basis (or bases) used in preparing the financial statements.
- (ii) the other accounting policies used that are relevant to an understanding of the financial statements.

(c) supporting information for items presented in the financial statements, in the sequence in which each statement and each line item is presented.

An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of their nature and their carrying amount as at the end of the reporting period.

Consolidated and Separate Financial Statements

A parent entity shall present consolidated financial statements in which it consolidates its investments in subsidiaries in accordance with IFRS for SMEs. **Consolidated financial statements shall include all subsidiaries of the parent.**

A parent **need not present consolidated financial statements if:**

(a) both of the following conditions are met:

(i) the parent is itself a subsidiary, and

(ii) its ultimate parent (or any intermediate parent) produces consolidated general purpose financial statements that comply with full IFRSs or with IFRS for SMEs; or

(b) it has no subsidiaries other than one that was acquired with the intention of selling or disposing of it within one year. A parent shall account for such a subsidiary:

(i) at fair value with changes in fair value recognized in profit or loss, if the fair value of the shares can be measured reliably, or

(ii) otherwise at cost less impairment.

A subsidiary is an entity that is controlled by the parent. **Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities**. If an entity has created a special purpose entity (SPE) to accomplish a narrow and well-defined objective (e.g. to effect a lease, undertake research and development activities or securitize financial assets), the entity shall consolidate the SPE when the substance of the relationship indicates that the SPE is controlled by that entity.

Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. That presumption may be overcome in exceptional circumstances if it can be clearly demonstrated that such ownership does not constitute control. **Control also exists when the parent owns half or less of the voting power of an entity but it has:**

(a) power over more than half of the voting rights by virtue of an agreement with other investors;

(b) power to govern the financial and operating policies of the entity under a statute or an agreement;

(c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or

(d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

Control can also be achieved by having options or convertible instruments that are currently exercisable or by having an agent with the ability to direct the activities for the benefit of the controlling entity.

A subsidiary is not excluded from consolidation because:

(a) the investor is a venture capital organization or similar entity.

(b) its business activities are dissimilar to those of the other entities within the consolidation. Relevant information is provided by consolidating such subsidiaries and disclosing additional information in the consolidated financial statements about the different business activities of subsidiaries.

(c) it operates in a jurisdiction that imposes restrictions on transferring cash or other assets out of the jurisdiction.

An entity may be created to accomplish a narrow objective (e.g. to effect a lease, undertake research and development activities or securitize financial assets) – it is a special purpose entity (SPE). A parent entity shall prepare consolidated financial statements that include that parent entity and any SPEs that are controlled by that parent entity.

The consolidated financial statements present financial information about the group as a single economic entity. In preparing consolidated financial statements, an entity shall:

(a) **combine the financial statements of the parent and its subsidiaries** line by line by adding together like items of assets, liabilities, equity, income and expenses;

(b) **eliminate the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary**;

(c) **measure and present non-controlling interest in the profit or loss of consolidated subsidiaries for the reporting period separately from the interest of the owners of the parent**; and

(d) **measure and present non-controlling interest in the net assets of consolidated subsidiaries separately from the parent shareholders' equity in them**. Non-controlling interest in the net assets consists of:

(i) the amount of the non-controlling interest at the date of the original combination calculated in accordance with Section "Business Combinations and Goodwill", and

(ii) the non-controlling interest's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the non-controlling interest are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognized in assets, such as inventory and property, plant and equipment, are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements

The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall be prepared as of the same reporting date and using uniform accounting policies for like transactions and other events and conditions in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

The income and expenses of a subsidiary are included in the consolidated financial statements until the date on which the parent ceases to control the subsidiary, that is, from acquisition date. The difference between the proceeds from the disposal of the subsidiary and its carrying amount as of the date of disposal, excluding the cumulative amount of any exchange differences that relate to a foreign subsidiary recognized in equity, is recognized in the consolidated statement of comprehensive income (or the income statement, if presented) as the gain or loss on the disposal of the subsidiary. If an entity ceases to be a subsidiary but the investor (former parent) continues to hold an investment in the former subsidiary, that investment shall be accounted for as a financial asset from the date the entity ceases to be a subsidiary, provided that it does not become an associate or a jointly controlled entity. The carrying amount of the investment at the date that the entity ceases to be a subsidiary shall be regarded as the cost on initial measurement of the financial asset.

An entity shall disclose non-controlling interest in the profit or loss of the group separately in the statement of comprehensive income. Profit or loss and each component of other comprehensive income shall be attributed to the owners of the parent and to the non-controlling interest. Total comprehensive income shall be attributed to the owners of the parent and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

The following disclosures shall be made in consolidated financial statements:

(a) the fact that the statements are consolidated financial statements.

(b) the basis for concluding that control exists when the parent does not own, directly or indirectly through subsidiaries, more than half of the voting power.

(c) any difference in the reporting date of the financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements.

(d) the nature and extent of any significant restrictions (eg resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans.

IFRS for SMEs requires a parent to present consolidated financial statements. These IFRS do not require presentation of separate financial statements for the parent entity or for the individual subsidiaries. The financial statements of an entity that does not have a subsidiary are not separate financial statements. Therefore, an entity that is not a parent but is an investor in an associate or has a venturer's interest in a joint venture presents its financial statements in compliance general requirements for presentation of financial statements by with IFRS for SMEs. It may also elect to present separate financial statements.

When a parent, an investor in an associate, or a venturer with an interest in a jointly controlled entity prepares separate financial statements, those separate financial statements shall disclose:

(a) that the statements are separate financial statements, and

(b) a description of the methods used to account for the investments in subsidiaries, jointly controlled entities and associates, and shall identify the consolidated financial statements or other primary financial statements to which they relate.

Combined financial statements are a single set of financial statements of two or more entities controlled by a single investor. These IFRS does not require combined financial statements to be prepared. If the investor prepares combined financial statements and describes them as conforming to the IFRS for SMEs, those statements shall comply with all of the requirements of IFRS for SMEs. Intercompany transactions and balances shall be eliminated; profits or losses resulting from intercompany transactions that are recognized in assets such as inventory and property, plant and equipment shall be eliminated; the financial statements of the entities included in the combined financial statements shall be prepared as of the same reporting date unless it is impracticable to do so; and uniform accounting policies shall be followed for like transactions and other events in similar circumstances.