INTERNATIONAL FINANCIAL REPORTING STANDARD 7
financial instruments: disclosures

Basis for Conclusions

Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)

Available in:

- 2024 Edition – Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* issued by the IASB in December 2024; incorporates *Effective Date of Amendments to IFRS 9 and IFRS 7*.

Paragraphs 5B–5D, 30A–30C, 44OO–44PP and the subheading before paragraph 30A are added. Paragraph 5 is included for ease of reference. New text is underlined.

Scope

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5 This IFRS applies to contracts to buy or sell a non-financial item that are within the scope of IFRS 9.

...

5B Paragraph 30A applies only to contracts to buy nature-dependent electricity that satisfy the requirements in paragraph 2.3A of IFRS 9 and are outside the scope of that Standard in accordance with paragraphs B2.7–B2.8 of IFRS 9.

5C Paragraph 30B applies only to contracts that satisfy the requirements in paragraph 2.3A of IFRS 9 and have been designated in a cash flow hedging relationship in accordance with paragraph 6.10.1 of IFRS 9.

5D Paragraph 30C applies only to contracts that satisfy the requirements in paragraph 2.3A of IFRS 9 and have been entered into with regards to an entity's electricity purchases. These contracts comprise those:

(a) within the scope of IFRS 9; and

(b) outside the scope of IFRS 9 in accordance with paragraph 2.4 of that Standard, including those excluded in accordance with paragraphs B2.7–B2.8 of that Standard.

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Significance of financial instruments for financial position and performance

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Other disclosures

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Contracts referencing nature-dependent electricity

30A An entity shall disclose in a single note in its financial statements information about contracts that meet the criteria set out in paragraph 5B. In particular, the entity shall disclose information that enables users of its financial statements to understand the effects these contracts have on the amount, timing and uncertainty of its future cash flows and on its financial performance. To meet these objectives, an entity shall disclose:

(a) information about contractual features that expose the entity to:

(i) variability in the underlying amount of electricity (see paragraph 2.3A of IFRS 9); and

(ii) the risk that the entity would be required to buy electricity during a delivery interval in which the entity cannot use the electricity (see paragraph B2.7 of IFRS 9).

(b) information about unrecognised commitments arising from such contracts as at the reporting date, including:

(i) the estimated future cash flows from buying electricity under these contracts. The entity shall apply its judgement when identifying the appropriate time bands within which to disclose the estimated future cash flows.

(ii) qualitative information about how the entity assesses whether a contract might become onerous (see IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*), including the assumptions the entity uses in making this assessment.

(c) qualitative and quantitative information about effects on the entity's financial performance for the reporting period. The disclosure is based on the information that is applicable to the reporting period that the entity used to assess whether it has been a net purchaser of electricity (see paragraph B2.8 of IFRS 9). An entity shall disclose information for the reporting period about:

(i) the costs arising from purchases of electricity made under the contracts, disclosing separately how much of the purchased electricity was unused at the time of delivery;

(ii) the proceeds arising from sales of unused electricity; and

(iii) the costs arising from purchases of electricity made to offset sales of unused electricity.

30B An entity shall disaggregate, for its contracts that meet the criteria set out in paragraph 5C, the information the entity discloses, by risk category, about the terms and conditions of hedging instruments in accordance with paragraph 23A.

30C If an entity discloses information about other contracts referencing nature-dependent electricity as described in paragraph 5D (including those contracts described in paragraph 30B) in other notes in its financial statements, the entity shall include cross-references to those notes in the single note required by paragraph 30A.

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Effective date and transition

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44OO *Contracts Referencing Nature-dependent Electricity*, issued in December 2024, which also amended IFRS 9, added paragraphs 5B–5D, 30A–30C and 44PP. An entity shall apply these paragraphs when it applies the amendments to IFRS 9. If an entity does not restate comparative information when it first applies the amendments to IFRS 9 in accordance with paragraph 7.2.51 of that Standard, the entity shall not provide comparative information for the disclosures required by paragraphs 30A–30C. Similarly, an entity that applies IFRS 19 *Subsidiaries without Public Accountability: Disclosures* shall not provide comparative information for the disclosures required by paragraphs 64A–64C.

44PP In the reporting period in which an entity first applies *Contracts Referencing Nature-dependent Electricity*, the entity need not disclose the quantitative information that would otherwise be required by paragraph 28(f) of IAS 8. Similarly, an entity that applies IFRS 19 need not disclose the quantitative information that would otherwise be required by paragraph 178(f) of IFRS 19.

Amendments to the classification and measurement of financial instruments (Amendments to IFRS 9 and IFRS 7)

Available in:

- 2024 Editions – Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* as issued by the IASB in May 2024.

Paragraphs 20B, 20C, 20D, 44LL and 44MM are added. For ease of reading these paragraphs have not been underlined. Paragraphs 11A and 11B are amended. New text is underlined and deleted text is struck through.

Significance of financial instruments for financial position and performance

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Statement of financial position

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Investments in equity instruments designated at fair value through other comprehensive income

11A If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by paragraph 5.7.5 of IFRS 9, it shall disclose for each class of investment:

(a) ...

(b) ...

(c) the fair value ~~of each such investment~~ at the end of the reporting period.

(d) ...

(e) ...

(f) the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss related to investments derecognised during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period.

11B If an entity derecognised investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it shall disclose:

(a) ...

(b) ...

(c) ...

(d) any transfers of the cumulative gain or loss within equity during the reporting period related to the investments derecognised during that reporting period.

...

Statement of comprehensive income

Items of income, expense, gains or losses

...

20B An entity shall disclose the information required by paragraph 20C by class of financial assets measured at amortised cost or fair value through other comprehensive income and by class of financial liabilities measured at amortised cost. The entity shall consider how much detail to disclose, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate any quantitative information disclosed.

20C To enable users of financial statements to understand the effect of contractual terms that could change the amount of contractual cash flows based on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in basic lending risks and costs (such as the time value of money or credit risk), an entity shall disclose:

(a) a qualitative description of the nature of the contingent event;

(b) quantitative information about the possible changes to contractual cash flows that could result from those contractual terms (for example, the range of possible changes); and

(c) the gross carrying amount of financial assets and the amortised cost of financial liabilities subject to those contractual terms.

20D For example, an entity shall disclose the information required by paragraph 20C for a class of financial liabilities measured at amortised cost whose contractual cash flows change if the entity achieves a reduction in its carbon emissions.

...

Effective date and transition

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44LL *Amendments to the Classification and Measurement of Financial Instruments*, issued in May 2024, added paragraphs 20B, 20C and 20D and amended paragraphs 11A and 11B. An entity shall apply these amendments when it applies the amendments to IFRS 9 in accordance with paragraphs 7.1.12–7.1.13 of IFRS 9. If an entity elects to apply only the amendments to the Application Guidance to Section 4.1 of IFRS 9 (Classification of financial assets) for an earlier period in accordance with paragraph 7.1.13(b) of IFRS 9, the entity shall also apply paragraphs 20B, 20C and 20D of this Standard at the same time. In either case, the entity need not provide the disclosures required by the amendments for any period presented before the date of its initial application of the amendments.

44MM In the reporting period in which an entity first applies *Amendments to the Classification and Measurement of Financial Instruments*, the entity is not required to disclose the information that would otherwise be required by paragraph 28(f) of IAS 8.

Guidance on implementing IFRS 7 *Financial Instruments: Disclosures*

This guidance accompanies, but is not part of, IFRS 7.

Following are the paragraphs from the IASB's Guidance on implementing IFRS 7 *Financial Instruments: Disclosures* necessary to understand the 2024 amendments.

> Paragraphs IG11A and IG11B providing guidance on implementing some of the disclosure requirements in paragraphs 11A and 11B of IFRS 7 *Financial Instruments: Disclosures* and the heading before paragraph IG11A are added. For ease of reading, new text is not underlined.

Significance of financial instruments for financial position and performance (paragraphs 7–30, B4 and B5)

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Investments in equity instruments designated at fair value through other comprehensive income (paragraphs 11A and 11B)

IG11A The guidance in this paragraph and paragraph IG11B illustrates one possible way in which an entity could provide some of the disclosures required by paragraphs 11A and 11B of IFRS 7. The guidance does not purport to illustrate all possible ways of applying those disclosure requirements.

> **Background**
>
> Having met the requirements in paragraph 5.7.5 of IFRS 9 *Financial Instruments*, Entity A has elected to present subsequent changes in the fair value of its investments in equity instruments in other comprehensive income. In accordance with its accounting policies, Entity A transfers accumulated gains or losses from other comprehensive income to retained earnings only when an investment is derecognised. Entity A has a reporting year end of 31 December.
>
> As at 1 January 20X1 Entity A's equity investments had an aggregate carrying amount of CU800,000, and the cumulative changes in fair value of these investments recognised in accumulated other comprehensive income as at that date were CU200,000. There were no disposals from this portfolio before 1 January 20X1.
>
> On 31 July 20X1 Entity A acquired a non-controlling interest in Entity Y, a non-listed entity, for CU155,000.
>
> On 30 June 20X1 Entity A received CU1,000 of dividend income from Entity X. On 30 September 20X1 Entity A disposed of its investment in Entity X for CU200,000, resulting in a cumulative gain of CU50,000.

Entity A's remaining investments had an aggregate fair value of CU820,000, as at 31 December 20X1. Entity A received total dividend income of CU5,000 from these remaining investments in 20X1. The total change in fair value of Entity A's equity investments during the period was CU65,000, including CU20,000 relating to its investment in Entity X.

IG11B Entity A provides this information in the notes to its financial statements for the year ending 31 December 20X1 (for simplicity, comparative information is not shown):

Reference	Information provided in the notes to Entity A's financial statements
Paragraphs 11A(a), 11A(b) and 11B(d) of IFRS 7 and paragraphs 5.7.5 and B5.7.1 of IFRS 9	The following table shows the Company's equity investments in non-listed entities in Europe, the Middle East and Africa (EMEA). The Company holds these investments for strategic purposes on a medium- to long-term basis; the Company typically holds less than 5% interest in each entity and does not have a controlling interest in these entities. The investments are not held for trading. The Company has elected to present subsequent changes in the fair value of these investments in other comprehensive income. Accumulated gains or losses are transferred to retained earnings only when an investment is disposed of. On 31 July 20X1 the Company acquired a non-controlling interest (less than a 5% equity investment) in Entity Y, a non-listed entity.
Paragraph 11B(a) of IFRS 7	On 30 September 20X1 the Company disposed of its investment in Entity X because holding this investment is no longer aligned with the Company's investment strategy.

Reference	Equity instruments designated at fair value through other comprehensive income	**Carrying amount**	**Other comprehensive income**
		CU '000[(a)]	**CU '000**[(b)]
	Investments in EMEA		
	1 January 20X1	800	200
	Investments acquired	155	—
	Fair value gains:		
[1] Paragraph 11A(f) of IFRS 7	Investments held as at year end	45 [1]	45
[2] Paragraph 11A(f) of IFRS 7	Investments disposed of	20 [2]	20
[3] Paragraph 11B(b) of IFRS 7	Investments disposed of	(200) [3]	—
[4] Paragraph 11B(d) of IFRS 7	Transfers within equity following disposal	—	(50) [4]
[5] Paragraph 11A(c) of IFRS 7	**31 December 20X1**	**820** [5]	**215**
Paragraphs 11B(c) and 11B(d) of IFRS 7	The Company transferred a cumulative gain of CU50,000, relating to the disposal of its investment in Entity X, from other comprehensive income to retained earnings during the year.		
Paragraph 11A(d) of IFRS 7	The Company received CU6,000 dividend income from its equity investments during the year, including CU1,000 that was received from Entity X.		

(a) Entity A cross-refers from this column to the note in which the information required by paragraph 93 of IFRS 13 *Fair Value Measurement* is disclosed.

(b) Entity A cross-refers from this column to the statement of changes in other comprehensive income and the statement of changes in equity.

Gain or Loss on Derecognition; Disclosure of Deferred Difference between Fair Value and Transaction Price; and Introduction and Credit Risk Disclosures

Available in:

- 2024 Edition – Amendments to IFRS 7 *Financial Instruments: Disclosures* as issued by the IASB in July 2024.

Paragraph 44NN is added. For ease of reading, this paragraph has not been underlined.

Effective date and transition

...

44NN *Annual Improvements to IFRS Accounting Standards—Volume 11*, issued in July 2024, amended paragraph B38. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Appendix B
Application guidance

Paragraph B38 is amended. New text is underlined and deleted text is struck through.

Derecognition (paragraphs 42C-42H)

...

Gain or loss on derecognition (paragraph 42G(a))

B38 Paragraph 42G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (ie the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole. In that situation, the entity shall also disclose whether the fair value measurements included significant unobservable inputs ~~that were not based on observable market data~~, as described in paragraphs 72–73 of IFRS 13~~paragraph 27A~~.

Guidance on implementing IFRS 7 *Financial Instruments: Disclosures*

This guidance accompanies, but is not part of, IFRS 7.

Following are the paragraphs from the IASB's Guidance on implementing IFRS 7 *Financial Instruments: Disclosures* necessary to understand the 2024 amendments.

Paragraphs IG1, IG14 and IG20B are amended. New text is underlined and deleted text is struck through. Footnotes to the headings are not reproduced.

Introduction

IG1 This guidance suggests possible ways to apply some of the disclosure requirements in IFRS 7. The guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7, nor does it create additional requirements.

...

Significance of financial instruments for financial position and performance (paragraphs 7–30, B4 and B5)

...

Fair value (paragraph 28)

IG14 ~~At initial recognition an entity measures the fair value of financial instruments that are not traded in active markets. However, when, after initial recognition, an entity will use a valuation technique that incorporates data not obtained from observable markets, there may be a difference between the transaction price at initial recognition and the amount determined at initial recognition using that valuation technique.~~ In some cases, the transaction price of a financial instrument differs from its fair value at initial recognition, and that fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (ie a Level 1 input) nor based on a valuation technique that uses only data from observable markets. In these circumstances, the difference will be recognised in profit or loss in subsequent periods in accordance with IFRS 9 *Financial Instruments* and the entity's accounting policy. Such recognition reflects changes in factors (including time) that market participants would take into account when pricing the asset or liability (see paragraph B5.1.2A(b) of IFRS 9). Paragraph 28 requires disclosures in these circumstances. An entity might disclose the following to comply with paragraph 28(a)–(b) (paragraph 28(c) is not illustrated):

Background

On 1 January 20X1 an entity purchases for CU15 million financial assets that are not traded in an active market. The entity has only one class of such financial assets.

The transaction price is ~~of~~ CU15 million ~~is the fair value at initial recognition~~.

The entity determines that the transaction price differs from the fair value of the financial assets at ~~After~~ initial recognition.~~,~~ The ~~the~~ entity applies ~~will apply~~ a valuation technique to measure the financial assets' fair value. This valuation technique uses inputs other than data from observable markets.

At initial recognition, the fair value of the financial assets measured using that ~~same~~ valuation technique is ~~would have resulted in an amount of~~ CU14 million, which differs from the transaction price ~~fair value~~ by CU1 million.

At 1 January 20X1, prior to this transaction, the ~~The~~ entity has a balance of existing differences of CU5 million yet to be recognised in profit or loss ~~at 1 January 20X1~~.

Application of requirements

The entity's 20X2 disclosure would include the following:

Accounting policies

The entity uses the following valuation technique to measure the fair value of financial instruments that are not traded in an active market:
[description of technique, not included in this example]. Differences may arise between the ~~fair value at initial recognition (which, in accordance with IFRS 13 and IFRS 9, is generally the~~ transaction price~~)~~ and the fair value measured ~~amount determined~~ at initial recognition using the valuation technique. Any such differences are [description of the entity's accounting policy].

In the notes to the financial statements

As discussed in note X, the entity uses [name of valuation technique] to measure the fair value of the following financial instruments that are not traded in an active market. However, in accordance with IFRS 13 and IFRS 9, the fair value of an instrument at initial recognition ~~inception~~ is normally the transaction price. If the transaction price differs from the fair value measured ~~amount determined~~ at initial recognition ~~inception~~ using the valuation technique, that difference is [description of the entity's accounting policy].

The differences yet to be recognised in profit or loss are as follows:

	31 Dec X2	**31 Dec X1**
	CU million	CU million
Balance at beginning of year	5.3	5.0
New transactions	–	1.0
Amounts recognised in profit or loss during the year	(0.7)	(0.8)
Other increases	–	0.2
Other decreases	(0.1)	(0.1)
Balance at end of year	4.5	5.3

Nature and extent of risks arising from financial instruments (paragraphs 31–42 and B6–B28)

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Credit risk (paragraphs 35A–36, B8A–B10)

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Illustrating the application of paragraphs 35H and 35I

IG20B The following example illustrates one way of providing information about the changes in the loss allowance and the significant changes in the gross carrying amount of financial assets, other than financial assets that are purchased or originated credit-impaired, during the period that contributed to changes in the loss allowance as required by paragraphs 35H–35I. ~~This example does not illustrate the requirements for financial assets that are purchased or originated credit-impaired.~~

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