



Department for  
Business, Energy  
& Industrial Strategy

# UK-adopted international accounting standards

Annual Improvements to  
IFRS<sup>®</sup> Standards 2018–2020

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**Amendment to**  
***IFRS 1 First-time Adoption of International Financial Reporting Standards***

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Paragraph 39AG and, in Appendix D, paragraph D13A are added. Paragraph D1(f) is amended. New text is underlined and deleted text is struck through.

**Effective date**

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...

39AG *Annual Improvements to IFRS Standards 2018–2020*, issued in May 2020, amended paragraph D1(f) and added paragraph D13A. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

## Appendix D Exemptions from other IFRSs

*This appendix is an integral part of the IFRS.*

D1 An entity may elect to use one or more of the following exemptions:

...

(f) cumulative translation differences (paragraphs ~~D12–D13A and D13~~);

...

### Cumulative translation differences

...

D13A Instead of applying paragraph D12 or paragraph D13, a subsidiary that uses the exemption in paragraph D16(a) may elect, in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in paragraph D16(a).

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## Amendment to IFRS 9 *Financial Instruments*

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Paragraph 7.1.9, paragraph 7.2.35 and its heading, and paragraph B3.3.6A are added. Paragraph B3.3.6 is amended. New text is underlined. The requirements in paragraph B3.3.6A have not been amended but have been moved from paragraph B3.3.6.

## Chapter 7 Effective date and transition

### 7.1 Effective date

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...

7.1.9 *Annual Improvements to IFRS Standards 2018–2020*, issued in May 2020, added paragraphs 7.2.35 and B3.3.6A and amended paragraph B3.3.6. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

### 7.2 Transition

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#### Transition for Annual Improvements to IFRS Standards

7.2.35 An entity shall apply *Annual Improvements to IFRS Standards 2018–2020* to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

## Appendix B Application Guidance

*This appendix is an integral part of the Standard.*

...

### Recognition and derecognition (Chapter 3)

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#### Derecognition of financial liabilities (Section 3.3)

...

**B3.3.6** For the purpose of paragraph 3.3.2, the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

**B3.3.6A** If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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## Amendment to IAS 41 *Agriculture*

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Paragraph 22 is amended and paragraph 65 is added. New text is underlined and deleted text is struck through.

### Recognition and measurement

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- ...
- 22 An entity does not include any cash flows for financing the assets, ~~taxation,~~ or re-establishing biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest).
- ...

### Effective date and transition

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- ...
- 65 Annual Improvements to IFRS Standards 2018–2020, issued in May 2020, amended paragraph 22. An entity shall apply that amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.