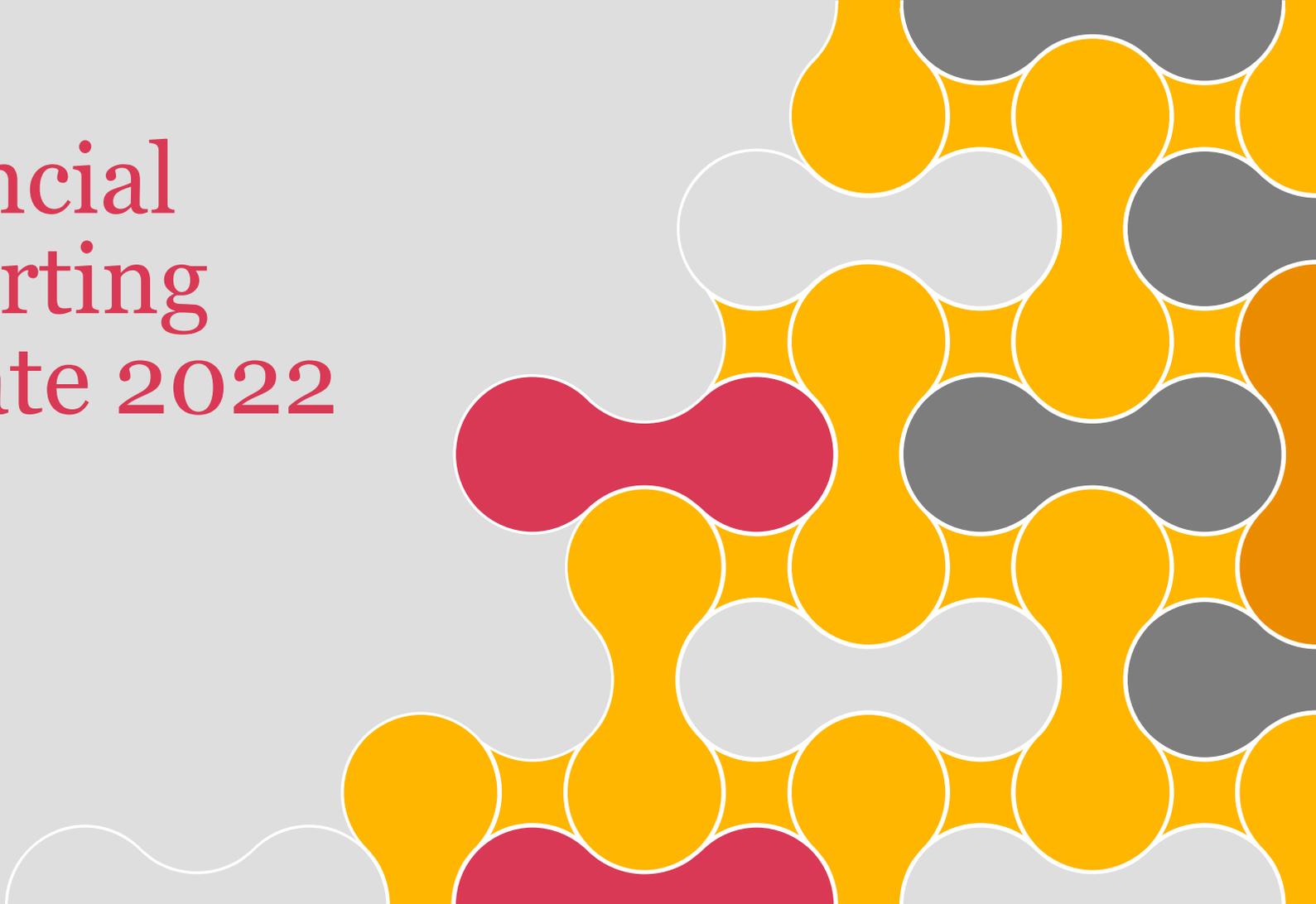


# Financial Reporting Update 2022

June 2022



# Your presenters today



**Mariann Trieber**  
Director



**Trevor Plumb**  
Director

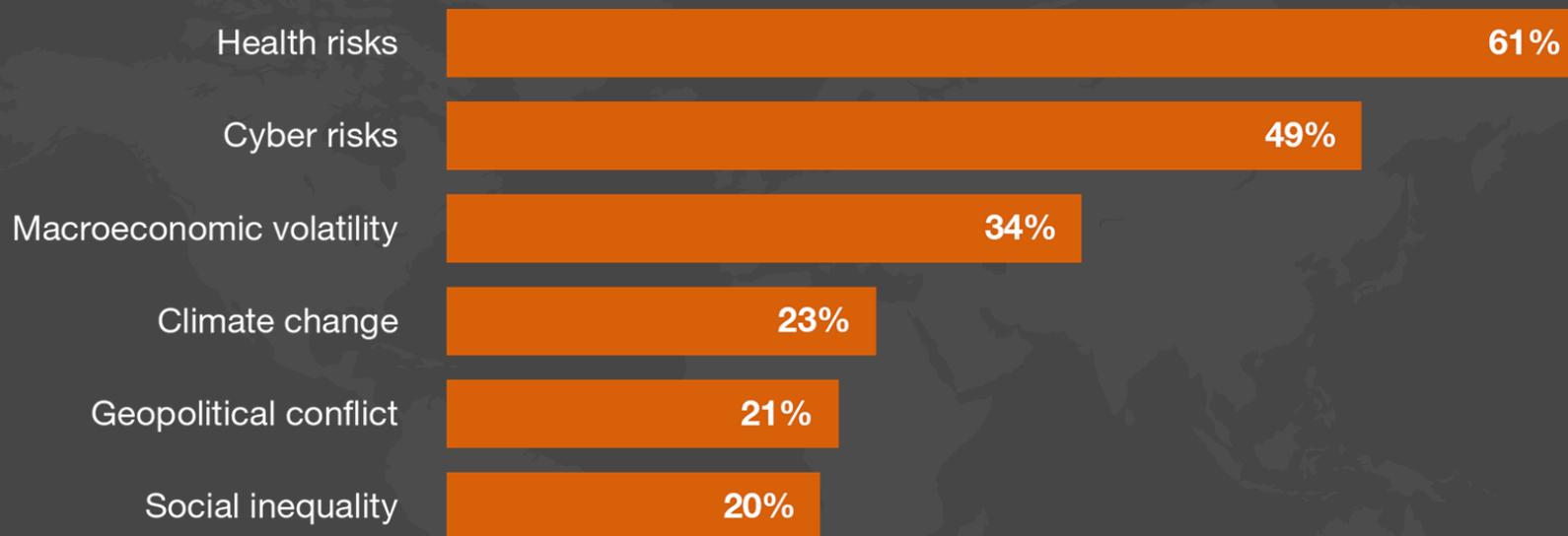


**Sasha Laktionova**  
Director



**Lyndsay Taylor**  
Director

# What's on the mind of New Zealand's CEOs?\*



\*PwC 25th Annual Global CEO Survey 2022

# Agenda

**1**

ESG  
reporting

**2**

Challenges  
for financial  
reporters

**3**

Year-end  
reminders and  
looking ahead

1

ESG

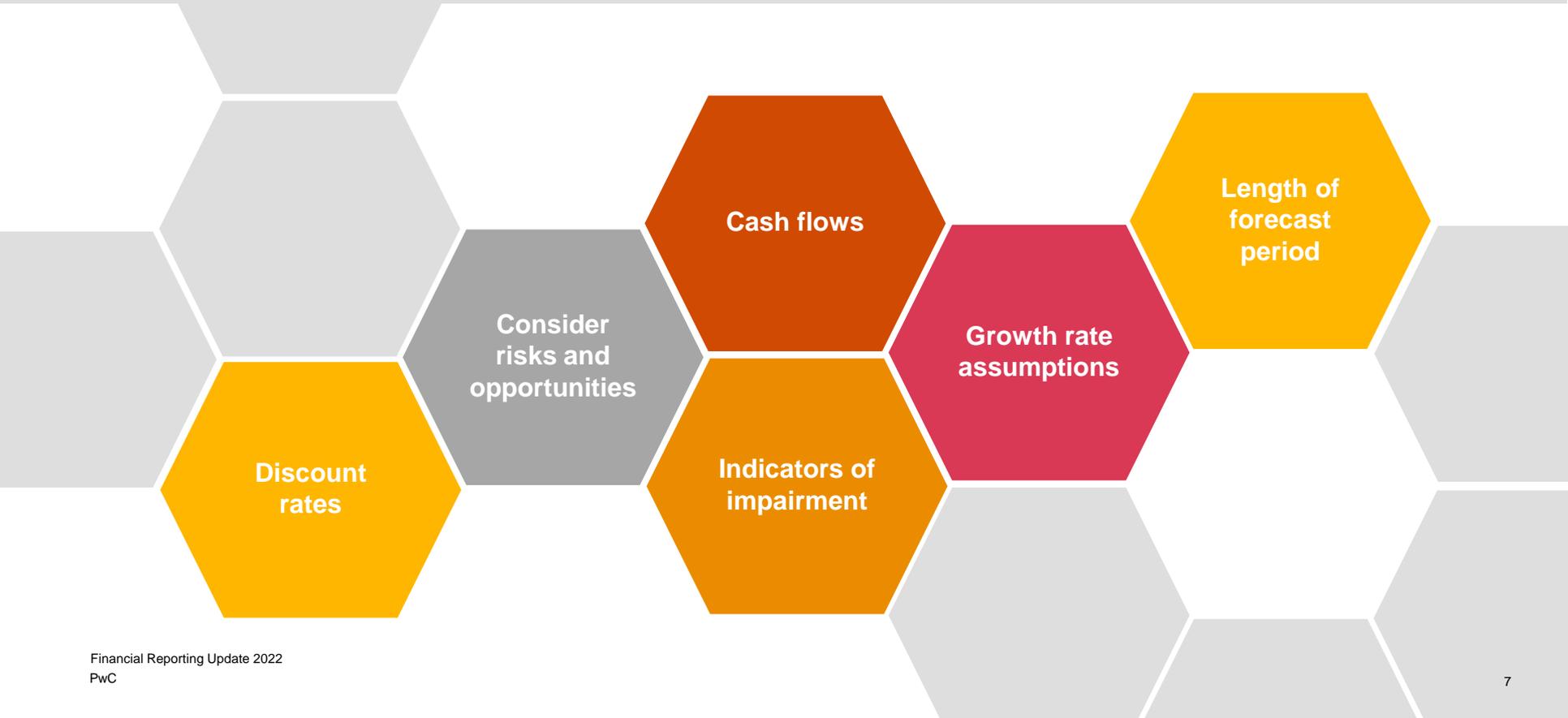
Reporting



# ESG Reporting



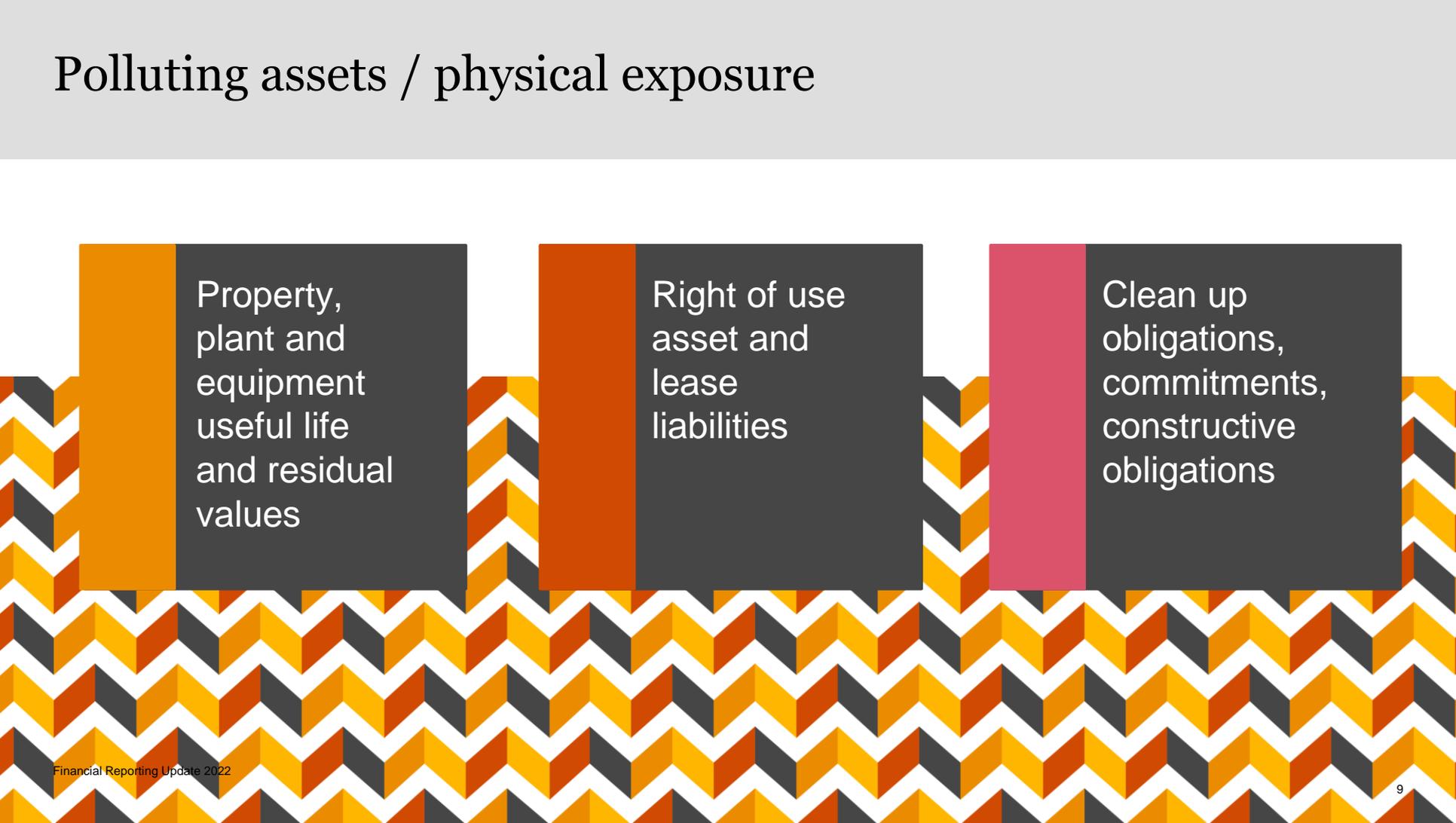
# Impairment considerations



# ESG Reporting



# Polluting assets / physical exposure



Property,  
plant and  
equipment  
useful life  
and residual  
values

Right of use  
asset and  
lease  
liabilities

Clean up  
obligations,  
commitments,  
constructive  
obligations

# ESG Reporting



# Emissions trading schemes



Renewed focus because of rising value of carbon credits, their increased importance in investment decisions and on ESG reporting



No specific accounting standard that deals with accounting for emissions trading schemes



Accounting for forward purchases or sales of carbon credits

# ESG Reporting



# Green Loans: Borrower's perspective



# Green loans: Lender's perspective

## SPPI Test

Are the payments 'solely payments of principal and interest'?

Failing the SPPI test would cause the loan to be measured at **fair value through profit or loss**

## Other considerations



De minimis or non-genuine green variability clauses



Green loans that do not include green variability

# Lender's perspective: Expected Credit Losses (ECL)



Impact of climate related risks on ECL assumptions



Be mindful of duration and any guarantees/insurance etc



One size does not fit all!

# ESG Reporting



# Disclosures in the financial statements



Consistency between  
'front' and 'back' half  
of reports

Consistent judgments and assumptions whether for financial or non financial reporting



Material information

Information relevant to an understanding of financial statements and not presented elsewhere

# The ESG reporting landscape is evolving fast

## International developments



## New Zealand



*Te Kāwai Ārahi Pūrongo Mōwaho*  
EXTERNAL REPORTING BOARD

### Who will be required to report?

Large listed companies, large registered banks, licensed insurers, credit unions, building societies, and managers of investment schemes

### Disclosures

Based on the Taskforce on Climate-related Financial Disclosures (TCFD). The disclosure requirements are over 4 pillars

Governance

Strategy

Risk  
Management

Metrics  
and Targets

### Timeline

Mandatory from  
**1 January 2023**

2

Challenges

for financial

reporters



Power Purchase

Agreements



# Power Purchase Agreements (PPA)

There are  
two types  
of PPAs

1

Agreements with  
physical delivery

2

Agreements without  
physical delivery, called  
Virtual PPAs, Financial  
PPAs, or sometimes  
Contracts for  
Differences

# Accounting considerations: possible outcomes



A derivative within the scope of IFRS 9



A lease of the underlying assets as defined by IFRS 16



A controlled entity or Joint operation as defined by IFRS 11/10



An executory contract as defined by IAS 37

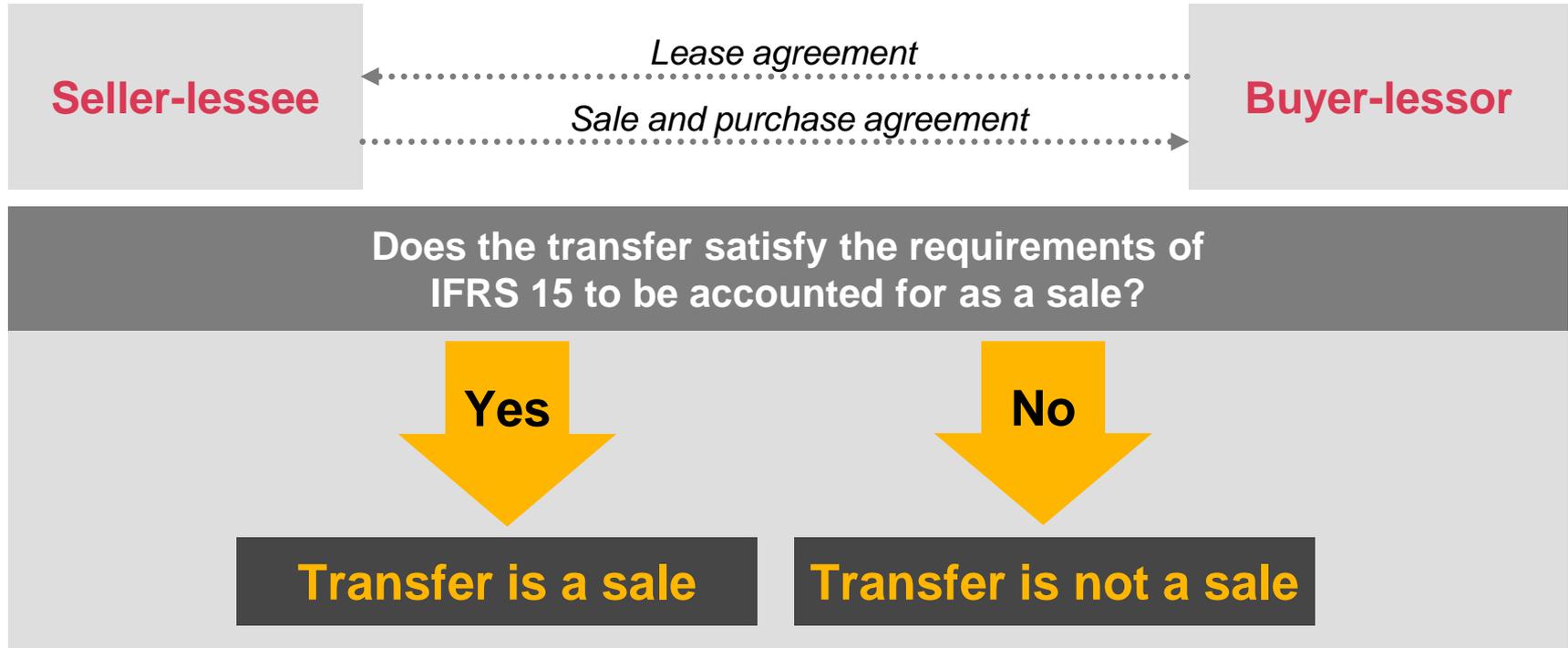


*An executory contract or a lease may contain an embedded derivative that may need to be bifurcated*

# Sale and leaseback transactions



# Sale and leaseback transactions



Reversal of

impairment loss:

key reminders



# Reversal of impairment losses: scope

	Reversal of impairment	
Individual assets: PPE and intangible assets		
Assets included in a cash generating units		
<b>OTHER THAN</b> goodwill		

# Reversal of impairment losses: Indicators



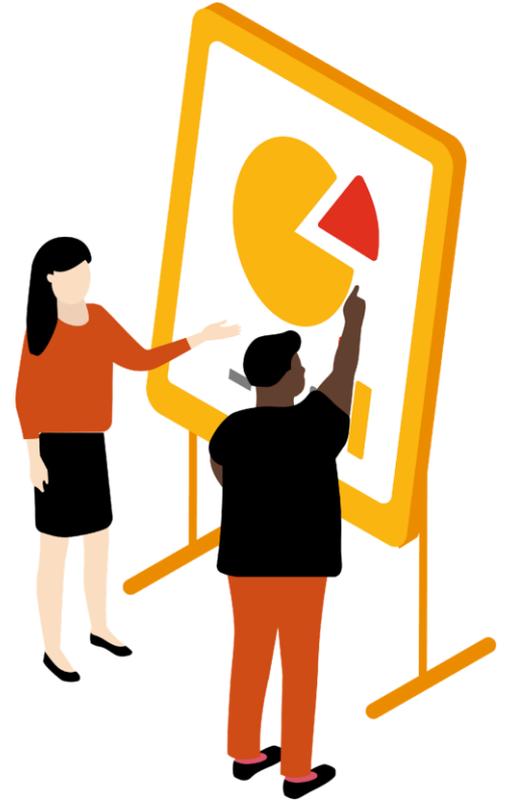
# What's NOT an indicator of reversal

## NOT an indicator:

Increase in asset's value  
due to passage of time



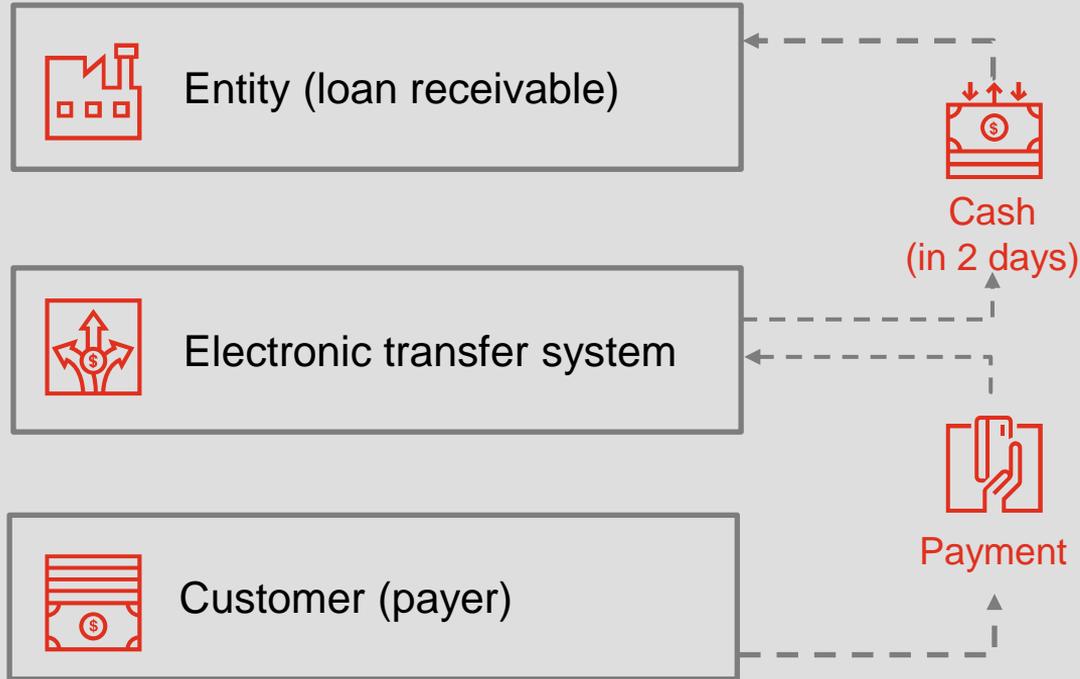
Subsequent growth of cash flows  
in line with the expectations



Cash received via  
electronic transfer



# What is the issue?

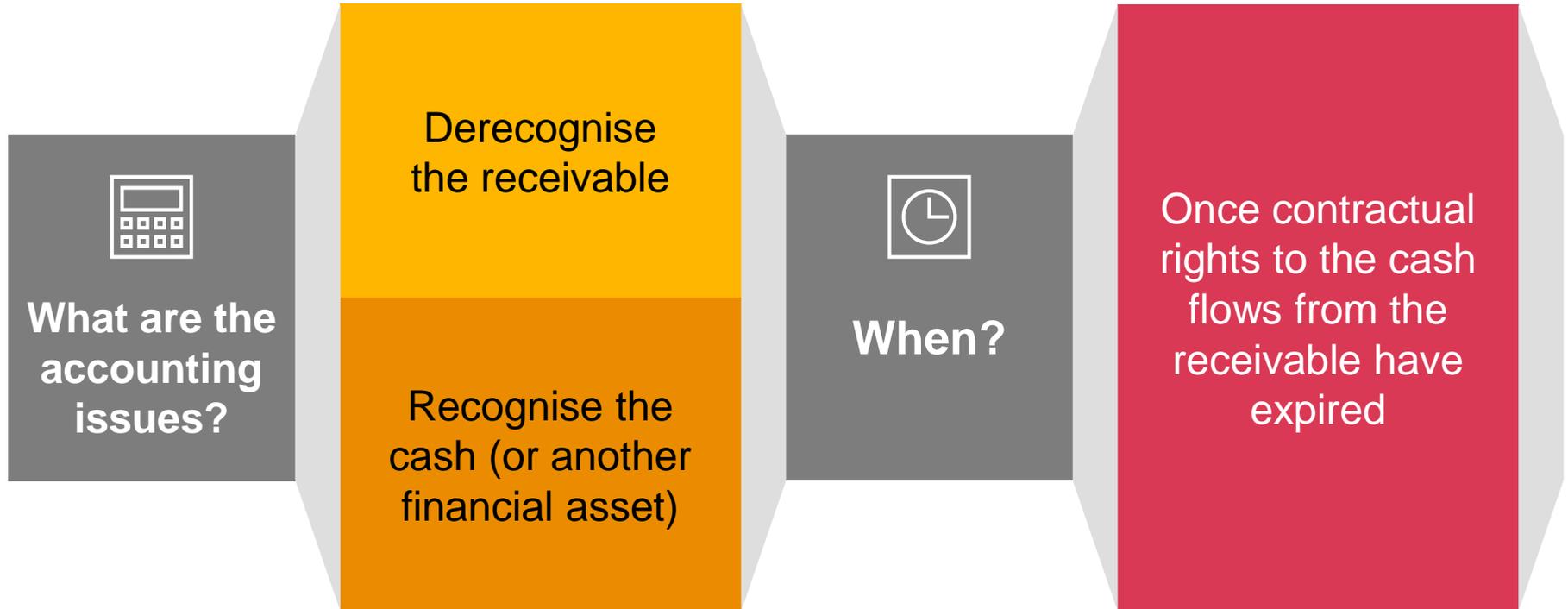


**? When does the entity recognise cash?**

In 2 working days after reporting date

At the reporting date

# Cash received via electronic transfer



Hot tips  
and more



# Hot tips and more...



## Accounting v economics v legal form

- Legal v accounting story
- Involve your accounting advisors early to get the right outcome



## Employees matter

- Payments made as part of business combinations
- Changes in remuneration packages
- Disconnect with HR department



## Debt restructuring v hedging

Don't forget about existing hedging relationships when reforecasting or renegotiating your debt

3

Year-end

reminders and

looking ahead



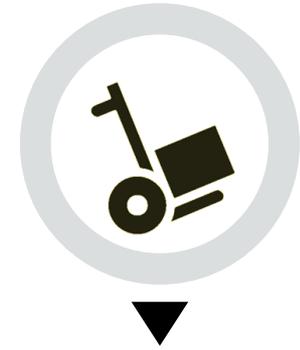
# What's effective now?



**Interest rate benchmark  
reform - Phase 2**



**COVID-19 related rent  
concessions and COVID-19  
related rent concessions  
beyond 30 June 2021**



**Inventory IFRIC agenda  
decision**

# NZ IFRS 17



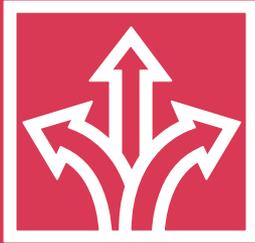
Effective for periods commencing on or after 1 January 2023



Affects more than just insurance companies

# Current/Non Current

What's changed?

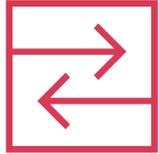


Narrow-scope amendment to IAS 1

No change in classification

Increased disclosure

# IASB Projects



Strategy



Connectivity  
with the new  
ISSB



Post  
implementation  
reviews



Goodwill and  
Impairment

# Need more information?



Visit us at  
[IFRS - Financial Reporting](#)



[Viewpoint Introduction video](#)

- Mobile friendly
- Greater search
- Significant personalisation



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PwC contact



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(Click on links for further info)

# Thank you

Ngā mihi



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