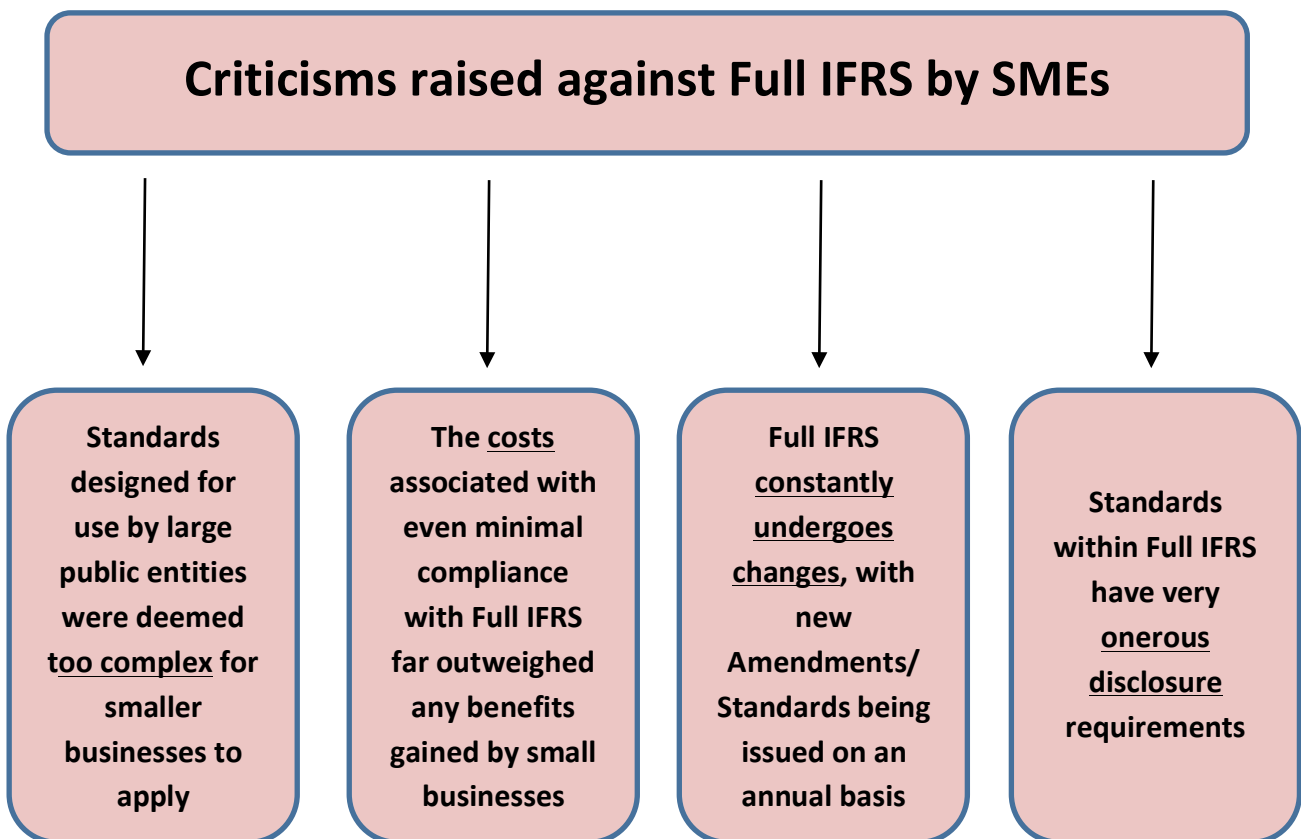


Are you able to apply the IFRS for SMEs framework in your business?

With the introduction of International Financial Reporting Standards for Small and Medium Enterprises ("*IFRS for SMEs*") in 2009, companies that meet certain criteria have been able to avoid the implementation of Full International Financial Reporting Standards ("*Full IFRS*"). This has proven to be highly beneficial to entities that do not have public accountability.

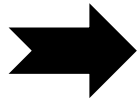
The creation of IFRS for SMEs was credited primarily due to the following criticisms raised by smaller business entities:



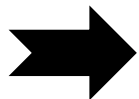
Due to the above critical factors, a smaller, more concise set of standards was required.

The application of IFRS for SMEs will directly address the criticisms raised above, and holds a number of benefits for entities that fall within its scope:

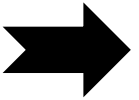
Advantages of applying IFRS for SMEs



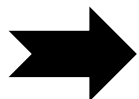
Reduced disclosure requirements, especially related to comparative note disclosure



Re-instatement of the ability to amortise goodwill (no requirement for annual impairment testing, and you are allowed to assume a 10 year useful life in instances where the useful life is unknown).



Combination of the Statement of Comprehensive Income and Statement of Changes in Equity into a single Statement of Income and Retained Earnings (this will only be available if there are no items which affect Other Comprehensive Income)



No frequent changes to Standards (the first revision since being released in 2009 is only anticipated to occur in 2015)

In order to qualify to use IFRS for SMEs, businesses need to adhere to certain scoping requirements stated within the framework. In essence, entities that are not publicly accountable will be allowed to use, and benefit from, this framework.

Entities will be allowed to use the IFRS for SMEs framework only if they:

1

Do not have public accountability; AND

2

Publish general purpose financial statements for external users.

Definitions:

- *General purpose financial statements:*
 - Financial statements directed to the general financial information needs of a wide range of users who are not in a position to demand reports tailored to meet their particular information needs.

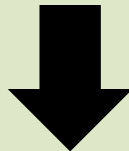
- *Public accountability:*
 - An entity has public accountability if:
 - a. Its debt or equity instruments are traded in a public market, or it is in the process of issuing such instruments for trading in a public market; and/or
 - b. It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (and not if the assets are held incidentally to business activities).

- *Public market:*

- Domestic and foreign exchanges
- Local and regional Over The Counter markets

Technical clarification relating to groups of entities:

A subsidiary whose parent entity uses Full IFRS (or is part of a group that implements Full IFRS) MAY use IFRS for SMEs if it does not itself have public accountability.



BUT IAS 27: Consolidated and Separate Financial Statements requires all entities included in a set of Financial Statements to have uniform accounting policies. Thus, the parent entity would have to convert the financial statements of the subsidiary into a fully IFRS-compliant set.

To adopt IFRS for SMEs, an entity will need to follow the provisions as contained in the Standard on First-Time Adoption.

- In general, the standard is similar to IFRS 1, and requires retrospective application of the IFRS for SMEs principles, with certain exemptions to facilitate easier application.