Agenda paper 1
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IFRS® Foundation

Review of common reporting practice

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Objective of the session

- The technical staff is seeking ITCG members’ views on:
  - Adding new elements and calculation to enable tagging of reconciliation of denominator in calculation of Earnings per share.
  - Adding a new table for Antidilutive instruments.
  - Deprecating existing elements and creating new elements for tagging of ‘other’ component of other comprehensive income.

Agenda

Background – Earnings Per Share

IAS 33 *Earnings Per Share*—Definitions

- A potential ordinary share is defined within IAS 33 as a financial instrument or other contract that may entitle its holders to ordinary shares. Paragraph 7 provides examples of potential ordinary shares:

> 7 Examples of potential ordinary shares are:
>
> (a) financial liabilities or equity instruments, including preference shares, that are convertible into ordinary shares;
>
> (b) options and warrants;
>
> (c) shares that would be issued upon the satisfaction of conditions resulting from contractual arrangements, such as the purchase of a business or other assets.

- Potential ordinary shares are dilutive (antidilutive) when their conversion to ordinary shares would decrease (increase) earnings per share or increase (decrease) loss per share from continuing operations.

IAS 33—Disclosure requirements

- Paragraph 70(b) requires a company to disclose a reconciliation of the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share. Paragraph 70(c) requires a company to disclose antidilutive instruments.

> **An entity shall disclose the following:**
>
> **…**
>
> **(b) the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share.**
>
> **(c) instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the period(s) presented.**

IAS 33—Illustrative Example 12

- Example 12 illustrates the calculation and presentation of basic and diluted earnings per share. It includes an example of the calculation of dilutive potential ordinary shares:

Weighted-average shares		5,880,000
Plus: incremental shares from assumed conversions		
Warrants	50,000[(b)]	
Convertible preference shares	600,000[(c)]	
Dilutive potential ordinary shares		650,000
Adjusted weighted-average shares		6,530,000
Diluted EPS		***CU1.00***

IFRS Taxonomy—reconciliation

- The IFRS Taxonomy has a text element and two numeric common practice line items for the reconciliation of the denominator used in calculating basic and diluted earnings per share:

Explanation of adjustments between denominators used to calculate basic and diluted earnings per share	text	IAS 33.70 b Disclosure
Dilutive effect of convertible instruments on number of ordinary shares	shares	IAS 33.70 b Common practice
Dilutive effect of share options on number of ordinary shares	shares	IAS 33.70 b Common practice

- The IFRS Taxonomy does not include elements for the examples of potential ordinary shares mentioned in paragraph 7 of IAS 33 (see slide 5) or Illustrative Example 12 (see slide 7) as the current IFRS Taxonomy content policy is to only add elements for those examples within the IFRS Standards that illustrate the presentation and disclosure requirements.

IFRS Taxonomy—antidilutive instruments

- The IFRS Taxonomy has a text element for the paragraph 70(c) requirement to disclose antidilutive instruments. No other elements exist.

Description of instruments with potential future dilutive effect not included in calculation of diluted earnings per share	text	IAS 33.70 c Disclosure

IFRS

Reconciliation of the denominator

What is the issue? — common reporting practice

- Companies commonly report and need to create extensions for:
  - 1) the effect on ordinary shares of dilutive instruments other than share options and convertible instruments, with warrants and restrictive share units commonly reported types
  - 2) the aggregate effect on ordinary shares of all dilutive instruments.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The Group has two categories of dilutive potential shares: equity-settled share options and restricted units. For these instruments, a calculation is done to determine the number of shares that could have been acquired at fair value, based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the equity-settled share options. As of December 31, 2019, there were 737 thousands (2018: 851 thousands; 2017: 1,658 thousands) share options/restricted units outstanding that could potentially have a dilutive impact in the future but were antidilutive for the periods presented.

	2019	2018	2017
(Loss) / Profit from operations attributable to equity holders of the Group	(772)	(24,622)	13,198
Weighted average number of shares in issue (thousands)	117,252	116,637	120,599
Adjustments for:			
- Employee share options and restricted units (thousands)	645	1,198	1,604
Weighted average number of shares for diluted earnings per share (thousands)	117,897	117,835	122,203
Diluted (loss) / earnings per share from operations	**(0.007)**	**(0.211)**	**0.108**

Tag
DilutiveEffectOfShareOptionsAndRestrictedUnitsOnNumberOfOrdinaryShares Extension

What is the issue? — existing data model

- Irrespective of any observed common practice, we think that the existing IFRS model does not fully (or best) reflect the paragraph 70(b) disclosure requirement. Our reasons are:

1. The paragraph requires a company to disclose a reconciliation of the number of shares	The use of the existing text element ‘Explanation of adjustments …’ does not reflect this. The use of a numeric ‘shares’ element ‘Dilutive effect of all instruments on ordinary shares’ better reflects the disclosure requirement.
2. The paragraph requires a reconciliation to include the individual effect of each class of individual instrument that affects earnings per share.	The use of an axis ‘Types of dilutive instruments’ would be the best model. However, due to existing XBRL calculations constraints, an axis cannot be used, therefore line item modelling is preferred to model the reconciliation.* Line item modelled is also used within the US GAAP Taxonomy.

(*) For example, the following XBRL calculation is currently not possible: the line item ‘Weighted average number of ordinary shares used in calculating diluted earnings per share’ equals the line item ‘Weighted average number of ordinary shares used in calculating basic earnings per share’ plus the line item ‘Dilutive effect on ordinary shares’ with the member ‘Warrants’. For XBRL calculations to work, all line items used would need to have the same member (or no member at all).

Proposal—new elements and calculations

	Reconciliation of the denominators used in calculating basic and diluted earnings per share	
Calculation	**Standard label of line items**	**Reference**
A	Weighted average number of ordinary shares to calculate basic earnings per share	Disclosure
B	Dilutive effect of convertible instruments on number of ordinary shares	Common practice
C	Dilutive effect of share options on number of ordinary shares	Common practice
D	Dilutive effect of contingently issuable shares on number of ordinary shares (NEW)	Example
E	Dilutive effect of restricted share units on number of ordinary shares (NEW)	Common practice
F	Dilutive effect of warrants on number of ordinary shares (NEW)	Common practice
G	Dilutive effect of other instruments on number of ordinary shares (NEW)	Common practice
* H = B + C + D + E + F + G	Dilutive effect of all instruments on number of ordinary shares (NEW)	Disclosure
# I = A + H	Weighted average number of ordinary shares to calculate diluted earnings per share	Disclosure

* Calculation H = B + C + D + E + F + G will be included in the Calculation linkbase

Calculation I = A + H will be included in the Formula linkbase

Proposal—deprecation

- We also propose to deprecate the existing text element:
  - ‘Explanation of adjustments between denominators to calculate basic and diluted earnings per share’

Question 1 to the ITCG

Do you agree with the staff proposals outlined on slides 13 to 14? If not, what would you suggest and why?

Disclosure of antidilutive instruments

What is the issue?

- Paragraph 70(c) of IAS 33 requires a company to disclose the instruments that are antidilutive for the period presented, but is silent on the reporting format:
  - A narrative explanation?
  - A numeric value representing the number of instruments that are antidilutive?
  - A numeric value representing the number of potential ordinary shares arising from the conversion or exercise of antidilutive instruments?

- We observed variety in reporting practice. Entities commonly report numeric values (see slide 18 for examples). A few entities provide a narrative description only (see slide 19 for examples).

- Entities are creating extensions and are using different data models to tag the reported numeric values (see slide 20). This makes it difficult for investors to consume the tagged data. (see slides 21-22 for our proposals).

Examples — numeric values

As of December 31, 2019, the Successor Company has the following potential common shares that are anti-dilutive and are therefore excluded from the weighted average number of common shares for the purpose of diluted (loss) / profit per share:

(i) 21,666,667 Series A shares related to the 65,000,000 to the Series A Warrants (See Note 20.1);

(ii) 9,893,333 related to the 29,680,000 related to the Sponsor Warrants (See Note 20.1);

(iii) 1,666,667 related to the 5,000,000 Forward Purchase Agreement ("FPA") (See Note 20.1);

(iv) 8,432,068 Series A shares to be used pursuant to the LTIP for employee and for which has not been granted as part of LTIP.

During the years ended December 31, 2019, 2018 and 2017, we incurred net losses and as a result, the inclusion of potentially dilutive shares relating to unvested shares of restricted stock and our Convertible Notes due 2019 and Convertible Notes due 2022 were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive. Accordingly, interest expense, deferred financing amortization and the potentially dilutive securities relating to the conversion of the Convertible Notes due 2019 and Convertible Notes due 2022 (representing 5,238,105, 6,613,733, and 3,442,282 shares of common stock for the years ended December 31, 2019, 2018 and 2017, respectively) along with the potentially dilutive impact of 3,561,742 and 3,359,887 and 1,925,441 unvested shares of restricted stock were excluded from the computation of diluted earnings per share for the years ended December 31, 2019, 2018 and 2017, respectively.

Potential dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive were as follows:

	2019	2018	2017
Employee options	12,153,772	12,243,526	14,646,720
Restricted stock units	638,350	100,383	195,937
Restricted stock awards	41,280	61,880	61,880
Other contingently issuable shares	162,320	—	—
Warrants	2,400,000	—	6,720,000

Examples — narrative explanations

Note i As the Group incurred loss for the years ended 31 December 2017 and 2018, the conversion of Series A Preferred Shares and convertible note would be anti-dilutive and therefore, related changes in fair value and interest expense are not included in the computation of diluted loss per share. Diluted loss per share and basic loss per share are the same for the years ended 31 December 2017 and 2018.

Note ii The potential outstanding shares related to share based compensation and the conversion of convertible note would be anti-dilutive and therefore, related changes in fair value and interest expense are not included in the computation of diluted loss per share.

As the Company is suffering operating losses, options have an anti-dilutive effect. As such, there is no difference between basic and diluted earnings/losses per ordinary share. There are no other instruments that could potentially dilute earnings per ordinary share in the future.

Observed tagging of the numeric values

- Some companies use only line items whereas others use an axis to tag the numeric value for a specific instrument. For example:

Entity	Line item	Axis	Member	Value	Unit of measure
A	Number of potential dilutive instruments [EXT]	Antidilutive securities [EXT]	Share options [EXT]	53,121	Pure
B	Antidilutive potential ordinary shares arising from the exercise of share options [EXT]			82,000	Shares
C	Antidilutive share options [EXT]			53,121 or 82,000?	Shares

- We observed that entities use ‘shares’ as unit of measure to denote both a number of instruments and a number of potential ordinary shares:
  - Some companies use the standard label to indicate that the value represents the number of potential ordinary shares (company B). For others it is not clear (company C).
  - A few companies use ‘pure’ or ‘equity instruments’ to indicate that the value reflects the number of instruments (company A).

Staff proposal—new table and new elements

Table		Disclosure relating to antidilutive instruments
Axis	Reference	Antidilutive instruments
Default member	D	All types of antidilutive instruments
Member	CP	Convertible instruments
Member	CP	Share options
Member	E	Contingently issuable shares
Member	CP	Restricted share units
Member	CP	Warrants
Line items relating to antidilutive instruments		
	CP	Number of potential ordinary shares that are antidilutive in the period presented (element type is 'shares')
	D	Number of instruments that are antidilutive in the period presented (element type is 'decimal')

Note - The proposal is consistent with the approach followed within the US GAAP Taxonomy.

Staff proposal—deprecation and new element

- The IFRS Taxonomy has text block elements for disclosures presented in a table.
- Therefore, we propose to deprecate the existing text element and create a new text block element for the newly proposed table (see previous slide).

Existing element to be deprecated	Description of instruments with potential future dilutive effect not included in calculation of diluted earnings per share
Proposed element	Disclosure of instruments with potential future dilutive effect not included in calculation of diluted earnings per share [text block]

Rejected option — line item model

- We considered the use of a line item model but rejected it. Our reasons are:
  - The IFRS Standards do not require a reconciliation, therefore the calculation argument that applies to dilutive instrument does not apply (see slide 12)
  - Extensions for specific types of instruments are linked to the axis, therefore the meaning of extensions can be derived

Question 2 to the ITCG

Do you agree with the staff proposals to add a new table for the disclosure of antidilutive instruments as outlined on slides 21-22? If not, what would you suggest and why?

Other Comprehensive Income

Introduction

- Paragraph 82A of IAS 1 *Presentation of Financial Statements* requires items of other comprehensive income to be grouped into two categories:
  - – items that will not be reclassified subsequently to profit or loss; and
  - – items that will be reclassified subsequently to profit or loss

82A The other comprehensive income section shall present line items for the amounts for the period of:

(a) items of other comprehensive income (excluding amounts in paragraph (b)), classified by nature and grouped into those that, in accordance with other IFRSs:

(i) will not be reclassified subsequently to profit or loss; and

(ii) will be reclassified subsequently to profit or loss when specific conditions are met.

(b) the share of the other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that, in accordance with other IFRSs:

(i) will not be reclassified subsequently to profit or loss; and

(ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Disclosure in IFRS Taxonomy

- Accordingly, the line items relating to the components of other comprehensive income and income tax thereon are grouped in the two categories.

- [420000] Statement of comprehensive income, OCI components presented before tax
  - Statement of comprehensive income [abstract]
    - Profit (loss)
    - Other comprehensive income [abstract]
      - Components of other comprehensive income that will not be reclassified to profit or loss, before tax [abstract]
      - Share of other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss, before tax
      - Total other comprehensive income that will not be reclassified to profit or loss, before tax
      - Components of other comprehensive income that will be reclassified to profit or loss, before tax [abstract]
      - Share of other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss, before tax
      - Total other comprehensive income that will be reclassified to profit or loss, before tax
      - Total other comprehensive income, before tax
      - Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss [abstract]
      - Income tax relating to share of other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss
      - Income tax relating to components of other comprehensive income that will be reclassified to profit or loss [abstract]
      - Income tax relating to share of other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss
      - Total other comprehensive income
    - Total comprehensive income

What is the issue?

- There are 3 common practice elements in ELR [800200] Notes – Analysis of income and expense, which were created to handle the tagging of ‘other’ component of other comprehensive income.

Other individually immaterial components of other comprehensive income, net of tax	$X_{duration, credit}$	IAS 1.85 Common practice
Other individually immaterial components of other comprehensive income, before tax	$X_{duration, credit}$	IAS 1.85 Common practice
Income tax relating to other individually immaterial components of other comprehensive income	$X_{duration, debit}$	IAS 1.85 Common practice

- These elements are not categorised in the two categories discussed earlier.
- Companies use these elements to tag ‘other’ component of other comprehensive income in one of the two categories. See examples on next slide.
- We think that these elements are inconsistent with the requirement of paragraph 82A of IAS 1.

Examples - IFRS filings

	Y 2020 1/1/2020 to 12/31/2020
CONSOLIDATED NET INCOME notes	**($7,336,000,000)**
Other comprehensive income	
Actuarial gains and losses notes	($212,000,000)
Change in fair value of investments in equity instruments notes	$533,000,000
Tax effect notes	$65,000,000
Currency translation adjustment generated by the parent company ext notes	$7,541,000,000
ITEMS NOT POTENTIALLY RECLASSIFIABLE TO PROFIT AND LOSS notes	**$7,927,000,000**
Currency translation adjustment notes	($4,645,000,000)
Cash flow hedge notes	($313,000,000)
Variation of foreign currency basis spread notes	$28,000,000
Share of other comprehensive income of equity affiliates, net amount notes	($1,831,000,000)
Other notes	($8,000,000)
Tax effect notes	$72,000,000
ITEMS POTENTIALLY RECLASSIFIABLE TO PROFIT AND LOSS notes	**($6,697,000,000)**
TOTAL OTHER COMPREHENSIVE INCOME (NET AMOUNT) notes	**$1,230,000,000**
COMPREHENSIVE INCOME	**($6,106,000,000)**

Other individually immaterial components of other comprehensive income, before tax

Other comprehensive income/loss that may be recycled to profit or loss from continuing operations:	
Currency translation reserve	
Currency translation differences	(£647,000,000)
Fair value through other comprehensive income reserve relating to debt securities	
Net gains/(losses) from changes in fair value	£2,402,000,000
Net (gains)/losses transferred to net profit on disposal ext	(£251,000,000)
Net losses transferred to net profit due to impairment ext	£1,000,000
Net (losses)/gains due to fair value hedging ext	(£1,640,000,000)
Other movements ext	
Other movements	(£130,000,000)
Cash flow hedging reserve	
Net gains/(losses) from changes in fair value	£1,366,000,000
Net gains transferred to net profit	(£282,000,000)
Tax	(£291,000,000)
Other	£3,000,000
Other comprehensive income that may be recycled to profit or loss from continuing operations	**£531,000,000**
Other comprehensive (loss)/income not recycled to profit or loss from continuing operations:	
Retirement benefit remeasurements	(£77,000,000)
Fair value through other comprehensive income reserve movements relating to equity instruments	£1,000,000
Own credit	(£810,000,000)
Tax	£198,000,000
Other comprehensive (loss)/income not recycled to profit or loss from continuing operations	**(£688,000,000)**
Other comprehensive (loss)/income for the year	**(£157,000,000)**

Other individually immaterial components of other comprehensive income, net of tax

IFRS

Proposals

- Deprecate the 3 common practice elements listed on slide 28.
- Create the following 6 new common practice elements:

Other individually immaterial components of other comprehensive income that will **not** be reclassified to profit or loss, net of tax	Monetary, duration, credit
Other individually immaterial components of other comprehensive income that will be reclassified to profit or loss, net of tax	Monetary, duration, credit
Other individually immaterial components of other comprehensive income that will **not** be reclassified to profit or loss, before tax	Monetary, duration, credit
Other individually immaterial components of other comprehensive income that will be reclassified to profit or loss, before tax	Monetary, duration, credit
Income tax relating to other individually immaterial components of other comprehensive income that will **not** be reclassified to profit or loss	Monetary, duration, debit
Income tax relating to other individually immaterial components of other comprehensive income that will be reclassified to profit or loss	Monetary, duration, debit

Advantage and disadvantage of proposal

Advantage	Disadvantage
• New elements will be consistent with the IFRS Standards.	• Since the existing elements will be deprecated, re-tagging will be required for some preparers.

Question 3 to the ITCG

- Do you agree with the proposals listed on slide 30? If not, what would you suggest and why?

Next steps

Next steps

- We will include these proposals in the Proposed IFRS Taxonomy Update for General Improvements and Common Practice, to seek public comments.
- After considering the public comments, we will modify the proposals, as needed.
- We will aim to include the changes in the annual IFRS Taxonomy 2022.

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