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Staff paper

Agenda reference: 2

Capital Markets Advisory Committee meeting

Date	**14 March 2025**
Project	**Financial Instruments with Characteristics of Equity**
Topic	**Redeliberation of the proposals—Presentation and Disclosures**
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Purpose of this session

- To recap the proposals and feedback related to the presentation and disclosure sections in the Exposure Draft *Financial Instruments with Characteristics of Equity* (the ED) and provide an update on the IASB's discussion at its February 2025 meeting*
- To seek input from CMAC members on:
    - the potential changes to the proposed amendments related to presentation and some disclosures in response to the feedback—see the questions on slides 24 and 35
    - the timing of finalising the amendments related to presentation and some disclosures—see the question on slide 38

* This paper is based upon the discussion at the February 2025 IASB meeting. Please see Agenda Paper 5A for the proposed presentation requirements and Agenda Paper 5B for the proposed disclosure requirements for further details

Information for participants

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Questions for CMAC members

Questions for CMAC members

1

Would the IASB's preferred approach provide useful information for investors?

Is there anything else the IASB should consider if it proceeds with this presentation approach?

2

Considering the feedback that extensive disclosures would increase the burden on preparers and potentially obscure useful information to investors:

Do you think the suggested changes (including reductions) to the proposed disclosure requirements would still result in information that is useful to investors' analyses?

Questions for CMAC members

3 In your view, is there anything else the IASB should consider in assessing the timing of finalising the presentation and disclosure requirements discussed in this paper?

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Background information

Overview of the project

Objectives

- Improve information entities provide in their financial statements about financial instruments they have issued
- Address challenges with applying IAS 32 *Financial Instruments: Presentation*

Approach

- Clarify IAS 32 classification principles to address practice issues:
  - → fixed-for-fixed condition
  - → effects of laws or regulations
  - → obligations to purchase own equity instruments
  - → contingent settlement provisions
  - → shareholder discretion
  - → reclassification
- Improve presentation and disclosure
- Provide application guidance and illustrative examples

Investor focus

Next milestone

- Redeliberate proposals in the Exposure Draft
- Final Amendments are expected in 2026

Project timeline

Publish Exposure Draft

Nov 2023

Outreach

Nov 2023 – Mar 2024

Consultation

High-level feedback summary and investor feedback analysis

April 2024 – July 2024

Initial feedback analysis

Redeliberations on presentation and some disclosures

Redeliberations on classification and other disclosures

Q3 2024 and onwards

Final amendments

Q4 2026*

Redeliberations and finalisation of the amendments

* Date subject to the project progressing as planned.

Feedback and analysis on the presentation proposals

Presentation—Proposed amendments to IAS 1

To improve information about amounts attributable to ordinary shareholders (often referred to as "common equity"), the Exposure Draft proposed that an entity should be required to present:

Statement of financial position

Issued capital and reserves attributable to:

- ordinary shareholders of the parent
- other owners of the parent

Statement of profit or loss and other comprehensive income

profit or loss and comprehensive income attributable to:

- ordinary shareholders of the parent
- other owners of the parent

Statement of changes in equity or in the notes

the amount of dividends recognised as distributions to ordinary shareholders and to other owners

See Appendix A for illustration of the ED proposals and potential refinements

Main feedback on the ED

Overall positive feedback from investors
(See Agenda Paper 5A of the July 2024 IASB meeting)

- Most investors generally supported the presentation proposals saying they would highlight the complexity of an entity's ownership structure
- Many investors expressed concerns about a lack of application guidance on the basis and methods for determining amounts for separate presentation and some suggested additional disclosures
- Some investors anticipated a method consistent with the requirements in IAS 33 *Earnings per Share* to calculate profit attributable to other owners of the parent

Mixed feedback from other stakeholders
(See Agenda Paper 5A of the October 2024 IASB meeting)

- General appreciation for the IASB's efforts to enhance the presentation of equity instruments and provide additional information about amounts attributable to ordinary shareholders
- Main concern was lack of application guidance on the basis and methods for determining amounts for separate presentation, eg whether and how to align with the requirements in IAS 33
- Other concerns about distinction between ordinary shareholders and other owners (especially when equity instruments have characteristics similar to ordinary shares), and costs versus benefits of the proposals

Staff considered alternative approaches to address stakeholder concerns
(See Agenda Paper 5A of the February IASB meeting)

Developing a presentation approach

Before considering any potential refinements or alternatives to the proposals, the IASB thought it was important to take a step back and reassess what can be done within the scope of the FICE project while still achieving the objectives of the presentation proposals. The IASB considered the following key questions:

What is the problem to solve based on the **information needs** of users of the financial statements?

Are there any **simplifications** that can be made?

What are the **key factors** for developing a presentation approach?

Are **additional disclosure** requirements needed?

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What is the problem—what do investors need?

Information on equity instruments issued by an entity that is more **accessible** and readily available

Information about **distribution of profits** between holders of different types of equity instruments so that investors can understand the effect other classes of equity instruments have on returns to ordinary shareholders

Transparency about **other equity-classified instruments** and how these instruments could affect the nature, timing and uncertainty of future cash flows

Information about the **key features that lead to the classification** of complex instruments as either equity or financial liabilities to assist with their own analyses and valuations

Simplifications that can be made

To address stakeholder concerns about the complexity and operationality of the proposals, the IASB considered making the following simplifications to any potential presentation requirements:

Focus solely on presentation ie. not change the measurement requirements for equity instruments

Not require allocation of issued capital and reserves to different equity instrument holders

Not require allocation of comprehensive income to different equity instrument holders

Focus on attribution of profit or loss in the statement of profit or loss

Not require specific presentation in the statement of financial position and statement of changes in equity (additional disclosures instead)

Key factors for developing a presentation approach

The IASB considered that any potential presentation approach should:

- establish clear and robust presentation principles
- focus on features of equity instruments
- be consistent with the reasons the IASB developed the presentation proposal in the ED and satisfy the information needs of investors
- address the key concerns raised by stakeholders in response to the ED
- not create inconsistencies with current requirements
- reduce the risk of other unintended consequences, eg new diversity in application
- apply to all entities, not only those in scope of IAS 33
- be consistent with the relevant principles of IAS 33 to the extent possible

Differentiation of equity instruments

Equity instruments could be differentiated based on their rights to participate in the residual interests and/or profit or loss of an entity:

- some instruments might have the right to participate in both (eg ordinary shares)
- some might only have the right to participate in either the residual interests or profits (but not both)
- others might participate in neither the residual interests nor profits (eg right to specified amount of dividends/coupons and specified amount on liquidation, such as return of initial amount plus accumulated unpaid coupons)

The IASB considered that if the focus is on **statement of profit or loss** only, participation should be defined only based on **rights to participate in profit or loss**. Therefore, instruments should be:

- *Participating* if they have the right to distributions that vary based on the entity's profit or loss for the period, ie the amount of distributions/dividends is unspecified and subject to changes in the entity's economic resources
- *Non-participating* if they have the right to specified distributions (eg fixed coupons) that do not vary based on the profit or loss for the period and could be cumulative or non-cumulative

Differentiation of equity instruments

Applying this differentiation to some equity instruments, examples of participating and non-participating rights include:

Equity instruments examples	Participate in profit or loss	Participate in residual interests	
Ordinary shares; preference shares that participate in dividends similar to ordinary shares	Yes	Yes	Participating
Equity instruments with rights to unspecified dividend amounts and specified redemption amounts on liquidation (eg repayment of initial investment amount)	Yes	No	
Equity instruments with a fixed coupon and rights to unspecified amounts on liquidation	No	Yes	Non-participating instruments
Equity instruments with a fixed coupon and rights to specified redemption amounts on liquidation	No	No	

Alternative presentation approaches

The IASB identified three potential approaches for the presentation of profit or loss attributable to different categories of equity instruments:

<table>
<tr><th>Statement of profit or loss (extract)</th><th>Approach A [1]</th><th>Approach B [1]</th><th>Approach C [1]</th></tr>
<tr><td>Profit attributable to:</td><td></td><td></td><td></td></tr>
<tr><td>Ordinary shareholders of the parent</td><td>X</td><td rowspan="2">X</td><td>X</td></tr>
<tr><td>Other participating instrument holders of the parent</td><td>X</td><td rowspan="2">X</td></tr>
<tr><td>Non-participating instrument holders of the parent</td><td>X</td><td>X</td></tr>
<tr><td>Non-controlling interests</td><td>X</td><td>X</td><td>X</td></tr>
<tr><td>Profit for the year</td><td>X</td><td>X</td><td>X</td></tr>
</table>

Amounts to be aggregated

1 Approach A, B and C are referred to as the Bridge approach, Revised October approach and Revised ED approach respectively in Agenda Paper 5A of the February 2025 IASB meeting

IASB preferred approach

Approach A

Separate presentation for (1) *ordinary shareholders, (2) other participating instrument holders*, and (3) *non-participating instrument holders* in the statement of profit or loss

Pros	Cons
• Aligned to IAS 33 principles for definition of ordinary shares and profit-participation • Satisfies investors' needs by providing the most relevant information associated with ordinary shares • Enhances transparency about non-participating instruments and strengthens the connection with disclosures for equity instruments with debt-like characteristics	Requires allocation of profit or loss between ordinary shares and other participating equity instruments, which might require judgement, therefore: • as similar judgements are required by IAS 33, some application issues could spill over into presentation requirements • entities not applying IAS 33 might be more affected as they have to make judgements not previously required This could result in lack of consistent information for investors

Approach A - additional disclosure requirements

In the absence of presentation requirements related to statement of financial position and statement of changes in equity, and to further enhance the usefulness of amounts presented in the statement of profit or loss, the IASB considered proposing additional disclosure requirements including:

- information to enable understanding of how equity instruments relate to the line items presented separately for ordinary shares, other participating instruments, and non-participating instruments
- terms and conditions affecting nature, amount, timing and uncertainty of cash flows of participating instruments (without debt-like features)
- cumulative undeclared dividends of non-participating instruments

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Equity instrument with participating and non-participating interests

The IASB also considered that some equity instruments have complex profit participation rights eg entitled to a fixed coupon before sharing in the remaining profit or loss with ordinary shares

Statement of profit or loss (extract)	Bridge Approach
Profit attributable to:	
Ordinary shareholders of the parent	X
Other participating instrument holders of the parent	X
Non-participating instrument holders of the parent	X
Non-controlling interests	X
Profit for the year	**X**

Equity instrument with both rights

Shared portion of profit with ordinary shareholders = participating interest

Fixed coupon = non-participating interest

Supplemented by disclosures in the notes

Information about which equity instruments relate to the line items

Terms and conditions of participating instruments

Terms and conditions of equity instruments with debt-like features

IASB preferred approach

At the February 2025 IASB meeting, most IASB members expressed a preference for Approach A because it would:

- be most responsive to concerns raised about complexity and aggregating other participating instruments with non-participating instruments
- enable consistency between principles in IAS 33 with regards to ordinary shares and description of participating equity instruments, without extending the scope of IAS 33 or limiting the scope of proposals
- remain responsive to investor requests to separately present profit or loss attributable to ordinary shares from other equity instruments to provide more transparency about returns on ordinary shares
- remain responsive to investor requests to present amounts attributable to non-participating instruments so they can understand the effects of such instruments on the future cash flows/returns on ordinary shares

See Appendix B for an analysis of the other two presentation approaches

Questions for CMAC members

1

Would the IASB's preferred approach provide useful information for investors?

Is there anything else the IASB should consider if it proceeds with this presentation approach?

Feedback and analysis on the disclosure proposals

Disclosures—Proposed amendments to IFRS 7

Not applicable to stand-alone derivatives

Terms & Conditions

- Debt-like characteristics
- Equity-like characteristics
- Characteristics that determine the classification

2

Slides 29–30 and 45–48

Priority on liquidation

- Nature and priority of claims against an entity
- T&Cs about priority on liquidation for particular instruments

3

Slides 31–32 and 49

Potential dilution

- Maximum number of additional ordinary shares
  - •Reduced by minimum number of shares for repurchase

4

Slides 33–34 and 50-52

Other disclosures*

- Reclassifications
- Remeasurement gains or losses on liabilities based on entity's performance/net assets
- Obligations to redeem own equity instruments
- Significant judgements
- Terms that become/stop being effective with passage of time
- **Compound instruments–initial allocation between components**

Scope of IFRS 7

Equity instruments issued

1

Slides 27–28

* Other disclosures (except for compound financial instruments) to be redeliberated at future IASB meetings

1. Scope and objective of IFRS 7 *Financial Instruments: Disclosures* (1/2)

Proposal	Summary of feedback
• **Expand** the objective to enable investors to understand **how an entity is financed and what its ownership structure is**, including **potential dilution** to the ownership structure • **Extend** the scope to equity instruments	• **Most** respondents supported expanding the scope and objective of IFRS 7 • **Some** respondents concerned about disclosure overload, onenting that a) the scope is too broad b) more clarity is needed on aggregation and materiality judgements c) cross-referencing should be allowed

1. Scope and objective of IFRS 7—Potential refinements (2/2)

Staff suggestion

- **Allow cross-referencing** by including references to the proposed disclosure requirements in paragraph B6 of IFRS 7 but only if those cross-referenced reports are available to investors on the **same terms** as the financial statements and at the **same time**

Staff analysis

- Allowing cross-referencing could would not only alleviate the potential burden on preparers but also ensure that material information in the financial statements are not obscured by duplicating information that is already provided elsewhere

2. Terms and conditions (1/2)

Proposal

- For financial instruments with both financial liability and equity characteristics disclose:
  a) terms and conditions that **determine their classification**
  b) cash flow characteristics **not representative of the classification** but relevant to understanding their nature
  c) terms about **priority on liquidation**
- For compound financial instruments
  a) terms and conditions that **determine their classification**
  b) in the year of issuance, **the amounts allocated** to the liability and equity components on initial recognition

Summary of feedback

- **Some** respondents said these disclosures would help investors gain a better understanding of the nature of those instruments
- However**, most** respondents were concerns about
  a) potential disclosure overload (instrument-by-instrument basis)
  b) practical difficulties with providing information about priority on liquidation
  c) potential overlap with current requirements or other proposals
  d) disclosures for compound financial instruments could be covered by disclosures for financial instruments with both financial liability and equity characteristics

2. Terms and conditions—Potential refinements (2/2)

Staff suggestion	Staff analysis
• **Remove** the proposal to disclose amounts **allocated on initial recognition** to the components of compound financial instruments	• Information would only be available at initial recognition and might not be **relevant** because financial liabilities are subsequently remeasured while equity instruments are not
• **Scope out** particular equity-like characteristics (eg subordination and settlement that will occur by delivering a variable number of own shares)	• **Similar** information **would be obtained from other disclosure proposals** ('nature and priority of claims' and/or 'maximum dilution' disclosures) and it would reduce the potential **burden** on preparers
• Change **the focus away from liquidation** and **remove particular proposals** relating to **priority** of financial instruments: ▪ terms and conditions that indicate priority ▪ multiple levels of contractual subordination in a class ▪ significant uncertainty from laws or regulations	• Address **practical difficulties** of providing information on a theoretical liquidation basis and improve cost vs benefit analysis, only retain two proposals relating to priority of financial instruments: ▪ terms and conditions that could lead to a change in priority eg conversion/write-off features ▪ information about intra-group arrangements

See illustration on slide 45–48

3. Nature and priority of claims (1/2)

Proposal

- Disclose nature and priority of claims on liquidation from **all financial liabilities and equity instruments** in the scope of **IAS 32**
- Categorise claims—distinguish between **secured/unsecured** and **contractually subordinated/unsubordinated**, and separately disclose instruments issued by **the parent** and those issued by **subsidiaries** in the consolidated financial statements

Summary of feedback

- **Some** respondents said the disclosure would help understand the entity's capital structure and its potential solvency
- **Most** respondents were concerned about operational challenges and questioned the usefulness such as
  a) how to consider local legislation for entities operating in multiple jurisdictions
  b) difficulty at a consolidated entity level to rank the instruments in order of priority
  c) information about liquidation is available only for each individual entity
  d) for regulated financial institutions, resolution is the most likely outcome

3. Nature and priority of claims—Potential refinements (2/2)

Staff suggestion	Staff analysis
• Change **the focus away from liquidation,** to focus on the nature of claims based on contractual terms at the reporting date	• This would **more accurately reflect the objective of the disclosure and resolve most respondents' concerns** about practical difficulties of providing information on a theoretical liquidation basis
• **Align the scope** of claims classified as **financial liabilities** with that of **the IFRS 7 liquidity risk disclosures** • **Scope in equity instruments** issued to **raise finance**	• Aligning the scope of financial liabilities with those included in the liquidity risk disclosures would complement the liquidity risk disclosures and include financial liabilities relevant to assessing **an entity's liquidity** and their effects on future cash flows • Scoping out equity items such as equity reserves and equity derivatives **not issued to raise finance** would focus on relevant instruments only and reduce potential burden on preparers

See illustration on slide 49

4. Potential dilution of ordinary shares (1/2)

Proposal

- **Disclose maximum dilution** of ordinary shares from financial instruments that could be settled in ordinary shares, **including key terms and conditions** to understand likelihood of maximum dilution and possibility for unknown dilution. Subtotals for
  - **a) total maximum number** of additional ordinary shares **the entity might be required to deliver**
  - **b) net maximum number** of additional ordinary shares the entity might be required to deliver, calculated after **subtracting the minimum number** of ordinary **shares the entity is required to repurchase**

Summary of feedback

- **Some** respondents supported the proposals to enable users of financial statements to assess potential dilution
- **Most** respondents were concerned about practical difficulties and questioned the usefulness such as:
  - a) proposals would overlap with IAS 33 and cause confusion
  - b) disclosing detailed information would impose significant burden on preparers
  - c) including anti-dilutive instruments and not disclosing information about the probability of maximum dilution could be misleading
- **Some** respondents suggested adding the proposals to IAS 33 for consistency

4. Potential dilution of ordinary shares—Potential refinements (2/2)

Staff suggestion	Staff analysis
• Provide **examples** of what entities could disclose to increase understanding **of maximum dilution** and **likelihood** of maximum dilution (exercise prices, anti-dilutive instruments, par value, conversion ratio)	• Maximum dilution ignores probability but disclosing **additional information** would help investors assess the **likelihood** of the maximum dilution of ordinary shares and also **other financial** effects (ie cash inflows and debt reduction) that reduce the risk to investors
• Clarify that **off-balance-sheet commitments** would be included and disclose that the number of shares in **share buy-back arrangements** may be **unknown** in some cases	• **Any contract entered into** that could result in the issue of ordinary shares should be **considered** • In share buy-back arrangements **with maximum amounts to spend**, the number of shares may be **unknown**

See illustration on slides 50–52

Question for CMAC members

2

Considering the feedback that extensive disclosures would increase the burden on preparers and potentially obscure useful information to investors:

Do you think the suggested changes (including reductions) to the proposed disclosure requirements would still result in information that is useful to investors’ analyses?

Timing of finalising the amendments

Timing of finalising the amendments

Initial discussion of project plan (July 2024 IASB meeting):

- **positive feedback from investors** on presentation and disclosures
- suggestion from an IASB member to explore whether it would be feasible to expedite the amendments related to **presentation and the disclosures** discussed in this paper before finalising the amendments related to classification and other disclosures so that entities could apply them at the same time as they first apply **IFRS 18** *Presentation and Disclosure in Financial Statements*

The staff considered whether these amendments need to be expedited and do not think there are compelling reasons to expedite them **because**:

- **effective date of IFRS 18** (1 January 2027) is **fast approaching**
- **other disclosures** would **be finalised together with any classification amendments** (companies would apply two sets of new disclosures)
- if finalisation of other amendments result in **changes to the classification** of an instrument, it **could also affect the disclosures** provided in this package (eg equity instrument with debt-like features might become a liability with equity-like features)

Question for CMAC members

3 In your view, is there anything else the IASB should consider in assessing the timing of finalising the presentation and disclosure requirements discussed in this paper?

Appendix A—illustrative presentations with potential refinements

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Illustrative presentations

ED proposals

Statement of profit or loss (extract)	20X7	20X6
Profit attributable to:		
Ordinary shareholders of the parent	82,000	39,400
Other owners of the parent	15,000	13,000
Non-controlling interests	24,250	13,100
Profit for the year	**121,250**	**65,500**

Statement of financial position (extract)	31 Dec 20X7	31 Dec 20X6
Share capital	642,000	600,000
Retained earnings	200,500	127,700
Other reserves	10,200	21,200
Equity attributable to ordinary shareholders of the parent	**852,700**	**748,900**
Equity attributable to other owners of the parent	51,000	34,000
Non-controlling interests	70,050	48,600
Total equity	**973,750**	**831,500**

Potential refinement to statement of profit or loss under Approach A (see slide 23)

Approach A

Statement of profit or loss (extract)	20X7	20X6
Profit attributable to:		
Ordinary shareholders of the parent	82,000	39,400
Other participating instrument holders of the parent	3,000	2,000
Non-participating instrument holders of the parent	12,000	11,000
Non-controlling interests	24,250	13,100
Profit for the year	**121,250**	**65,500**

Potential refinement—No additional presentation requirements for the statement of financial position and the statement of changes in equity, but additional disclosures (see slide 21)

Appendix B—other two presentation approaches

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Approach B

Separate presentation for (1) *ordinary shareholders and other participating instrument holders together*; and (2) *non-participating instrument holders* in the statement of profit or loss

Pros	Cons
• Enhances transparency about non-participating instruments • Strengthens the link with disclosures for equity instruments with debt-like characteristics • Avoids complexity and potential extension of IAS 33 application issues by not splitting ordinary shares and participating instruments	• Does not fully satisfy investors' information needs related to returns of ordinary shareholders

Approach C (similar to the ED approach)

As in the ED, separate presentation for (1) *ordinary shareholders;* and (2) *other holders of equity instruments* in the statement of profit or loss

Pros	Cons
• Aligned to IAS 33 requirements re ordinary shareholders as much as possible • Best satisfies investors' needs by providing the most relevant information associated with ordinary shares	• Potentially extend some IAS 33 application issues into FICE project, and introduce new judgements for entities not applying IAS 33 • Provides limited additional information for listed entities because IAS 33 requires disclosure of EPS numerator, ie profit attributable to ordinary equity holders of the parent

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Appendix C—illustrative disclosures with potential refinements

1 Terms and conditions illustrative disclosure

Perpetual subordinated notes

At 31 December 2020, the total perpetual subordinated notes outstanding amounted to CU3,986 million and are included in Company X's equity. The table below includes the **key terms of these financial instruments.**

	Notional amount	Initial call date	Coupon reset after initial call date	2020 CU million	2019 CU million
5.5% Fixed Rate Subordinated Notes	USD 1,000m	January 2025	10.5%	690	714
4.5% Fixed Rate Subordinated Notes	EUR 750m	March 2028	Market rate	647	658
4% Fixed Rate Subordinated Notes	EUR 2,000m	October 2032	Market rate	1,724	-
3% Fixed Rate Subordinated Notes	GBP 1,000m	January 2027	Market rate	925	910
				3,986	**2,282**

1 Terms and conditions illustrative disclosure

Coupon

These notes bear a fixed rate of coupon until their initial call dates. After the initial call dates, if they are not redeemed, the coupon on the notes reset. The coupon on the USD subordinated notes reset to 10.5%. The coupon on the other notes are fixed periodically in advance for five-year periods, based on prevailing market interest rates plus credit spreads of Company X, fixed at issuance.

Company X has discretion to defer coupons on these notes. The deferred coupons accumulate and become payable at the call date if the notes are called, or when Company X is liquidated, if the notes are not called. Company X is prevented from paying dividends or other distributions in respect of its ordinary shares, or from repurchasing its ordinary shares, until the cumulative coupons on the perpetual subordinated notes have been paid in full.

1 Terms and conditions illustrative disclosure

Redemption option

These notes are redeemable at the option of Company X at the initial call date or any fifth anniversary after this date. The amount redeemable will be the notional amount plus accumulated coupons.

Classification

These notes are classified as equity instruments because Company X has the unconditional contractual right to defer coupons and principal repayments until liquidation of Company X.

1 Terms and conditions illustrative disclosure

~~***Priority on liquidation—subordinated notes***~~

~~In the event of the respective issuer's liquidation, any amounts due in respect of the subordinated notes rank junior to all present and future unsubordinated claims of the respective issuer and rank senior to the respective issuer's ordinary shares, and if any, preference shares. Subordinated notes do not rank pari passu with one another. Some subordinated notes are contractually subordinated to other subordinated notes.~~

Potential deletion—Information about terms and conditions that indicate priority and about multiple levels of subordination in a class of financial instruments
would not be required
(see slide 30)

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2 Nature and priority of claims

Potential refinement—Change the focus away from liquidation (see slide 32)

Nature and priority of claims ~~on liquidation~~

As at 31 Dec 2020 (CU million)			
		Issued / owed by	
	Consolidated	Parent	Subsidiaries
Secured and unsubordinated			
Senior secured debt (a)	1,200	–	1,200
~~Lease liabilities (a)~~	–	–	–
Unsecured and unsubordinated			
Trade and other payables	1,450	320	1,130
Senior unsecured debt (a)	450	–	450
Unsecured and subordinated			
Subordinated liabilities	590	480	110
Classified as financial liabilities	3,690	800	2,890
Unsecured and subordinated			
Perpetual notes	200	200	–
Irredeemable preference shares	400	400	–
Non-controlling interest	1,350	–	1,350
~~Other reserves~~	–	–	–
Ordinary share capital	8,500	8,500	–
Classified as equity	10,450	9,100	1,350
Total	**14,140**	**9,900**	**4,240**

Potential scope change—Scope alignment with IFRS 7 liquidity risk disclosures for financial liabilities and only scope in equity instruments issued to raise finance (see slide 32) eg

- Scoping out lease liabilities
- Scoping out particular equity items such as ‘other reserves’

(a) Included in the “Borrowings” line item in the statement of financial position.

3 Maximum dilution illustrative disclosure

Instruments	Maximum number of additional ordinary shares	Key terms and conditions relating to the instrument/transaction
Convertible bonds (A and C)	600	Holder holds an option to convert the bond at a specified conversion date using a specified conversion ratio of CU15 per share and CU12 per share for Convertible Bonds A and C respectively. The par values are CU5,250 and CU3,000 respectively. Convertible bond C is not included in the diluted earnings per share calculation because it is anti-dilutive.
Convertible bonds B	250	In the event of a change of control of Company X prior to the conversion date, the conversion ratio is adjusted downwards to a pre-determined strike price of CU8 per share. The par value is CU2,000.
Convertible bonds D	350	Issuer holds an option to settle in shares at a conversion ratio of CU15 per share or cash (equal to the value of the shares). The par value is CU5,250.
Mandatorily convertible note G	100	Issuer to deliver shares equal to the par value of CU1,000. Subject to a cap of 100 shares and a floor of 10 shares.

Potential refinement—Add examples of what information entities could disclose to increase understanding of maximum dilution and likelihood of maximum dilution (see slide 34)

3 Maximum dilution illustrative disclosure

Instruments	Maximum number of additional ordinary shares	Key terms and conditions relating to the instrument/transaction
Number of share options in the scope of IFRS 2 outstanding at reporting date	100	Refer to note x (IFRS 2 disclosures on share options).
Number of known unvested shares from share awards in the scope of IFRS 2 at reporting date	100	Refer to note y (IFRS 2 disclosures on share awards).
Standby facility agreement	200	Issuer and potential shareholders enter into an agreement where issuer can sell up to 200 shares.
Maximum number of additional ordinary shares	**1,700**	

Potential refinement—'Off-balance sheet' commitments that could result in the dilution of the entity's ordinary shares would be scoped in (see slide 34)

3 Maximum dilution illustrative disclosure

Instruments	Maximum number of additional ordinary shares	Key terms and conditions relating to the instrument/transaction
Share-settled bond F	Unknown number of additional ordinary shares	The par value is CU500. The number of shares will depend on the share price at settlement date
Total maximum number of additional ordinary shares	**1,700 + unknown dilution from Share-settled Bond F**	
Less: minimum reduction in the number of ordinary shares		
Share buy-back arrangement H	unknown reduction from share buy-back arrangement H	Commitment to buy shares up to CU5,000
Share buy-back arrangement I	(100)	Commitment to buy 100–500 shares
Net maximum number of additional ordinary shares	**1,600 + unknown dilution from Share-settled Bond F – unknown reduction from share buy-back arrangement H**	

Potential refinement—Disclose ‘unknown’ where number of shares to be bought back is unknown (see slide 34)

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