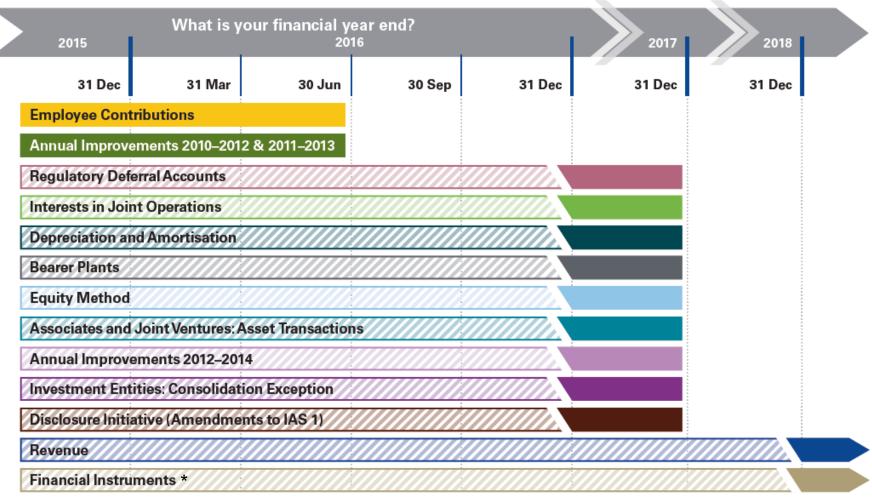


Newly effective and forthcoming requirements at a glance

Which standards are mandatory for your financial year end?



* In September 2015, the IASB tentatively decided to make interim amendments to IFRS 4 *Insurance Contracts* to address temporary volatility caused by the implementation of IFRS 9 *Financial Instruments* in advance of the forthcoming insurance contracts standard

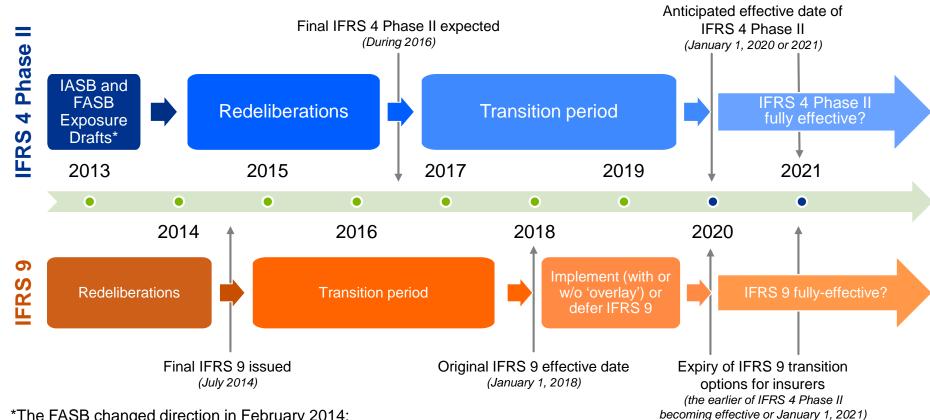
Agenda

- Key Changes to IFRS 4, Phase II
- IFRS 9, Financial Instruments
- Disclosure Initiative (Amendments to IAS 1)
- Updates on IFRS 15, Revenue from Contracts with Customers
- Upcoming Standard: Leases
- Appendix 1: Newly issued Guidance effective in 2015 or 2016
- Appendix 2: Exposure Drafts and Discussion Papers



Status of forthcoming accounting changes

Effective date of forthcoming insurance contracts standard currently expected to be approximately 3 years after standard is issued



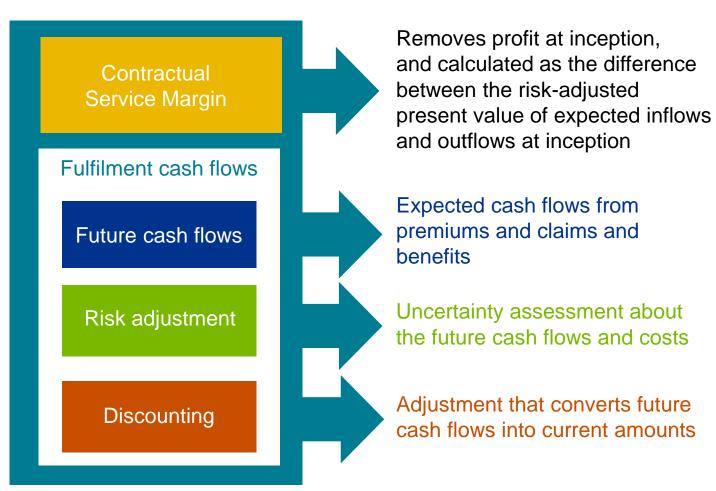
*The FASB changed direction in February 2014:

- Short duration contracts no measurement change; and
- Long-duration contracts "targeted improvements"

The general model: an overview

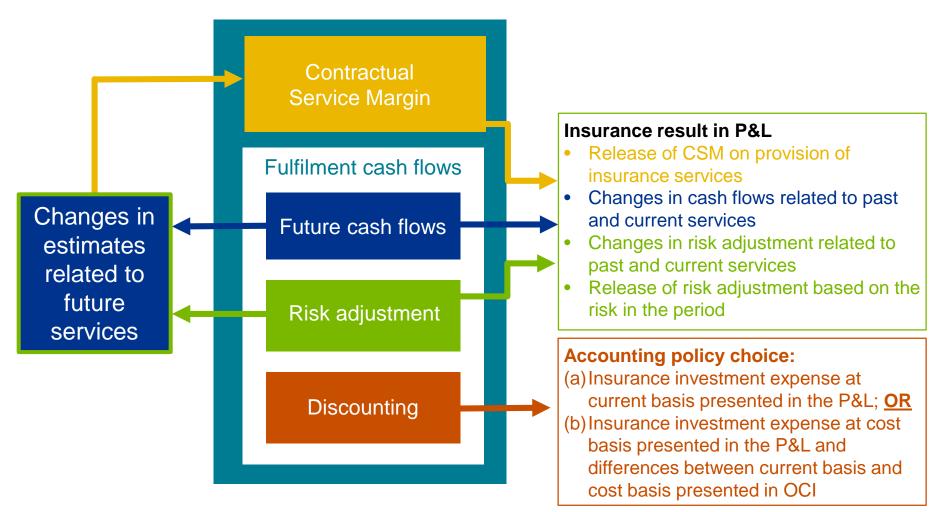
Initial recognition

Measurement
of an insurance
contract
incorporates all
available
information
consistent with
market
observable
information



The general model

Subsequent measurement



The general model

Subsequent measurement Indicates an adjustment to the general model since the 2013 ED Contractual Service Margin Insurance result in P&L Release of CSM on provision of Fulfilment cash flows insurance services Changes in cash flows related to past Changes in and current services Future cash flows estimates Changes in risk adjustment related to past and current services related to Release of risk adjustment based on the future risk in the period Risk adjustment services Accounting policy choice: (a) Insurance investment expénse at current basis presented in the P&L OR Discounting (b) Insurance investment expense at cost basis presented in the P&L and differences between current basis and

cost basis presented in OCI

The solution

In 2014 and 2015, the IASB has changed course...

- Mirroring approach proposed in 2013 ED OUT
- Targeted adjustments to general model including:
 - Unlocking the contractual service margin for the shareholders' share of underlying items; but



- Providing an exemption for entities that use derivative instruments to hedge financial risk of embedded guarantees; and
- Amending the objective of presenting insurance investment expense for contracts for which there is no economic mismatch.
- Finding a solution has been challenging a number of concepts have been introduced and rejected e.g.
 - Indirect participating contracts; and
 - Multiple drivers for the release of CSM into profit or loss.

Participating contracts

Subsequent measuremen Contractual Service Margin Fulfilment cash flows Changes in Future cash flows estimates related to future Risk adjustment services Discounting



Indicates an adjustment to the general model to accommodate participating features

Insurance result in P&L

- Release of CSM on provision of insurance services
- Changes in cash flows related to past and current services
- Changes in risk adjustment related to past and current services
- Release of risk adjustment based on the risk in the period

Accounting policy choice:

- (a) Insurance investment expense at current basis presented in the P&L **OR**
- (b) Insurance investment expense at cost basis presented in the P&L and differences between current basis and cost basis presented in OCI

What remains?

Remaining IASB discussions/activities on IFRS 4 Phase II:

- Due process steps to be reviewed (January 2016)
- How to specify the effect of discretion that would be recognised in the CSM under the general model
- Mandatory effective date (when publication date is more certain)

Remaining IASB discussions/activities on current IFRS 4:

- Publish ED to amend IFRS 4 (December 2015)
- Comment period (60 days from ED being published)
- Re-deliberate the proposals in the ED (Q2 2016)
- Issue IFRS 4 amendments (Q3 2016)

Opening the black box

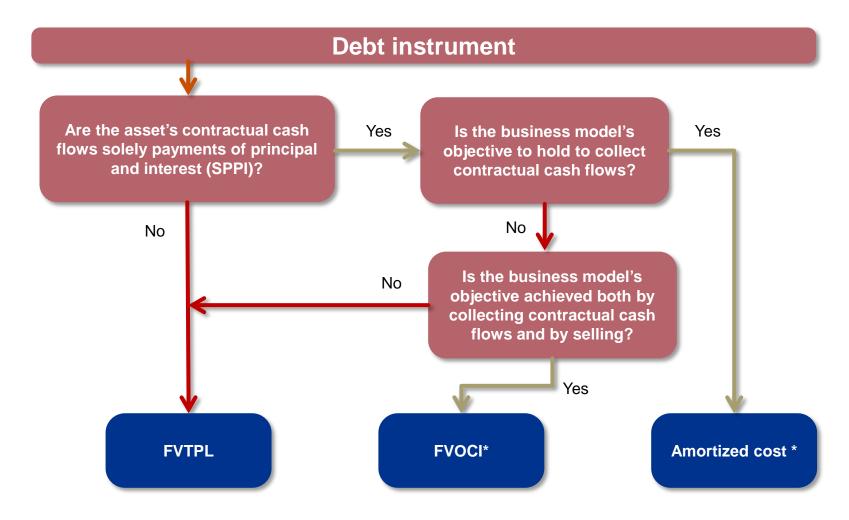
KPMG's newest publication brings the disclosure requirements of the forthcoming insurance contracts standard to life



IFRS 9, Financial Instruments

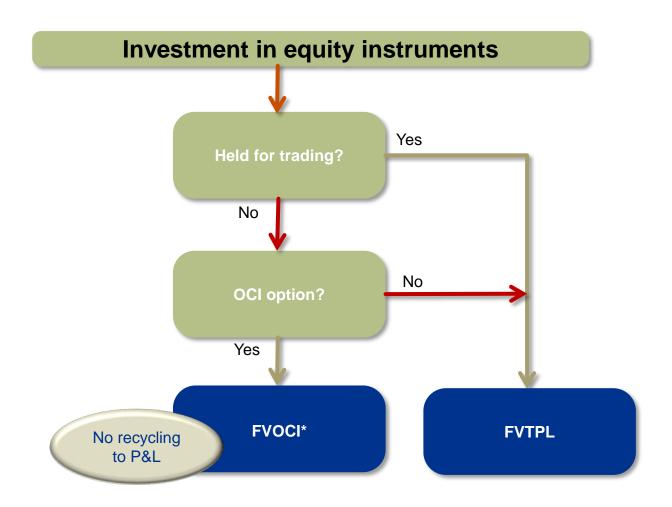


Classification of Financial Assets – Debt Instruments, a reminder



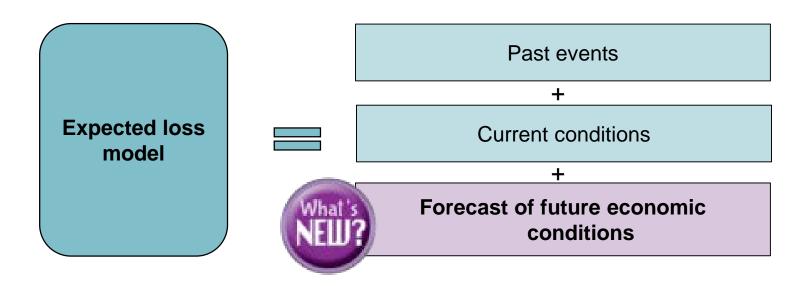
^{*} Subject to FVTPL designation option - if it reduces accounting mismatch

Classification of Investments in Equity Instruments, a reminder



^{*} This election is irrevocable and can be made on an instrument-by-instrument (e.g. Individual share) basis...

Impairment – The new model



- Generally, all financial assets carry a loss allowance
 - No trigger is required for recognizing impairment
- More judgement
- One model for financial instruments in the scope of IFRS 9

General (dual measurement) approach



Transfer

if the credit risk on the financial asset has increased significantly since initial recognition

Move back if transfer condition above is no longer met



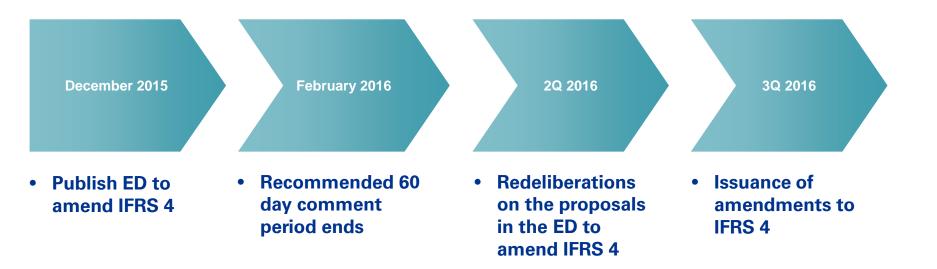
- Under the general principle, one of two measurement bases will apply:
 - 12-month expected credit losses: losses associated with possible default in the next 12 months, or
 - Lifetime expected credit losses: losses associated with possible default during life of the financial asset
- The measurement basis depends on whether there has been a significant increase in credit risk since initial recognition

Deferral of IFRS 9

- The project to complete a new insurance contracts accounting standard continues but release of the final standard will not be until later in 2016, and will likely not be effective before 2020 – well after the effective date of IFRS 9 in 2018
- The IASB has tentatively decided to provide optional transitional relief for the mismatches and volatility that can arise as a result of implementing IFRS 9 in the period prior to the implementation of the forthcoming insurance contracts standard

Insurance - IASB timeline for amendment of existing IFRS 4

The proposed optional relief measures will result in a fast track exposure draft process to amend the <u>existing</u> IFRS 4 Insurance Contracts standard



Reaction from preparers so far:

- Some large European companies believe that they will be unable to meet the "predominantly insurance" condition due to the amount of investment contracts and other liabilities issued
- The largest Canadian life insurers are expected to choose the deferral option and appear to easily (90%+) meet the predominance test

Available Transitional Options

Deferral Approach Defer application of IFRS 9 and continue applying IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) until the earlier of 2021 or adoption of the forthcoming insurance contracts standard

Overlay Approach Implement IFRS 9 and reclassify the difference between amounts recognized in profit or loss under IAS 39 and IFRS 9 to OCI.

Implement
IFRS 9 without
Overlay
Approach

Apply IFRS 9 retrospectively, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, except as specified.

Deferral Approach

Eligibility Requirements

Where issuing insurance contracts is the predominant activity for the reporting entity

Advantages

- Simple to apply
- Reduced likelihood of overlaps/re-working solutions

Disadvantages

- Cannot apply unless issuing insurance contracts is the predominant activity for the reporting entity
- Once applied, will need to apply for financial assets that do not support the insurance operations

The Overlay Approach

Eligibility Requirements

Applicable to financial assets that are:

- Designated as relating to insurance contracts; AND
- Classified as FVTPL under IFRS 9, but not previously

Advantages

May allow companies to reduce accounting mismatches in the profit and loss

Disadvantages

- Available only to a limited number of assets as noted in the eligibility section.
- Processes to capture overlay adjustments will be discarded when actual standard is implemented

Insurance Sound Bytes

Our new series of alerts will discuss forthcoming accounting changes relevant to Canadian insurers, starting with November's issue which focuses on transition options for IFRS 9



November 2015

Insurance Sound Bytes

This publication (and future issues) will discuss some of the significant aspects of forthcoming accounting changes relevant to Canadian insurers, and will disseminate key learning points from implementation projects and discussions currently underway in Canada.

Hesitation is yesterday's news

Until now, the Canadian insurance industry has been hesitant to expend significant time or effort on the implementation of IFRS 9 Financial Instruments (IFRS 9) – and not without reason. Respondents to the International Accounting Standards Board (IASB) request for comment on IFRS ED/2013/7 Insurance Contracts

Choosing the right approach

Deferral Approach

Overlay Approach

Implementation of IFRS 9 without Overlay Approach

What system and process changes are needed to generate required adjustments and disclosures - e.g.

Fair value (FV) of financial assets that would not meet the 'solely principal and interest' test

Calculation and explanation of the amount of overlay adjustments made in each period? Explanation of temporary volatility created by the implementation of IFRS 9?

2



in IFRS 9?

How will you transition from an incurred loss model to an expected credit loss model to measure impairment on financial assets not measured at fair value through profit or loss?

How will you amend your existing project plan to accommodate the desired approach?

Q3

Is tandem implementation of forthcoming accounting changes at a future date feasible?

Will this approach create undue stress on your existing year-end close processes?

Have you begun?

Choosing the right approach

Consider factors outside of the eligibility requirements, such as:

- Does IFRS 9 create temporary volatility significant enough to warrant a response outside of stakeholder communication and education?
- What approach are your peers selecting, regulators advocating and/or stakeholders receptive to?
- Does you election make sense in light of resource constraints, your current year-end close process, and projects currently underway within your organization?



IAS 1 – Disclosure Initiative

Notes may be Not required combined, to present specific and order not disclosures, if prescribed not material **Specific** Disaggregate lines on B/S requirements for Items of OCI and P&L if of associates/ helpful to **Clarifications** JVs users to IAS 1 May Don't aggregate obscure material line items on information with B/S if IAS 1 immaterial line items are Specific criteria information immaterial for presenting subtotals in B/S and P&L

IAS 1 – Disclosure Initiative (cont'd)

Transition provisions

- Effective for annual periods beginning on or after 1 January 2016
- Prospective application
 - If the order of notes or information presented/disclosed is altered compared to the previous year, comparative information is adjusted to align to current year presentation/disclosure
- Early adoption permitted

IAS 1 – Disclosure Initiative (cont'd) Example



Long-Term Debt

The company's sources of borrowing for funding and liquidity purposes are primarily senior notes and a long-term credit facility that provides for unsecured borrowings and backstops its commercial paper program.

Accounting Policy

Issue costs of long-term debt obligations are capitalized to long-term obligations and are amortized to expense over the term of the related liability using the effective interest method.

Supporting Information

Long-term debt as at December 31 was comprised of:

	Rate of Interest	Maturity	2014	2013
Senior notes 1				
Notes issued 2009 and redeemed April 7, 2014	5.250%	May 15, 2014	\$ -	\$ 500
Notes issued 2009	3.750%	September 30, 2015	500	500
Notes issued 2010	3.250%	December 1, 2017	500	500
Notes issued 2009	6.500%	May 15, 2019	500	500
Notes issued 2009	4.875%	March 30, 2020	500	500
Notes issued 2014	3.625%	March 15, 2024	750	_
Notes issued 2006	5.875%	December 1, 2036	500	500
Notes issued 2010	5.625%	December 1, 2040	500	500
Other			6	6
			3,756	3,506
Less net unamortized debt issue costs			(47)	(39)
			3,709	3,467
Less current maturities			(500)	(500)
Add current portion of amortization			4	3
	_		\$ 3,213	\$ 2,970



Background and Overview (A Refresher)

The (new) Revenue Standard:

IFRS 15/Topic 606

Published in May 2014 by the IASB and the FASB (a converged standard)

A single global standard that replaces all IFRS and substantially all US GAAP revenue guidance

Contract-based five-step approach, based on the transfer of control

Extensive new disclosure requirements for all companies

Latest Developments

What has happened in the last year...

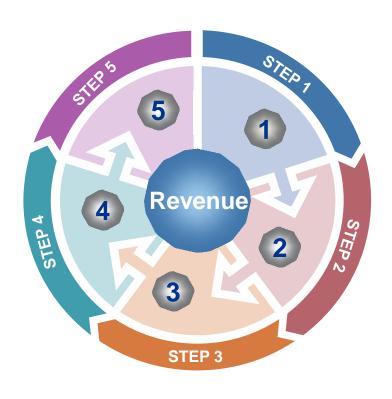
Joint IASB/FASB transition resource group (TRG) – Five meetings so far in 2014 and 2015; Next meeting November 9, 2015

IASB and FASB issued exposure drafts (ED's)
Clarification and amendments to the standards and illustrative examples
(on issues raised to the Boards by the TRG)

IASB and FASB defer by one year the mandatory effective date

... continuing discussion on application issues

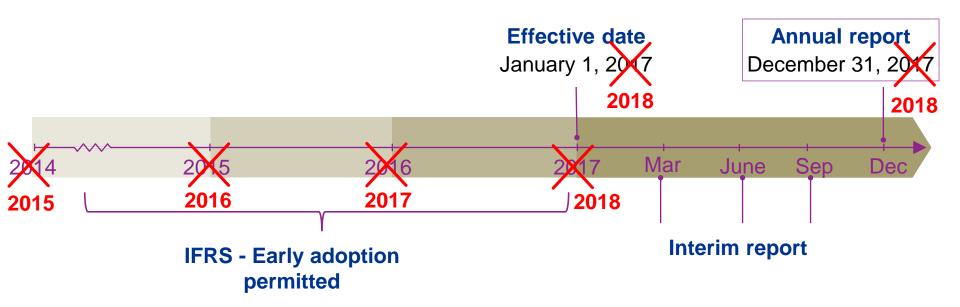
The Five Step Model – A Refresher



- 1 Identify the contract with a customer
- 2 Identify the performance obligations
 - 3 Determine the transaction price
- 4 Allocate the transaction price
- 5 Recognize revenue

The new Revenue Standard also includes some guidance on costs to obtain or fulfill a contract with a customer

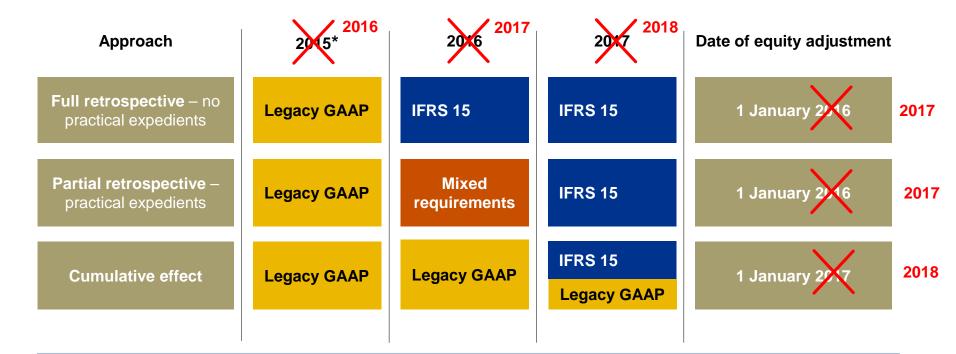
Transition – New Effective Date



US GAAP proposal

- effective for fiscal years beginning on or after December 15, 2017
- early adoption for periods beginning after December 15, 2016 is permitted

Transition Approaches – New Effective date



Cumulative effect approach: entity also needs to disclose revenue amounts that would have been presented under legacy GAAP. US GAAP retrospective approach would generally include YE 2016.

^{*} Assumes a Canadian company only includes 2 years in financial statements (i.e. current year plus one year comparative). For SEC registrants applying ASC 606, the full and partial retrospective approaches would impact the 2016 comparative figures, and the date of equity adjustment would be January 1, 2016.



Lease Project Overview

IASB and FASB drafting separate, non-converged standards

- Lessee accounting models will differ:
 - The IASB will introduce a single lessee model, while the FASB will feature a dual model
 - All leases will be on-balance sheet for both IFRS & US GAAP
- Both Boards have abandoned the lessor accounting proposals and will retain key features of current model

IASB targeting issuance of final standard – Q4 2015-Q1-2016

Effective date on or after January 1, 2019

Early adoption is permitted provided an entity has adopted IFRS 15

Summary of Key Decisions

Topic	IASB decisions
Lease definition	A lease is defined as a contract that conveys to the customer the right to use an asset for a period of time in exchange for consideration
	A lease exists when a customer <u>controls</u> the right to use an identified item as demonstrated by the customer having exclusive use of the item for a period of time and deciding how to use it
Lessee accounting	Single lease accounting model
	No lease classification test
	All leases on-balance sheet
	 Lessee would recognize a right-of-use (ROU) asset and lease liability
	 Treated as the purchase of an asset on a financed basis

Assessing whether an arrangement is, or contains, a lease will likely remain one of the biggest practice issues with the final standard

Summary of Key Decisions (cont'd)

Topic	IASB decisions	
Lessor Accounting	 Lease classification test based on IAS 17 classification criteria Operating lease accounting model based on IAS 17 operating lease accounting Finance lease accounting model based on IAS 17 finance lease accounting with recognition of net investment in lease comprising lease receivable and residual asset 	
Separation of lease and service components of a contract	 Lessee will separate based on available information, or elect not to separate service components Lessor will always separate components using guidance in IFRS 15 (relative stand-alone selling price) 	
Sale and leaseback transactions	 When determining whether a sale has occurred in a sale and leaseback transaction, the requirements of IFRS 15 would apply If sale occurs, recognize only the portion of the gain that relates to the residual interest in the asset transferred to the buyer-lessor 	

Targeted Reliefs & Transition

Topic	IASB decisions	
Practical expedients and targeted reliefs	 Optional lessee exemption for short-term leases (i.e. leases for which the lease term is 12 months or less) Optional lessee exemption for small-ticket leases (i.e. leases with a value of US\$5,000 or less when new), even if material in aggregate 	
Transition	 The Board agreed to transition relief that would grandfather "assessment" of whether an arrangement is a lease for existing contracts. Opportunity to reconsider lease classification for arrangements that were leases under IFRIC 4, but may not be leases under new standard Two options for transition: Retrospective in accordance with IAS 8 Retrospective with cumulative effect booked to opening retained earnings at date of initial application 	





IFRS 8 Operating Segments

Disclosures on the aggregation of operating segments

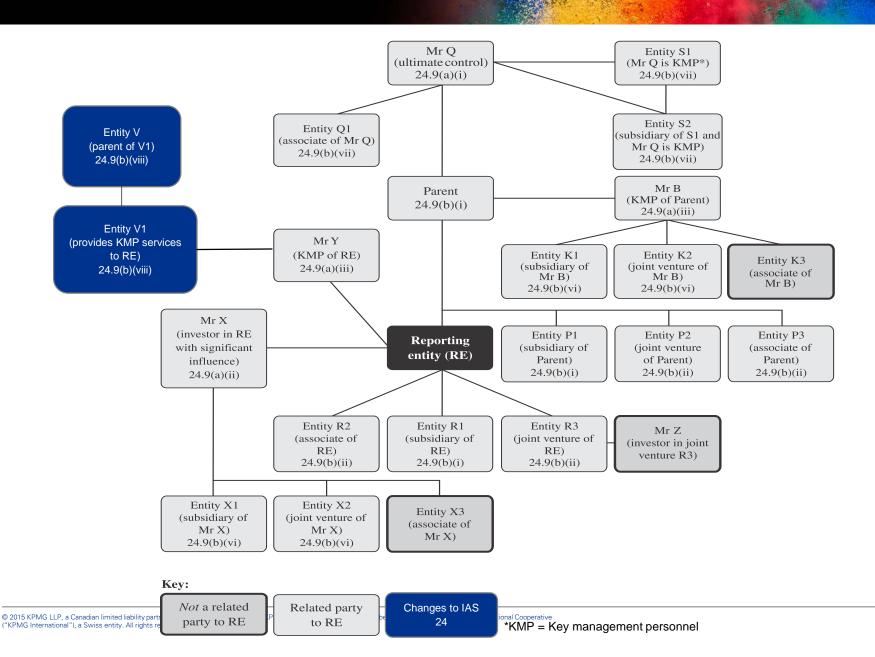
- IFRS 8 has been amended to explicitly require the disclosure of judgements made by management in applying the aggregation criteria. New disclosures include:
 - A brief description of the operating segments that have been aggregated;
 and
 - The economic indicators that have been assessed in determining that the operating segments share similar economic characteristics
- In addition, this amendment clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker aligns the disclosure requirements for segment liabilities
- Applicable prospectively for annual periods beginning on or after July 1, 2014
- Conforming changes were not made in US GAAP

IAS 24 Related Party Disclosures (1/2)

Definition of a Related Party

- The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity
- Required to separately disclose the amounts recognised as an expense for those services that are provided by a management entity; however, no requirement to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services
- Still need to disclose other transactions with the management entity under the existing disclosure requirements of IAS 24 e.g. loans
- Applicable prospectively for annual periods beginning on or after July 1, 2014

IAS 24 Related Party Disclosures (2/2)





Amendments to IAS 19 - Employee Contributions to Defined Benefit Plans

Defined benefit plans may require employees to contribute to the plan and IAS 19 required these amounts to be attributed to periods of service as a negative benefit

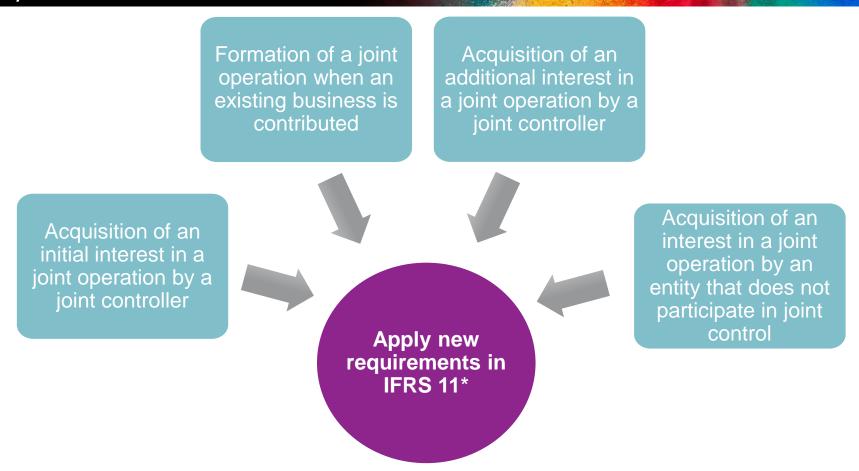
In November 2013, the IASB finalized amendments to IAS 19, Employee Benefits to simplify the accounting for employee and third party contributions

- If the amount of the contributions is independent of number of years of service, contributions may be recognized as a reduction in service cost in the period in which the related service is rendered an allowed but not required method
- If the amount of the contributions depends on number of years of service, those contributions must be attributed to periods of service using the same attribution method as used for the gross benefit in accordance with paragraph 70 of IAS 19

The Amendments are effective for annual periods beginning on or after July 1, 2014.



IFRS 11 – Accounting for Acquisitions of Interests in a Joint Operation that Constitutes a Business (1/3)



^{*}New requirements clarify that IFRS 3 (acquisition accounting) should be applied when accounting for an acquired interest in a joint operation in which the activity of the joint operation constitutes a business.

Business Combination Accounting for Interests in a Joint Operation (2/3)

Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business.

Example fact pattern and journal entries:

- Company P acquires a 50% interest in an existing joint operation for cash of \$1,100.
- The joint operation is considered by P to be a business
- The FV of identifiable net assets is \$2,000, which includes a FV uplift of \$500 on the assets
- The tax base of the net assets in JO's financial statements is equal to their carrying amount at the acquisition date of \$1,500
- The tax rate is 20%

	Debit	Credit
Identifiable assets acquired (\$2,000 x 50%)	1,000	
Goodwill (\$1,100 - (\$1,000 - \$50))	150	
Deferred tax ((\$500 x 20%) x 50%)		50
Cash		1,100

Business Combination Accounting for Interests in a Joint Operation (3/3)

- Because the above example relates to the acquisition of the joint operation as a business combination, the initial recognition exception in IAS 12 (where deferred tax assets and liabilities are not recognized upon initial recognition of an asset or liability in a transaction that is not a business combination) are not applicable, and deferred tax assets and liabilities are required to be recognized
- Business combinations accounting also applies to transactions where an investor acquires an additional interest but still retains joint control (e.g. 50% to 60%) Fair value accounting for the additional 10% interest acquired, but the previously held interests in the joint operation are not remeasured
- All relevant disclosures required under IFRS 3 are also required
- Amendments apply <u>prospectively</u> for annual periods beginning on or after January 1, 2016 – we expect the amendments will result in a change in practice for some entities



Restricting the Use of Revenuebased Amortisation

Overview

- The IASB issued amendments to IAS 16 and IAS 38 to clarify when revenue-based depreciation or amortization methods are permitted. Relevant sectors impacted:
 - Media sector (amortization of intangible assets associated with films and video games)
 - Service concession operators
- Amendments to IAS 38 introduce a rebuttable presumption that revenue-based amortization methods for intangible assets is <u>inappropriate</u>, which can be overcome <u>only when:</u>
 - revenue and consumption of economic benefits of intangible are 'highly correlated', or
 - the intangible asset is expressed as a measure of revenue e.g.: the right to operate a toll
 road until the operator has collected a sum of 10 million
- Amendments explicitly state that revenue-based methods <u>cannot</u> be used for PP&E
- Effective date of 1 January 2016 prospectively, with early application permitted

Bottom line

 While this is not an outright ban, it creates an extremely high hurdle in determining when revenue-based methods of amortization may be used for intangible assets.



IFRS 10 & IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Issue

Recognizing gains/losses arising from transactions (sales or contributions) between an investor and its associate or joint venture – conflict between the requirements of IFRS 10 (full remeasurement through profit or loss) and IAS 28.31 (partial gain recognition)

Amendments to IFRS 10 & IAS 28 clarify that:

- Gain or loss from sale or contribution of a subsidiary that does not constitute a business between an investor and its associate or joint venture is recognized in the investor's financial statements only to the extent of the unrelated investors' interests in that associate or joint venture
- Gain or loss from sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture is recognized in full in the investor's financial statements, regardless of whether the group of assets are housed in a subsidiary or not

Effective Date

Effective date of January 1, 2016 was recently deferred







Exposure Draft – Clearer Accounting for Defined Benefit Plans

In June 2015, the IASB proposed targeted amendments to IAS 19 and IFRIC 14 on two issues:

Effects of third party powers:

- When an entity considers its right to a refund from the plan, it would not include amounts that a third party can use for other purposes without the entity's consent
- An entity would not be able to assume a right to a refund on the basis of gradual settlement of plan liabilities if a third party can wind up the plan without the entity's consent.

Plan amendment, curtailment or settlement:

- The past service cost, or gain or loss on settlement, would be calculated excluding the effect of the asset ceiling
- The current service cost and net interest for the remaining period after the event would be based on the actuarial assumptions applied when re-measuring the net defined benefit liability (or asset)

Comments due by October 19, 2015

Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value

(Proposed
Amendments to
IFRS 10, IFRS 12, IAS
27, IAS 28
and IAS 36 and
Illustrative Examples
for IFRS 13)

Exposure Draft: Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13)

Diversity in fair value measurement for certain investments

- Diversity in practice regarding the unit of account used to measure the fair value of investments in subsidiaries, joint ventures and associates. Unit of account is:
 - the investment as a whole; or
 - the individual shares making up the investment

Proposed clarification – fair value of quoted investments would be PxQ

- Under the proposals, the unit of account for such investments would be the investment as a whole
- However, fair value would still be measured as the product (P×Q) of the quoted price of the financial instrument (P) and the quantity (Q) of instruments held

Potential impact

■ The proposals could result in lower fair value measurements, with a consequential impact on profit or loss, if a control or similar premium is disregarded



Statement of Cash Flows Proposed Amendments to IAS 7



18 December 2014 Proposals published



17 April 2015Comment period ended



Proposed effective date



First annual financial statements in which amendments would apply

Overview

- Proposals aim to improve:
 - Information provided about an entity's debt and debt movements; and
 - Disclosure to help financial statement users understand restrictions on cash and cash equivalent balances

Key proposals

- A reconciliation of the opening and close carrying amounts for each item for which cash flows have been, or would be, classified as financing activities (e.g. borrowing, lease liabilities)
- Disclosures about restrictions that affect an entity's decisions about whether to use cash and cash equivalent balances (including the tax liabilities that would arise when foreign cash and cash equivalents are repatriated)



Classification of Liabilities – Proposed Amendments to IAS 1 Overview of the ED (1/2)



10 February 2015 Proposals published

10 June 2015Comment period ended



Proposed effective date



First annual financial statements in which amendments would apply

Overview

- Proposals aim to clarify:
 - the basis on which liabilities are classified as current or non-current, by making it explicit that only rights in existence at the reporting date should affect the classification of a liability
 - the link between the settlement of a liability and the outflow of resources

Key proposals

- Confirm that classification is based on facts and circumstances at the reporting date, and that the probability of continuing to meet conditions is irrelevant
- Delete the word 'unconditional' from the criterion in IAS 1.69(d)
 i.e. the company must now merely have a 'right' at the end of the reporting period to defer settlement for at least 12 months
- Replace references to 'discretion' with references to a 'right' in referring to rollover

Classification of Liabilities – Proposed Amendments to IAS 1 Example (2/2)

A company with a year end of December 31 has the following two liabilities:

Term loan of 1 million

- Five-year term loan, fully drawn down
- Term loan drawn down at October 1, 2015, with a due date of 30 September 2020
- Annual covenant test* based on information at 30 September that renders the loan repayable on demand if breached

Existing and proposed requirements**

Loan is classified as non-current

Rollover facility of 1 million

- Five-year facility, fully drawn down
- One-year loan drawn down at October 1, 2015, with intent to roll over on October 1, 2016
- Ability to roll over loan is conditional on compliance with the same covenant test* as the term loan

Existing requirements**

 Facility is arguably classified as current as there are uncertain future conditions to be met

Proposed requirements**

Some may classify as non-current if uncertain future conditions are considered irrelevant

*Assume that the ability to satisfy the covenants is not wholly within the entity's control



^{**}Assessment is made at year end December 31, 2015



Proposed Narrow-scope Amendments to IFRS 2

Proposed changes

Cash-settled SBP transactions that include performance conditions

■ The liability would be measure using the same approach as for equity-settled SBP (i.e. modified grant date method)

SBP settled net of tax withholdings:

- Accounted for as equity-settled if:
 - Permitted or required to settle the transaction net by withholding a specified portion of the equity instrument to meet tax requirement; and
 - The entire SBP transaction would otherwise be classified as equity-settled if there were no settlement feature

Modification to a SBP transaction that changes the classification from cashsettled to equity-settled

- At modification date:
 - Derecognize the liability;
 - Recognize in equity the FV at modification date; and
 - Difference recorded immediately in profit and loss

Thank you!

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