

SCOPE

- NZ IFRS 1 does not apply to entities already reporting under NZ IFRS's.
- NZ IFRS 1 applies to the first set of financial statements that contain an explicit and unreserved statement of compliance with NZ IFRS's.
- NZ IFRS 1 applies to any interim financial statements for a period covered by those first financial statements that are prepared under NZ IFRS's.

GENERAL REQUIREMENTS

- **Select NZ IFRS accounting policies** - using either NZ IFRSs that are currently effective or one or more NZ IFRSs that are not yet effective, if those new NZ IFRSs permit early adoption.
- **Recognise/derecognise assets and liabilities** where necessary so as to comply with NZ IFRS's.
- **Re-measure** all recognised assets and liabilities applying NZ IFRS.
- **Reclassify** items that the entity recognised under previous accounting framework as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity under NZ IFRS.

RECOGNITION AND MEASUREMENT

OPTIONAL EXEMPTIONS

Note: NZ IFRS 1 does not permit these to be applied by analogy to other items.

An entity may elect to use one or more of the following exemptions, which provide specific relief, on adoption of NZ IFRS:

- Business combinations;
- Share-based payment transactions;
- Insurance contracts;
- Fair value or revaluation as deemed cost;
- Use of revalued amount as deemed cost for "event driven fair values" between transition date and date of the first NZ IFRS reporting period.
- Deemed cost for assets used in operations subject to rate regulation.
- Leases;
- Cumulative translation differences;
- Investments in subsidiaries, jointly controlled entities and associates;
- Assets and liabilities of subsidiaries, associates and joint ventures;
- Compound financial instruments;
- Designation of previously recognised financial instruments;
- Fair value measurement of financial assets/liabilities at initial recognition;
- Decommissioning liabilities included in the cost of property, plant and equipment;
- Financial assets or intangible assets accounted for in accordance with NZ IFRIC 12 - *Service Concession Arrangements*;
- Borrowing costs;
- Extinguishing Financial Liabilities with Equity Instruments accounted for in accordance with NZ IFRIC 19 - *Extinguishing Financial Liabilities with Equity Instruments*;
- Joint arrangements;
- Severe hyperinflation;
- Government loans;
- Stripping costs in the production phase of a surface mine in accordance with NZ IFRIC 20 - *Stripping Costs in the Production Phase of a Surface Mine*.

OPENING NZ IFRS STATEMENT OF FINANCIAL POSITION

- An opening NZ IFRS Statement of Financial Position is prepared at the date of transition.
- All NZ IFRSs are applied consistently across all reporting periods in the entity's first set of NZ IFRS compliant financial statements (i.e. both the comparatives and the current reporting period).
- If a standard is not yet mandatory but permits early applications, an entity is permitted, but not required, to apply that Standard in its first NZ IFRS set of financial statements.

MANDATORY EXEMPTIONS

NZ IFRS 1 prohibits retrospective application in relation to the following:

- Estimates;
- Derecognition of financial assets and financial liabilities;
- Hedge accounting; and
- Non-controlling interests.

PRESENTATION AND DISCLOSURE

An entity's first set of financial statements shall present at least three statements of financial position* and two statements each of statements of profit or loss and other comprehensive income, statements of profit or loss (if presented), statements of cash flows and statements of changes in equity, related notes and shall also include, in relation to the adoption of NZ IFRS, the following:

- A reconciliation of equity reported under previous accounting framework to equity under NZ IFRS:
 - At the date of transition to NZ IFRS.
 - At the end of the latest period presented in the entity's most recent annual financial statements under previous accounting framework.
- A reconciliation of total comprehensive income reported under previous accounting framework to total comprehensive income under NZ IFRS for the entity's most recent annual financial statements under previous accounting framework.*
- Interim financial reports:
 - In addition to the reconciliations above, the entity is also required to provide:
 - A reconciliation of equity reported under previous accounting framework to equity under NZ IFRS at the end of the comparable interim period; and*
 - A reconciliation of total comprehensive income reported under previous accounting framework to total comprehensive income under NZ IFRS for that comparable interim period and*
 - Provide explanations of the transition from previous accounting framework to NZ IFRS.*
- Any errors made under the previous accounting framework must be separately distinguished.*
- Additional disclosure requirements are set out in NZ IFRS 1.

ACCOUNTING POLICIES

- Use the same accounting policies in its opening NZ IFRSs statement of financial position and throughout all periods presented in its first New Zealand equivalents to IFRSs financial statements.
- Those accounting policies comply with each NZ IFRS effective at the end of its first NZ IFRSs reporting period.

Changes in accounting policies during first year of NZ IFRS

If between the date of an entity's interim financial reports (prepared in accordance with NZ IAS 34 - *Interim Financial Reporting*) and the issue of its first annual NZ IFRS financial statements, and entity changes accounting policies and/or adopts exemptions:

- The requirements of NZ IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors* do not apply.
- The reconciliation between NZ IFRS and previous GAAP has to be updated.

REPEAT APPLICATION OF NZ IFRS 1

An entity that has applied NZ IFRSs in a previous reporting period, but whose most recent previous annual financial statements do not contain an explicit and unreserved statement of compliance with NZ IFRSs, must either apply NZ IFRS 1 or else apply NZ IFRSs retrospectively in accordance with NZ IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*.

TIER 2 NZ IFRS RDR REPORTERS

NZ IFRS RDR reporters are required to comply with the recognition and measurement principles of NZ IFRS 1 in full.

- However, they do not need to provide a Statement of Financial Position as at the date of transition.
- Other disclosure concessions are marked with an *