IFRS: A comparison with Dutch Laws and regulations 2017
Table of contents

Preface to the 2017 edition 3
Instructions for use 4
Application of IFRS 5 5
Summary of main points 7

Statement of financial position

1 Intangible assets (excluding goodwill) 22
2 Property, plant and equipment 29
3 Investment properties 37
4 Investments in subsidiaries/associates (excluding joint ventures) 43
5a Other financial assets (on the basis of IAS 39) 49
5b Other financial assets (on the basis of IFRS 9) 58
6 Inventories 65
7 Construction contracts 68
8a Current assets: receivables (on the basis of IAS 39) 72
8b Current assets: receivables (on the basis of IFRS 9) 77
9a Current assets: securities (on the basis of IAS 39) 83
9b Current assets: securities (on the basis of IFRS 9) 90
10 Cash and cash equivalents 96
11a Equity in separate financial statements 98
11b Equity in consolidated financial statements 103
12 Provisions (excluding taxation and pensions) 106
13 Employee benefits 110
14 Provision for deferred taxation 114
15 Liabilities & accrued liabilities and deferred income 117

Selected topics

16 Statement of profit or loss 124
17 Statement of cash flows 127
18 Notes to the financial statements 137
19 Consolidation 143
20 Business combinations and goodwill 150
21 Joint ventures 165
22 Foreign currencies 169
23a Financial instruments (on the basis of IAS 39) 176
23b Financial instruments (on the basis of IFRS 9) 187
24 Leasing 201
25 Changes in accounting policies, changes in accounting estimates and correction of errors 205
26 Segment information 210
27 Rights and obligations not shown in the statement of financial position 215
28 Government grants, emission rights, service concessions and government levies 219
29 Earnings per share 224
30 Events after the reporting period 229
31 Interim reports 232
32  Assets held for sale and discontinued operations  238
33  Share-based payments (including employee options)  247
34  Impairment of non-current assets  250

Special organisations
35  Banks  254
36  Investment entities  258
37  Pension funds  267
38  Insurance companies  270

Total number of pages: 279
Preface to the 2017 edition

Since 2005, all entities listed on regulated stock exchanges in the European Union have been required to apply EU-endorsed International Financial Reporting Standards (IFRS) to their consolidated financial statements. Dutch legislation allows all entities covered by Part 9 of Book 2 of the Dutch Civil Code to apply IFRS voluntarily instead of Dutch accounting principles. How does application of IFRS impact Dutch companies? This publication aims to answer that question.

IFRS is prepared by the International Accounting Standards Board (IASB). It comprises the International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) and amended where necessary by the IASB and the IFRS issued by the IASB, as well as official interpretations (SICs/IFRCs). In order to determine what the application of IFRS means for Dutch companies, we have published a comparison between Dutch laws and regulations and IFRS annually since 2000. This seventeenth edition updates those comparisons and applies to financial statements for 2017.

The publication is meant to serve as an easy-reference manual for the Dutch practice, explaining the differences between financial statements drawn up on the basis of Dutch laws and regulations and those compiled in accordance with IFRS. It is also available in Dutch.

It shows where IFRS differ from Dutch laws and regulations, where they are more restrictive and where they supplement them. Using financial statements compiled in accordance with Dutch laws and regulations as a basis, this publication will serve as a tool for understanding the consequences of drawing up a set of financial statements based on IFRS. Please refer to the IFRS text concerned for further details.

This publication is based on Dutch legislation as it was in force at 31 December 2016 and on the 2016 edition of Dutch Accounting Standards for Annual Reporting in the Netherlands issued by the Raad voor de Jaarverslaggeving (Dutch Accounting Standards Board). The new Dutch Accounting Standards in the 2016 edition apply to financial statements for 2017. With regard to the IASB, IAS 1–41, SIC interpretations 1–32, where applicable, IFRS 1–16 and IFRIC 1–21, where applicable as at 1 July 2017, are covered by this publication. They apply (or may be applicable in the case of early adoption of the standard concerned) to financial statements for 2017 (or earlier years).

Unless indicated otherwise, all references to sections of standards and interpretations relate to those mandatory for 2017.

For any questions on how to use this manual, or on any other aspects of rules governing financial statements, please consult your EY accountant, who will be happy to advise you.

Rotterdam, the Netherlands
July 2017
**Instructions for use**

The contents of this manual are divided into three main parts: the statement of financial position, selected topics and special organisations. Since a number of items are discussed in more than one of these, certain differences may be included more than once.

Several topics relating to the financial statements, such as the directors’ report, the audit and the filing of financial statements, are not discussed, as no IFRS currently apply to them.

Since IFRS does not distinguish between large, medium-sized and small entities, the publication is based on the requirements for large entities.

This edition does not address the IFRS for SMEs standard published by the IASB in 2009.

Each part first summarises the main differences between Dutch laws and regulations and IFRS in a table, which also contains a Conclusion column to quickly assess whether:

- There are any conflicts between Dutch laws and regulations, and IFRS.
- IFRS impose additional rules/require more disclosure.
- The Dutch laws and regulations impose additional rules/require more disclosure.
- IFRS permit fewer options than Dutch laws and regulations, or vice versa.

Conflicts are assumed only if a certain procedure is explicitly prescribed in Dutch laws and regulations but proscribed under IFRS, or vice versa. Only in those cases, an entity will not be able to draw up financial statements that comply with both IFRS and Dutch laws and regulations. In all other cases, it is possible to opt for a method of accounting that is allowed under both systems. The differences are then analysed and explained in more detail in the explanatory notes.

While every care has been taken to ensure the accuracy of the contents of this publication, EY cannot guarantee that the list of differences between Dutch laws and regulations and the IASB standards is complete.
Application of IFRS
First-time adoption: general provisions

Financial statements that have been drawn up in accordance with IFRS for the first time are currently subject to a special standard (IFRS 1, First Time Adoption of IFRS). The usual standard on changes in accounting policies (IAS 8) does not apply in these situations, since there are no changes within IFRS but rather a transition to IFRS.

IFRS 1 is based on the principle that financial statements drawn up on the basis of IFRS for the first time should be compiled as if they had always been prepared in accordance with IFRS. The comparative figures for at least one year must also be restated. The standards applied should be the version of each standard in force on the reporting date of the financial year in which IFRS is applied for the first time. In other words, earlier versions of the standards and related transitional provisions may not be taken into account. The following exemptions are allowed:

- Exemptions from the application of IFRS are given for business combinations effected before the date of the opening statement of financial position of the earliest year presented. For example, no adjustment is required if a merger was carried out or an acquisition was made before the earliest year presented and was accounted for using the pooling-of-interests method, while under IFRS this should have been accounted for as an acquisition. Nor does goodwill charged to equity immediately on a business combination before the date of transition to IFRS need to be capitalised again.
- For property, plant and equipment and certain intangible assets measured at cost, the fair value may be regarded as the deemed cost at the date of transition to IFRS.
- The reserve for exchange differences on foreign entities recognised in equity may be reset to zero at the date of transition to IFRS. Subsequent exchange differences will be recorded under this reserve from that moment on. Any balance existing at the transition date will be taken to retained earnings.
- Compound financial instruments that have been converted or repaid need not be broken down into debt and equity components.
- If a parent and its subsidiary forming part of the same group do not convert to IFRS simultaneously, the subsidiary does not need to apply IFRS 1 twice.
- The one-off classification of financial instruments as available for sale or as at fair value through profit and loss.
- Not applying IFRS 2 Share-based Payment to equity instruments granted before 7 November 2002, or vested prior to the date of transition or prior to 1 January 2005, or settled prior to the date of transition.
- Applying the transitional provisions of IFRS 4 Insurance Contracts.
- Not applying IFRIC 1 Changes in Decommissioning, Restoration and Similar Liabilities retroactively.
- Not applying IFRIC 4 Determining Whether an Arrangement Contains a Lease retrospectively.
- Not being required to determine cost retroactively on first-time adoption of IAS 27 Consolidated and Separate Financial Statements in drawing up the parent’s separate financial statements.
- The transitional provisions of the revised IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 relating to day one profits on financial instruments, as adopted in 2002, can be applied.
- The transitional provisions of IFRIC 12 Service Concession Arrangements can be applied.
- The transitional provisions of the revised IAS 23 Borrowing Costs, which made capitalisation of interest costs mandatory, can be applied.
- The transitional provisions of IFRIC 18 Transfers of Assets from Customers.
- The transitional provisions of IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments can be applied.
• Measurement at fair value if the entity’s functional currency had been subject to severe hyperinflation prior to the date of first-time adoption of IFRS.
• Upon transition from proportionate consolidation to the equity method following the implementation of IFRS 11, the value as at the beginning of the first period presented should be tested for impairment in accordance with IAS 36, irrespective of whether any indications of impairment existed as at that date. Impairment losses, if any, should be charged to the other reserves in the opening statement of financial position of the first period presented.
• Stripping costs incurred during the development phase of a surface mine may be capitalised and depreciated proportionately. IFRS 1 is in line with IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine in this respect. The effective date of implementation is 1 January 2013 or any later date if the beginning of the first-time IFRS reporting period is later in time.
• IFRS 9 allows some contracts to buy non-financial assets to be designated at fair value through profit or loss upon initial recognition. First-time adopters are allowed to do so, subject to specific conditions, as at the date of transition rather than at the date of initial recognition.

In addition, there are a number of exceptions to the principle that each standard has to be applied retroactively. In some cases, a standard must be applied prospectively as from the date of transition to IFRS:
• Hedge accounting may not be applied retroactively to financial instruments.
• If a financial asset has been derecognised under Dutch accounting principles, it may not be recognised again under IFRS, even if the derecognition rules under IAS 39 do not apply. However, entities may apply the derecognition rules under IAS 39 as at any earlier date, provided the information on the derecognition had been collected by the time of the transaction.
• As a rule, any estimates made under IFRS must be based on estimates used under Dutch accounting principles, unless the estimates were made in error. In other words, hindsight may not be applied.
• In determining the non-controlling interest, a number of changes may not be applied retrospectively.
• In assessing whether a financial instrument may be measured at cost under IFRS 9, the facts and circumstances as at the date of transition must be considered.
• A first-time adopter must use information that is reasonable and can be supported to estimate the credit risk of financial instruments when the financial instrument concerned is entered into and whether a significant increase in the credit risk has occurred. If that is not possible without unreasonable costs or effort, the provision for credit risks should be determined on the basis of the entire remaining term of the financial instrument.
• In determining whether embedded derivatives are involved that need to be separated from the overall contract, a first-time adopter may consider the situation as at the later of the two dates set out below:
  • The date on which the first-time adopter first became a party to the contract.
  • The date on which a reassessment has to be made under IFRS 9, B4.3.11.
• A first-time adopter must classify government loans in accordance with IAS 32 Financial instruments: Presentation. It must then apply IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing as at the date of transition. In doing so, it may not recognise the corresponding benefit of the government loan at a non-market rate of interest at the time of the transition. An exception to this rule applies if the entity has the information required for measuring a government loan available at the time of taking out the loan in question; in that case, it is allowed to measure the loans retrospectively.
Summary of main points

In this publication, a comparison is made between Dutch laws and regulations, and International Financial Reporting Standards. The basic assumption has been to establish to what extent financial statements prepared under Dutch laws and regulations can comply with IASB requirements. There are differences between the two in a large number of areas. These differences are briefly set out in this summary. They are subdivided into differences relating to:

- Accounting policies (measurement)
- Presentation of information (presentation)
- Information to be disclosed (disclosure)

This document also indicates whether a difference leads to a conflict or whether the requirements are stricter.

The differences are listed according to subject. In certain cases, this may lead to duplication since certain subjects relate to various items on the statement of financial position (e.g., to both financial assets and receivables under current assets). The tables below are drawn up on the basis of the Dutch Accounting Standards for Annual Reporting in the Netherlands (DAS), IAS, IFRS and Interpretations that are compulsory. They do not include the revised standards and interpretations that can be applied voluntarily in 2017.

Differences identified in the 2017 edition (financial statements for 2017) compared with previous editions of this publication

<table>
<thead>
<tr>
<th></th>
<th>Conflicting</th>
<th>IFRS stricter</th>
<th>Dutch laws and regulations stricter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measurement</td>
<td>67</td>
<td>63</td>
<td>63</td>
</tr>
<tr>
<td>Presentation</td>
<td>19</td>
<td>18</td>
<td>10</td>
</tr>
<tr>
<td>Disclosure</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>81</td>
<td>73</td>
</tr>
</tbody>
</table>

This table shows that the number of differences is increasing. We have noted this upward trend since 2003, the same year the Dutch Accounting Standards Board revised its strategy in terms of taking IFRS into account. Until 2003, the Preface to the DAS volume had stated: The International Accounting Standards issued by the IASB are also taken into account, unless they are not considered acceptable in the Dutch situation. However, from 2004 onwards, clearly a more general wording is used: The standards issued by the IASB also contribute to the further development of the regulatory framework governing external financial reporting in the Netherlands. The DASB will examine critically whether these international requirements should be applied to medium-sized and large entities to which Part 9 of Book 2 of the Dutch Civil Code applies (on the basis of the first sentence of Section 360 of Book 2) before such standards are incorporated into (draft) DAS. This clearly refers to the fact that, since 2005, listed companies have been required to draw up their financial statements using IFRS rather than Dutch GAAP. As a result, the DASB had to approach a different target group.

The differences identified on the basis of current DAS are found in all areas. Some subjects show a large number of differences from the IASB standards.
The conflicts in measurement and recognition requirements under the present DAS are shown in the following table. The table also shows by means of footnotes, where necessary, which conflicts will be eliminated if draft DASs are converted into final DASs.

<table>
<thead>
<tr>
<th>Subject</th>
<th>Conflict in measurement and recognition requirements</th>
<th>Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>Under IFRS, intangible assets with indefinite useful lives are not amortised, whereas under Dutch laws and regulations they should be amortised over useful lives not exceeding twenty years in principle.</td>
<td>1, 1.1</td>
</tr>
<tr>
<td></td>
<td>IFRS requires annual impairment testing of intangible assets with indefinite useful lives, whereas Dutch laws and regulations require such testing of intangible assets being amortised over a period exceeding twenty years.</td>
<td>1, 1.7</td>
</tr>
<tr>
<td></td>
<td>Under Dutch laws and regulations, the valuation of intangible assets taken over on acquisition for which there is no active market cannot result in negative goodwill or an increase in negative goodwill. Under IFRS, no restrictions apply in this respect.</td>
<td>1, 1.10 20, 2.10</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>Under IFRS, the first application of current value is required to be accounted for prospectively whereas under Dutch laws and regulations, the first application of current value is required to take place retrospectively.</td>
<td>2, 1.2</td>
</tr>
<tr>
<td></td>
<td>If an item of property, plant and equipment was already retired before and a one-off revaluation was performed in that connection, IFRS only permits the realised revaluation to be taken directly to the other reserves. Under Dutch laws and regulations, the revaluation reserve is released to the statement of profit or loss.</td>
<td>2, 1.10</td>
</tr>
<tr>
<td></td>
<td>In accounting for restoration costs as part of the carrying amount of the asset (mandatory under IFRS), a change in the amount of the expected restoration costs when applying the revaluation model or current value model, respectively, leads to changes in the revaluation reserve under IFRS, but not under Dutch laws and regulations.</td>
<td>2, 1.13</td>
</tr>
<tr>
<td></td>
<td>Under IFRS, fair value is required to be applied for the measurement of biological assets. Under Dutch laws and regulations, there is a choice between current value and cost. The definition of current value differs from that in IFRS.</td>
<td>2, 1.15</td>
</tr>
<tr>
<td>Intangible assets; property, plant and equipment</td>
<td>Under IFRS, the current value of intangible assets and property, plant and equipment should be interpreted as fair value, whereas under Dutch laws and regulations —depending on the situation —the current cost, or lower recoverable amount (higher of value in use or realisable value) should be used as the current value.</td>
<td>1, 1.5 2, 1.1</td>
</tr>
<tr>
<td></td>
<td>Under IFRS, non-current assets held for sale are not amortised or depreciated, but are subject to an impairment test instead. Dutch laws and regulations do not stipulate any specific rules and require that the amortisation or depreciation of non-current assets not be discontinued.</td>
<td>2, 1.6</td>
</tr>
<tr>
<td></td>
<td>Under IFRS, the portion of the revaluation reserve realised may only be transferred to other reserves. Dutch laws and regulations also allow transfer to the statement of profit or loss.</td>
<td>2, 1.10</td>
</tr>
<tr>
<td>Investments in subsidiaries/associates</td>
<td>Under Dutch laws and regulations, interests in group companies and investments in associates over which significant influence is exercised are carried at net asset value in the separate financial statements. Under IAS 27, they are to be carried at cost or fair value.</td>
<td>4, 1.1</td>
</tr>
<tr>
<td></td>
<td>According to Dutch laws and regulations, participating interests in group companies and participating interests where significant influence is exercised must be stated at net asset value (in some cases perhaps the net asset value disclosed in the statement of financial position) in the consolidated financial statements. Pursuant to IAS 28, such participating interests must be valued using the equity method (in some cases perhaps at cost or fair value).</td>
<td>4, 1.2</td>
</tr>
<tr>
<td>Subject</td>
<td>Conflict in measurement and recognition requirements</td>
<td>Chapter</td>
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</tr>
<tr>
<td>Investments in subsidiaries/associates</td>
<td>Pursuant to Dutch laws and regulations, potential voting rights must be discounted when determining whether participating interests where significant influence is exercised exist. There is no such provision in IAS 28 regarding participating interests where significant influence is exercised. Dividends which can be deemed to have been included in the purchase price of securities are deducted from the purchase price. Under IFRS, all distributions from associates or group companies are recognised as income. If part of an investment in an associate is sold, with the investor ceasing to have significant influence over the associate as a result, IFRS requires that the associate be derecognised and the difference between the carrying amount of the investment and proceeds from disposing of the part interest in the associate plus the fair value of any retained investment be recognised in profit or loss. Under Dutch laws and regulations, such investments are carried at the last-known net asset value. Participating interests presented as held for sale are stated at book value or last realisable value. According to Dutch laws and regulations there is no change in value.</td>
<td>4, 1.5</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>Dutch laws and regulations require measurement of loans and other receivables at amortised cost. IFRS requires measurement at amortised cost or fair value, depending on the category. Under IFRS, when measuring associates, dividends are always recognised as income, subject to impairment where applicable. Under Dutch laws and regulations, dividends qualifying as pre-acquisition profit are deducted from the acquisition price. Under IFRS, reversal of impairment of shares is not allowed in the event of measurement at cost; if measured at fair value, impairments must be reversed without being recognised through profit or loss. Under Dutch laws and regulations, reversal must always be through profit or loss.</td>
<td>5a, 1.8 5b, 1.8 5a, 1.10 5a, 1.14</td>
</tr>
<tr>
<td>Inventories</td>
<td>Under IFRS, changes in the value of commodities held by brokers/traders that are carried at fair value less selling expenses are recognised in profit or loss. Under Dutch laws and regulations, are valued at cost or lower market value.</td>
<td>6, 1.4</td>
</tr>
<tr>
<td>Construction projects</td>
<td>No specific rules apply for project development as a result of which stricter general provisions apply under IFRS. Under Dutch laws and regulations, the percentage of completion method may still be applied.</td>
<td>7, 1.4</td>
</tr>
<tr>
<td>Current assets, receivables</td>
<td>Under Dutch laws and regulations, these are measured at amortised cost. Under IFRS, they are measured at cost or fair value, depending on the category.</td>
<td>8a, 1.4  8b, 1.4</td>
</tr>
<tr>
<td>Provisions</td>
<td>Under Dutch laws and regulations, reimbursements received from third parties to settle provisions should be recognised if it is probable that the reimbursement will be received. Under IFRS, they should be recognised only if it is virtually certain that reimbursement will be received.</td>
<td>12, 1.5</td>
</tr>
<tr>
<td>Pension provisions</td>
<td>IFRS requires a risk approach and Dutch laws and regulations a liabilities approach to pensions. Under IFRS, pension costs are calculated actuarially. Under Dutch laws and regulations, pension costs include the contribution payable. DAS requires changes in accounting estimates to be recognized in profit or loss, whereas IFRS requires them to be recognised in other comprehensive income. Under IFRS, an early retirement plan should be recognised as a post-employment benefit in the event of effective lowering of the retirement age, or as a termination benefit in the case of a non-recurring liability as part of a reorganisation. Under Dutch laws and regulations, an early retirement plan should be recognised under other long-term benefit.</td>
<td>13, 1.1 13, 1.2 13, 1.3 13, 1.5</td>
</tr>
<tr>
<td>Subject</td>
<td>Conflict in measurement and recognition requirements</td>
<td>Chapter</td>
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<tr>
<td>Provision for deferred taxation</td>
<td>Under IFRS, the acquirer must recognise a deferred tax asset relating to tax losses through profit or loss. Under Dutch laws and regulations, such a deferred tax asset should be recognised through goodwill.</td>
<td>14, 1.3</td>
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<tr>
<td></td>
<td>Under IFRS, acquired deferred tax assets recognised at a later stage are taken to goodwill if they are recognised within one year of the acquisition date. Under Dutch laws and regulations, the deferred tax assets are recognised through profit or loss, with the goodwill being written off simultaneously through profit or loss.</td>
<td>14, 1.4</td>
</tr>
<tr>
<td>Consolidation</td>
<td>Under IFRS, a non-controlling/interest can have a deficit balance. Under Dutch laws and regulations, this portion is attributed to the majority shareholder.</td>
<td>19, 1.8</td>
</tr>
<tr>
<td>Business combinations and goodwill</td>
<td>IFRS only allows the acquisition method for accounting for business combinations. Under Dutch laws and regulations, depending on the actual circumstances, the acquisition method is used for acquisitions and the pooling of interests.</td>
<td>20, 2.1</td>
</tr>
<tr>
<td></td>
<td>Under the revised IFRS 3, costs relating to acquisitions are recognised directly in profit or loss. Dutch laws and regulations stipulate that such costs be presented as part of the acquisition price.</td>
<td>20, 2.2</td>
</tr>
<tr>
<td></td>
<td>Under the revised IFRS 3, earn-out obligations are stated at fair value, with subsequent changes in the fair value being recognised in profit or loss. Under Dutch laws and regulations, earn-out obligations are stated at present value, with subsequent changes being included in the acquisition price and goodwill.</td>
<td>20, 2.3</td>
</tr>
<tr>
<td></td>
<td>Under IFRS, when determining the cost of a business combination, with the market price of shares issued by the acquirer being guaranteed, this must be recognised under the regular standards IAS 32 and IAS 39. Under Dutch laws and regulations, this leads to a change in share premium on original share issue.</td>
<td>20, 2.4</td>
</tr>
<tr>
<td></td>
<td>Upon recognition of intangible assets under IFRS, the probability requirement that future benefits are obtained is part of the measurement process. Under Dutch laws and regulations, the probability requirement is a separate requirement that needs to be met.</td>
<td>20, 2.5</td>
</tr>
<tr>
<td></td>
<td>When presenting intangible assets separately from goodwill as part of a business combination, the probability requirement is a criterion for recognition under Dutch laws and regulations, whereas, under IFRS, recognition is required at all times, with probability only being part of the measurement process.</td>
<td>20, 2.6</td>
</tr>
<tr>
<td></td>
<td>Under IFRS, a deferred tax asset is recognised as a tax gain in profit or loss after the acquisition. Under Dutch laws and regulations, such a deferred tax asset is charged to goodwill.</td>
<td>20, 2.7</td>
</tr>
<tr>
<td></td>
<td>Under IFRS 3, a provision for restructuring costs should not be recognised unless the costs meet the definition of liabilities at the acquisition date. Under Dutch laws and regulations, a provision for restructuring costs must be recognised subject to certain conditions if a restructuring plan has been fleshed out within a maximum of six months after the acquisition date.</td>
<td>20, 2.8</td>
</tr>
<tr>
<td></td>
<td>In the case of an acquisition, under IFRS, contingent assets and liabilities are recognised at fair value in the acquiree’s acquisition statement of financial position. Under Dutch laws and regulations, such contingent liabilities are not recognised.</td>
<td>20, 2.9</td>
</tr>
<tr>
<td></td>
<td>Unlike Dutch laws and regulations which provide little guidance, IFRS has extensive provisions in IFRS 13 for determining the fair value of acquired assets and liabilities. IFRS 3 conflicts with DAS 216 on a number of points.</td>
<td>20, 2.10</td>
</tr>
<tr>
<td></td>
<td>IFRS 13 applies for determining the fair value of identifiable assets and liabilities and DAS 216 provides specific guidance. These conflict with each other on a number of points.</td>
<td>20, 2.11</td>
</tr>
<tr>
<td>Subject</td>
<td>Conflict in measurement and recognition requirements</td>
<td>Chapter</td>
</tr>
<tr>
<td>---------</td>
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<td>---------</td>
</tr>
<tr>
<td><strong>Business combinations and goodwill</strong></td>
<td>When allocating cost to acquired assets and liabilities, Dutch laws and regulations contain a restriction implying that recognition of an intangible asset without reference to an active market should not result in negative goodwill. IFRS does not contain any such restriction.</td>
<td>20, 2.12</td>
</tr>
<tr>
<td>If goodwill is purchased on acquisitions, such goodwill is capitalised, not amortised, with an impairment test to be carried out annually, under IFRS 3. Under Dutch laws and regulations, it must be capitalised and amortised.</td>
<td>20, 2.14</td>
<td></td>
</tr>
<tr>
<td>If an acquirer deducted positive goodwill directly from its equity when recognising an acquisition, when the acquiree is sold the written-off positive goodwill must be reversed and recognised as part of the result on sales. This is not dealt with in IFRS.</td>
<td>20, 2.16</td>
<td></td>
</tr>
<tr>
<td>If negative goodwill arises on acquisitions, under IFRS 3 such negative goodwill must be immediately recognised in profit or loss. Under Dutch laws and regulations, it must be recognised under liabilities, with specific rules for the release of such goodwill.</td>
<td>20, 2.17</td>
<td></td>
</tr>
<tr>
<td>Under Dutch laws and regulations, the reversal of a provision for restructuring costs recognised in the case of an acquisition must result in an adjustment to goodwill, irrespective of the period that has lapsed since the acquisition was made. Under IFRS, this must be recognised in profit or loss.</td>
<td>20, 2.20</td>
<td></td>
</tr>
<tr>
<td>If an acquirer recognises a deferred tax asset of the acquiree not recognised at the acquisition date at a later date, under IFRS, such a deferred tax asset is charged to goodwill only if it is recognised within a year after the acquisition date, based on new information on the actual situation as at the acquisition date. In all other cases, the deferred tax asset is recognised in profit or loss. Under Dutch laws and regulations, such deferred tax asset is recognised in profit or loss, with simultaneous goodwill impairment charged to profit or loss.</td>
<td>20, 2.21</td>
<td></td>
</tr>
<tr>
<td>Under IFRS, all components of the business combination, including the acquirer’s previously held equity interests in the acquiree, are carried at fair value at the acquisition date. Dutch laws and regulations require disclosure of the fair value of the underlying assets and liabilities of previously held equity interests.</td>
<td>20, 2.22</td>
<td></td>
</tr>
<tr>
<td>In the case of a step acquisition, the equity interest held in the acquiree’s assets and liabilities must be remeasured, with the remeasurement taken to profit or loss. In addition, reserves related to earlier acquired equity interests are classified to profit or loss or transferred to other reserves.</td>
<td>20, 2.23</td>
<td></td>
</tr>
<tr>
<td><strong>Joint ventures</strong></td>
<td>IFRS does not contain any specific rules on the measurement of assets contributed in joint ventures, so that the general rules for initial recognition of assets apply. Under Dutch laws and regulations, the initial measurement of assets contributed in a joint venture must be at fair value.</td>
<td>21, 1.3</td>
</tr>
<tr>
<td>Under IFRS, joint ventures held for sale must be measured at the lower of the last-known carrying amount using the equity method and net realisable value less costs to sell. Dutch laws and regulations require joint ventures to be measured at net asset value.</td>
<td>21, 1.6</td>
<td></td>
</tr>
<tr>
<td><strong>Foreign currencies</strong></td>
<td>If control is lost, with part of the interest being retained, cumulative translation adjustments are reclassified in full to profit or loss under IFRS. Dutch laws and regulations provide for proportionate reclassification (to profit or loss or to other reserves) of translation adjustments based on partial disposal, irrespective of the extent of control, or whether or not control is lost.</td>
<td>22, 1.3</td>
</tr>
<tr>
<td>Subject</td>
<td>Conflict in measurement and recognition requirements</td>
<td>Chapter</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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</tr>
</tbody>
</table>
| Financial instruments                            | Whereas the Dutch Accounting Standards Board prescribes that decreases in value below cost of financial assets classified as available for sale are recognised in profit or loss, under IFRS, they are recognised in equity, unless impairment is involved. The Dutch Accounting Standards Board does not allow a negative revaluation reserve to be formed. Under Dutch laws and regulations, if embedded derivatives are not separated, the compound instrument has to be measured on the basis of the original instrument (which may be at cost). Under IFRS, the compound instrument has to be measured at fair value, with changes in fair value recognised in profit or loss. IFRS does not allow reversal of impairment of shares through profit or loss, whereas Dutch laws and regulations do allow it. Under IFRS, if the cost of tangible and intangible assets is changed to fair value, the rules regarding changes in accounting policies and disclosures do not apply: prospective recognition must take place. Under Dutch laws and regulations, retrospective recognition and disclosures for changes in accounting policies are in order here as well. Under Dutch laws and regulations, errors leading to a serious lack of insight are corrected in a separate procedure at the Chamber of Commerce prescribed by law. IFRS has no such procedure. Under IFRS, the general rules for loan facilities apply to development loans. Under Dutch laws and regulations, If repayment of a development loan depends on revenue or profit realised on the project concerned, loan receipts should be set off against the development costs. Repayment of the loan principal and interest must be recognised in cost of sales. IAS 33 does not distinguish between a business combination that can be classified as an acquisition and a business combination that can be classified as a pooling of interests. DAS does make this distinction, however, as a result of which the calculation of earnings per share differs. When calculating the diluted earnings per share for contracts that may be settled in ordinary shares or cash, the Dutch Accounting Standards Board does not distinguish between the issuing entity or holder of the instrument/contract upon recognition, whereas the IASB does make this distinction, as a result of which the calculation of earnings per share differs. Whether potential ordinary shares lead to a dilution of earnings per share and are therefore included in the calculation of diluted earnings per share is determined on the basis of the effect on profit or loss from continuing operations under IAS 33 and on the basis of the profit or loss (including discontinued operations) under DAS. Under IFRS, recognition of a dividend on preference shares depends on their classification in the statement of financial position. Under Dutch laws and regulations, dividend should be recognised as a liability if sufficient freely distributable reserves are available. | 23a, 1.6  
23b, 1.6  
23a, 1.9  
23b, 1.10  
23a, 1.11  
23b, 1.12  
25, 1.1  
25, 1.2  
28, 1.3  
29, 1.2  
29, 1.4  
29, 1.5  
30, 1.1  
30, 1.4 |
Under DAS, assets are depreciated up to the time that they are actually sold. Under IFRS, depreciation is no longer recognised as from the time an asset is classified as held for sale/distribution.

Pursuant to IFRS, costs of issuing or purchasing units which are charged separately to investors are taken to profit or loss if the participating interests are presented as liabilities and taken to equity if the participating interests are presented as equity. Under Dutch laws and regulations, they are charged to profit or loss.

Pursuant to IFRS, costs of incorporation and/or emission (open-end investment entity) which are charged separately to investors are taken to profit and loss if the participating interests are presented as liabilities and taken to equity if the participating interests are presented as equity. Under Dutch laws and regulations, they are charged to profit or loss.

In the case of puttable instruments, IFRS stipulates that if the holder of the financial instrument is entitled to resell the instrument to the issuer, the instrument should be accounted for under liabilities. Under Dutch laws and regulations, puttable instruments are recognised in equity in the separate financial statements as well as, subject to certain conditions, in the consolidated financial statements.

The conflicts in presentation requirements are shown in the following table:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Conflict in presentation</th>
<th>Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets Property, plant and equipment Investment property of Investments in associates Joint ventures Disposal groups</td>
<td>Under IFRS, non-current assets held for sale are presented separately. Under Dutch laws and regulations, such assets continue to be classified under non-current assets.</td>
<td>1, 2.2 2, 2.2 3, 2.2 4, 2.3 21, 2.1 32, 2.1</td>
</tr>
<tr>
<td>Investment property</td>
<td>Under IFRS, investment property should be classified as separate items in the statement of financial position. Under Dutch laws and regulations, investment property is classified under property, plant and equipment and property, plant and equipment not in use by the entity.</td>
<td>3, 2.1</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>On the initial measurement of an associate based on the equity method, goodwill under IAS 28 is included under investments in associates. Goodwill is not subsequently amortised. Under Dutch laws and regulations, goodwill is presented separately as an intangible asset and amortised.</td>
<td>4, 2.2 10, 3.1</td>
</tr>
<tr>
<td>Equity in separate financial statements</td>
<td>Under Dutch regulations, presentation as equity or liability depends on the legal form. Under IFRS, the presentation depends on substance.</td>
<td>11a, 2.2 23a, 2.1 23b, 2.1</td>
</tr>
<tr>
<td>Equity in consolidated financial statements</td>
<td>Under Dutch laws and regulations, non-controlling interests are presented separately from equity. Under IFRS, they are presented under equity.</td>
<td>11b, 2.3</td>
</tr>
<tr>
<td>Provisions</td>
<td>Under IFRS, provisions are recognised under liabilities. Under Dutch regulations, provisions are recognised separately between equity and liabilities.</td>
<td>12, 2.1</td>
</tr>
</tbody>
</table>
Liabilities

Under IFRS, in all cases classification of financial instruments as equity or borrowed capital must be based on the economic reality. Pursuant to Dutch laws and regulations, equity and borrowed capital components can be classified separately in the consolidated financial statements; if they are not classified separately, the notes must indicate how they have been recognised. In the separate financial statements classification takes place dependent on legal form.

Under IFRS, liabilities held for trading purposes should be presented as current liabilities. Dutch laws and regulations stipulate that liabilities should be classified under non-current liabilities if they are payable after more than one year.

Consolidation

According to the DASB, non-controlling interests are presented as a separate item before the consolidated result. According to IFRS presentation takes place after the consolidated result.

Mergers, acquisitions and goodwill

If participating interests are valued at net asset value, goodwill is presented separately. If participating interests are valued based on the equity method when combination 3 is applied, no separate presentation takes place, with the goodwill included in the value of the participating interest. Under IFRS, goodwill is always included in the value of the participating interest.

Banks

Under IFRS, subordinated loans should be included under Other borrowed funds. Under Dutch laws and regulations, they should be presented separately.

The following table shows in which cases IFRS is stricter than the Dutch laws and regulations as regards measurement and recognition. For the cases in which IFRS presentation and disclosure requirements are stricter, and for all cases in which DAS are stricter, please refer to the text of the relevant sections.
<table>
<thead>
<tr>
<th>Subject</th>
<th>IFRS stricter than DAS as regards measurement and recognition</th>
<th>Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment; provisions</td>
<td>A provision for restoration/decommissioning costs should be formed — at present value — for the full amount at the time of the investment, while at the same time the cost price of the asset should be increased by the same amount.</td>
<td>2 1.12 12 1.4</td>
</tr>
<tr>
<td>Property, plant and equipment; statement of profit or loss</td>
<td>Borrowing costs attributable to qualifying assets must be capitalised.</td>
<td>2 1.6 16 1.1</td>
</tr>
<tr>
<td>Investment properties</td>
<td>In the event of measurement at cost, it is in principle not possible to form a provision for large maintenance under IFRS.</td>
<td>3 1.3</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>Investments in associates over which no significant influence is exercised should be carried at fair value, with the changes in fair value being recognised in equity or in profit or loss. If the fair value cannot be reliably determined, they should be valued at cost.</td>
<td>4 1.3</td>
</tr>
<tr>
<td></td>
<td>Investments in associates held by venture capital companies are valued using the equity method or carried at fair value, with changes in value being recognised in profit or loss.</td>
<td>4 1.4</td>
</tr>
<tr>
<td></td>
<td>The increase of a participating interest as a result of acquiring non-controlling interests is accounted for within equity.</td>
<td>4 1.10</td>
</tr>
<tr>
<td>Other financial assets; current assets, receivables; current assets, securities</td>
<td>Financial assets are derecognised in the event of a transfer of all or nearly all the economic benefits and risks. If not, to the extent that control is transferred.</td>
<td>5a 1.1 5b 1.1 8a 1.1 8b 1.1 9a 1.1 9b 1.1 23a 1.1 23b 1.1</td>
</tr>
<tr>
<td></td>
<td>Non-listed purchased loans and bonds are measured at fair value, depending on the category.</td>
<td>5a 1.2 8a 1.2 8b 1.2</td>
</tr>
<tr>
<td></td>
<td>Non-listed purchased loans and bonds are measured at fair value or, under certain conditions, at amortised cost.</td>
<td>5b 1.2</td>
</tr>
<tr>
<td></td>
<td>Changes in value of non-listed purchased loans and bonds recognised at fair value are taken to profit or loss.</td>
<td>5a 1.3 8b 1.3</td>
</tr>
<tr>
<td></td>
<td>Changes in value of listed equity instruments are recognised in profit or loss if the fair value option is applied; in other cases, changes in value are recognised in equity until realised or impaired.</td>
<td>5a 1.4 9a 1.2</td>
</tr>
<tr>
<td></td>
<td>Unlisted equity instruments are recognised at fair value.</td>
<td>5a 1.5 5b 1.5 9a 1.3 9b 1.3</td>
</tr>
<tr>
<td></td>
<td>Changes in value of unlisted equity instruments are recognised in profit or loss if the fair value option is applied. In all other cases, they are recognised in other comprehensive income.</td>
<td>5a 1.6</td>
</tr>
<tr>
<td></td>
<td>Pursuant to IFRS, non-consolidated participations and investments where control is exercised must be valued at fair value with changes in value being recognised in the statement of profit or loss.</td>
<td>5a 1.7 5b 1.7</td>
</tr>
<tr>
<td></td>
<td>Amortised cost is based on the annuity method of amortisation of premiums, discounts and transaction costs (effective interest method).</td>
<td>5a 1.10 5b 1.10</td>
</tr>
<tr>
<td>Current assets, receivables</td>
<td>Impairment of receivables is based on estimated future cash flows discounted at the financial asset's original effective interest rate.</td>
<td>8a 1.7</td>
</tr>
<tr>
<td>Subject</td>
<td>IFRS stricter than DAS as regards measurement and recognition</td>
<td>Chapter</td>
</tr>
<tr>
<td>---------</td>
<td>-------------------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Current assets, securities</td>
<td>Changes in value of unlisted shares in the category of investments in equity instruments are recognised in equity and then in profit or loss when realised (available for sale). Changes in value of unlisted shares in the category of investments in equity instruments are recognised in profit or loss or in equity, if a number of conditions are met (other comprehensive income).</td>
<td>9a, 1.4 9b, 1.4</td>
</tr>
<tr>
<td></td>
<td>The valuation of bonds at amortised cost or fair value depends on the category and is not a matter of choice.</td>
<td>9a, 1.5 9b, 1.5</td>
</tr>
<tr>
<td>Other financial assets; Current assets, receivables; Current assets, securities</td>
<td>The fair value option is only allowed under certain conditions.</td>
<td>5a, 1.9 5b, 1.9 8a, 1.4 8b, 1.4 9a, 1.6 9b, 1.6 23a, 1.4</td>
</tr>
<tr>
<td>Inventories</td>
<td>Under IFRS, if agricultural inventories without frequent market listings are carried at fair value net of direct selling expenses, changes in value must be recognised in profit or loss.</td>
<td>6, 1.1</td>
</tr>
<tr>
<td></td>
<td>Under IFRS, if agricultural inventories with frequent market listings are carried at fair value net of direct selling expenses, changes in value must be recognised in profit or loss.</td>
<td>6, 1.2</td>
</tr>
<tr>
<td></td>
<td>Valuation of inventories using the LIFO method is not permitted.</td>
<td>6, 1.5</td>
</tr>
<tr>
<td>Inventories; Statement of profit or loss</td>
<td>Capitalisation of borrowing costs is mandatory.</td>
<td>6, 1.6 16, 1.1</td>
</tr>
<tr>
<td>Work in progress</td>
<td>Besides the conditions set out in DAS, IFRS requires that the client should be able to specify major structural elements of the design or specify major structural changes once construction is in progress.</td>
<td>7, 1.1</td>
</tr>
<tr>
<td></td>
<td>IFRS does not allow the recognition of profit on a project for practical reasons in the financial year in which the project is completed.</td>
<td>7, 1.2</td>
</tr>
<tr>
<td></td>
<td>Specific rules apply for splitting up or combining project contracts and recognising additional work as projects.</td>
<td>7, 1.3</td>
</tr>
<tr>
<td>Equity in separate financial statements; Taxation</td>
<td>A provision has to be formed for deferred taxes on the revaluation reserve.</td>
<td>11a, 1.1 11b, 1.1 14, 1.1</td>
</tr>
<tr>
<td>Equity in consolidated financial statements; Taxation</td>
<td>The revaluation reserve can only be released to another component of equity.</td>
<td>11a, 1.2 11b, 1.2</td>
</tr>
<tr>
<td>Provisions</td>
<td>Provisions should be carried at present value if the effect of the time value of money is material.</td>
<td>12, 1.1</td>
</tr>
<tr>
<td></td>
<td>It is not permitted to form provisions for large maintenance.</td>
<td>12, 1.2</td>
</tr>
<tr>
<td></td>
<td>A provision for reorganisation costs may be formed only if an obligation to implement the reorganisation exists before the reporting date. Specific rules apply for measuring and recognising provisions arising at the time the activity triggering the obligation to pay a levy.</td>
<td>12, 1.3 12, 1.6</td>
</tr>
<tr>
<td>Pensions</td>
<td>Under IFRS, it is not permitted to apply FAS 87 or other US GAAP standards relating to pensions.</td>
<td>13, 1.4</td>
</tr>
<tr>
<td></td>
<td>The usual method of post-employment benefit accounting (i.e. the projected unit credit method) applies to insured expenses incurred owing to incapacity for work with the employer being exposed to risks.</td>
<td>13, 1.6</td>
</tr>
<tr>
<td></td>
<td>The projected unit credit method has to be applied to accrued rights to benefits (e.g., holiday entitlements, bonuses marking anniversaries, etcetera).</td>
<td>13, 1.7</td>
</tr>
<tr>
<td>Subject</td>
<td>IFRS stricter than DAS as regards measurement and recognition</td>
<td>Chapter</td>
</tr>
<tr>
<td>---------</td>
<td>-------------------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Taxation</td>
<td>The provision for deferred taxes should be carried at their non-discounted values.</td>
<td>14, 1.5</td>
</tr>
<tr>
<td></td>
<td>Specific rules apply to deferred tax on share-based payments.</td>
<td>14, 1.6</td>
</tr>
<tr>
<td>Liabilities</td>
<td>Debts are derecognised if the contractual obligation has been met, is terminated or has expired.</td>
<td>15, 1.1</td>
</tr>
<tr>
<td>Statement of profit or loss</td>
<td>Interest income and expense should be recognised using the effective interest method.</td>
<td>16, 1.2</td>
</tr>
<tr>
<td>Statement of cash flows</td>
<td>All companies applying IFRS are required to include a statement of cash flows in the financial statements.</td>
<td>17, 1.1</td>
</tr>
<tr>
<td></td>
<td>Separate financial statements should always include a statement of cash flows.</td>
<td>17, 1.2</td>
</tr>
<tr>
<td></td>
<td>A narrower definition of cash equivalents is used under IFRS.</td>
<td>17, 1.3</td>
</tr>
<tr>
<td></td>
<td>Under the indirect method, the presentation of profit or loss should be used as a basis, or, alternatively, the presentation of income and expenditure plus the movement in working capital.</td>
<td>17, 1.5</td>
</tr>
<tr>
<td>Consolidation</td>
<td>If effective control exists, consolidation is mandatory.</td>
<td>19, 1.1</td>
</tr>
<tr>
<td></td>
<td>IFRS requires consolidation of parts of an entity if control is exercised over such specific parts (silos).</td>
<td>19, 1.2</td>
</tr>
<tr>
<td></td>
<td>Group companies held for sale in the near future must be consolidated.</td>
<td>19, 1.3</td>
</tr>
<tr>
<td></td>
<td>IFRS contains no explicit exemptions from consolidation, as opposed to Dutch laws and regulations. IFRS only includes the materiality principle.</td>
<td>19, 1.4</td>
</tr>
<tr>
<td></td>
<td>Exemption from sub-consolidation is allowed, provided (among other things) that all non-controlling interest shareholders agree and the ultimate parent’s or any other intermediate parent’s consolidated financial statements are prepared in accordance with IFRS.</td>
<td>19, 1.5</td>
</tr>
<tr>
<td></td>
<td>Uniform accounting policies are mandatory.</td>
<td>19, 1.7</td>
</tr>
<tr>
<td></td>
<td>Consolidation of equity interests by investment entities is not allowed if specific conditions are met.</td>
<td>19, 1.9</td>
</tr>
<tr>
<td>Business combinations and goodwill</td>
<td>Under IFRS, there is no exemption from consolidation for personal holdings.</td>
<td>19, 1.10</td>
</tr>
<tr>
<td></td>
<td>IFRS only recognises acquisitions.</td>
<td>20, 1.1</td>
</tr>
<tr>
<td></td>
<td>IFRS only discusses business combinations.</td>
<td>20, 1.2</td>
</tr>
<tr>
<td></td>
<td>IFRS only applies to the acquirer’s consolidated financial statements.</td>
<td>20, 1.3</td>
</tr>
<tr>
<td></td>
<td>Under IFRS 3, an indemnification asset is recognised simultaneously with the liability.</td>
<td>20, 2.7</td>
</tr>
<tr>
<td></td>
<td>In the event of partial sale of a participating interest, IFRS only allows reallocation from equity to non-controlling interest.</td>
<td>20, 2.15</td>
</tr>
<tr>
<td></td>
<td>Under IFRS, goodwill denominated in a foreign currency should be regarded as an acquired item.</td>
<td>20, 2.18</td>
</tr>
<tr>
<td></td>
<td>Changes can only be made to the recognition of the business combination if the latter is provisional and provided such changes are made within one year of the business combination. The comparative figures should also be restated.</td>
<td>20, 2.19</td>
</tr>
<tr>
<td></td>
<td>The pooling of interest method is forbidden under IFRS.</td>
<td>20, 2.24</td>
</tr>
<tr>
<td></td>
<td>Acquired participating interests must be recognised at cost, being the fair value at the date of the acquisition, in the separate financial statements.</td>
<td>20, 2.25</td>
</tr>
<tr>
<td>Joint ventures</td>
<td>Venture capital interests can be designated as financial instruments to be carried at fair value, or using the equity method.</td>
<td>21, 1.4</td>
</tr>
<tr>
<td>Foreign currencies</td>
<td>Under Dutch laws and regulations, measurement of forward currency contracts at fair value is not mandatory. Under IAS 39, specific deviating rules apply for hedge accounting, with measurement at fair value being mandatory.</td>
<td>22, 1.1</td>
</tr>
<tr>
<td></td>
<td>Goodwill paid on the acquisition of a foreign entity and any adjustment to fair value may be accounted for only as assets of the foreign entity.</td>
<td>22, 1.2</td>
</tr>
<tr>
<td>Subject</td>
<td>IFRS stricter than DAS as regards measurement and recognition</td>
<td>Chapter</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Foreign currencies</td>
<td>On the sale of an interest in a foreign entity, the cumulative exchange difference should be recognised in profit or loss.</td>
<td>22, 1.3</td>
</tr>
<tr>
<td></td>
<td>IAS 21 defines a wide scope for the disposal of a foreign entity, which is not limited to its sale.</td>
<td>22, 1.4</td>
</tr>
<tr>
<td></td>
<td>The financial statements, including the comparative figures, should be restated on initial application of the rules on hyperinflation.</td>
<td>22, 1.6</td>
</tr>
<tr>
<td></td>
<td>Specific rules are included for recognising the translation of deferred taxes on initial application of the rules on hyperinflation.</td>
<td>22, 1.7</td>
</tr>
<tr>
<td>Financial instruments</td>
<td>Derivatives with unlisted underlying securities should be carried at fair value. Under Dutch laws and regulations, such instruments should be carried at cost or current value.</td>
<td>23a, 1.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23b, 1.3</td>
</tr>
<tr>
<td></td>
<td>Reclassification of certain items is allowed under certain circumstances. Reclassification may not result in a gain or a loss.</td>
<td>23a, 1.5</td>
</tr>
<tr>
<td></td>
<td>Reclassification between categories is only allowed under very exceptional circumstances if the business model was changed.</td>
<td>23b, 1.5</td>
</tr>
<tr>
<td></td>
<td>Application of the effective interest rate method in calculating amortised cost is mandatory in all cases.</td>
<td>23a, 1.7</td>
</tr>
<tr>
<td></td>
<td>In the event of measurement at fair value, gains and losses should be recognised in profit or loss, or shareholder equity (OCI: Other Comprehensive Income), depending on the category. The freedom of choice is more limited.</td>
<td>23b, 1.7</td>
</tr>
<tr>
<td></td>
<td>IFRS requires the use of the current bid price for assets and the current asking price for liabilities.</td>
<td>23a, 1.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23b, 1.9</td>
</tr>
<tr>
<td></td>
<td>Medium-sized companies are not exempt from having to separate a derivative embedded in a contract (embedded derivatives).</td>
<td>23a, 1.9</td>
</tr>
<tr>
<td></td>
<td>For each category of financial assets a systematic choice whether to recognise or derecognise a purchase or sale transaction either on transaction date or delivery date. IAS 39 does not cover this for financial obligations.</td>
<td>23b, 1.10</td>
</tr>
<tr>
<td></td>
<td>Reversal of impairment losses is only allowed for debt instruments.</td>
<td>23a, 1.10</td>
</tr>
<tr>
<td></td>
<td>DAS permits separating of derivatives, subject to certain conditions being met, allowing hedge accounting to be applied to individual components. IFRS only allow this if the intrinsic value of the spot element is earmarked in the hedge relationship. The mutations in the fair value of the time value or the term points are taken to equity (OCI) instead of the statement of profit or loss. This also applies to the foreign currencies basis spread. IFRS contains an exception for hedging the interest element of investments held to maturity.</td>
<td>23a, 1.11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23b, 1.12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23a, 1.13</td>
</tr>
<tr>
<td></td>
<td>Cost hedge accounting is not allowed.</td>
<td>23a, 1.13</td>
</tr>
<tr>
<td></td>
<td>IFRS contains specific conditions for hedge accounting.</td>
<td>23a, 1.14</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23b, 1.14</td>
</tr>
<tr>
<td></td>
<td>Documentation of individual hedging relationships is required.</td>
<td>23a, 1.15</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23b, 1.15</td>
</tr>
<tr>
<td></td>
<td>The effectiveness test should cover the extent to which the hedge effectiveness target has been met and should also test the economic relationship between the hedged position and the hedge instrument.</td>
<td>23a, 1.16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23b, 1.16</td>
</tr>
<tr>
<td>Leasing</td>
<td>Initial direct costs of a finance lease incurred by the lessor are to be capitalised and amortised.</td>
<td>24, 1.3</td>
</tr>
<tr>
<td></td>
<td>In the case of an operating lease, initial direct costs incurred by the lessor are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.</td>
<td>24, 1.4</td>
</tr>
<tr>
<td></td>
<td>In the event of sale-and-leaseback with operating lease, IFRS only allow the costs (insofar as compensated) to be included as an asset.</td>
<td>24, 1.5</td>
</tr>
<tr>
<td>Subject</td>
<td>IFRS stricter than DAS as regards measurement and recognition</td>
<td>Chapter</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>---------------------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Government grants and similar facilities</td>
<td>IFRS does not allow grants to be credited to equity.</td>
<td>28, 1.1</td>
</tr>
<tr>
<td></td>
<td>Repayment of grants is recognised as a change to an accounting estimate.</td>
<td>28, 1.7</td>
</tr>
<tr>
<td></td>
<td>Under IFRS, a government levy can only be recognised when all conditions for the government levy have been met.</td>
<td>28, 1.9</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>IAS 33 is explicit on adjustments to be made in respect of preference shares.</td>
<td>29, 1.1</td>
</tr>
<tr>
<td></td>
<td>Under IAS 33, if a reverse share split effectively represents a share repurchase, the reduction in the number of ordinary shares should be accounted for at the time the special dividend is recognised.</td>
<td>29, 1.3</td>
</tr>
<tr>
<td></td>
<td>IAS 33 contains explicit rules as to how employee share options subject to fixed or determinable terms and non-vested ordinary shares should be treated.</td>
<td>29, 1.6</td>
</tr>
<tr>
<td></td>
<td>Options held by the entity on its own shares are not reflected in the calculation of diluted earnings per share.</td>
<td>29, 1.7</td>
</tr>
<tr>
<td></td>
<td>Contracts that require the entity to repurchase its own shares are included in the calculation of diluted earnings per share.</td>
<td>29, 1.8</td>
</tr>
<tr>
<td></td>
<td>In the case of different classes of shares, profit is allocated to the relevant classes.</td>
<td>29, 1.9</td>
</tr>
<tr>
<td></td>
<td>If potential shares of a group entity have a dilutive effect on the basic earnings per share of the reporting entity, they are included in the calculation of diluted earnings per share.</td>
<td>29, 1.10</td>
</tr>
<tr>
<td>Events after the reporting period</td>
<td>Under IAS 10, if a dividend is declared after the reporting date, it must not be recognised as a liability at the reporting date.</td>
<td>30, 1.2</td>
</tr>
<tr>
<td>Discontinued operations and disposal of (groups of) assets</td>
<td>DAS and IFRS 5 apply different criteria for an asset or disposal group to qualify as held for sale. IFRS 5 may have to be applied as part of the decision-making process at an earlier stage than DAS 345.</td>
<td>32, 1.1</td>
</tr>
<tr>
<td></td>
<td>Under IFRS 5, an asset or disposal group classified as held for sale should be valued at the lower of (i) the carrying amount and (ii) the fair value less costs to sell/costs to distribute.</td>
<td>32, 1.2</td>
</tr>
<tr>
<td></td>
<td>Under DAS, information on discontinued operations is disclosed only after the occurrence of an initial event; under IFRS 5, information is disclosed if certain criteria are met. IFRS 5 may have to be applied as part of the decision-making process at an earlier stage than DAS 345.</td>
<td>32, 1.4</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>IFRS 2 includes no exceptions for contribution and other transactions between entities under common control.</td>
<td>33, 1.1</td>
</tr>
<tr>
<td></td>
<td>IFRIC 8 contains provisions on valuations if goods or services received in the context of share-based payment transactions cannot be identified.</td>
<td>33, 1.2</td>
</tr>
<tr>
<td></td>
<td>Share options are recognised at fair value; only in exceptional cases are they measured at intrinsic value.</td>
<td>33, 1.3</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>Share-based payments must be recognised as compound financial instruments.</td>
<td>33, 1.4</td>
</tr>
<tr>
<td></td>
<td>IFRS 2 discloses information on measuring the value of shares and share options using option pricing models.</td>
<td>33, 1.5</td>
</tr>
<tr>
<td></td>
<td>The allocation of group arrangements to group entities is based on detailed interpretations, with costs generally being recognised by the entity receiving the services.</td>
<td>33, 1.6</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>The scope is more restricted under IAS 36 than under DAS.</td>
<td>34, 1.1</td>
</tr>
<tr>
<td></td>
<td>Under IAS 36, an impairment test should be performed at each reporting date for intangible assets with indefinite useful lives, intangible assets not yet in use, and goodwill acquired in a business combination.</td>
<td>34, 1.2</td>
</tr>
<tr>
<td></td>
<td>If a non-controlling interest is involved, for the purpose of impairment testing, the amount of goodwill is adjusted to reflect a wholly-owned cash-generating unit.</td>
<td>34, 1.3</td>
</tr>
<tr>
<td>Subject</td>
<td>IFRS stricter than DAS as regards measurement and recognition</td>
<td>Chapter</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>IFRS does not allow for reversal of goodwill impairment. Dutch laws and regulations do not have any specific provisions regarding reversal of goodwill impairments in interim periods.</td>
<td>34, 1.4</td>
</tr>
<tr>
<td>Banks</td>
<td>Forming a fund for general banking risks is not allowed.</td>
<td>35, 1.1</td>
</tr>
<tr>
<td>Investment entities</td>
<td>Pursuant to IFRS, consolidation of investment entities meeting the definition of investment entity of IFRS 10 is not permitted. Investments in a subsidiary are measured at fair value through profit or loss.</td>
<td>36, 1.1</td>
</tr>
<tr>
<td>Insurance companies</td>
<td>The reversal of impairment losses on equity investments is prohibited.</td>
<td>38, 1.1</td>
</tr>
<tr>
<td></td>
<td>Investment property for the entity’s own use should be carried at current value less depreciation, or at cost less depreciation.</td>
<td>38, 1.2</td>
</tr>
<tr>
<td></td>
<td>Bonds must be carried at market value, with value changes being recognised in equity or in profit or loss.</td>
<td>38, 1.3</td>
</tr>
<tr>
<td></td>
<td>Application of the effective interest rate method in measuring loans is mandatory, with premiums and discounts being amortised over the remaining terms.</td>
<td>38, 1.5</td>
</tr>
<tr>
<td></td>
<td>IFRS does not allow the recognition of provisions for possible future claims, including but not limited to catastrophe provisions and equalisation provisions, arising under contracts that are not yet effect at the reporting date.</td>
<td>38, 1.7.3</td>
</tr>
<tr>
<td></td>
<td>Intercompany transactions must be eliminated in full.</td>
<td>38, 1.8</td>
</tr>
</tbody>
</table>
Statement of financial position
<table>
<thead>
<tr>
<th>1</th>
<th>Intangible assets (excluding goodwill)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dutch laws and regulations</td>
<td>IFRS</td>
<td>Conclusion</td>
</tr>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Intangible assets with indefinite useful lives</td>
<td>Amortisation over useful life, in principle not exceeding twenty years</td>
<td>No amortisation</td>
</tr>
<tr>
<td>1.2</td>
<td>Useful lives of intangible assets</td>
<td>Rebuttable presumption that the useful life of an intangible asset will not exceed twenty years</td>
<td>No maximum useful life, nor any rebuttable presumption that there is a maximum useful life</td>
</tr>
<tr>
<td>1.3</td>
<td>Capitalisation of intangible assets acquired in a business combination</td>
<td>Regular capitalisation requirements apply</td>
<td>Intangible assets are always reliably measurable, therefore to be capitalised separately from goodwill</td>
</tr>
<tr>
<td>1.4</td>
<td>Capitalisation of share issue expenses and start-up costs</td>
<td>Allowed</td>
<td>Not allowed</td>
</tr>
<tr>
<td>1.5</td>
<td>Definition of current value</td>
<td>Current cost, value in use or realisable value</td>
<td>Fair value</td>
</tr>
<tr>
<td>1.6</td>
<td>Current value: restatement of accumulated amortisation</td>
<td>One method prescribed</td>
<td>Choice between two methods</td>
</tr>
<tr>
<td>1.7</td>
<td>Annual impairment test</td>
<td>Of intangible assets</td>
<td>Of intangible assets</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Amortised over a period of more than twenty years</td>
<td>• With indefinite useful lives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Or</td>
<td>Or</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Not yet taken into operation</td>
<td>• Not yet taken into operation</td>
</tr>
<tr>
<td>1.8</td>
<td>Exploration for and evaluation of mineral resources</td>
<td>No specific rules</td>
<td>Specific rules</td>
</tr>
<tr>
<td>1.9</td>
<td>Legal reserve</td>
<td>For capitalised share issuing expenses, start-up costs and development costs</td>
<td>IFRS does not have any concept resembling legal reserves.</td>
</tr>
<tr>
<td>1.10</td>
<td>Measurement of intangible assets acquired in a business combination</td>
<td>Cannot result in negative goodwill or an increase in negative goodwill</td>
<td>The capitalised amount is not limited</td>
</tr>
<tr>
<td>1.11</td>
<td>Emission rights</td>
<td>Specific rules</td>
<td>No specific rules</td>
</tr>
<tr>
<td>1.12</td>
<td>Amortisation method</td>
<td>Selection of amortisation method that results in lower accumulated amortisation than straight-line method is very unlikely</td>
<td>Variety of methods can be used</td>
</tr>
<tr>
<td>1.13</td>
<td>Exchange</td>
<td>If dissimilar (based upon type of asset and fair value) assets are involved in the exchange, acquired asset to be recognised at fair value; if similar assets are involved, acquired asset to be recognised at the carrying amount of the asset transferred</td>
<td>Recognised at fair value, unless</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Commercial substance is lacking</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Or</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Fair value cannot be reliably measured</td>
</tr>
<tr>
<td>2</td>
<td>Presentation</td>
<td>Dutch laws and regulations</td>
<td>IFRS</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>2.1</td>
<td>Presentation of classes</td>
<td>Prescribed classes</td>
<td>No prescribed classes</td>
</tr>
<tr>
<td>2.2</td>
<td>Intangible assets held for sale</td>
<td>To be presented under intangible assets</td>
<td>To be presented separately below current assets</td>
</tr>
<tr>
<td>3</td>
<td>Disclosure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Information on each intangible asset</td>
<td>Information on individual items listed in Section 365(1) of Book 2 of the Dutch Civil Code</td>
<td>Information on each class of intangible asset</td>
</tr>
<tr>
<td>3.2</td>
<td>Disclosure of intangible assets with indefinite useful lives (IFRS) or with useful lives of more than twenty years (DAS)</td>
<td>Indefinite useful lives not applicable</td>
<td>Intangible assets with indefinite useful lives to be disclosed separately</td>
</tr>
<tr>
<td>3.3</td>
<td>Disclosure of intangible assets acquired by means of government grants</td>
<td>No requirements</td>
<td>Specific disclosures are required for intangible assets acquired by means of government grants and initially valued at fair value</td>
</tr>
<tr>
<td>3.4</td>
<td>Disclosure of intangible assets held for sale</td>
<td>No specific rules</td>
<td>Detailed disclosure</td>
</tr>
</tbody>
</table>

1 Recognition and measurement

1.1 Intangible assets with indefinite useful lives

IFRS distinguishes between intangible assets with finite and indefinite useful lives (IAS 38.88). Intangible assets with indefinite useful lives may not be amortised on a straight-line basis (IAS 38.107), but should be tested for possible impairment each year (or whenever there is an indication that the intangible asset may be impaired) (IAS 38.108).

This distinction is not made under Dutch laws and regulations, which stipulate that intangible assets must always be amortised. Dutch Accounting Standard (DAS) 210.401 contains a rebuttable presumption that the useful life of an intangible asset will not exceed twenty years.

1.2 Useful lives of intangible assets

Intangible assets with finite useful lives should be amortised over their expected useful lives, irrespective of the length (IAS 38.97). In other words, the rebuttable presumption that the useful life of an intangible asset does not exceed twenty years does not exist under IFRS. DAS 210.401 is stricter in this respect, as it includes a rebuttable presumption that the useful life of an intangible asset does not exceed twenty years.
1.3 Capitalisation of intangible assets acquired in a business combination

IFRS 3 assumes that the probability of future economic benefits and reliable measurement of cost criteria have automatically been satisfied; under IFRS, the two criteria are implicitly connected (IFRS 3.14, IAS 38.33, IAS 38.35, IAS 38.BC16A-19D). In other words, in the case of a business combination, it is presupposed that the relevant intangible assets have been implicitly acquired as part of the total acquisition price of the acquiree, resulting in intangible assets embodying probable economic benefits that can be estimated reliably. DAS does not contain such automatic assumptions. It specifically stipulates that if the fair value as cost of an intangible asset acquired in a business combination cannot be measured reliably to a sufficient extent, such an asset should not be recognised separately under non-current assets. Instead, the asset concerned is deemed to be included in goodwill (DAS 210.211, under b).

1.4 Capitalisation of share issue expenses and start-up costs

The definition of intangible assets under both IFRS and DAS does not in itself include start-up costs and share issue expenses. Under IAS 38, they may not be capitalised as a result. Start-up costs should be recognised at the time they are incurred (IAS 38.69). However, since the law allows such costs to be capitalised as intangible assets, with a legal reserve equalling the capitalised amount, DAS 210.103 only recommends that these costs no longer be capitalised.

IAS 32.37 stipulates that share issue expenses should be charged to equity (net of any related income tax benefit). Under DAS 240.219, the preferable treatment is not to capitalise costs and capital duty incurred on the issue of (treasury) shares, but to charge them direct to the share premium account, net of any tax effect, or, if and insofar as the balance of the share premium account is insufficient, to other reserves.

1.5 Definition of current value

Given the strict criteria for measuring intangible assets at current value set under both IFRS (IAS 38.75-87) and Dutch legislation (Section 6 of the Dutch Asset Valuation Decree), measurement at current value will hardly ever arise. If it does, current cost, value in use and realisable value are mentioned in the Dutch Asset Valuation Decree (Section 7) as the possible basis for determining the current value. The circumstances dictate which value should be used as an asset’s current value.

IAS 38.75 states the fair value as the basis for determining an asset’s current value.

1.6 Current value: restatement of accumulated amortisation

If intangible assets are measured at current value/fair value, they should be remeasured regularly. IAS 38.80 stipulates that if an intangible asset is revalued, any accumulated amortisation at the date of the revaluation be either:

- Restated proportionately to the change in the gross carrying amount of the asset
- Or
- Eliminated against the gross carrying amount of the asset

The DASB states that the accumulated amortisation must be restated proportionately to the change in the current purchase price or production cost of the asset.
1.7 Annual impairment test

Under IFRS, annual impairment testing is prescribed for:
- All intangible assets with indefinite useful lives (IAS 38.108)
- Intangible assets not yet taken into operation (IAS 36.10)

DAS contains such a provision for:
- Intangible assets with useful economic lives of more than twenty years
- Intangible assets not yet taken into operation (DAS 210.419)

1.8 Exploration for and evaluation of mineral resources

The IASB published IFRS 6 Exploration for and Evaluation of Mineral Resources concerning the recognition of costs of exploring for and extracting oil, gas and other minerals. DAS does not contain any such rules.

1.9 Legal reserve

Under Dutch laws and regulations (Section 365 (2) of Book 2 of the Dutch Civil Code), a legal reserve should be formed whenever share issue expenses, start-up costs or development costs are capitalised. IFRS does not have any concept resembling legal reserves.

1.10 Measurement of intangible assets acquired in a business combination

DAS 216.215 stipulates that if the fair value of an intangible asset cannot be determined by reference to an active market, the amount to be capitalised must be limited to an amount not resulting in negative goodwill, or an increase in negative goodwill. IFRS 3 does not contain such a rule; the amount to be capitalised is not limited.

1.11 Emission rights

With effect from 1 January 2005, certain companies have been faced with the EU directive on the trade in emission rights relating to greenhouse gases. The directive stipulates that designated companies be granted emission rights by the government at the beginning of every calendar year allowing a specific CO₂ emission level. The appendix to DAS 274 considers the recognition of purchased emission rights and emission rights obtained free of charge. Part 9 of Book 2 of the Dutch Civil Code and DAS allow several variants for the recognition and measurement of emission rights and the resulting liabilities. IFRS does not contain specific rules for the treatment of emission rights.

1.12 Amortisation method

A variety of amortisation methods can be used to amortise an intangible asset. However, DAS 210.412 stipulates that it is highly unlikely that an amortisation method resulting in lower accumulated amortisation than under the straight-line method can be justified. There is no such provision in IAS 38.
1.13 Exchange
IAS 38.45 stipulates that in the event of an exchange of assets, the cost of an acquired asset is measured at fair value unless (and in that case is recognised based on the carrying value of the asset given up):
- The exchange transaction lacks commercial substance
  Or
- The fair value of neither the asset received nor the asset given up is reliably measurable

IAS 38.46 stipulates that an exchange transaction has commercial substance by considering the extent to which its future cash flows are expected to change as a result of the transaction. An exchange transaction has commercial substance if either:
- The risk, timing and amount of the cash flows of the asset received differs from those of the cash flows of the asset transferred
  Or
- The entity-specific value of the portion of the entity’s operations affected by the transaction changes as a result of the exchange

The result of these analyses may be clear from the exchange transaction without detailed and complex calculations having to be performed (IAS 38.46).

Under DAS 210.214/215, the substance of the exchange is based on a comparison between the acquired assets and the assets transferred, without referring to the cash flow changes set out in IFRS, but to a comparison based on type of asset and also to a comparison between the fair value of acquired assets and assets transferred. If inequivalent assets are involved, the cost of the acquired asset is measured at fair value; if equivalent assets are involved, the cost of the acquired asset is recognised at the carrying amount of the asset transferred.

IFRS stipulates that if the fair value of both the acquired asset and the asset given up can be reliably measured, the fair value of the acquisition price is set at the fair value of the asset given up, unless the fair value of the acquired asset is more clearly evident (IAS 38.47). DAS stipulates that the fair value of the acquired asset is equal to the fair value of the asset given up, adjusted for any supplementary payment or receipt (DAS 210.214).

2 Presentation
2.1 Presentation of classes
Section 365 (1) of Book 2 of the Dutch Civil Code stipulates that the following classes should be presented in the statement of financial position and/or notes separately under intangible assets:
- Expenses relating to the incorporation of an entity and the issue of shares
- Development costs
- Acquisition costs in respect of concessions, licenses and intellectual property rights
- Costs of goodwill acquired from third parties
- Prepayments for intangible assets

IAS 38.119 gives a number of examples of separate classes of intangible assets that can be distinguished in the disclosure (see Section 3.1), but does not prescribe any classification.
2.2 Intangible assets held for sale
Under IFRS 5, intangible assets qualifying as held for sale, or forming part of a disposal group or discontinued activity, should be presented below current assets as assets held for sale (see Chapter 32).

3 Disclosure
3.1 Information on each intangible asset
Section 365 (2) of Book 2 of the Dutch Civil Code stipulates that information should be disclosed on each of the items specified under Section 365 (1) of Book 2 of the Dutch Civil Code (see Section 2.1 above).

Under IAS 38.118, information should be provided on each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets. Examples include (IAS 38.119):
- Brand names
- Mastheads and publishing titles
- Computer software
- Licenses and franchises
- Copyrights, patents and other industrial property rights, service and operating rights
- Recipes, formulas, models, designs and prototypes
- Intangible assets under development

Accordingly, IAS 38 may require more detailed disclosure than Dutch laws and regulations. IAS 38 also requires a distinction to be made between intangible assets with indefinite useful lives and intangible assets with finite useful lives.

3.2 Disclosure of intangible assets with indefinite useful lives (IFRS) or with useful lives of more than twenty years (DAS)
In the case of intangible assets with indefinite useful lives, IAS 38.122 requires disclosure of the carrying amount of the asset concerned and the reasons supporting the designation of an indefinite useful life. In giving these reasons, the entity should state the factors that played a significant role in determining that the asset has an indefinite useful life.

DAS 210.407 stipulates that all intangible assets have finite useful lives. In addition, DAS 210.401 contains a rebuttable presumption that the useful life of an intangible asset will not exceed twenty years. If the amortisation period for an intangible asset exceeds twenty years, the reason must be disclosed for the fact that the presumption that the useful life of an intangible asset will not exceed twenty years is rebutted (DAS 210.505). In doing so, the entity should also state the factors that played a significant role in determining the useful life of the asset.

3.3 Disclosure of intangible assets acquired by means of government grants
For intangible assets acquired by means of government grants and initially recognised at fair value (see Chapter 28, 1.6), the initial fair value, the carrying amount and the valuation model used should be disclosed (IAS 38.122 (c)). There are no such requirements under Dutch laws and regulations.
3.4 Disclosure for intangible assets held for sale

IFRS 5.41 and 5.42 require additional disclosure for intangible assets held for sale, such as a description, recognised gains or losses, if any, and the segment in which they are reported.

Accounting standards

Relevant accounting standards:
- DAS 210 Intangible Fixed Assets
- DAS 216 Mergers and Acquisitions
- DAS 221.5 Construction Contracts: Public-to-Private Concession Arrangements
- DAS 240 Shareholders’ Equity
- DAS 274 Government Grants and Other forms of Government Support
- IFRS 3 Business Combinations
- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 6 Exploration for and Evaluation of Mineral Resources
- IAS 32 Financial Instruments: Presentation
- IAS 38 Intangible Assets
- IFRIC 12 Service Concession Arrangements
- SIC 32 Intangible Assets — Web Site Costs
## 2 Property, plant and equipment

<table>
<thead>
<tr>
<th>1.1 Definition of current value</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current cost or lower recoverable amount (higher of value in use and realisable value (see text below))</td>
<td>Fair value (see text below)</td>
<td>Conflicting</td>
<td></td>
</tr>
</tbody>
</table>

| 1.2 First application of current value | | |
|----------------------------------------| | | |
| Retrospectively | Prospectively | Conflicting |

| 1.3 Transitional provision for current cost | | |
|-------------------------------------------| | | |
| Prospective recognition of transition from current value to historical cost, using prior year carrying amount as basis for cost | Not applicable | Dutch laws and regulations and IFRS differ |

| 1.4 Exception applying to recognition at fixed volume and value | | |
|-------------------------------------------------------------| | | |
| Recognition at fixed volume and value allowed, subject to certain conditions | Not allowed | IFRS stricter |

| 1.5 Transfer of assets from customers | | |
|--------------------------------------| | | |
| No special rules | Specific rules | IFRS stricter |

| 1.6 Capitalisation of borrowing costs | | |
|--------------------------------------| | | |
| Allowed for qualifying assets | Mandatory for qualifying assets | IFRS stricter |

| 1.7 Measurement of retired assets under cost model | | |
|---------------------------------------------| | | |
| Upward revaluation to higher realisable value allowed | Revaluation at higher realisable value not allowed | IFRS stricter |

| 1.8 Property, plant and equipment held for sale | | |
|-----------------------------------------------| | | |
| General rules | Specific rules | Conflicting |

| 1.9 Regular review of residual value and depreciation period | | |
|------------------------------------------------------------| | | |
| Annual review of residual value and depreciation period is not explicitly required, but is in the event of changes in circumstances or new information | Annual review of the residual value and depreciation period | IFRS stricter |

| 1.10 Accounting for realised revaluation reserve | | |
|-------------------------------------------------| | | |
| In proportion to the use of the property, plant and equipment item, to be released to the statement of profit or loss, or transferred to other reserves | In proportion to the use of the asset, or in full when the asset is disposed of, to be transferred to other reserves; release to statement of profit or loss is not allowed | Conflicting |

| 1.11 Costs of large maintenance | | |
|---------------------------------| | | |
| Capitalised as a separate asset component which is subsequently depreciated (also allowed as from date of first maintenance), or accretion of a separate maintenance provision; or total maintenance expense is charged to profit or loss in the period the maintenance is performed | Capitalised as a separate asset component which is subsequently depreciated (from initial acquisition) | IFRS stricter |

| 1.12 Accounting for decommissioning and restoration costs attributable to the placing of the asset | | |
|---------------------------------------------------------------| | | |
| A provision should be recognised at the time of investment and the cost of the asset should be increased at the same time, or accretion of a provision over the period of the asset’s useful life | A provision should be recognised at the time of investment and the cost of the asset should be increased at the same time | IFRS stricter |

| 1.13 Change in the amount of restoration costs under current value model | | |
|---------------------------------------------------------------| | | |
| Change in the amount of restoration costs does not lead to changes in revaluation reserve. | Change in the amount of restoration costs does lead to changes in revaluation reserve | Conflicting |

| 1.14 Accounting for building demolition costs when acquiring land with buildings | | |
|---------------------------------------------------------------| | | |
| The acquisition cost of buildings to be demolished is attributed to the land | Part of the acquisition cost may have to be attributed to the buildings | IFRS stricter |

| 1.15 Biological assets | | |
|-----------------------| | | |
| Cost or current value | Fair value, with the exception of bearer plants (see text) | Conflicting |
General

Section 384 (1) of Book 2 of the Dutch Civil Code stipulates that property, plant and equipment can be valued at cost of acquisition, production cost or current value. IAS 16 allows use of the cost model or the revaluation model on the basis of fair value (IAS 16.29 and 31). Fair value is similar to the definition of market value in the Dutch Asset Valuation Decree (BAW: Besluit actuele waarde).

It should be noted that biological assets (that are not bearer plants) fall outside the scope of IAS 16 but within the scope of IAS 41. Under IAS 41, biological assets (that are not bearer plants) are presented and accounted for separately. Dutch laws and regulations do not include any specific provisions on biological assets.

Investment property is discussed in Chapter 3 Investment Property.

1 Recognition and measurement

1.1 Definition of current value

Both IFRS and Dutch GAAP provide alternatives to the cost model in measuring property, plant and equipment after initial recognition: the revaluation model and the current value model, respectively.
The measurement basis under the revaluation model is fair value less accumulated depreciation and accumulated impairment losses (IAS 16.31). Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date concerned (IAS 16.6). IFRS 13 states that fair value is a measurement that is determined from a buyers’ perspective assuming the asset’s highest and best use. The Dutch Asset Valuation Decree (BAW) refers to current cost as definition of current value, unless the recoverable amount (higher of realisable value or value in use) is lower. Current cost is the current purchase price or the current production cost of the asset itself, less accumulated depreciation (DAS 212.404 Authoritative Statement 2017-2). The revaluation of fair value under IFRS or current cost under Dutch GAAP, respectively, should be made regularly to ensure that the carrying amount of the assets does not differ materially from fair value or current cost, respectively at the reporting date (IAS 16.31, DAS 212.403 Authoritative Statement 2017-2).

Upon revaluation, the adjustment of accumulated depreciation recognised before can take place under IFRS by adjusting the accumulated depreciation proportionately to the change in the gross carrying amount of the asset or by elimination of the accumulated depreciation against the gross carrying amount of the asset, after which the net carrying amount after revaluation is equal to the newly determined fair value (IAS 16.35). Under Dutch GAAP, the accumulated depreciation is required to adjusted proportionately upon revaluation to the change in the current purchase price or production cost of the asset (DAS 212.406 Authoritative Statement 2017-2).

1.2 First application of current value
If a change in accounting policy from the cost model to the current value model takes place at any time, different methods of accounting apply under IFRS and Dutch GAAP. Under IAS 8.17-18 such a change in accounting policy is dealt with prospectively and without restating the comparative figures, as if it were a regular revaluation, and therefore not according to the general provisions of IAS 8 on accounting for changes in an accounting policy. There is not such specific provision under DAS 140 and therefore the transition from the cost model to the current value model is required to be accounted for retrospectively under Dutch GAAP while restating comparative figures.

1.3 Transitional provision for current cost
Under Dutch GAAP, if current value was used as the measurement basis at year-end 2015 for a category of items of property, plant and equipment and, as a result of the change in definition of current value, a change in accounting policy is opted for in 2016 or subsequently, pursuant to which the category of items of property, plant and equipment will be valued at historical cost going forward, prospectively accounting for this change in accounting policy is allowed. For that purpose, the carrying amount at the end of the preceding financial year is used as a basis, and subsequently deemed to be the historical cost. Any revaluation reserve existing at the date of the transition is released upon realisation, by write-off or disposal in future periods (DAS 212.802 and 803 Authoritative Statement 2017-2). No such transitional provision applies under IFRS and any change in accounting policy is accounted for in conformity with the requirements of IAS 8.

1.4 Exception applying to recognition at fixed volume and value
Section 385 (3) of Book 2 of the Dutch Civil Code stipulates that property, plant and equipment items which are replaced regularly and whose total value is immaterial be measured at a fixed volume and value, provided the volume, composition and value are only subject to limited change (DAS 212.203). IFRS does not contain any such exception.
1.5 Transfer of assets from customers

In addition to the general accounting principles for property, plant and equipment, IFRIC 18 provides more detailed rules on the recognition and measurement of assets received from customers for a specific purpose. In connection with this, general capitalisation criteria apply. Of primary importance is whether the entity controls the asset. The asset is initially measured at fair value, which is deemed to be the historical cost. On the other hand, a liability is recognised for the same amount for the provision of goods and services. This liability decreases in proportion to the goods and services provided, and its term can never be longer than the useful life of the asset.

Dutch law and regulations do not contain specific guidance on the recognition and measurement of property, plant and equipment and revenue to be recognised from transfers from customers referred to in IFRIC 18. The general criteria for the recognition of property, plant and equipment under Dutch GAAP and IFRS are however identical and accordingly the capitalisation of assets transferred from customers will correspondingly be the same. The general requirements of DAS 212 AND DAS 270 concerning measurement and revenue recognition are consistent with the requirements of IFRS. Applying IFRIC 18 is therefore allowed but not required under Dutch Law and regulations.

1.6 Capitalisation of borrowing costs

Capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of all qualifying assets is mandatory under IFRS (IAS 23.8). These qualifying assets can also be part of property, plant and equipment. In the Netherlands, capitalisation of borrowing costs for the period that is attributable to the production of the asset is allowed, but not mandatory under DAS 273.204. The rules for capitalising borrowing costs in IAS 23 are otherwise the same as under DAS 273, except for the scope, which is narrower under IAS 23.

1.7 Measurement of retired assets under the cost model

Under Dutch GAAP, items of property, plant and equipment are required to be measured at their carrying amount or lower realisable value on retirement. Regardless of whether the cost model or the current value model is applied, measuring retired assets held for sale at realisable value is allowed if it significantly exceeds the carrying amount. This one-off revaluation is required to be taken directly to the revaluation reserve and to be released to the statement of profit or loss when realised (DAS 212.501 and 502 and Authoritative Statement 2017-2). Such one-off revaluations of retired assets are not allowed under IFRS. Retired assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell (realisable value) (IFRS 5.15). Depreciation ceases in that case (IAS 16.55). The general provisions of IAS 16 on measurement and IAS 36 on impairment (see further Chapter 34) apply to retired assets not classified as held for sale. Depreciation is continued (in principle).

1.8 Property, plant and equipment held for sale

Specific requirements apply under IFRS for the presentation and measurement of property, plant and equipment classified as held for sale (and meeting a number of other criteria) or included in a disposal group or discontinued operation. Items of property, plant and equipment classified as held for sale in accordance with IFRS 5 are no longer depreciated (IAS 16.55) and are measured at the lower of their carrying amount and fair value less costs to sell (IFRS 5.15). IFRIC 17 stipulates that IFRS 5 also applies to property, plant and equipment classified as held for distribution to owners. See also Chapter 32. DAS does not contain such specific provisions.
1.9 Regular review of residual value and depreciation period

IFRS mandates an annual review of the useful life and residual value applied for property, plant and equipment (IAS 16.51). Under Dutch regulations, this review only needs to be performed if circumstances change or if new information on the remaining useful life and/or residual value becomes available (DAS 212.428). Although this provision is less strict than IAS 16, the practical consequences will be similar.

1.10 Accounting for realised revaluation reserve

Under Dutch GAAP, the revaluation reserve must be reduced in proportion to the use of the property, plant and equipment item (in line with depreciation) and upon its disposal. IFRS allows the realisation of the revaluation reserve to be recognised in proportion to the item’s use, in which case full recognition takes place upon disposal.

DAS 212.415 allows the realised revaluation reserve to be released to the statement of profit or loss, or transferred directly to other reserves. If an item of property, plant and equipment was already retired before and a one-off revaluation was performed in that regard, the revaluation reserve is released to the statement of profit or loss (DAS 212.502 Authoritative Statement 2017-2). IFRS only permits the realised revaluation to be taken directly to the other reserves (IAS 16.41).

1.11 Costs of large maintenance

The DASB stipulates that, if significant parts of an item of property, plant and equipment can be distinguished and have different useful lives, these components are depreciated separately (separate asset component method) (DAS 212.418). If the criteria for recognition in the statement of financial position are met, the costs of large maintenance can be accounted for under Dutch GAAP as part of the carrying amount of the asset (DAS 212.445). The costs of large maintenance are then treated as a significant part and depreciated separately. Application the separate component method either from the initial acquisition of the asset or only from the time when large maintenance is carried out for the first time is also allowed (DAS 212.448). With regard to large maintenance, Dutch GAAP also allows a provision for large maintenance costs to be recognised or large maintenance costs to be recognised directly in profit or loss in the period the maintenance is performed (RJ 212.445).

IFRS offer just one method of recognising costs of large maintenance, which is capitalising and depreciating both costs incurred initially and subsequent costs based on the separate asset component method (IAS 16.43, IAS 16.13 and 16.14). IFRS does not allow a provision to be formed for large maintenance.

1.12 Accounting for decommissioning and restoration costs attributable to the placing of the asset

IAS 16.16 requires the entire restoration obligation caused by placing the asset to be provided for and accounting for the restoration costs as part of its carrying amount (capitalise and depreciate). DAS 212.435 offers a choice between that method and the accretion of a provision over the period of the asset’s useful life (charged to the statement of profit or loss).
1.13 Change in the amount of restoration costs under current value model

If restoration costs are accounted for as part of the carrying amount of the asset (mandatory under IFRS), a change in the expected restoration costs when applying the revaluation model or the current value model, respectively does (in principle) lead to changes in the revaluation reserve (IFRIC 1.6) under IFRS but not under Dutch GAAP (DAS 212.440 Authoritative Statement 2017-2).

1.14 Accounting for building demolition costs when acquiring land with buildings

The allocation of the cost of acquisition in full to the land, if land on which buildings stand was purchased with the intention for those buildings to be demolished or to decay, must be considered carefully under IFRS. Land and buildings must be accounted for separately upon acquisition (IAS 16.58), which means that part of the cost of acquisition (potentially) will be attributed to the buildings to be demolished. Under Dutch GAAP, the cost of acquisition will be attributed in full to the land concerned (DAS 212.511).

1.15 Biological assets

Under Dutch rules and regulations, the general rules governing the measurement of property, plant and equipment (DAS 212) apply to the measurement of biological assets. This means that a biological asset is measured on the basis of the cost model or the current value model. IAS 41 requires other biological assets (other than bearer plants) to be accounted for on the basis of fair value (less costs to sell), whereas there is no requirement but a choice under Dutch rules and regulations. A choice between cost and current value applies to the measurement of bearer plants under both Dutch GAAP and IFRS. It should be noted that the definition of current cost as current value under Dutch rules and regulations is not identical to fair value under IFRS.

2 Presentation

2.1 Classification of property, plant and equipment

Section 366 (1) of Book 2 of the Dutch Civil Code stipulates which property, plant and equipment items should be presented separately. These are land and buildings, machinery, plant and equipment in use by the entity, other fixed operating assets, property, plant and equipment under construction, and prepayments on property, plant and equipment, and property, plant and equipment not in use by the entity. IFRS does not prescribe a standard format, but does require the information in the notes to be presented by category (IAS 16.73). A category is defined as a grouping of assets of a similar nature and use in an entity's operations. IAS 16 lists a number of examples of such categories, but does not mandate any prescribed classification (IAS 16.37).

2.2 Presentation of property, plant and equipment not in use and assets held for sale

Property, plant and equipment classified as held for sale in accordance with IFRS 5 or included in a disposal group or discontinued operation) should be presented under IFRS as a separate item below current assets (see also Chapter 32). For an asset to be classified as held for sale, its sale must be highly probable. Assets still in use can also be classified as held for sale. However, retired assets that are not classified as held for sale continue to form part of the original category under IFRS. Under Dutch regulations, all property, plant and equipment not in own use is treated equally as a separate, prescribed category forming part of property, plant and equipment (DAS 212.601 and 603).
2.3 Routine sales of items of property, plant and equipment

IFRS requires items of property, plant and equipment that are held for rental and are sold in the course of the ordinary activities after the end of the rental period, to be reclassified to inventories as soon as they cease to be rented and become held for sale. Upon sale, the proceeds are required to be accounted for as revenue (IAS 16.68A). Dutch GAAP applies a similar provision concerning the presentation of the proceeds from sale, but as a recommendation rather than as a requirement (DAS 212.506).

3 Disclosure

3.1 Disclosure for measurement at current value

If items of property, plant and equipment are stated at current value, the disclosure requirements under Dutch GAAP differ from those under IFRS. For instance, the disclosure requirements for the date of the revaluation differ, which must be specified more accurately under IFRS (namely the date or year of the revaluation).

Dutch laws and regulations also require the following disclosure in the event of measurement of property, plant and equipment at current value:

- The carrying amount of items of property, plant and equipment for which the legal entity establishes and expects that it is no longer possible to reliably measure current cost (DAS 212.705 (f) Authoritative Statement 2017-2).
- The treatment of realised revaluation results (DAS 212.705 (g)).
- The manner in which the current cost, the value in use and the realisable value are determined (Section 9 of the Decree on current value and DAS 120.402).
- If indices are used to estimate the current value, the nature of these indices and whether they have been adjusted in line with technological developments (DAS 120.403).
- The date of the estimate if based on the current cost or value in use (DAS 120.403).

IFRS 13 stipulates that the fair value hierarchy be disclosed of the property, plant and equipment measured at fair value, which consists of three levels.

- Level 1: Quoted prices in active markets.
- Level 2: No quoted prices, but assumptions directly or indirectly based on observable market data.
- Level 3: Assumptions are not based on observable market data.

The disclosure requirements are extensive, in particular for Level 3 valuations.

3.2 Property, plant and equipment held for sale

The IAS 16 disclosures are not required for property, plant and equipment held for sale. IFRS 5 stipulates that only the disclosures required by IFRS 5 apply to property, plant and equipment held for sale, unless a different standard specifically requires additional disclosures for these assets (IFRS 5.5B). See Chapter 32 for further details of the disclosures under IFRS 5.

DAS does not contain any such stipulation. The general disclosure requirements for property, plant and equipment apply.
3.3 Disclosure for decommissioning/restoration and large maintenance costs

Dutch GAAP requires the following information to be disclosed in addition to that required under IFRS:
- Treatment of decommissioning/restoration and large maintenance costs (DAS 212.701 (b)).
- IFRS does not require such disclosure as only one method for recognising decommissioning/restoration and large maintenance costs is allowed.
- The expected total amount of decommissioning/restoration costs if a provision is formed for these costs (DAS 212.703 (f)). IFRS does not contain such a disclosure requirement.

3.4 Disclosure for capitalised borrowing costs

If borrowing costs are capitalised, Section 388 (2) of Book 2 of the Dutch Civil Code requires this to be disclosed, as Dutch GAAP offers a choice to include borrowing costs in the production cost of qualifying assets. IFRS does not offer a choice between accounting policies. Both IFRS and Dutch GAAP require the amount of the capitalised borrowing costs and the interest rate used to calculate them to be disclosed (IAS 23.26, DAS 273.302). The DAS also recommend disclosing the total borrowing costs in the notes with a visible deduction for the capitalised borrowing costs or stating the amount of borrowing costs that has been capitalised by means of the movement in construction contracts and for capitalised own production (DAS 273.302). IFRS does not contain this recommendation.

3.5 Disclosure for application of transitional provision for current cost

If the transitional provision is used under Dutch GAAP to cease application of current value as of 1 January 2016 or a later date and switch to historical cost using the last-known current value measurement as initial measurement after the change, the application of this transitional provision is required to be disclosed in the financial year in which the transition is accounted for and in subsequent years for as long as the revaluation reserve is not realised in full. The amount of the revaluation not yet realised must be disclosed separately (DAS 212.804 Authoritative Statement 2017-2). No such transitional provision applies under IFRS.

Accounting standards

Relevant accounting standards:
- DAS 120 Valuation Principles
- DAS 140 Changes in Accounting Policies
- DAS 145 Changes in Accounting Estimates
- DAS 212 Tangible Fixed Assets
- DAS 240 Shareholders’ Equity
- DAS 252 Provisions, Commitments and Contingent Assets
- DAS 273 Borrowing Costs
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 13 Fair Value Measurement
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 16 Property, Plant and Equipment
- IAS 23 Borrowing Costs
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IFRIC 17 Distribution of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers
## 3 Investment properties

<table>
<thead>
<tr>
<th>Table</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td><strong>Recognition and measurement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Investment property and special business sectors</td>
<td>Specific accounting standards</td>
<td>No specific accounting standard, expanded choice of accounting policies for insurance companies</td>
</tr>
<tr>
<td>1.2</td>
<td>Subsequent costs in respect of investment property - general</td>
<td>To be capitalised, provided the initial performance level is raised</td>
<td>General capitalisation requirements apply</td>
</tr>
<tr>
<td>1.3</td>
<td>Subsequent costs in respect of investment property - large maintenance</td>
<td>Provision for large maintenance or recognition through profit or loss only allowed if valuation of property based on acquisition cost</td>
<td>Not allowed</td>
</tr>
<tr>
<td>1.4</td>
<td>Revaluation reserve</td>
<td>Revaluation reserve must be recognised upon profit appropriation if measurement is fair value</td>
<td>No revaluation reserve prescribed</td>
</tr>
<tr>
<td>1.5</td>
<td>Measurement of deferred tax assets and tax liabilities arising on investment properties measured at fair value</td>
<td>No specific accounting standards</td>
<td>Rebuttable presumption that the carrying amount of the investment property will be recovered through sale</td>
</tr>
<tr>
<td>1.6</td>
<td>Definition of fair value</td>
<td>Current value</td>
<td>Fair value (IFRS 13)</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td><strong>Presentation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Classification of investment property</td>
<td>Prescribed classification, Investment property to be presented under Property, plant and equipment not used in the production process. Specific requirements for the presentation of items relating to investment property in the statement of profit or loss</td>
<td>Investment property to be presented separately in the statement of financial position</td>
</tr>
<tr>
<td>2.2</td>
<td>Investment property held for sale</td>
<td>To continue to be presented as investment property under property, plant and equipment</td>
<td>To be presented separately as held for sale</td>
</tr>
<tr>
<td><strong>3</strong></td>
<td><strong>Disclosure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Disclosure</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### General

DAS 213 Investment Properties and IAS 40 Investment Property allow investment property to be measured at fair value (without depreciation) or at historical cost less depreciation and impairment. For guidance on historical cost accounting these standards refer to the guidance on property, plant and equipment in DAS 212 and in IAS 16, respectively. The differences between DAS 212 and IAS 16 are presented in Chapter 2 Property, Plant and Equipment and are not repeated here. Similarly, reference is made to Chapter 2 for accounting for restoration costs.
1 Recognition and measurement

1.1 Investment property and special business sectors
Chapter 6 of the DAS addresses special business sectors, including banks, insurance companies, pension funds and investment institutions. DAS include specific provisions relating to investment property which apply to these business sectors in certain cases, except for banks. IFRS does not contain any specific accounting standards relating to these business sectors, which means that IAS 16 and IAS 40 apply in full to the above sectors. This may result in differences in scope between IFRS and Dutch GAAP.

The main differences are:
- Insurance companies (DAS) are required to recognise property for their own use as investment property (DAS 605.202).
- Insurers reporting under IFRS can apply a specific provision in IAS 40.32A and 32C: If investment properties (in part) back insurance liabilities, an entity can choose for each property whether the property is measured at fair value or cost of acquisition. DAS does not contain such expanded choice of accounting policies for investment property.
- Pension funds: DAS 610 ‘Pension Funds’ prescribes ‘market value’ (fair value) for the measurement of investment properties, referring to the measurement rules in DAS 213. IFRS (IAS 26.32) prescribes valuation of investment property at current value.
- Pursuant to DAS 615 ‘Investment Institutions’, valuation at fair value is advisable for investment institutions, as under DAS 213, taking unrealised increases in value through profit or loss. The Standard also contains specific rules for accounting for transaction costs, which differ from DAS 213.

1.2 Subsequent costs in respect of investment property — general
Capitalisation criteria for subsequent costs are less strict under IFRS. In contrast to DAS, IFRS does not require that capitalisation of such costs is subject to the initial performance level of the investment property being raised (DAS 213.401-402). Instead, general capitalisation criteria apply (IAS 40.17).

1.3 Subsequent costs in respect of investment property — large maintenance
No provision for large maintenance can be formed for investment property measured at fair value (DAS 213.403); by contrast, if acquisition cost or manufacturing cost is applied, a provision for large maintenance can be formed.

Under IFRS, forming a provision for large maintenance is in principle not possible, not even in the case of measurement at historical cost. Replacements made (as part of ‘large maintenance’) are accounted for in the cost of the investment property on the basis of the separate component method and depreciated. This also applies to recognising the costs of large maintenance directly through profit or loss, which is allowed under DAS (historical cost) but not under IFRS.
See also Chapter 2 of this brochure.

1.4 Revaluation reserve
Gains or losses arising from a change in the fair value of investment property should be recognised in profit or loss for the period in which the change arises (IAS 40.35, DAS 213.504). In addition, a revaluation reserve should be formed, either from the profit appropriation or from the Other reserves, equal to the amount of the difference between the carrying amounts before and after the revaluation.
This is entailed by Section 390 of Book 2 of the Dutch Civil Code, which does provide the option of recognising changes in fair value directly through profit or loss but then requires a revaluation reserve to be recognised if there are no frequent market listings for the asset (in principle, there will be no frequent market listings for investment properties). Although there is no such requirement under IFRS, this applies for Dutch legal entities not only under Dutch GAAP but equally under IFRS. That is because if IFRS is applied, the reporting entity is subject to Part 9 of Book of the Dutch Civil Code, and pursuant to Section 362 (9) of Book 2 of the Dutch Civil Code, the provisions of Section 390 of Book 2 of the Dutch Civil Code will continue to apply correspondingly (see Section 3.3 for more detailed information).

A direct transfer to the other reserves will take place upon realisation of the revaluation in the event of a disposal (DAS 240.411). Transferring the realisation to the statement of profit and loss is not permitted as this would mean that the increase in value would be taken through profit or loss for the second time (given that the increase in value was also already recognised through profit or loss in the year when it occurred).

The amount of the revaluation reserve is determined by comparison of the fair value of the investment property with the cost of acquisition or manufacture; DAS provides two methods for determining cost of acquisition (DAS 213.504):

- A (notional) carrying amount on the basis of the cost model (i.e. taking account of accumulated depreciation); this is the recommended method.
- The initial cost of acquisition or manufacture, i.e. without applying (notional) depreciation.

### 1.5 Measurement of deferred tax assets and tax liabilities arising on investment properties measured at fair value

IFRS prescribe that, for investment property measured at fair value, the deferred tax asset or liability be measured on the basis of the rebuttable presumption that the carrying amount of the investment property will be recovered through sale (IAS 12.51C). This assumption may impact the applicable tax rate as well as measurement of the carrying amount of the investment property for tax purposes.

This presumption is rebutted only if the investment property has a definite useful life (i.e. a definite useful economic life) and the entity intends to realise substantially all of the future economic benefits through continuing use, rather than through sale of the investment property. If the presumption is rebutted, the provisions of IAS 12.51 and IAS 12.51A are applied.

The above also applies when a deferred tax liability or a deferred tax asset arises from measuring investment property in a business combination if the entity will use the fair value model when subsequently measuring that investment property (IAS 12.51D).

Dutch laws and regulations do not contain such a rebuttable presumption.

### 1.6 Definition of fair value

After initial recognition, investment properties may be measured either at current value (DAS)/fair value (IFRS) or at historical cost.

The DAS rules are still based on the former IFRS rules (without application of IFRS 13), and define fair value as the amount for which an asset can be exchanged (or a liability settled) between knowledgeable, willing parties in an arm’s length transaction (DAS 940).
As a consequence of IFRS 13, the definition in IAS 40 differs from this and defines fair value as the price at which an asset can be exchanged in an orderly transaction between market participants at the measurement date (IAS 40.5).

The clarification of the revised definition provided by the IASB Board can be summarised as follows:

- Both the new and the old definition assume a hypothetical, orderly transaction; not an actual or forced transaction (IFRS 13.BC30).
- The previous definition (IFRS 13.BC30):
  - Did not specify whether the reporting entity acts as buyer or seller.
  - Was unclear about what is meant by settling a liability because it did not refer to a creditor, but to a knowledgeable counterparty.
  - Did not explain the date of the transaction and the measurement date.
- These elements have now been incorporated in the revised definition.
- In addition, the new definition clarifies that value is a market-based measurement referring to generic market parties rather than an entity-specific measurement.

Under the DAS (and IAS 40 ‘old’), the fair value of investment property was determined as the most likely price that is reasonably obtainable in the market. It is the best price that a seller can reasonably obtain and the most advantageous price that a buyer can reasonably achieve. This estimate specifically excludes there being an estimated price that has been inflated or deflated as a result of special terms or circumstances, such as atypical financing, sale-and-leaseback arrangements, special terms or concessions granted by a party involved in the sale (DAS 213.505). The previous IAS 40 additionally stated that both the buyer and seller were assumed to be a ‘willing party’ (motivated, not compelled, or over-eager), and reasonably informed about the current situation of the asset as well as its potential future uses.

These elements return in the new definition of IFRS, sometimes in reinforced form. In particular, the position of the parties is more clearly outlined, with market parties being referred to in the current definition (whereas willing parties were previously referred to but these were not designated as neutral (market) parties) (IFRS 13.24 in conjunction with IFRS 13.B2-B4).

The current IAS 40/IFRS 13 requires the measurement of fair value also to take into account the assumptions that market participants would take into account at the measurement date, including assumptions concerning:

- Specific characteristics of the asset concerned, insofar market participants would take them into account (IFRS 13.11); for example, the condition, location, restrictions on the use.
- ‘Highest and best use’ (IFRS 13.27 ff).
- Risk elements.

This determination of fair value in IFRS 13 is far more specific than that of ‘market value’ as in article 4 of the Dutch Asset Valuation Decree (BAW).

As a consequence of the introduction of IFRS 13, the approach in IFRS has been fully aligned with the way in which the measurement of financial instruments is approached, applying the fair value hierarchy:

- Level 1: Fair value is equal to quoted prices in an active market.
- Level 2: Fair value is based on inputs that are observable in the market, either directly or indirectly.
- Level 3: Fair value is based on inputs that are unobservable in the market.
A ‘level 3’ type measurement will almost always apply to investment property (see also the general observation in Section 4.7.4). IFRS 13 or IAS 40, respectively, requires the most detailed disclosures in this regard; see 3 below. In practice, however, there is no difference in the way in which investment property is valued under IFRS and DAS.

2 Presentation

2.1 Classification of investment property

IFRS requires investment property to be presented separately in the statement of financial position (IAS 1.54 (b)). However, Section 366 (1) of Book 2 of the Dutch Civil Code stipulates that investment property must be presented as part of property, plant and equipment not in use by the entity. Investment property is also typically presented separately under DAS. More specific requirements apply under Dutch regulations than under IFRS for the presentation of items relating to investment property in the statement of profit or loss.

2.2 Investment property held for sale

Under IFRS 5, investment property held for sale (being disposal assets or assets that are part of a disposal group or discontinued operation) should be presented as a separate item below current assets (see also Chapter 32). Dutch law and DAS does not contain any specific provisions on presentation.

3 Disclosure

Disclosure requirements relating to investment property are largely the same under IFRS and Dutch GAAP. The main differences are:

- IFRS require disclosure of significant adjustments to the fair value of investment property for the purpose of the financial statements, for example adjustments to avoid double-counting (IAS 40.77). Dutch GAAP does not require such disclosure.
- IFRS require disclosure of the amounts recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used (usually relating to insurance companies) (IAS 40.75(f)(iv)). Dutch laws and regulations do not contain such a provision.
- Under IFRS 5, investment property reclassified as held for sale is shown separately in the statement of changes in investment property. DAS does not require separate presentation of non-current assets held for sale, so that the statement of changes only presents the eventual disposal.
- Dutch laws and regulations do not require disclosure of comparative figures in the statement of changes in investment property, whereas IFRS does (IAS 40.76, DAS 213.803).
- Dutch laws and regulations require the following additional disclosure for investment property measured at current value:
  - The total of the revaluations at the reporting date.
  - If applicable, the nature of these indices and whether they have been adjusted in line with technological developments.
  - Information on historical cost if necessary to provide a true and fair view.
- DAS 213.802b stipulates that property under development must be presented separately in the statement of financial position or in the notes. Although IFRS does not contain such a specific provision, separate presentation of property under development seems to be a preferred method due to the difference in risk profiles.
• DAS 213.805a stipulates that if investment property is measured at historical cost, with respect to property under development, the notes should disclose whether and, if so, to what extent own development costs, other indirect costs and interest are taken into account when measuring the property concerned. IFRS does not have any such requirement.
• IFRS 13 requires more detailed disclosure than DAS 213 for investment properties measured at fair value. In connection with this, investment properties must be classified by reference to the fair value hierarchy (Level 1, 2 or 3).

Accounting standards
Relevant accounting standards:
• DAS 212  Tangible Fixed Assets
• DAS 213  Investment Property
• DAS 240  Shareholders’ Equity
• IFRS 5  Non-Current Assets Held for Sale and Discontinued Operations
• IFRS 13  Fair Value Measurement
• IAS 16  Property, Plant and Equipment
• IAS 40  Investment Property
## 4 Investments in subsidiaries/associates (excluding joint ventures)

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Separate financial statements: Valuation of interests in group companies and associates over which significant influence is exercised</td>
<td>Valuation at net asset value; in certain cases, valuation at the net asset value disclosed in the statement of financial position, at cost or current value</td>
<td>(Separate financial statements:) Valuation at cost or fair value or using the equity method</td>
</tr>
<tr>
<td>1.2</td>
<td>Consolidated financial statements: Valuation of associates over which significant influence is exercised</td>
<td>Valuation at net asset value; in certain cases, valuation at the net asset value disclosed in the statement of financial position, at cost or current value</td>
<td>Valuation using the equity method</td>
</tr>
<tr>
<td>1.3</td>
<td>Separate and consolidated financial statements: Valuation of other interests (over which no significant influence is exercised)</td>
<td>Valuation at cost or current value, with changes in value recognised in equity</td>
<td>Valuation at fair value, with changes in value recognised in equity or profit or loss; valuation at cost in exceptional cases</td>
</tr>
<tr>
<td>1.4</td>
<td>Associates held by venture capital companies, unit trusts and similar organisations</td>
<td>Valuation at cost or fair value</td>
<td>Valuation using the equity method or at fair value, with changes in value recognised in profit or loss</td>
</tr>
<tr>
<td>1.5</td>
<td>Considering potential voting rights in determining significant influence</td>
<td>If the potential voting rights have substance</td>
<td>If the potential voting rights can be exercised or converted as at the reporting date</td>
</tr>
<tr>
<td>1.6</td>
<td>Separate financial statements: Recognition of dividends</td>
<td>Dividends qualifying as pre-acquisition profit to be deducted from the acquisition price</td>
<td>Always recognised as income, possibly recognition of impairment</td>
</tr>
<tr>
<td>1.7</td>
<td>Disposal of part of an investment in an associate, loss of control or significant influence</td>
<td>Remeasurement of remaining interest at fair value is allowed only if such remaining interest is measured at current value (in the revaluation reserve) and if it qualifies as an investment measured at fair value (in profit or loss).</td>
<td>Remeasuring remaining interest at fair value, with the difference with the carrying amount recognised in profit or loss.</td>
</tr>
<tr>
<td>1.8</td>
<td>Decrease in interest following associate’s share issue</td>
<td>Recognised in profit or loss or in equity</td>
<td>No specific rules</td>
</tr>
<tr>
<td>1.9</td>
<td>Increase in interest following associate’s share repurchase</td>
<td>To be included in initial valuation of associate, or recognised directly in equity</td>
<td>No specific rules</td>
</tr>
<tr>
<td>1.10</td>
<td>Increase in interest following acquisition of non-controlling interest or partial sale of interest while retaining control</td>
<td>To be included in valuation of associate, or recognised in equity</td>
<td>To be recognised in equity</td>
</tr>
<tr>
<td>1.11</td>
<td>Valuation of associates held for sale</td>
<td>No changes in valuation</td>
<td>To be recognised in equity</td>
</tr>
</tbody>
</table>
2 Presentation

2.1 Statement of movements in financial assets
Inclusion obligatory
No obligation
Dutch laws and regulations stricter

2.2 Associate/goodwill
Goodwill to be presented as a separate item under intangible assets
Goodwill to be presented under associates
Conflicting

2.3 Presentation of associates held for sale
To be presented under financial assets
To be presented separately under current assets
Conflicting

3 Disclosure

3.1 Disclosure of information on associates
Limited details
Extensive details
IFRS require more detailed disclosure

General

In IAS 28.3, an associate is defined as an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee. Although the Dutch legal definition for an associate is slightly different from the definition of an associate under IFRS, we will use the term associate. The IFRS term subsidiary is used for the Dutch term group company.

1 Recognition and measurement

1.1 Separate financial statements: Valuation of interests in group companies and associates over which significant influence is exercised

Under Dutch law and regulations, consolidated interests and associates over which significant influence is exercised are carried at net asset value in the separate (enkelvoudige) financial statements. If too little data is available, valuation at the net asset value disclosed in the statement of financial position is allowed. If there are valid reasons, valuation at cost or current value is allowed. IAS 27.10 allows a choice between valuation at cost, fair value or using the equity method. The equity-method is comparable with the net asset value method required in the Netherlands. However, the equity method does not use the investor’s share in the equity of the participating interest, but uses cost instead. This means goodwill is not separately presented, but included in the carrying amount of the participating interest. In the Netherlands goodwill is not included in the net asset value, but is separately presented as part of the intangible fixed assets.
1.2 Consolidated financial statements: Valuation of associates over which significant influence is exercised

In the consolidated financial statements, interests in group companies are consolidated as a matter of course, with associates over which significant influence is exercised being measured using the equity method (IAS 28.16), a method that is very similar to the net asset value method prescribed in the Netherlands. If insufficient data are available, valuation may be at the net asset value disclosed in the statement of financial position. Pursuant to IAS 28.16 associates where significant influence is exercised must be valued using the equity method. Valuation at cost price or fair value is, however, allowed if all of the following conditions are met (IAS 28.17):

- The entity is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not applying the equity method.
- The entity’s debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets).
- The entity did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market.
- The ultimate or any intermediate parent of the entity produces financial statements available for public use that comply with IFRSs, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10.

1.3 Separate and consolidated financial statements: Valuation of other interests (over which no significant influence is exercised)

Under Section 384 (1) of Book 2 of the Dutch Civil Code and DAS 214.320, interests over which no significant influence is exercised are carried at cost or current value. If they are carried at current value, a legal reserve (revaluation reserve) is formed under equity for the changes in value.

Under IAS 28.18, such interests are carried in accordance with IAS 39, i.e. at fair value, with the changes in fair value being recognised in equity or profit or loss (IAS 39.55). Only in the exceptional case where the fair value cannot be reliably measured are such interests carried at cost. Reference is also made to Chapter 5, which contains more extensive details on this item (under equity instruments).

1.4 Associates held by venture capital companies, unit trusts and similar organisations

IAS 28.18 states that interests held by venture capital companies, unit trusts and similar organisations in interests over which they exercise significant influence (associates) may be carried at fair value (under IAS 39/IFRS 9) with changes in value recognised in profit or loss. This essentially allows these organisations to choose between valuation using the equity method and valuation at fair value with changes in value recognised in profit or loss.

DAS typically refers to these interests as participations rather than as associates, allowing valuation at cost or fair value, with changes in value recognised in profit or loss or equity. This means that IFRS is somewhat stricter in this respect.
1.5 Considering potential voting rights in determining significant influence

DAS 214.303 stipulates that, in determining significant influence, potential voting rights are to be considered if they have substance. This same criterion applies, when considering potential voting rights, in determining controlling influence.

IFRS 10 contains a provision similar to DAS 214.303, but only in determining whether control exists. In assessing significant influence, it should be possible to exercise or convert the potential voting rights as at the reporting date, according to IAS 28.7/8.

1.6 Separate financial statements: Recognition of dividends

Under Dutch laws and regulations, dividends which can be deemed to have been included in the purchase price of an equity interest must be deducted from the cost price (DAS 214.504). Under IAS 27.12, all distributions from associates or group companies are recognised as income, even if they result from accumulated pre-acquisition profit of the associate. However, IAS 36.12 (h) requires impairment tests to be carried out in cases in which the carrying amount of the associate exceeds the net asset value in the consolidated financial statements, or in cases in which the dividend declared exceeds the total comprehensive income.

1.7 Disposal of part of an investment in an associate, loss of control or significant influence

IFRS 10.25 contains a special provision for the situation that part of a participating interest (and therefore included in the consolidation) is sold, with the investor continuing to have significant influence, but ceasing to have control. An example would be a wholly-owned subsidiary of which 70% is sold. The difference between the selling price and the carrying amount of the 70% interest is recognised in profit or loss. In this case, the remaining 30% interest must be remeasured at fair value, with the difference with the carrying amount also being recognised in profit or loss. In other words, the interest is deemed to be sold in full, with a 30% interest subsequently being acquired. The underlying reason for this is that losing control is a very important fact justifying the remeasurement of the remaining interest. The 30% interest is recognised at fair value on initial recognition and as cost of the interest.

The Dutch rules do not contain any provision requiring remeasurement of the remaining interest. Such remaining interest is either an investment or an associate, to be measured at either cost or current value/fair value. The same method as provided by IFRS applies only if such interest is classified as an investment measured at fair value. If it is classified as an associate measured at current value, the remaining interest will be remeasured, but the change in value will be taken to a revaluation reserve.

Comparable provisions apply to a loss of significant influence (provided for in IFRS in IAS 28.22/23).

1.8 Decrease in interest following associate's share issue

An associate can issue shares to a third party, with the investor’s interest being reduced (diluted), but continuing to exercise significant influence as a result. The transaction results in diluted earnings or losses. This is due to the fact that the issue of additional shares and payment thereon by a new shareholder causes the net asset value to be different from the previous net asset value.
Under DAS, the investor should recognise the diluted earnings or losses in profit or loss, or directly in equity (DAS 214.315) as long as it continues to exercise significant influence (or, in the separate financial statements, as long as it controls interests in group companies).

If significant influence is exercised, no specific rules apply in this respect under IFRS.

1.9 Increase in interest following associate’s share repurchase

Moreover, a situation may arise in which an associate repurchases shares from other shareholders, resulting in the increase in the investor’s interest in the associate concerned. This process is referred to as reverse dilution. A typical situation arises when the entity has had control prior to this transaction (see also Chapter 1.10), when it gains control as a result of the transaction, or it has no control either before or after the transaction. In all cases, any difference between the cost of the repurchased shares and the relevant proportionate part of the net asset value should be included in the initial measurement of the associate (if the increase is regarded as the acquisition of the interest; this may cause goodwill to be created), or directly in equity (if the indirect acquisition of the interest is regarded as a transfer of equity between shareholders) (DAS 214.318). The method of treatment of this type of transaction should be the same as that used for dilutive earnings or losses (DAS 214.319), i.e. either as a purchase/sale, or as a transfer of equity (see Section 1.7).

Under IFRS, no specific rules apply in the case of associates over which significant influence is exercised. See Section 1.10 for the acquisition of a third-party interest.

1.10 Increase in interest following acquisition of non-controlling interest or partial sale of interest while retaining control

When acquiring a non-controlling interest (with control both before and after the purchase), DAS allow the same options as those described in Section 1.8: as a purchase (recognising goodwill) or as a transfer of equity (recognised in equity). IFRS 10.23 allows recognition in equity only.

The same applies to partial sale of the interest with retention of control.

1.11 Valuation of associates held for sale

If associates meet the requirements of held for sale (see Chapter 32 for further details), pursuant to IFRS these must be reclassified (see Section 3.2) and measured at the most recent carrying value or lower realisable value. Based on Part 9, such associates are presented and measured in the same way as associates not held for sale.

2 Presentation

2.1 Statement of movements in financial assets

Under Dutch laws and regulations, a statement of movements in each financial asset is mandatory (Section 368 (2) of Book 2 of the Dutch Civil Code). IFRS contain no rules on this point.
2.2 Associate/goodwill

The equity method is similar to a large extent to the net asset value method required under Dutch GAAP, but the initial value according to the equity method is not based on the share in the net asset value of the associate, but on cost. This means that goodwill is not recognised separately, but is included in the initial carrying amount of the associate, which is subsequently also adjusted for changes in goodwill (IAS 28.23). Under Dutch regulations, goodwill is disclosed separately under intangible assets.

2.3 Presentation of associates held for sale

If associates meet the held-for-sale criteria, they should be presented as non-current assets held for sale, under current assets. See also Chapter 32. Under Dutch regulations, associates continue to be classified as non-current financial assets. See also Section 1.11.

3 Disclosure

3.1 Disclosure of information on associates

Information disclosure requirements differ considerably between IFRS and Dutch GAAP, with IFRS requiring substantially more detailed disclosure. IFRS 12 contains rules on information to be included in the notes for all subsidiaries, joint arrangements, associates and structured entities. The EY Handboek Jaarrekening (financial reporting manual) lists and clarifies the disclosure requirements.

Accounting standards

Relevant accounting standards:
- DAS 214 Financial Assets
- IFRS 3 Business Combinations
- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 10 Consolidated Financial Statements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IAS 39 Financial Instruments: Recognition and Measurement
## 5a Other financial assets (on the basis of IAS 39)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Derecognition</td>
<td>In the event of a transfer of all or substantially all risks and rewards to third parties</td>
<td>When all or substantially all risks and rewards are transferred. If not, to the extent that control is transferred</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.2 Purchased loans and bonds; Measurement</td>
<td>Measured at amortised cost or fair value</td>
<td>Measurement at amortised cost or fair value depending on the category of the instrument concerned</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.3 Purchased loans and bonds carried at fair value; Accounting for changes in value</td>
<td>Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised. Negative revaluation reserve is not allowed</td>
<td>Recognised directly in profit or loss (if specific conditions are met; if the fair value option is applied), or initially in the revaluation reserve and then in profit or loss when realised (available for sale). Negative revaluation reserve is allowed</td>
<td>IFRS stricter (recognised in profit or loss)/Dutch laws and regulations stricter (with respect to revaluation reserve)</td>
</tr>
<tr>
<td>1.4 Listed equity instruments; Accounting for changes in value</td>
<td>Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised. Negative revaluation reserve is not allowed</td>
<td>Recognised directly in profit or loss (if specific conditions are met; if the fair value option is applied), or initially in the revaluation reserve and then in profit or loss when realised (available for sale). Negative revaluation reserve is allowed</td>
<td>IFRS stricter (recognised in profit or loss)/Dutch laws and regulations stricter (with respect to revaluation reserve)</td>
</tr>
<tr>
<td>1.5 Unlisted equity instruments; Measurement</td>
<td>At cost or fair value</td>
<td>At fair value, unless fair value cannot be reliably measured</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.6 Unlisted equity instruments carried at fair value; Accounting for changes in value</td>
<td>Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised. Negative revaluation reserve is not allowed</td>
<td>Recognised directly in profit or loss (if specific conditions are met; if the fair value option is applied), or initially in the revaluation reserve and then in profit or loss when realised (available for sale). Negative revaluation reserve is allowed</td>
<td>IFRS stricter (recognised in profit or loss)/Dutch laws and regulations stricter (with respect to revaluation reserve)</td>
</tr>
<tr>
<td>1.7 Participations and investments of investment entities</td>
<td>At cost or fair value. Changes in value recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised. Negative revaluation reserve is not allowed</td>
<td>Non-consolidated participations and investments with decisive interest: fair value with changes in value recognised directly in profit or loss. Other participations and investments: ditto or equity method</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dutch laws and regulations</td>
<td>IFRS</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>-----------------------------</td>
<td>------</td>
</tr>
<tr>
<td>1.8</td>
<td>Loans granted and other receivables; Measurement</td>
<td>At amortised cost</td>
<td>At amortised cost or fair value, depending on the category</td>
</tr>
<tr>
<td>1.9</td>
<td>Fair value option</td>
<td>No specific option, but fair value with changes in value recognised in profit or loss being allowed for all financial assets, with the exception of loans granted and receivables</td>
<td>Fair value with changes in value recognised in profit or loss if specific conditions are met</td>
</tr>
<tr>
<td>1.10</td>
<td>Amortised cost</td>
<td>Based on the annuity method of amortisation of premiums, discounts and transaction costs (effective interest method) or, if only minor differences exist, based on the straight-line method of amortisation</td>
<td>Based on the annuity method of amortisation of premiums, discounts and transaction costs (= effective interest method)</td>
</tr>
<tr>
<td>1.11</td>
<td>Measurement at cost: recognition of dividends</td>
<td>Dividends qualifying as pre-acquisition profit to be deducted from the acquisition price</td>
<td>Always recognised as income, subject to impairment where applicable</td>
</tr>
<tr>
<td>1.12</td>
<td>Temporary impairment</td>
<td>Temporary Impairment at the reporting date may be taken into account</td>
<td>Specific rules (the permanence concept not being used as a criterion)</td>
</tr>
<tr>
<td>1.13</td>
<td>Impairment of assets measured at amortised cost</td>
<td>Based on cash flows discounted at the original effective interest rate, or downward value adjustment to lower fair value</td>
<td>Based on cash flows discounted at the original effective interest rate</td>
</tr>
<tr>
<td>1.14</td>
<td>Reversal of impairment of shares</td>
<td>Reversed through profit or loss</td>
<td>Not allowed in the event of measurement at cost; if measured at fair value, reversed without being recognised through profit or loss</td>
</tr>
</tbody>
</table>

2 Presentation

2.1 Classification of securities under non-current or current financial assets | In statement of financial position | In statement of financial position or notes | Dutch laws and regulations stricter |

3 Disclosure

3.1 Information on accounting policies | Specific disclosure requirements (see text) | Specific disclosure requirements (see text) | IFRS requires more detailed disclosure |

3.2 Information on shareholdings in other companies | The other entity’s equity and result should be disclosed if measurement is at cost or current value | Disclosure not mandatory | Dutch laws and regulations require more detailed disclosure |

3.3 Statement of changes in non-current financial assets | Mandatory disclosure | Not mandatory | Dutch laws and regulations require more detailed disclosure |
General

The IASB has replaced IAS 39 by IFRS 9 Financial Instruments in phases (with the subject of macro-hedge accounting only still being open). This standard addresses recognition and measurement policies. IFRS 9 will apply to financial statements for 2018 and subsequent years, with earlier adoption being allowed. Differences between Dutch laws and regulations and IAS 39 are discussed in Chapter 5a, and differences between Dutch laws and regulations and IFRS 9 in Chapter 5b.

1 Recognition and measurement

1.1 Derecognition

DAS 290.702 refers to DAS 115.104-112 for the derecognition of financial assets and financial liabilities. DAS 115.110 includes a general provision on the derecognition of assets and liabilities. An asset or a liability should no longer be recognised in the statement of financial position if a transaction results in the transfer, to a third party, of all or substantially all rewards and all or substantially all risks attached to the asset or the liability.

IAS 39 addresses the derecognition of assets and liabilities in great detail. See also Chapter 23 Financial Instruments.

1.2 Purchased loans and bonds; Measurement

Purchased loans and bonds not forming part of a trading portfolio are primary non-derivative financial assets with fixed or determinable payments. They also include receivables purchased from third parties. DAS 290.410 distinguishes the following two subcategories:

- Held to maturity (whether listed or not)
- Other purchased loans and bonds

The first subcategory is the same as the held-to-maturity category described in IFRS. No differences in treatment exist between Dutch laws and regulations and IFRS. However, classification as held to maturity is subject to specific conditions, with IFRS requirements being stricter in this respect.

Under DAS 290.518, ‘other purchased loans and bonds’ may be carried at amortised cost or at fair value.

IAS 39 contains no ‘other purchased loans and bonds’ category. Such instruments are included in IAS 39.9, under one of the categories listed below. Measurement depends on the category of the instrument concerned (IAS 39.46 and 39.55):

- Loans and receivables: measurement at amortised cost.
- Designated at fair value through profit or loss (the fair value option): measurement at fair value with changes in value being recognised directly in profit or loss.
- Available for sale: measurement at fair value with changes in value being recognised in equity.

Based on the above, IFRS allow measurement of purchased loans and bonds at amortised cost only if the definition of loans and receivables is met, e.g., because there is no active market, or if the strict conditions to which the held-to-maturity classification is subject are satisfied. Dutch laws and regulations allow a choice between classification as held to maturity, subject to specific conditions, and as ‘other purchased loans and bonds’, which is not subject to any conditions.
1.3 Purchased loans and bonds carried at fair value; Accounting for changes in value

If the entity chooses to measure instruments in the other purchased loans and bonds category at fair value, DAS 290.518 allows changes in value to be recognised directly in profit or loss, or initially in a revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.

IAS 39 contains no other purchased loans and bonds category. Such instruments are included in IAS 39.9, under one of the categories listed in Section 1.2 above. If these instruments are included in the available for sale category, changes in value are recognised directly in equity and then in profit or loss when realised. A negative revaluation reserve is allowed, be it that separate tests should be performed for impairments in specific cases.

If the entity chooses to apply the fair value option to this category, all changes in value are recognised in profit or loss. Under IFRS, the fair value option is subject to specific conditions (see Section 1.9 below).

1.4 Listed equity instruments; Accounting for changes in value

Under DAS 290.412, investments in equity instruments not forming part of a trading portfolio are classified under one of the following subcategories:

- Listed
- Unlisted (see Sections 1.5 and 1.6 below)

Investments in listed equity instruments should be carried at fair value under DAS 290 as well as under IAS 39. Under DAS 290.521, changes in value may be recognised directly in profit or loss, or initially in a revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.

Under IAS 39, investments in listed equity instruments are usually classified as available for sale. If this is the case, changes in value are recognised directly in equity and then in profit or loss when realised. A negative revaluation reserve is allowed, be it that separate tests should be performed for impairments in specific cases.

If the entity chooses to apply the fair value option to this category, all changes in value are recognised in profit or loss. Under IFRS, the fair value option is subject to specific conditions (see Section 1.9 below).

1.5 Unlisted equity instruments; Measurement

Under DAS 290.412, investments in equity instruments not forming part of a trading portfolio are classified under one of the following subcategories:

- Listed (see Section 1.4 above)
- Unlisted

Under DAS 290.522, investments in unlisted equity instruments may be carried at cost or at fair value. Under IAS 39, they have to be carried at fair value, unless the fair value cannot be reliably measured.
1.6 Unlisted equity instruments carried at fair value; Accounting for changes in value

Under DAS 290.522, changes in value may be recognised directly in profit or loss, or initially in a revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.

Under IAS 39, investments in unlisted equity instruments are usually classified as available for sale. If this is the case, changes in value are recognised directly in equity and then in profit or loss when realised. A negative revaluation reserve is allowed, be it that separate tests should be performed for impairments in specific cases.

If the entity chooses to apply the fair value option to this category, all changes in value are recognised in profit or loss. Under IFRS, the fair value option is subject to specific conditions (see Section 1.9 below).

1.7 Participations and investments of investment entities

Generally speaking, participations are not considered to be investments in associates, as they are not acquired to be held on a long-term basis, but with the intention of being sold after a number of years. They are therefore classified under Other financial assets. The general principles of the measurement of shares included under other financial assets likewise apply to these participations and investments: measurement at cost or current value/fair value (including revaluation reserve if the securities are not listed). If at fair value, changes in value are recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised. A negative revaluation reserve is not allowed.

Specifically for non-consolidated majority interests of investment entities, DAS 615.2 prefers measurement at fair value with changes in value being taken to the statement of profit or loss.

Pursuant to IFRS, non-consolidated participations and investments where control is exercised must be measured at fair value with changes in value being taken to profit or loss (IFRS 10.31). Interests where no control exists may be measured in the same way or according to the equity method (IAS 28.18).

See also Chapter 19 on consolidation of participations that are controlled.

1.8 Loans granted and other receivables; Measurement

Loans granted and other receivables not forming part of a trading portfolio are primary (non-derivative) financial assets with fixed or determinable payments that are not listed in an active market.

Under DAS 290.519, loans granted and other receivables not forming part of a trading portfolio are measured at amortised cost.

IAS 39 does not include this category as such. Loans granted and other receivables are included in IAS 39.9, under one of the categories listed below:
- Loans and receivables
- Designated at fair value through profit or loss
- Available for sale
Loans and receivables are measured at amortised cost, designated at fair value through profit or loss and available for sale at fair value with changes in value being recognised in equity (IAS 39.46 and 39.55).

1.9 Fair value option
The fair value option under IAS 39.9 allows companies, at the time of entering into a financial instrument (financial asset or liability) contract, to carry such an instrument at fair value with changes in value being recognised in profit or loss, provided that one of the following criteria is met:

- Application of the fair value option eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring financial assets or liabilities or recognising the gains and losses on them on different bases.
- A group of financial instruments (assets, liabilities or both) is managed on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains an embedded derivative.

DAS does not contain a separate fair value option. However, DAS 290 allows other financial assets (with the exception of loans and receivables) to be carried at fair value with changes in fair value being recognised in profit or loss. Unlike under IAS 39, this option is not subject to any criteria being met. However, under DAS 290.502, such a choice should be made for the (sub)category as a whole, whereas the fair value option can be applied to each individual financial instrument (provided the requirements under IAS 39.9 are met).

1.10 Amortised cost
The definition of amortised cost under IAS 39 is based on the annuity method of amortisation of premiums, discounts and transaction costs. As a result, the annual interest recognised in the statement of profit or loss is calculated using the effective interest method. As a rule, DAS use the same principle. However, DAS 273.201 allows the straight-line method of amortisation, if such does not result in any significant differences from the effective interest method.

1.11 Measurement at cost: recognition of dividends
Under Dutch laws and regulations, dividends which can be deemed to have been included in the purchase price of securities must be deducted from the purchase price. Under IAS 27.12, all distributions from associates or group companies are recognised as income, including if they result from accumulated pre-acquisition profit of the associate. However, IAS 36.12h requires impairment tests to be carried out in cases in which the carrying amount of the associate exceeds the net asset value, or in cases in which the dividend received exceeds the total comprehensive income.

1.12 Temporary impairment
Dutch law (Section 387 (4) of Book 2 of the Dutch Civil Code) stipulates that impairment at the reporting date that is not expected to be permanent may be taken into account. IAS 39 contains a specific rule for impairment (IAS 39.58-70). The permanence concept is not used as a criterion in this rule.
1.13 Impairment of assets measured at amortised cost
IAS 39.63 stipulates that impairment of financial assets measured at amortised cost, including receivables and bonds, be based on estimated future cash flows discounted at the financial asset’s original effective interest rate as computed at initial recognition. DAS 290.533–537 also contains this method of determining the impairment loss. However, DAS 290.537a provides an alternative for impairment of financial assets measured at amortised cost that is in line with the lower of cost and market value method. In the latter case, the estimated future cash flows are based on a market participant’s expectations and are discounted at the market rate of interest applicable at the reporting date.

1.14 Reversal of impairment of shares
Where applicable, Section 287 (5) of Book 2 of the Dutch Civil Code stipulates that impairment should be reversed through profit or loss if the impairment no longer exists. IAS 39 does not allow the reversal of impairment of shares measured at cost. If shares are classified as available for sale, any subsequent increase in market value is not recognised through profit or loss, but directly in equity.

2 Presentation
2.1 Classification of securities under non-current or current financial assets
Securities is the collective reference to negotiable instruments such as shares, depositary receipts for shares, rights, bonds, options, futures, warrants and subscriptions in debt or share registers (DAS 940). Securities may be included under either non-current or current financial assets. DAS 190.206 stipulates that an asset must be classified as a current asset if the asset:
- Is expected to be realised in, or is intended for sale or consumption in, the entity’s normal operating cycle
- Is held primarily for trading purposes or is expected to be realised within one year after the reporting date
  Or
- Qualifies as cash or cash equivalents whose use is not subject to any limitations

IAS 1.60 stipulates that an entity should present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity should present all assets and liabilities in order of liquidity. If such a distinction is made, IAS 1.66 stipulates when an asset or liability qualifies as a current asset or liability. These criteria are the same as those referred to in DAS 190.206. If such a distinction is not made in the statement of financial position, the breakdown should be disclosed in the notes (IAS 1.61).

3 Disclosure
3.1 Information on accounting policies
All disclosure requirements for financial instruments are included in IFRS 7. Among other things, IFRS 7 requires an entity to group its financial instruments into classes of similar instruments and, if disclosure is required, provide such disclosure for each individual class (IFRS 7.6).
The principal categories of disclosure are set out below:

- Disclosure of the significance of financial instruments for an entity's financial position and performance (IFRS 7.7–IFRS 7.30).
- Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk (including a sensitivity analysis). The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel (IFRS 7.31–IFRS 7.42).
- Information about transferred financial assets which are not derecognised, and transferred financial assets which are derecognised, but in which the entity has continuing involvement. Such disclosure requirements are relevant to financial institutions in particular (IFRS 7.42A–H). Information about transferred financial assets not derecognised concerns information on, among other things, the nature of such financial assets, the risks and rewards for the entity, a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions on the use of the transferred assets and carrying amounts of the transferred assets and associated liabilities.

For further details of the above, see Chapter 23 Financial Instruments.

Dutch legislation requires detailed information to be provided on financial instruments. In connection with this, a distinction is made between financial instruments carried at current value (Section 381a of Book 2 of the Dutch Civil Code) and financial instruments not carried at current value (Section 381b of Book 2 of the Dutch Civil Code).

DAS 290.906 stipulates that the following should be disclosed for all financial instruments, whether or not recognised in the statement of financial position:

- Information on the size and nature of financial instruments, including significant contractual provisions that may have an impact on the amount and timing as well as on the degree of certainty of the future cash flows.
- Accounting principles, including criteria for recognising financial instruments in the statement of financial position and measurement methods used.

DAS 290 also requires disclosure of the interest rate risk, cash flow risk, credit risk, fair value, financial assets whose carrying amounts exceed their fair values, and of the hedging of expected future transactions (DAS 290.913 and 290.918–947). DAS 290 mainly contains provisions laid down in general terms, compared with the specific provisions of IFRS 7.

### 3.2 Information on shareholdings in other companies

Under Section 379 of Book 2 of the Dutch Civil Code, certain information should be provided on investments providing 20% or more of the share capital of other companies, such as the name and principal place of business of the associate and the share held in the issued capital, plus, in the case of associates that are not carried at net asset value, their equity and results. IFRS 12.10 and 12.21 stipulate that a list should be disclosed containing descriptions of all significant associates and group companies, including shareholding percentage (and voting right percentage if this is different). No information is required on the equity and results of the investees.
3.3 Statement of changes in non-current financial assets

Under Dutch laws and regulations, a statement of movements in each financial asset is mandatory (Section 368 (1) of Book 2 of the Dutch Civil Code). IFRS contain no rules on this point.

Accounting standards
Relevant accounting standards:
- DAS 115 Criteria for Inclusion and Disclosure of Information
- DAS 160 Post-Balance-Sheet Events
- DAS 190 Other General Matters
- DAS 214 Financial Fixed Assets
- DAS 290 Financial Instruments
- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 1 Presentation of Financial Statements
- IAS 10 Events After the Reporting Period
- IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement
<table>
<thead>
<tr>
<th>1</th>
<th>Recognition and measurement</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.1</strong></td>
<td>Derecognition</td>
<td>In the event of a transfer of all or substantially all risks and rewards to third parties</td>
<td>When all or substantially all risks and rewards are transferred. If not, to the extent that control is transferred</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td><strong>1.2</strong></td>
<td>Purchased loans and bonds; Measurement</td>
<td>At amortised cost (not subject to any conditions) or fair value</td>
<td>At amortised cost (if specific conditions are met) or fair value</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td><strong>1.3</strong></td>
<td>Purchased loans and bonds carried at fair value; Accounting for changes in value</td>
<td>Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised. Negative revaluation reserve is not allowed</td>
<td>Changes in value recognised in profit or loss</td>
<td>Dutch laws and regulations and IFRS differ</td>
</tr>
<tr>
<td><strong>1.4</strong></td>
<td>Listed equity instruments; Accounting for changes in value</td>
<td>Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised. Negative revaluation reserve is not allowed</td>
<td>Recognised in profit or loss or in other comprehensive income</td>
<td>Dutch laws and regulations and IFRS differ</td>
</tr>
<tr>
<td><strong>1.5</strong></td>
<td>Unlisted equity instruments; Measurement</td>
<td>At cost or fair value</td>
<td>At fair value</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td><strong>1.6</strong></td>
<td>Unlisted equity instruments carried at fair value; Accounting for changes in value</td>
<td>Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised. Negative revaluation reserve is not allowed</td>
<td>Recognised in profit or loss or in other comprehensive income</td>
<td>Dutch laws and regulations and IFRS differ</td>
</tr>
<tr>
<td><strong>1.7</strong></td>
<td>Participations</td>
<td>At cost or fair value. Changes in value recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised. Negative revaluation reserve is not allowed</td>
<td>Using the equity method, or at fair value. Changes in value recognised directly in profit or loss</td>
<td>Conflicting</td>
</tr>
<tr>
<td><strong>1.8</strong></td>
<td>Loans granted and other receivables; Measurement</td>
<td>At amortised cost</td>
<td>At amortised cost (if specific conditions are met) or fair value</td>
<td>Conflicting</td>
</tr>
<tr>
<td><strong>1.9</strong></td>
<td>Fair value option</td>
<td>No specific option, but at fair value through profit or loss being allowed for all financial assets, with the exception of loans granted and receivables</td>
<td>At fair value through profit or loss if specific conditions are met</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td><strong>1.10</strong></td>
<td>Amortised cost</td>
<td>Based on the annuity method of amortisation of premiums, discounts and transaction costs (i.e. effective interest method), or, if only minor differences result, based on the straight-line method of amortisation</td>
<td>Based on the annuity method of amortisation of premiums, discounts and transaction costs (i.e. effective interest method)</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td><strong>1.11</strong></td>
<td>Temporary impairment</td>
<td>Temporary Impairment at the reporting date may be taken into account</td>
<td>Specific rules (the permanence concept not being used as a criterion)</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td><strong>1.12</strong></td>
<td>Impairment of assets measured at amortised cost</td>
<td>Based on cash flows discounted at the original effective interest rate, or downward value adjustment to lower fair value. No impairment for expected losses.</td>
<td>Based on a combination of expected losses (expected loss model) and cash flows discounted at the original effective interest rate</td>
<td>IFRS and Dutch laws and regulations differ</td>
</tr>
</tbody>
</table>
5b Other financial assets (on the basis of IFRS 9)

<table>
<thead>
<tr>
<th>Presentation</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Classification of securities under non-current or current financial assets</td>
<td>In statement of financial position</td>
<td>In statement of financial position or notes</td>
<td>Dutch laws and regulations stricter</td>
</tr>
</tbody>
</table>

3 Disclosure

<table>
<thead>
<tr>
<th>Information on accounting policies</th>
<th>Specific disclosure requirements (see text below)</th>
<th>Specific disclosure requirements (see text below)</th>
<th>IFRS requires more detailed disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2 Information on shareholdings in other companies</td>
<td>The investee’s equity and result should be disclosed if measurement is at cost or current value</td>
<td>Disclosure not mandatory</td>
<td>Dutch laws and regulations require more detailed disclosure</td>
</tr>
</tbody>
</table>

| Statement of changes in non-current financial assets | Mandatory disclosure | Not mandatory | Dutch laws and regulations require more detailed disclosure |

General

The IASB has replaced IAS 39 (in phases) with IFRS 9 Financial Instruments (with the subject of macro-hedge accounting only still being open). This standard addresses recognition and measurement. IFRS 9 will apply to financial statements for 2018 and subsequent years, with early adoption being allowed. Differences between Dutch laws and regulations and IAS 39 are discussed in Chapter 5a, and differences between Dutch laws and regulations and IFRS 9 in Chapter 5b.

1 Recognition and measurement

1.1 Derecognition

DAS 290.702 refers to DAS 115.104–112 for the derecognition of financial assets and financial liabilities. DAS 115.110 includes a general provision on the derecognition of assets and liabilities. An asset or a liability should no longer be recognised in the statement of financial position if a transaction results in the transfer, to a third party, of all or substantially all rewards and all or substantially all risks attached to the asset or the liability.

IFRS 9 addresses the derecognition of assets and liabilities in great detail using the provisions from IAS 39. See also Chapter 23 Financial Instruments.

1.2 Purchased loans and bonds; Measurement

Purchased loans and bonds not forming part of a trading portfolio are primary non-derivative financial assets with fixed or determinable payments. They also include receivables purchased from third parties.

DAS 290.410 distinguishes the following two subcategories:

- Held to maturity (whether listed or not)
- Other purchased loans and bonds

The first subcategory (held to maturity) should be measured at amortised cost.
Under DAS 290.518, ‘other purchased loans and bonds’ may be carried at amortised cost or at fair value. No distinction is made between listed and unlisted purchased loans and bonds. Under IFRS 9, debt instruments are subsequently measured at amortised cost or fair value. Measurement at amortised cost is only allowed if both of the following conditions are met (IFRS 9, under Section 4.1.2.):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the asset is held within a business model one of whose objectives is to sell assets, the financial asset can be measured at fair value, with changes in value being recognised in other comprehensive income (via equity as part of total comprehensive income).

All other debt instruments are measured at fair value with changes in value being recognised in profit or loss. Measurement at fair value is also still an option if the conditions set forth above were to be met, provided this results in the elimination or significant reduction of an accounting mismatch (see Section 1.9 below). If the entity chooses to apply the fair value option to these instruments, all changes in value are recognised in profit or loss.

### 1.3 Purchased loans and bonds carried at fair value; Accounting for changes in value

If the entity chooses to measure instruments in the Other purchased loans and bonds category not being part of the trading portfolio at fair value, DAS 290.518 allows changes in value to be recognised directly in profit or loss, or initially in a revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.

IFRS 9 stipulates that changes in value upon measurement at fair value be recognised in profit or loss or in other comprehensive income (via equity as part of total comprehensive income). The latter is an option only if the assets are held both for generating future cash flows and for sale.

### 1.4 Listed equity instruments; Accounting for changes in value

Under DAS 290.412, investments in equity instruments not forming part of a trading portfolio are classified under one of the following subcategories:

- Listed
- Unlisted

Investments in listed equity instruments should be carried at fair value under DAS 290 as well as under IFRS 9. Under DAS 290.521, changes in value may be recognised directly in profit or loss, or initially in a revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.
IFRS 9 offers a choice of recognising changes in value in profit or loss, or in other comprehensive income (through equity as part of comprehensive income). These changes in value may subsequently no longer be recognised in profit or loss, irrespective of whether the instruments are sold or impaired. Dividend income should always be recognised in profit or loss.

1.5 Unlisted equity instruments; Measurement
Under DAS 290.412, investments in equity instruments not forming part of a trading portfolio must be classified under one of the following subcategories:
- Listed
- Unlisted

Under DAS 290.522, investments in unlisted equity instruments may be carried at cost or at fair value. Under IFRS 9, they have to be carried at fair value.

1.6 Unlisted equity instruments carried at fair value; Accounting for changes in value
Under DAS 290.522, changes in value may be recognised directly in profit or loss, or initially in a revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.

IFRS 9 offers a choice of recognising changes in value in profit or loss, or in other comprehensive income (through equity as part of other comprehensive income).

1.7 Participations
Participations are not considered to be investments in associates, as they are not acquired to be held on a long-term basis, but with the intention of being sold after a number of years. They are therefore classified under Other financial assets. The general principles of the measurement of shares included under other financial assets likewise apply to such participations and investments: measurement at cost or current value/fair value. If at fair value, changes in value are recognised directly in profit or loss (including revaluation reserve if the securities are not listed), or initially in the revaluation reserve and then in profit or loss when realised. A negative revaluation reserve is not allowed.

Specifically for non-consolidated majority investments of investment entities, DAS 615.2 prefers measurement at fair value with changes in value being taken to the statement of profit or loss.

Pursuant to IFRS, non-consolidated participations and investments where control is exercised must be measured at fair value with changes in value being taken to the statement of profit or loss (IFRS 10.31). Interests where no control exists may be measured in the same way or according to the equity method (IAS 28.18).

See also Chapter 19 on consolidation of participations over which control is exercised.

1.8 Loans granted and other receivables; Measurement
Loans granted and other receivables not forming part of a trading portfolio are primary (non-derivative) financial assets with fixed or determinable payments that are not listed in an active market.
Under DAS 290.519, loans granted and other receivables not forming part of a trading portfolio are measured at amortised cost.

Under IFRS 9, debt instruments are subsequently measured in the same manner as provided for purchased loans (see Sections 1.2 and 1.3 above).

1.9 Fair value option
Under IFRS 9, measurement at fair value is an option for all financial assets. For debt instruments, this must result in the elimination or significant reduction of an accounting mismatch. DAS does not contain a separate fair value option. However, DAS 290 allows other financial assets (with the exception of loans and receivables) to be carried at fair value with changes in fair value being recognised in profit or loss. Unlike under IFRS 9, this option is not subject to any criteria being met. However, under DAS 290.502, such a choice should be made for the subcategory or category as a whole, whereas the fair value option can be applied to each individual financial instrument (provided the requirements are met) under IFRS 9.

1.10 Amortised cost
The definition of amortised cost under IFRS 9 is based on the annuity method of amortisation of premiums, discounts and transaction costs. As a result, the annual interest recognised in the statement of profit or loss is calculated using the effective interest method. As a rule, DAS use the same principle. However, DAS 273.201 allows the straight-line method of amortisation, if such does not result in any significant differences from the effective interest method.

1.11 Temporary impairment
Dutch law (Section 387 (4) of Book 2 of the Dutch Civil Code) stipulates that impairment at the reporting date that is not expected to be permanent may be taken into account. IFRS 9 contains a specific rule for impairment, with the permanence concept not being used as a criterion in this rule.

1.12 Impairment of assets measured at amortised cost
With respect to financial assets measured at amortised cost, IFRS 9 requires that an entity recognises a credit loss or a provision for credit losses on these financial assets (such as a loan) based on losses expected to be incurred over the next twelve months or on the basis of the remaining term of the loan. This may result in recognition – at an earlier date – of credit losses which no longer only include losses already incurred, as provided under IAS 39 and DAS 290.

IFRS 9 stipulates that impairment of financial assets measured at amortised cost, including receivables and bonds, be based on estimated future cash flows discounted at the financial asset's original effective interest rate as computed at initial recognition. DAS 290.533-537 also contains this method of determining the impairment loss. However, DAS 290.537a provides an alternative for impairment of financial assets measured at amortised cost that is in line with the lower of cost and market value method. In the latter case, the estimated future cash flows are based on a market participant's expectations and are discounted at the market rate of interest applicable at the reporting date.
2 Presentation

2.1 Classification of securities under non-current or current financial assets

Securities is the collective reference to negotiable instruments such as shares, depositary receipts for shares, rights, bonds, options, futures, warrants and subscriptions in debt or share registers (DAS 226.104). Securities may be included under either non-current or current financial assets. DAS 190.206 stipulates that an asset must be classified as a current asset if the asset:

- Is expected to be realised in, or is intended for sale or consumption in, the entity’s normal operating cycle
- Is held primarily for trading purposes or is expected to be realised within one year after the reporting date
- Or qualifies as cash or cash equivalents whose use is not subject to any limitations

IAS 1.60 stipulates that an entity should present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity should present all assets and liabilities in order of liquidity. If such a distinction is made, IAS 1.66 stipulates when an asset or liability qualifies as a current asset or liability. These criteria are the same as those referred to in DAS 190.206. If such a distinction is not made in the statement of financial position, the breakdown should be disclosed in the notes (IAS 1.61).

3 Disclosure

3.1 Information on accounting policies

All disclosure requirements for financial instruments are included in IFRS 7. Among other things, IFRS 7 requires an entity to group its financial instruments into classes of similar instruments and, if disclosure is required, provide such disclosure for each individual class (IFRS 7.6).

The principal categories of disclosure are set out below:

- Disclosure of the significance of financial instruments for an entity’s financial position and performance (IFRS 7.7–IFRS 7.30).
- Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk (including a sensitivity analysis). The qualitative disclosures describe management’s objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity’s key management personnel (IFRS 7.31–IFRS 7.42).
- Information about transferred financial assets which are not derecognised, and transferred financial assets which are derecognised, but in which the entity has continuing involvement. Such disclosure requirements are relevant to financial institutions in particular (IFRS 7.42A–H). Information about transferred financial assets not derecognised concerns information on, among other things, the nature of such financial assets, the risks and rewards for the entity, a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions on the use of the transferred assets and carrying amounts of the transferred assets and associated liabilities.
For further details of the above, see Chapter 23 Financial Instruments.

Dutch legislation requires detailed information to be provided on financial instruments. In connection with this, a distinction is made between financial instruments carried at current value (Section 381a of Book 2 of the Dutch Civil Code) and financial instruments not carried at current value (Section 381b of Book 2 of the Dutch Civil Code).

DAS 290.906 stipulates that the following should be disclosed for all financial instruments, whether or not recognised in the statement of financial position:
- Information on the size and nature of financial instruments, including significant contractual provisions that may have an impact on the amount and timing as well as on the degree of certainty of the future cash flows.
- Accounting principles, including criteria for recognising financial instruments in the statement of financial position and measurement methods used.

DAS 290 also requires disclosure of the interest rate risk, cash flow risk, credit risk, fair value, financial assets whose carrying amounts exceed their fair values, and of the hedging of expected future transactions (DAS 290.913 and 290.918–947). DAS 290 mainly contains provisions laid down in general terms, compared with the specific provisions of IFRS 7.

3.2 Information on shareholdings in other companies

Under Section 379 of Book 2 of the Dutch Civil Code, certain information should be provided on investments providing 20% or more of the share capital of other companies, such as the name and principal place of business of the associate and the share held in the issued capital, plus, in the case of associates that are not carried at net asset value, their equity and results. IFRS 12.10 and 12.21 stipulate that a list should be disclosed containing descriptions of all significant associates and group companies, including shareholding percentage (and voting right percentage if this is different). No information is required on the equity and results of the investees.

3.3 Statement of changes in non-current financial assets

Under Dutch laws and regulations, a statement of movements in each financial asset is mandatory (Section 368 (1) of Book 2 of the Dutch Civil Code). IFRS contain no rules on this point.

Accounting standards

Relevant accounting standards:
- DAS 115 Criteria for Inclusion and Disclosure of Information
- DAS 160 Post-Balance-Sheet Events
- DAS 190 Other General Matters
- DAS 214 Financial Fixed Assets
- DAS 290 Financial Instruments
- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 1 Presentation of Financial Statements
- IAS 10 Events after the Reporting Period
- IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement
# 6 Inventories

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Recognition and measurement</td>
<td>Measurement at cost (or lower net realisable value); or net realisable value, with changes in value being recognised in equity (revaluation reserve). Upon realisation revaluation reserve reclassified to other reserves or recycled to profit and loss</td>
<td>Measurement at cost (with fair value as initial value) or fair value less direct costs to sell, with changes in value being recognised in profit or loss</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.1 Measurement by producers of agricultural products without frequent market quotation</td>
<td>Measurement at cost (or lower net realisable value); or net realisable value, with changes in value being recognised in profit and loss. No revaluation reserve</td>
<td>Measurement at cost (with fair value as initial value) or fair value less direct costs to sell, with changes in value being recognised in profit or loss</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>Measurement of inventories of agricultural products with frequent market quotation</td>
<td>Measurement at cost (or lower net realisable value); or net realisable value, with changes in value being recognised in profit and loss. No revaluation reserve</td>
<td>Measurement at cost (with fair value as initial value) or fair value less direct costs to sell, with changes in value being recognised in profit or loss</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.2 Measurement of inventories held by producers of mineral resources and mineral products</td>
<td>Measurement at cost</td>
<td>Measurement at cost or net realisable value, with changes in value being recognised in profit and loss</td>
<td>Conflicting (in the case of measurement at net realisable value)</td>
</tr>
<tr>
<td>1.3 Measurement of inventories of commodities held by brokers/traders</td>
<td>Measurement at cost (or lower market value)</td>
<td>Measurement at cost or fair value less costs to sell; changes in value being recognised in profit or loss</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>1.4 Application of LIFO method</td>
<td>LIFO method is permitted, but requires more detailed disclosure</td>
<td>LIFO method is not permitted</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.5 Capitalisation of borrowing costs</td>
<td>Allowed</td>
<td>Mandatory, provided that certain criteria are met</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>2 Presentation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Subdivision of inventories</td>
<td>• Raw materials and consumables • Work in progress • Finished products and goods for resale • Prepayments on inventories</td>
<td>Inventories to be subdivided in components appropriate to the entity</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>3 Disclosure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Additional disclosure if measurement at current value is applied</td>
<td>Disclosure of method of determining net realisable value and recognition of revaluations</td>
<td>Not applicable</td>
<td>Dutch laws and regulations stricter for application of current value</td>
</tr>
</tbody>
</table>
1 Recognition and measurement

1.1 Measurement by producers of inventories of agricultural products

As a rule, inventories are carried at cost. Under IAS 2.3 (a), subject to specific conditions, inventories of producers of agricultural products may also be carried at net realisable value, with the changes in value being recognised in profit or loss. Dutch law does not make a distinction between inventories of agricultural products held by producers or others. Dutch law allows measurement at cost or current value. If inventories of agricultural products are carried at current value, the current value is the net realisable value (Section 8 of the Dutch Asset Valuation Decree).

Changes in value are recognised in the statement of profit or loss (Section 384 (7) of Book 2 of the Dutch Civil Code, DAS 220.405) if there are frequent market quotations. Changes in value are not recognised in a revaluation reserve. A revaluation reserve should be formed for agricultural inventories without frequent market quotations; in that case positive revaluations are not recognised in the statement of profit or loss.

In connection with this, it should be noted, however, that IAS 41 contains specific provisions for determining the value of inventories of agricultural products at the time of harvesting. Under IAS 41, such inventories should be measured at fair value less costs to sell. Subsequently this fair value less costs to sell is the deemed cost of the inventories of agricultural products under subsequent measurement in accordance with IAS 2 (IAS 41.13).

Dutch GAAP does not elaborate on the way that cost should be initially determined. Therefore this could be the fair value at harvest, as it is according to IFRS, but could also be a cost price based on an allocation of costs actually incurred.

1.2 Measurement of inventories held by producers of mineral resources and mineral products

Under IAS 2.3 (a), producers of mineral resources and mineral products are allowed to measure inventories at net realisable value, with changes being recognised in profit or loss. Dutch GAAP only allow measurement at cost (or lower market value).

1.3 Measurement of inventories of commodities held by brokers/traders

Under IAS 2.3 (b), commodities held by brokers/traders for trading purposes may be carried at fair value less cost to sell, with changes in value being recognised in profit or loss. Dutch GAAP only allow measurement at cost (or lower market value).

1.4 Application of LIFO method

Under IAS 2.25, measurement of inventories using the LIFO method is not permitted. DAS allow measurement of inventories using the LIFO method (DAS 220.317), but requires detailed disclosure DAS 220.507).
1.5 Capitalisation of borrowing costs

IFRS requires capitalisation of borrowing costs for all qualifying assets (IAS 23.8). These qualifying assets can also be part of inventories. Capitalisation is allowed, but not mandatory under DAS 273.204.

2 Presentation

2.1 Subdivision of inventories

Under Dutch laws and regulations, inventories are to be subdivided in the statement of financial position or the notes thereto into (Section 369 of Book 2 of the Dutch Civil Code):

- Raw materials and consumables
- Work in progress
- Finished products and goods for resale
- Prepayments on inventories

IFRS does not prescribe any subdivision. However, inventories are to be subdivided in components appropriate to the entity (IAS 2.36 [b]).

3 Disclosure

3.1 Additional disclosure if measurement at current value is applied

If measurement of inventories of agricultural products at current value is applied, DAS 220.508 requires detailed disclosure of:

- The method of determining net realisable value
- The amount of revaluation added to/deducted from the revaluation reserve
- Revaluations recognised directly in profit or loss (only possible if there are frequent market listings)
- Accounting policy with respect to recognising realised revaluation results

Accounting standards

Relevant accounting standards:

- DAS 220 Inventories
- DAS 160 Post-Balance-Sheet Events
- DAS 273 Borrowing Costs
- IAS 2 Inventories
- IAS 23 Borrowing Costs
- IAS 41 Agriculture
## 7 Construction contracts

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Definition of construction contracts</td>
<td>A contract agreed with a third party for the construction of an asset or a combination of assets, with construction work generally extending over more than one reporting period</td>
<td>In addition, IAS 11/IFRIC 15 require that the buyer should be able to specify major structural elements of the design or specify major structural changes once construction is in progress</td>
</tr>
<tr>
<td>1.2</td>
<td>Recognition of profit in financial year in which the construction contract is completed</td>
<td>Allowed for practical reasons, provided the effect on equity and profit &amp; loss is not material</td>
<td>Not allowed</td>
</tr>
<tr>
<td>1.3</td>
<td>Combining or segmenting of construction contracts</td>
<td>No specific rules</td>
<td>Specific rules</td>
</tr>
<tr>
<td>1.4</td>
<td>Property development</td>
<td>Specific rules</td>
<td>General rules</td>
</tr>
<tr>
<td>2</td>
<td>Presentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Classification of costs by nature</td>
<td>Contract revenue is to be presented either as revenue or presented as change in construction contracts in progress</td>
<td>Contract revenue to be recognised as revenue</td>
</tr>
<tr>
<td>2.2</td>
<td>Presentation of construction contracts</td>
<td>To be presented as separate account between inventories and receivables net per contract item or net for the portfolio</td>
<td>To be presented as a receivable or payable or as a separate account, net per contract item</td>
</tr>
<tr>
<td>3</td>
<td>Disclosure</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

### 1 Recognition and measurement

#### 1.1 Definition of construction contracts

DAS 940 defines a construction contract as a contract agreed with a third party for the construction of an asset or a combination of assets, with construction work generally extending over more than one reporting period.

The definition under IAS 11.3 is virtually the same, with the addition of the contract having to be specifically negotiated with the buyer. Additionally, IFRIC 15.11 states that the buyer should be able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress. If these conditions are not met, the contract is not within the scope of IAS 11, but within the scope of IAS 18. This may have significant consequences for the timing of revenue recognition. Thus this may result in a situation where, under DAS 221, the construction of an asset is classified as a construction contract, with contract revenue being recognised based on percentage of completion, whereas under IFRIC 15 the same contract is in scope of IAS 18 and, accordingly, qualify as the sale of an asset, with the revenue only being recognised when the asset is completed.
The following are indicators for a construction contract being within the scope of IAS 11:

- The buyer being able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress (IFRIC 15.11).
- The seller being able to transfer control and significant risks and rewards of ownership of the contract to the buyer on a continuous basis as construction progresses (continuous transfer). Indications for this include the following:
  - The land being owned or leased by the buyer.
  - The buyer having the right to take over the construction contract in progress, and to engage a different contractor to complete the construction (IFRIC 15.IE11).
  - If the agreement is terminated before construction is complete, the buyer retaining the construction contract in progress and the seller having the right to be paid for the work performed (IFRIC 15.IE8).

1.2 Recognition of profit in financial year in which the construction contract is completed

DAS 221.316 allows, for practical reasons only, the recognition of profit on a construction contract in the financial year in which the construction contract is completed, provided there is a continuous stream of construction contracts that are generally completed within one year, or a steady stream of similarly sized construction contracts that are completed regularly over time. This deviation from the principal rule —i.e. percentage of completion method —is only allowed if the effect on the financial position and results is not material. Although IFRS also include the materiality principle, it does not allow any such explicit exception.

1.3 Combining or segmenting construction contracts

The general provisions for combining different construction contracts into a single construction contract, or segmenting them into different projects, under IFRS and Dutch GAAP are the same. However, IAS 11 contains several specific provisions on combining and segmenting construction contracts. IAS 11.8 stipulates that when a contract covers a number of assets, the construction of each asset shall be treated as a separate construction contract when:

- Separate proposals have been submitted for each asset.
- Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset.
- The costs and revenues of each asset can be identified.

IAS 11.9 stipulates that a group of contracts, whether with a single customer or with several customers, shall be treated as a single contract when these contracts have been concluded as a single total package. This is only the case if:

- The group of contracts is negotiated as a single package.
- The contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin.
- The contracts are performed concurrently or in a continuous sequence.
Unlike Dutch GAAP, IFRS also contain specific provisions for recognising variation orders as separate construction contracts. The construction of the additional asset shall be treated as a separate construction contract when the asset differs significantly in design, technology or function from the asset or assets covered by the original contract and the price of the asset is negotiated without regard to the original contract price.

1.4 Property development

Unlike IAS 11, DAS 221 contains a number of specific provisions for property development. Property development is defined as follows under DAS 221.105: Property development is the development and construction of assets, with construction work generally extending over more than one reporting period, in the event and to the extent that an unconditional contract of sale has been concluded for the ensuing assets prior to or during their development or construction. DAS 221 contains the following provisions with respect to property development:

- Property development and construction contracts are similar in terms of nature, execution, and risk profile (DAS 221.109).
- Generally, property development will be considered a single construction contract, even though multiple buyers are involved (DAS 221.112).
- If the risks and rewards of the beneficial ownership of the individual units are transferred to the buyer before or during their construction, the contract revenues and costs allocated to these units should be recognised in profit or loss proportionate to the progress of the development. If the risk and rewards of the beneficial ownership have not been transferred to a buyer, the costs should be capitalised. These units are then measured in accordance with DAS 220 Inventories (DAS 221.320, 221.321 and 221.322).

IFRS does not contain such specific provisions concerning property development, which means that the general provisions of IAS 11 and IFRIC 15 apply. A problem arises with respect to property development, as this is often not in scope of IAS 11, but IAS 18 Revenue, due to the limited (and often non-existing) influence of the buyers on the structural elements. However, in the Dutch construction sector, in which projects are carried out on the basis of Housing Guarantee Institute (Garantie Instituut Woningbouw, GIW) contracts, the typical conclusion is that a continuous transfer of control and significant risks and rewards of ownership of the construction contract in progress is involved, resulting in the percentage of completion method nonetheless being applied.

2 Presentation

2.1 Classification of costs by nature

If the classification of costs by nature is used, contract revenue should be presented in profit or loss as:

- Revenue
  - Or
- Change in construction contracts in progress, as long as the construction contract is not yet completed (DAS 221.401–402). In the year of completion, total contract revenue is presented under revenue, with cumulative contract revenue for the past period(s) being presented (as an adjustment) in construction contracts in progress

IFRS only allow the first alternative (IAS 11.22).
2.2 Presentation of construction contracts

DAS 221.406–412 allows two presentation alternatives.

- Construction contracts with a debit balance (net of instalments invoiced) will be recognised as an asset and construction contracts with a credit balance (net of instalments invoiced) will be recognised as a liability (recommended).
- The same as under the preceding alternative, however on an aggregated basis, with the net balance being presented as either an asset or a liability. The breakdown into construction contracts with a debit balance and credit balance has to be disclosed in the notes.

IFRS allows only the first option (IAS 11.42).

There is no requirement under IFRS for construction contracts in progress to be presented as a separate asset in the statement of financial position, whereas DAS requires recognition of a separate item between the item Inventories and the item Receivables.

3 Disclosure

There is no difference between Dutch laws and regulations and IFRS.

Accounting standards

Relevant accounting standards:

- DAS 221 Construction Contracts
- IAS 11 Construction Contracts
- IAS 18 Revenue
- IFRIC 15 Agreements for the Construction of Real Estate
## 8a Current assets: receivables (on the basis of IAS 39)

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Derecognition</td>
<td>In the event of the transfer of economic benefits and risks to third parties</td>
<td>In the event of the transfer of all or substantially all risks and rewards. If not, to the extent that control is transferred</td>
</tr>
<tr>
<td>1.2</td>
<td>Purchased loans and bonds; Measurement</td>
<td>Choice between amortised cost and fair value</td>
<td>Measurement at amortised cost or fair value depending on the category of the instrument concerned</td>
</tr>
<tr>
<td>1.3</td>
<td>Purchased loans and bonds carried at fair value; Accounting for changes in value</td>
<td>Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised. Negative revaluation reserve is not allowed</td>
<td>Recognised directly in profit or loss (if specific conditions are met; if the fair value option is applied), or initially in the revaluation reserve and then in profit or loss when realised. Negative revaluation reserve is allowed</td>
</tr>
<tr>
<td>1.4</td>
<td>Measurement of loans granted and other receivables</td>
<td>At amortised cost</td>
<td>At amortised cost or fair value, depending on the category</td>
</tr>
<tr>
<td>1.5</td>
<td>Fair value option</td>
<td>No specific option, but fair value being allowed for all financial assets, with the exception of loans granted and receivables</td>
<td>Changes in value recognised in profit or loss if a number of conditions are met</td>
</tr>
</tbody>
</table>

### General

The IASB has replaced IAS 39 (in phases) with IFRS 9 Financial Instruments (with the subject of macro-hedge accounting only still being open). This Standard addresses recognition and measurement. IFRS 9 will apply to financial statements for 2018 and subsequent years, with early adoption being allowed. Differences between Dutch laws and regulations and IAS 39 are discussed in Chapter 8a, and differences between Dutch laws and regulations and IFRS 9 in Chapter 8b.
1 Recognition and measurement

1.1 Derecognition

DAS 290.702 refers to DAS 115.104–112 for the derecognition of financial assets and financial liabilities. DAS 115.110 includes a general provision on the derecognition of assets and liabilities. An asset or a liability should no longer be recognised in the statement of financial position if a transaction results in the transfer, to a third party, of all or substantially all rewards and all or substantially all risks attached to the asset or the liability.

IAS 39 addresses the derecognition of assets and liabilities in great detail. Regarding IAS 39 see also Chapter 23 Financial instruments.

1.2 Purchased loans and bonds; Measurement

Purchased loans and bonds not forming part of a trading portfolio are primary (non-derivative) financial assets with fixed or determinable payments. They also include receivables purchased from third parties. DAS 290.410 distinguishes the following subcategories:

- Held to maturity (whether listed or not)
- Other purchased loans and bonds

The first subcategory is the same as the held-to-maturity category described in IFRS. No differences in treatment exist between Dutch laws and regulations and IFRS. However, classification as held to maturity is subject to specific conditions, with IFRS requirements being relatively stricter in this respect.

Under DAS 290.518, other purchased loans and bonds may be carried at amortised cost or at fair value.

IAS 39 contains no other purchased loans and bonds category. Such instruments are included in IAS 39.9, under one of the categories listed below. Measurement depends on the category of the instrument concerned (IAS 39.46 and 39.55):

- Loans and receivables: measurement at amortised cost.
- Designated at fair value through profit or loss (the fair value option): measurement at fair value with changes in value being recognised directly in profit or loss.
- Available for sale: measurement at fair value with changes in value being recognised in equity.

Based on the above, IFRS allows measurement of purchased loans and bonds at amortised cost only if the definition of loans and receivables is met, e.g., because there is no active market, or if the strict conditions to which the held-to-maturity classification is subject are satisfied. Dutch laws and regulations allow a choice between classification as held to maturity, subject to specific conditions, and as other purchased loans and bonds, which is not subject to any conditions.

1.3 Purchased loans and bonds carried at fair value; Accounting for changes in value

If the entity chooses to measure instruments in the other purchased loans and bonds category at fair value, DAS 290.518 allows changes in value to be recognised directly in profit or loss, or initially in a revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.
IAS 39 contains no other purchased loans and bonds category. Such instruments are included in IAS 39.9, under one of the categories listed in Section 1.2 above. If these instruments are included in the available for sale category, changes in value are recognised directly in equity and then in profit or loss when realised. A negative revaluation reserve is allowed, be it that separate tests should be performed for impairments in specific cases.

If the entity chooses to apply the fair value option to this category, all changes in value are recognised in profit or loss. Under IFRS, the fair value option is subject to specific conditions (see Section 1.5 below).

1.4 Measurement of loans granted and other receivables
Loans granted and other receivables not forming part of a trading portfolio are primary non-derivative financial assets with fixed or determinable payments that are not listed in an active market.

Under DAS 290.519, loans granted and other receivables not forming part of a trading portfolio are measured at amortised cost.

IAS 39 does not include this category as such. Loans granted and other receivables are included in IAS 39.9, under one of the following categories:
- Loans and receivables
- Designated at fair value through profit or loss
- Available for sale

Loans and receivables are measured at amortised cost, designated at fair value through profit or loss at fair value with changes in value being recognised in profit or loss, and available for sale at fair value with changes in value being recognised in equity (IAS 39.46 and 39.55).

1.5 Fair value option
The fair value option under IAS 39.9 allows companies, at the time of entering into a financial instrument (financial asset or liability) contract, to carry such an instrument at fair value with changes in value being recognised in profit or loss, provided that one of the following criteria is met.
- Application of the fair value option eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring financial assets or liabilities or recognising the gains and losses on them on different bases.
- A group of financial instruments (assets, liabilities or both) is managed on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains an embedded derivative.

DAS does not contain a separate fair value option. However, DAS 290 allows certain categories of instruments (with the exception of loans and receivables) to be carried at fair value with changes in fair value being recognised in profit or loss, although those categories virtually never form part of current receivables. Unlike under IAS 39, this option is not subject to any criteria being met. However, under DAS 290.502, such a choice should be made for the (sub)category as a whole, whereas the fair value option can be applied to each individual financial instrument (provided the requirements under IAS 39.9 are met).
2 Presentation

2.1 Classification of current receivables

Section 370 (1) of Book 2 of the Dutch Civil Code stipulates that the following items should be included separately under current receivables:
- Trade receivables
- Receivables from group companies
- Receivables from other entities and partnerships that have a participating interest in the entity or in which the entity has a participating interest
- Issued share capital called but not paid up
- Other receivables, with separate disclosure of amounts receivable on loans and advances granted to members or holders of registered shares

IAS 1 does not prescribe any classification.

In the case of a statement of financial position applying a classification on the basis of a current/non-current distinction, IFRS requires separate classification in statement of financial position of amounts with a total term of more than one year into a non-current (longer than one year) portion and a current (no more than one year) portion. Dutch GAAP also allows a breakdown to be provided in the notes.

3 Disclosure

3.1 Disclosure of financial instruments

All disclosure requirements for financial instruments are included in IFRS 7 and IFRS 13. Among other things, IFRS 7 requires an entity to group its financial instruments into classes of similar instruments and, if disclosure is required, provide such disclosure for each individual class (IFRS 7.6).

The principal categories of disclosure are set out below:
- Disclosure of the significance of financial instruments for an entity’s financial position and performance (IFRS 7.7—IFRS 7.30). These disclosures incorporate many of the requirements previously set out in IAS 32.
- Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk (including a sensitivity analysis). The qualitative disclosures describe management’s objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity’s key management personnel (IFRS 7.31—IFRS 7.42).
- Information about transferred financial assets which are not derecognised, and transferred financial assets which are derecognised, but in which the entity has continuing involvement. Such disclosure requirements are relevant to financial institutions in particular (IFRS 7.42A—H). Information about transferred financial assets not derecognised concerns information on, among other things, the nature of such financial assets, the risks and rewards for the entity, a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions on the use of the transferred assets and carrying amounts of the transferred assets and associated liabilities.

For further details of the above, see Chapter 23 Financial Instruments.
Dutch legislation requires detailed information to be provided on financial instruments. In connection with this, a distinction is made between financial instruments carried at current value (Section 381a of Book 2 of the Dutch Civil Code) and financial instruments not carried at current value (Section 381b of Book 2 of the Dutch Civil Code).

DAS 290.906 stipulates that the following should be disclosed for all financial instruments, whether or not recognised in the statement of financial position:
- Information on the size and nature of financial instruments, including significant contractual provisions that may have an impact on the amount and timing as well as on the certainty of the future cash flows.
- Accounting principles, including criteria for recognising financial instruments in the statement of financial position and measurement methods used.

DAS 290 also requires disclosure of the interest rate risk, cash flow risk, credit risk, fair value, financial assets whose carrying amounts exceed their fair values, and of the hedging of expected future transactions (DAS 290.913 and 290.918–947). DAS 290 is not entirely in line with the specific provisions of IFRS 7 and IFRS 13.

Please note that Section 361.4 requires disclosure of the amounts receivable from companies other than group companies: a) which, on the basis of paragraphs 1, 3 and 4 of Section 24a, can exercise rights in the entity, irrespective of whether they have legal personality; or b) which are subsidiaries of the entity, of a group company or of a company referred to in a).

IFRS may require such disclosure if the relationships concerned qualify as related parties within the meaning of IAS 24.

**Accounting standards**

Relevant accounting standards:
- DAS 115 Criteria for Inclusion and Disclosure of Information
- DAS 160 Post-Balance-Sheet Events
- DAS 222 Receivables
- DAS 224 Prepayments and Accrued Income
- DAS 290 Financial Instruments
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement
8b Current assets: receivables (on the basis of IFRS 9)

<table>
<thead>
<tr>
<th>1 Recognition and measurement</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Derecognition</td>
<td>In the event of the transfer of economic benefits and risks to third parties</td>
<td>In the event of the transfer of all or substantially all risks and rewards. If not, to the extent that control is transferred</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.2 Purchased loans and bonds; Measurement</td>
<td>At amortised cost (not subject to any conditions) or fair value</td>
<td>At amortised cost (if specific conditions are met) or fair value</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.3 Purchased loans and bonds carried at fair value; Accounting for changes in value</td>
<td>Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised. Negative revaluation reserve is not allowed</td>
<td>Changes in value recognised in profit or loss</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.4 Loans granted and other receivables; Measurement</td>
<td>At amortised cost</td>
<td>At amortised cost (if specific conditions are met) or fair value</td>
<td>Conflicting</td>
</tr>
<tr>
<td>1.5 Fair value option</td>
<td>No specific option, but fair value being allowed for all financial assets, with the exception of loans granted and receivables</td>
<td>Changes in value recognised in profit or loss if specific conditions are met</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.6 Impairment of assets measured at amortised cost</td>
<td>Based on cash flows discounted at the original effective interest rate, or value adjustment to lower fair value. No impairment for expected losses, with the exception of current financial assets</td>
<td>Based on a combination of expected losses (expected loss model) and cash flows discounted at the original effective interest rate</td>
<td>IFRS and Dutch laws and regulations differ</td>
</tr>
</tbody>
</table>

2 Presentation

2.1 Classification of current receivables | Classification prescribed. Split receivables due in more than one year can be in the notes or on the face of the statement of financial position. | No classification prescribed. Receivables due in more than one year are presented non-current on the statement of financial position in case a current/non-current split is provided | Dutch laws and regulations stricter (classification)/ IFRS stricter (current/non-current) |

3 Disclosure

3.1 Disclosure of financial instruments | Specific disclosure requirements (see text) | More detailed and larger number of disclosure requirements (see text) | IFRS require more extensive and more detailed disclosure |

General

The IASB has replaced IAS 39 (in phases) with IFRS 9 Financial Instruments (with the subject of macro-hedge accounting only still being open). This Standard addresses recognition and measurement. IFRS 9 will apply to financial statements for 2018 and subsequent years, with early adoption being allowed. Differences between Dutch laws and regulations and IAS 39 are discussed in Chapter 8a, and differences between Dutch laws and regulations and IFRS 9 in Chapter 8b.
1 Recognition and measurement

1.1 Derecognition

DAS 290.702 refers to DAS 115.104–112 for the derecognition of financial assets and financial liabilities. DAS 115.110 includes a general provision on the derecognition of assets and liabilities. An asset or a liability should no longer be recognised in the statement of financial position if a transaction results in the transfer, to a third party, of all or substantially all rewards and all or substantially all risks attached to the asset or the liability.

IFRS 9 addresses the derecognition of assets and liabilities in great detail, using the provisions from IAS 39. See also Chapter 23 Financial instruments for details on these provisions.

1.2 Purchased loans and bonds; Measurement

Purchased loans and bonds not forming part of a trading portfolio are primary (non-derivative) financial assets with fixed or determinable payments. They also include receivables purchased from third parties. DAS 290.410 distinguishes the following two subcategories:

- Held to maturity (whether listed or not)
- Other purchased loans and bonds

The first subcategory held to maturity should be measured at amortised cost.

Under DAS 290.518, other purchased loans and bonds may be carried at amortised cost or at fair value. No distinction is made between listed and unlisted purchased loans and bonds.

Under IFRS 9, debt instruments are subsequently measured at amortised cost or fair value. Measurement at amortised cost is only allowed if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the asset is held within a business model one of whose objectives is to sell assets, the financial asset can be measured at fair value, with changes in value being recognised in other comprehensive income.

All other debt instruments are measured at fair value with changes in value being recognised in profit or loss. Measurement at fair value is also still an option if the conditions set forth above were to be met, provided this results in the elimination or significant reduction of an accounting mismatch (see Section 1.5 below). If the entity chooses to apply the fair value option to these instruments, all changes in value are recognised in profit or loss.
1.3 Purchased loans and bonds carried at fair value; Accounting for changes in value

If the entity chooses to measure instruments in the other purchased loans and bonds category at fair value, DAS 290.518 allows changes in value to be recognised directly in profit or loss, or initially in a revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.

IFRS 9 stipulates that changes in value upon measurement at fair value be recognised in profit or loss or in other comprehensive income, the latter being an option only if the assets are held both for generating future cash flows and for sale.

1.4 Loans granted and other receivables; Measurement

Loans granted and other receivables not forming part of a trading portfolio are primary (non-derivative) financial assets with fixed or determinable payments that are not listed in an active market.

Under DAS 290.519, loans granted and other receivables not forming part of a trading portfolio are measured at amortised cost.

Under IFRS 9, debt instruments are subsequently measured at amortised cost or fair value. Measurement at amortised cost is only allowed if both of the following conditions are met:

• The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the asset is held within a business model one of whose objectives is to sell assets, measurement at fair value is allowed, with changes in value being recognised in other comprehensive income.

All other debt instruments are measured at fair value with changes in value being recognised in profit or loss. Measurement at fair value is also still an option if the conditions set forth above were to be met, provided this results in the elimination or significant reduction of an accounting mismatch (see Section 1.5 below). If the entity chooses to apply the fair value option to these instruments, all changes in value are recognised in profit or loss.

1.5 Fair value option

Under IFRS 9, measurement at fair value is also an option. For debt instruments, this must result in the elimination or significant reduction of an accounting mismatch. DAS does not contain a separate fair value option. However, DAS 290 allows certain categories of instruments (with the exception of loans and receivables) to be carried at fair value with changes in fair value being recognised in profit or loss, although their application is much more restricted. Unlike under IFRS 9, this option is not subject to any criteria being met. However, under DAS 290.502, such a choice should be made for the subcategory or category as a whole, whereas the fair value option can be applied to each individual financial instrument under IFRS 9 (provided the requirements are met).
1.6 Impairment of receivables measured at amortised cost

With respect to financial assets measured at amortised cost, IFRS 9 requires that an entity recognise a credit loss or a provision for credit losses on these financial assets (such as a loan) based on losses expected to be incurred over the next twelve months or on the basis of the remaining term of the loan. This may result in recognition—at an earlier date—of credit losses which no longer only include losses already incurred, as provided under IAS 39 and DAS 290.

IFRS 9 stipulates that impairment of financial assets measured at amortised cost, including receivables and bonds, be based on estimated future cash flows discounted at the financial asset’s original effective interest rate as computed at initial recognition. DAS 290.533–537 also contains this method of determining the impairment loss. However, DAS 290.537a provides an alternative for impairment of financial assets measured at amortised cost that is in line with the ‘the lower of cost and market value’ method. In the latter case, the estimated future cash flows are based on a market participant’s expectations and are discounted at the market rate of interest applicable at the reporting date.

Temporary impairment is also allowed (see Section 1.6 above).

2 Presentation

2.1 Classification of current receivables

Section 370 (1) of Book 2 of the Dutch Civil Code stipulates that the following items should be included separately under current receivables:

- Trade receivables
- Receivables from group companies
- Receivables from other entities and partnerships that have a participating interest in the entity or in which the entity has a participating interest
- Issued share capital called but not paid up
- Other receivables, with separate disclosure of amounts receivable on loans and advances granted to members or holders of registered shares

IAS 1 does not prescribe any classification.

In the case of a statement of financial position applying a classification on the basis of a current/non-current distinction, IFRS requires separate classification in statement of financial position of amounts with a total term of more than year into a non-current (longer than one year) portion and a current (no more than one year) portion. Dutch GAAP also allows a breakdown to be provided in the notes as well.

3 Disclosure

3.1 Disclosure of financial instruments

All disclosure requirements for financial instruments are included in IFRS 7. Among other things, IFRS 7 requires an entity to group its financial instruments into classes of similar instruments and, if disclosure is required, provide such disclosure for each individual class (IFRS 7.6).
The principal categories of disclosure are set out below:

- Disclosure of the significance of financial instruments for an entity's financial position and performance (IFRS 7.7–IFRS 7.30).
- Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk (including a sensitivity analysis). The qualitative disclosures describe management's objectives, policies and processes for managing those risks.
- The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel (IFRS 7.31–IFRS 7.42).
- Information about transferred financial assets which are not derecognised, and transferred financial assets which are derecognised, but in which the entity has continuing involvement. Such disclosure requirements are relevant to financial institutions in particular (IFRS 7.42A–H). Information about transferred financial assets not derecognised concerns information on, among other things, the nature of such financial assets, the risks and rewards for the entity, a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions on the use of the transferred assets and carrying amounts of the transferred assets and associated liabilities.

For further details of the above, see Chapter 23 Financial Instruments.

Dutch legislation requires detailed information to be provided on financial instruments. In connection with this, a distinction is made between financial instruments carried at current value (Section 381a of Book 2 of the Dutch Civil Code) and financial instruments not carried at current value (Section 381b of Book 2 of the Dutch Civil Code).

DAS 290.906 stipulates that the following should be disclosed for all financial instruments, whether or not recognised in the statement of financial position:

- Information on the size and nature of financial instruments, including significant contractual provisions that may have an impact on the amount and timing as well as on the certainty of the future cash flows.
- Accounting principles, including criteria for recognising financial instruments in the statement of financial position and measurement methods used.

DAS 290 also requires disclosure of the interest rate risk, cash flow risk, credit risk, fair value, financial assets whose carrying amounts exceed their fair values, and of the hedging of expected future transactions (DAS 290.913 and 290.918–947). DAS 290 has not yet been brought fully into line with the specific provisions of IFRS 7.
Accounting standards

Relevant accounting standards:
- DAS 115  Criteria for Inclusion and Disclosure of Information
- DAS 160  Post-Balance-Sheet Events
- DAS 222  Receivables
- DAS 224  Prepayments and Accrued Income
- DAS 290  Financial Instruments
- IFRS 7   Financial Instruments: Disclosures
- IFRS 9   Financial Instruments
- IAS 1    Presentation of Financial Statements
## 9a Current assets: securities (on the basis of IAS 39)

### Recognition and measurement

<table>
<thead>
<tr>
<th>Subsection</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Derecognition</td>
<td>In the event of the transfer of risks and rewards to third parties</td>
<td>In the event of the transfer of all or substantially all risks and rewards. If not, to the extent that control is transferred</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.2 Investments in listed equity instruments (shares); Accounting for changes in value</td>
<td>Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised. Negative revaluation reserve is not allowed</td>
<td>Recognised directly in profit or loss (if specific conditions are met; if the fair value option is applied), or initially in the revaluation reserve and then in profit or loss when realised (available for sale). Negative revaluation reserve is allowed</td>
<td>IFRS stricter (with respect to recognition in profit or loss)/Dutch laws and regulations stricter (with respect to revaluation reserve)</td>
</tr>
<tr>
<td>1.3 Investments in unlisted equity instruments; Measurement</td>
<td>At cost or fair value</td>
<td>At fair value, unless fair value cannot be reliably measured</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.4 Investments in unlisted equity instruments (shares) carried at fair value; Accounting for changes in value</td>
<td>Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised. Negative revaluation reserve is not allowed</td>
<td>Recognised directly in profit or loss (if specific conditions are met; if the fair value option is applied), or initially in the revaluation reserve and then in profit or loss when realised (available for sale). Negative revaluation reserve is allowed</td>
<td>IFRS stricter (with respect to recognition in profit or loss)/Dutch laws and regulations stricter (with respect to revaluation reserve)</td>
</tr>
<tr>
<td>1.5 Listed and unlisted bonds in the category of Purchased loans and bonds not held to maturity; Accounting for changes in value</td>
<td>At amortised cost or fair value. If at fair value, DAS offer a choice of recognising changes in value directly in profit or loss, or in the revaluation reserve, with realised changes in value being recognised in profit or loss. A negative revaluation reserve is not allowed</td>
<td>At amortised cost or fair value, depending on the category. If included in the ‘available for sale’ category, changes in value to be recognised in equity and then in profit or loss when realised. If the fair value option is applied (and specific conditions are met), changes in value to be recognised in profit or loss. Negative revaluation reserve is allowed</td>
<td>IFRS stricter (measurement)/Dutch laws and regulations stricter (with respect to revaluation reserve)</td>
</tr>
<tr>
<td>1.6 Fair value option</td>
<td>No specific fair value option. Changes in value may be recognised in profit or loss for certain categories</td>
<td>Changes in value recognised in profit or loss if a number of conditions are met</td>
<td>IFRS stricter</td>
</tr>
</tbody>
</table>

### Presentation

<table>
<thead>
<tr>
<th>Subsection</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Classification of securities under financial assets or current assets</td>
<td>In statement of financial position</td>
<td>In statement of financial position if classification based on current/non-current distinction, otherwise in notes</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>2.2 Securities in relation to affiliated companies not forming part of the group</td>
<td>To be presented separately under securities</td>
<td>No requirements for presenting them separately under securities</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>2.3 Regular income from shares and bonds</td>
<td>Recognised under income from receivables forming part of the fixed (non-current) assets and securities</td>
<td>No prescribed formats for statement of financial position and statement of profit or loss</td>
<td>Dutch laws and regulations stricter</td>
</tr>
</tbody>
</table>
General

The IASB has replaced IAS 39 (in phases) with IFRS 9 Financial Instruments (with the subject of macro-hedge accounting only still being open). This Standard addresses recognition and measurement. IFRS 9 will apply to financial statements for 2018 and subsequent years, with early adoption being allowed. Differences between Dutch laws and regulations and IAS 39 are discussed in Chapter 9a, and differences between Dutch laws and regulations and IFRS 9 in Chapter 9b.

1 Recognition and measurement

1.1 Derecognition

DAS 290.702 refers to DAS 115.104–112 for the derecognition of financial assets and financial liabilities. DAS 115.110 includes a general provision on the derecognition of assets and liabilities. An asset or a liability should no longer be recognised in the statement of financial position if a transaction results in the transfer, to a third party, of all or substantially all rewards and all or substantially all risks attached to the asset or the liability.

IAS 39 addresses the derecognition of assets and liabilities in great detail. See also Chapter 23a Financial instruments.

1.2 Investments in listed equity instruments (shares); Accounting for changes in value

Both DAS 290 and IAS 39 require listed shares in the category of Investments in equity instruments to be measured at fair value. Under DAS 226.204, changes in value may be recognised directly in profit or loss, or initially in a revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.

IAS 39 contains no listed shares in the category of investments in equity instruments category. Listed shares are included in IAS 39.9, under Available for sale or Designated at fair value through profit or loss (the fair value option). If these instruments are included in the Available for sale category, changes in value are recognised directly in equity and then in profit or loss when realised.
A negative revaluation reserve is allowed, but regular assessments will have to be carried out to determine whether a transfer of the negative revaluation reserve to profit or loss is necessary due to impairment.

If the entity chooses to apply the fair value option to listed shares, all changes in value are recognised in profit or loss. Under IFRS, the fair value option is subject to a number of conditions (see Section 1.6 below).

1.3 Investments in unlisted equity instruments; Measurement
Under DAS 226.205, unlisted shares in the category of Investments in equity instruments may be carried at cost or fair value.

IAS 39 contains no unlisted shares in the Investments in equity instruments category. Unlisted shares are included in IAS 39.9, under one of the categories listed below. Measurement depends on the category of the instrument concerned (IAS 39.46 and 39.55).

- Available for sale: measurement at fair value with changes in value being recognised in equity.
- Designated at fair value through profit or loss (fair value option): measurement at fair value with changes in value being recognised directly in profit or loss.

1.4 Investments in unlisted equity instruments (shares) carried at fair value; Accounting for changes in value
If the entity chooses to measure unlisted shares in the category of Investments in equity instruments at fair value, DAS 226.205 allows changes in value to be recognised directly in profit or loss, or initially in the revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.

IAS 39 contains no unlisted shares in the Investments in equity instruments category. Unlisted shares are included in IAS 39.9, under one of the categories listed in Section 1.3 above. If these instruments are included in the Available for sale category, changes in value are recognised directly in equity and then in profit or loss when realised. A negative revaluation reserve is allowed, but regular assessments will have to be carried out to determine whether a transfer of the negative revaluation reserve to profit or loss is necessary due to impairment.

If the entity chooses to apply the fair value option to unlisted shares, all changes in value are recognised in profit or loss. Under IFRS, the fair value option is subject to a number of conditions (see Section 1.6 below).
1.5 Listed and unlisted bonds in the category of Purchased loans and bonds not held to maturity; Accounting for changes in value

Under DAS 226.208, bonds in the category of Purchased loans and bonds not held to maturity may be carried at amortised cost or at fair value; changes in value are recognised directly in profit or loss, or in the revaluation reserve, with realised changes in value being recognised in profit or loss. Under IFRS, such bonds may be included under Available for sale, Loans and receivables or under the Fair value option. The IFRS category Available for sale is consistent to a significant extent with the option used under DAS to measure financial assets at fair value with changes in value being recognised in equity. However, an important difference is that a negative revaluation reserve (if the fair value is below cost) is allowed under IFRS, but not under Dutch laws and regulations. If IFRS is applied, regular consideration should be given as to whether interim transfers of the negative revaluation reserve to profit or loss are necessary, due to impairment. Another difference is the fact that IFRS contains stricter conditions for applying the fair value option.

1.6 Fair value option

The fair value option under IAS 39.9 allows companies, at the time of entering into a financial instrument (financial asset or liability) contract, to carry such an instrument at fair value with changes in value being recognised in profit or loss, provided that one of the following criteria is met:

- Application of the fair value option eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring financial assets or liabilities or recognising the gains and losses on them on different bases.
- A group of financial instruments (assets, liabilities or both) is managed on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains an embedded derivative.

DAS does not contain a specific fair value option. However, DAS 290 allows certain categories of instruments to be carried at fair value with changes in fair value being recognised in profit or loss. Unlike under IAS 39, this option is not subject to any criteria being met. However, under DAS 290.502, such a choice should be made for the (sub)category as a whole, whereas the fair value option can be applied to each individual financial instrument (provided the requirements under IAS 39.9 are met).

2 Presentation

2.1 Classification of securities under financial assets or current assets

Securities is the collective name for negotiable instruments such as shares, depositary receipts for shares, rights, bonds, options, futures, warrants and subscriptions in debt or share registers (DAS 940). Securities may be included in the statement of financial position under either financial assets or current assets.
DAS 190.206 stipulates that an asset must be classified as a current asset if the asset:
- Is expected to be realised in, or is intended for sale or consumption in, the entity’s normal operating cycle
  Or
- If the asset is held primarily for trading purposes or as a short-term investment and it may justifiably be expected to be realised within one year of the reporting date
  Or
- If the asset qualifies as cash or cash equivalents whose use is not subject to any limitations

IAS 1.60 stipulates that an entity should present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity should present all assets and liabilities in order of liquidity. If such a distinction is made, IAS 1.66 stipulates when an asset or liability qualifies as a current asset or liability. These criteria are the same as those referred to in DAS 190.206. If such a distinction is not made in the statement of financial position, the breakdown should be disclosed in the notes (IAS 1.61).

2.2 Securities in relation to affiliated companies not forming part of the group

If current assets include securities in relation to an affiliated company not forming part of the group, these must be presented separately under securities (Section 371 (1) of Book 2 of the Dutch Civil Code). IFRS does not contain such a requirement.

2.3 Regular income from shares and bonds

All regular income from shares and bonds, such as dividends and interest, should be recognised under income from receivables forming part of the fixed (non-current) assets and securities (DAS 226.302; Annual Accounts Formats Decree).

IFRS contains no prescribed formats for the statement of financial position and statement of profit or loss. At financial institutions, dividends and interest form part of operating results. At non-financial organisations, dividend and interest income are recognised under financial results.

3 Disclosure

3.1 Disclosure of financial instruments

Under IFRS, all disclosure requirements for financial instruments are included in IFRS 7 and IFRS 13. Among other things, IFRS 7 requires an entity to group its financial instruments into classes of similar instruments and, if disclosure is required, provide such disclosure for each individual class (IFRS 7.6).

The principal categories of disclosure are set out below:
- Disclosure of the significance of financial instruments for an entity’s financial position and performance (IFRS 7.7–7.30). These disclosures incorporate many of the requirements previously set out in IAS 32.
Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk (including a sensitivity analysis). The qualitative disclosures describe management’s objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity’s key management personnel (IFRS 7.31—7.42).

Information about transferred financial assets which are not derecognised, and transferred financial assets which are derecognised, but in which the entity has continuing involvement. Such disclosure requirements are relevant to financial institutions in particular (IFRS 7.42A—H). Information about transferred financial assets not derecognised concerns information on, among other things, the nature of such financial assets, the risks and rewards for the entity, a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions on the use of the transferred assets and carrying amounts of the transferred assets and associated liabilities.

For further details of the above, see Chapter 23 Financial Instruments.

Dutch legislation requires detailed information to be provided on financial instruments. In connection with this, a distinction is made between financial instruments carried at current value (Section 381a of Book 2 of the Dutch Civil Code) and financial instruments not carried at current value (Section 381b of Book 2 of the Dutch Civil Code).

DAS 290.906 stipulates that the following should be disclosed for all financial instruments, whether or not recognised in the statement of financial position:

- Information on the size and nature of financial instruments, including significant contractual provisions that may have an impact on the amount and timing as well as on the certainty of the future cash flows.
- Accounting principles, including criteria for recognising financial instruments in the statement of financial position and measurement methods used.

DAS 290 also requires disclosure of the interest rate risk cash flow risk, credit risk, fair value, financial assets whose carrying amounts exceed their fair values, and of the hedging of expected future transactions (DAS 290.913 and 290.918–947). DAS 290 has not yet been brought fully into line with the specific provisions of IFRS 7 and IFRS 13.

### 3.2 Securities admitted to trading on a market for financial instruments

Dutch law requires disclosure of the total value of securities admitted to trading on a market for financial instruments (a regulated market or multilateral trading facility) referred to in Section 1:1 of the Financial Supervision Act (Section 371 (1) of Book 2 of the Dutch Civil Code). IFRS does not contain such disclosure requirement.

### 3.3 Securities not at the free disposal of the legal entity

Section 371 (2) of Book 2 of the Dutch Civil Code requires disclosure of the extent to which securities are not at the free disposal of the legal entity. This disclosure requirement is not explicitly included in IFRS.
Accounting standards
Relevant accounting standards:
• DAS 190 Other General Loans and Advances
• DAS 226 Securities
• DAS 290 Financial Instruments
• IFRS 7 Financial Instruments: Disclosures
• IAS 1 Presentation of Financial Statements
• IAS 32 Financial Instruments: Presentation
• IAS 39 Financial Instruments: Recognition and Measurement
## 9b Current assets: securities (on the basis of IFRS 9)

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Derecognition</td>
<td>In the event of the transfer of risks and rewards to third parties</td>
<td>In the event of the transfer of all or substantially all risks and rewards. If not, to the extent that control is transferred</td>
</tr>
<tr>
<td>1.2</td>
<td>Investments in listed equity instruments (shares); Accounting for changes in value</td>
<td>Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised. Negative revaluation reserve is not allowed</td>
<td>Recognised in profit or loss or in other comprehensive income</td>
</tr>
<tr>
<td>1.3</td>
<td>Investments in unlisted equity instruments; Measurement</td>
<td>At cost or fair value</td>
<td>At fair value</td>
</tr>
<tr>
<td>1.4</td>
<td>Investments in unlisted equity instruments carried at fair value; Accounting for changes in value</td>
<td>Recognised directly in profit or loss, or initially in the revaluation reserve and then in profit or loss when realised. Negative revaluation reserve is not allowed</td>
<td>Recognised in profit or loss or in other comprehensive income</td>
</tr>
<tr>
<td>1.5</td>
<td>Listed and unlisted bonds in the category of Purchased loans and bonds not held to maturity</td>
<td>At amortised cost or fair value. If at fair value, DAS offer a choice of recognising changes in value directly in profit or loss, or in the revaluation reserve, with realised changes in value being recognised in profit or loss. Negative revaluation reserve is not allowed</td>
<td>Recognised at amortised cost (if specific conditions are met) or fair value with changes in value recognised in profit or loss</td>
</tr>
<tr>
<td>1.6</td>
<td>Fair value option</td>
<td>No specific fair value option. Changes in value may be recognised in profit or loss for certain categories</td>
<td>Fair value option with changes in value recognised in profit or loss (debt instruments)</td>
</tr>
<tr>
<td>2</td>
<td>Presentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Classification of securities under financial assets or current assets</td>
<td>In statement of financial position</td>
<td>In statement of financial position if classification based on current/non-current distinction, otherwise in notes</td>
</tr>
<tr>
<td>2.2</td>
<td>Securities in relation to affiliated companies not forming part of the group</td>
<td>To be presented separately under securities</td>
<td>No requirements for presenting them separately under securities</td>
</tr>
<tr>
<td>2.3</td>
<td>Regular income from shares and bonds</td>
<td>Recognised under income from receivables forming part of the fixed (non-current) assets and securities</td>
<td>No prescribed formats for statement of financial position and statement of profit or loss</td>
</tr>
<tr>
<td>3</td>
<td>Disclosure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Disclosure for financial instruments</td>
<td>Specific disclosure requirements (see text)</td>
<td>More detailed and larger number of disclosure requirements (see text)</td>
</tr>
<tr>
<td>3.2</td>
<td>Securities admitted to trading on a market for financial instruments</td>
<td>Disclosure of total value</td>
<td>No requirements for disclosing total value</td>
</tr>
<tr>
<td>3.3</td>
<td>Securities not at the free disposal of the legal entity</td>
<td>Disclose</td>
<td>No explicit disclosure requirements</td>
</tr>
</tbody>
</table>
General

The IASB has replaced IAS 39 (in phases) with IFRS 9 Financial Instruments (with the subject of macro-hedge accounting only still being open). This Standard addresses recognition and measurement. IFRS 9 will apply to financial statements for 2018 and subsequent years, with early adoption being allowed. Differences between Dutch laws and regulations and IAS 39 are discussed in Chapter 9a, and differences between Dutch laws and regulations and IFRS 9 in Chapter 9b.

1 Recognition and measurement

1.1 Derecognition

DAS 290.702 refers to DAS 115.104–112 for the derecognition of financial assets and financial liabilities. DAS 115.110 includes a general provision on the derecognition of assets and liabilities. An asset or a liability should no longer be recognised in the statement of financial position if a transaction results in the transfer, to a third party, of all or substantially all rewards and all or substantially all risks attached to the asset or the liability.

1.2 Investments in listed equity instruments (shares); Accounting for changes in value

Under DAS 290.412, investments in equity instruments not forming part of a trading portfolio are classified under one of the following subcategories:

- Listed
- Unlisted

Investments in listed equity instruments should be carried at fair value under DAS 290 as well as under IFRS 9. Under DAS 290.521 and DAS 226.204, changes in value may be recognised directly in profit or loss, or initially in a revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.

IFRS 9 offers a choice of recognising changes in value in profit or loss, or in other comprehensive income (through equity as part of other comprehensive income). These changes in value may subsequently no longer be recognised in profit or loss, irrespective of whether they are sold or impaired. Dividend income should always be recognised in profit or loss.

1.3 Investments in unlisted equity instruments; Measurement

Under DAS 290.412, investments in equity instruments not forming part of a trading portfolio are classified under one of the following subcategories:

- Listed
- Unlisted

Under DAS 290.522 and DAS 226.205, Investments in unlisted equity instruments may be carried at cost or at fair value. If the fair value model has been chosen, but the fair value cannot be measured reliably, investments may be carried at cost. Under IFRS 9, they must be carried at fair value; the exception of investments being carried at cost if the fair value cannot be measured reliably does not apply.


1.4 Investments in unlisted equity instruments carried at fair value; Accounting for changes in value

If the entity chooses to measure unlisted shares in the category of Investments in equity instruments at fair value, DAS 226.205 allows changes in value to be recognised directly in profit or loss, or initially in the revaluation reserve under equity and then in profit or loss when realised. A negative revaluation reserve is not allowed; accumulated impairment below cost should be recognised directly in profit or loss.

IFRS 9 offers a choice of recognising changes in value in profit or loss, or in other comprehensive income (through equity as part of comprehensive income). These changes in value may subsequently no longer be recognised in profit or loss, irrespective of whether the instruments are sold or impaired. Dividend income should always be recognised in profit or loss.

1.5 Listed and unlisted bonds in the category of Purchased loans and bonds not held to maturity

Purchased loans and bonds not forming part of a trading portfolio are primary non-derivative financial assets with fixed or determinable payments. They include receivables purchased from third parties. DAS 290.410 distinguishes the following two subcategories:

- Held to maturity (whether listed or not)
- Other purchased loans and bonds

The first subcategory (held to maturity) should be measured at amortised cost.

Under DAS 290.518, Other purchased loans and bonds may be carried at amortised cost or at fair value. No distinction is made between listed and unlisted purchased loans and bonds.

Under IFRS 9, debt instruments are subsequently measured at amortised cost or fair value. Measurement at amortised cost is only allowed if both of the following conditions are met (IFRS 9, under Section 4.1.2):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the asset is held within a business model whose objective is to sell assets, measurement at fair value is allowed, with changes in value being recognised in other comprehensive income.

All other debt instruments are measured at fair value with changes in value being recognised in profit or loss. Measurement at fair value is also still an option if the conditions set forth above were to be met, provided this results in the elimination or significant reduction of an accounting mismatch (see Section 1.9 below). If the entity chooses to apply the fair value option to these instruments, all changes in value are recognised in profit or loss.
1.6 Fair value option

Under IFRS 9, measurement at fair value is an option for all financial assets. For debt instruments, this must result in the elimination or significant reduction of an accounting mismatch. DAS does not contain a separate fair value option. However, DAS 290 allows other financial assets (with the exception of loans and receivables) to be carried at fair value, with changes in fair value being recognised in profit or loss. Unlike under IFRS 9, this option is not subject to any criteria being met. However, under DAS 290.502, such a choice should be made for the subcategory or category as a whole, whereas the fair value option can be applied to each individual financial instrument (provided the requirements are met) under IFRS 9.

2 Presentation

2.1 Classification of securities under financial assets or current assets

Securities is the collective reference to negotiable instruments such as shares, depositary receipts for shares, rights, bonds, options, futures, warrants and subscriptions in debt or share registers (DAS 940). Securities may be included in the statement of financial position under either financial assets or current assets. DAS 190.206 stipulates that an asset must be classified as a current asset if the asset:

- Is expected to be realised in, or is intended for sale or consumption in, the entity’s normal operating cycle
- Is held primarily for trading purposes or as a short-term investment and it may justifiably be expected to be realised within one year of the reporting date
- Qualifies as cash or cash equivalents whose use is not subject to any limitations

IAS 1.60 stipulates that an entity should present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity should present all assets and liabilities in order of liquidity. If such a distinction is made, IAS 1.66 stipulates when an asset or liability qualifies as a current asset or liability. These criteria are the same as those referred to in DAS 190.206. If such a distinction is not made in the statement of financial position, the breakdown should be disclosed in the notes (IAS 1.61).

2.2 Securities in relation to affiliated companies not forming part of the group

If current assets include securities in relation to an affiliated company not forming part of the group, these must be presented separately under securities (Section 371 (1) of Book 2 of the Dutch Civil Code). IFRS does not contain such a requirement.

2.3 Regular income from shares and bonds

All regular income from shares and bonds, such as dividends and interest, should be recognised under income from receivables forming part of the fixed (non-current) assets and securities (DAS 226.302; Annual Accounts Formats Decree).
IFRS contains no prescribed formats for the statement of financial position and statement of profit or loss. At financial institutions, dividends and interest form part of operating results. At non-financial organisations, dividend and interest income are recognised under financial results.

3 Disclosure

3.1 Disclosure of financial instruments

All disclosure requirements for financial instruments are included in IFRS 7 and IFRS 13. Among other things, IFRS 7 requires an entity to group its financial instruments into classes of similar instruments and, if disclosure is required, provide such disclosure for each individual class (IFRS 7.6).

The principal categories of disclosure are set out below:

- Disclosure of the significance of financial instruments for an entity’s financial position and performance (IFRS 7.7–IFRS 7.30).
- Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk (including a sensitivity analysis). The qualitative disclosures describe management’s objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity’s key management personnel (IFRS 7.31–IFRS 7.42).
- Information about transferred financial assets which are not derecognised, and transferred financial assets which are derecognised, but in which the entity has continuing involvement. Such disclosure requirements are relevant to financial institutions in particular (IFRS 7.42A–H). Information about transferred financial assets not derecognised concerns information on, among other things, the nature of such financial assets, the risks and rewards for the entity, a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions on the use of the transferred assets and carrying amounts of the transferred assets and associated liabilities.

For further details of the above, see Chapter 23 Financial Instruments.

Dutch legislation requires information to be provided on financial instruments. In connection with this, a distinction is made between financial instruments carried at current value (Section 381a of Book 2 of the Dutch Civil Code) and financial instruments not carried at current value (Section 381b of Book 2 of the Dutch Civil Code).

DAS 290.906 stipulates that the following should be disclosed for all financial instruments, whether or not recognised in the statement of financial position:

- Information on the size and nature of financial instruments, including significant contractual provisions that may have an impact on the amount and timing as well as on the certainty of the future cash flows.
- Accounting principles, including criteria for recognising financial instruments in the statement of financial position and measurement methods used.

DAS 290 also requires disclosure of the interest rate risk, cash flow risk, credit risk, fair value, financial assets whose carrying amounts exceed their fair values, and of the hedging of expected future transactions (DAS 290.913 and 290.918–947). DAS 290 has not been brought into line with the specific provisions of IFRS 7.
3.2 Securities admitted to trading on a market for financial instruments

Dutch law requires disclosure of the total value of securities admitted to trading on a market for financial instruments (a regulated market or multilateral trading facility) referred to in Section 1:1 of the Financial Supervision Act (Section 371 (1) of Book 2 of the Dutch Civil Code). IFRS does not contain such a disclosure requirement.

3.3 Securities not at the free disposal of the legal entity

Section 371 (2) of Book 2 of the Dutch Civil Code requires disclosure of the extent to which securities are not at the free disposal of the legal entity. This disclosure requirement is not explicitly included in IFRS.

Accounting standards

Relevant accounting standards:
- DAS 190 Other General Loans and Advances
- DAS 226 Securities
- DAS 290 Financial Instruments
- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments
- IAS 1 Presentation of Financial Statements
10 Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>Definition of terms</td>
<td>See text</td>
<td>See text</td>
</tr>
<tr>
<td>3</td>
<td>Presentation</td>
<td>Demand deposits can be recognised under securities or under cash and cash equivalents</td>
<td>Classify demand deposits under cash and cash equivalents</td>
</tr>
<tr>
<td>4</td>
<td>Disclosure</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1 Recognition and measurement

There are no differences in recognition and measurement rules between Dutch laws and regulations and IFRS.

2 Definition of terms

Under Dutch laws and regulations (Section 372 (1) of Book 2 of the Dutch Civil Code and DAS 940), cash and cash equivalents (cash at bank and in hand) include:

- Cash in hand
- Balances on bank and giro accounts
- Bills of exchange and cheques

In IFRS, the term cash and cash equivalents is fleshed out in more detail in IAS 7 Statement of Cash Flows. In connection with this, the following relevant terms are set out in IAS 7.6.

- Cash comprises amounts payable on demand, including demand deposits that may be converted into cash without any kind of penalty.
- Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The difference between cash equivalents and, for example, securities is that cash equivalents are held for the purpose of meeting short-term cash commitments, whereas securities are partly intended to realise price gains to some extent (IAS 7.7). For more detailed information on the definition of cash equivalents, see Chapter 17.

2.1 Intra-group relations

In intra-group relations, cash management (and often also the management of other financial instruments, also referred to as treasury) is carried out centrally:

- Under Dutch GAAP this receivable does not meet the definition of cash at bank and in hand.
- Under IFRS, this perhaps could be considered cash equivalents, provided the group company concerned in that situation itself has a banking licence; if that is not the case, the relevant definition will not be complied with.
Under Dutch GAAP, the term cash at bank and in hand is clearly defined more narrowly than cash and cash equivalents under IFRS. Under IFRS, the term also includes other highly liquid assets, whereas, under Dutch GAAP, it refers to actual cash and bank balances.

3 Presentation
DAS stipulate that if cash and cash equivalents are (expected to be) not freely available for more than twelve months, they are required to be classified as financial fixed assets. A similar requirement applies under IFRS, which provides that balances that are not freely available must not be classified as current assets if a current/non-current assets and liabilities presentation is applied in the statement of financial position.

Under DAS 228.201, demand deposits can also be classified under securities instead of under cash and cash equivalents.

4 Disclosure
No differences exist between Dutch laws and regulations and IFRS.

Accounting standards
Relevant accounting standards:
- DAS 228  Cash and Cash Equivalents
- DAS 290  Financial Instruments
- IAS 1    Presentation of Financial Statements
- IAS 32   Financial Instruments: Presentation
# 11a Equity in separate financial statements

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Revaluation and deferred taxation</td>
<td>Forming a provision for deferred taxation is not obligatory, but recommended</td>
<td>Forming a provision for deferred taxation is obligatory</td>
</tr>
<tr>
<td>1.2</td>
<td>Release of revaluation reserve for property, plant and equipment</td>
<td>In certain situations, if the revaluation reserve is no longer required, it can be released to profit or loss</td>
<td>The revaluation reserve is released to another component of equity</td>
</tr>
<tr>
<td>1.3</td>
<td>Accounting for expenses for issuing equity instruments</td>
<td>To be charged to equity or capitalised as intangible asset</td>
<td>To be charged to equity</td>
</tr>
<tr>
<td>1.4</td>
<td>Revaluation reserve for available-for-sale financial asset</td>
<td>Negative revaluation reserve is not allowed</td>
<td>Negative revaluation reserve is allowed</td>
</tr>
<tr>
<td>1.5</td>
<td>Revaluation of assets of participating interests</td>
<td>Recognised in legal reserve for participating interests or in revaluation reserve</td>
<td>No specific rules</td>
</tr>
<tr>
<td>2</td>
<td>Presentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Prescribed classification</td>
<td>Prescribed classification of equity in the statement of financial position</td>
<td>No classification prescribed</td>
</tr>
<tr>
<td>2.2</td>
<td>Presentation as equity or liability</td>
<td>Depending on legal form</td>
<td>Depending on substance, in particular if a repayment obligation or dividend distribution obligation exists. Breakdown into equity and liability components in the case of compound instruments</td>
</tr>
<tr>
<td>2.3</td>
<td>The term capital base</td>
<td>Designation of capital base is allowed</td>
<td>The term capital base is not used</td>
</tr>
<tr>
<td>2.4</td>
<td>Procedures for forming legal reserves</td>
<td>In various cases, legal reserves should be formed</td>
<td>No obligation to form legal reserves</td>
</tr>
<tr>
<td>2.5</td>
<td>Revaluation reserve based on fair value measurement or cash flow hedging</td>
<td>Legal reserve</td>
<td>No legal reserve</td>
</tr>
<tr>
<td>2.6</td>
<td>Changes in value of assets carried at current value recognised in profit or loss</td>
<td>Under certain circumstances, then recognised in revaluation reserve</td>
<td>Not recognised in revaluation reserve</td>
</tr>
<tr>
<td>2.7</td>
<td>Profit or loss for the financial year</td>
<td>In statement of financial position before profit appropriation: as part of equity. In statement of financial position after profit appropriation: proposed dividend under current liabilities allowed</td>
<td>As part of equity in all cases. IFRS only includes statement of financial position before profit appropriation</td>
</tr>
<tr>
<td>2.8</td>
<td>Cost of treasury shares</td>
<td>To be charged to other reserves</td>
<td>To be accounted for as a separate item within equity</td>
</tr>
<tr>
<td>3</td>
<td>Disclosure</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
General

This chapter considers equity in the separate financial statements. Chapter 11b discusses the provisions concerning equity in the consolidated financial statements.

Unlike IFRS, DAS explicitly distinguish between equity in separate financial statements (DAS 240.2) and equity in the consolidated financial statements (DAS 240.3). This distinction is partly due to legal requirements concerning capital maintenance applicable to the separate financial statements. The separate financial statements provide insight into the non-distributable and the distributable portions of shareholder’s equity (DAS 240.101). Shareholders’ equity is recognised in the separate financial statements based on legal reality and in the consolidated financial statements based on economic reality (substance) (DAS 240.2 and 240.3). Since Dutch GAAP assumes measurement at net asset value, equity figures presented in the separate and consolidated financial statements are often identical.

IFRS provides no separate rules for recognising equity in the separate financial statements and consolidated financial statements. However, equity in the separate financial statements is often different from that recognised in the consolidated financial statements. The reason for this is the measurement of investments in associates and subsidiaries. Both associates and subsidiaries should be carried using the equity method, at cost or fair value in the separate financial statements. In the consolidated financial statements, associates are carried using the equity method, with subsidiaries being consolidated. The equity method is not always equivalent to consolidation for subsidiaries, for instance in the case of impairments (and their reversal).

See Chapter 20 for treatment of goodwill.

For the disclosure of stock options, please refer to Chapter 33 Share-Based Payments (including employee options).

1 Recognition and measurement

1.1 Revaluation and deferred taxation

Pursuant to Section 390 (5) of Book 2 of the Dutch Civil Code, it is not obligatory to take into account (and form a provision for) deferred taxation when forming a revaluation reserve. If such a provision is not formed, this should be explained in the notes, stating the quantitative effects. IAS 12.20 requires that a provision for deferred taxation be formed and charged to the revaluation reserve.

1.2 Release of revaluation reserve for property, plant and equipment

Section 390 (4) of Book 2 of the Dutch Civil Code stipulates that if a reduction in the revaluation reserve is released to profit or loss, it is included in the statement of profit or loss as a separate item. This relates mainly to property, plant and equipment. IAS 16.41 does not allow such a release relating to the revaluation of property, plant and equipment to profit or loss. Under IFRS, the revaluation reserve is released to another component of equity.

In addition, DAS 240.410 stipulates that the revaluation reserve can be released if the entity’s financing is taken into account when determining profit. IFRS does not contain such a provision.

Under Dutch law and regulations and IFRS, the revaluation reserve relating to financial assets can be released to profit or loss when these assets are realised (see also Chapter 23 Financial Instruments).
1.3 Accounting for expenses for issuing equity instruments

Under IAS 32.35, expenses relating to the successful issue of equity instruments are charged directly to equity, taking into account taxation, current and deferred, so that the expenses are accounted for net.

Only incremental external expenses directly attributable to the equity transaction may be taken direct to equity. Expenses incurred on an entity’s own equity instruments issued for the purpose of acquiring another entity do not qualify as such, nor do expenses relating to equity transactions in the nature of a stock exchange flotation or a share split. Therefore, if shares are issued as part of a stock exchange flotation, the total issuing expenses should be allocated proportionally to the stock exchange flotation and the share issue. The former are recognised in profit or loss and the latter in equity.

The net amount of the expenses charged directly to equity should be disclosed separately.

DAS 240.219 states that, if expenses for issuing equity instruments are not capitalised, they should be charged directly to share premium, net of any tax effect. If and to the extent that share premium is insufficient for this purpose, the expenses should be charged to other reserves. Under Section 365 of Book 2 of the Dutch Civil Code, these expenses may be capitalised, provided that a legal reserve equal to the expenses capitalised is formed. However, DAS 210.103 recommends that these expenses not be capitalised, since the criteria for an intangible asset are not met. There are no specific provisions with regard to determining the extent of the costs.

1.4 Revaluation reserve for available-for-sale financial asset

Since a revaluation reserve should be formed for each individual asset, no single asset may have a negative revaluation reserve, with the exception of cash flow hedges (DAS 240.227a). If the current value of an asset is lower than its cost of acquisition or production (taking into account depreciation), impairment is recognised through profit or loss (DAS 240.227). Under IFRS, a revaluation reserve formed for an available-for-sale financial asset can be negative (IAS 39.55). For companies applying IFRS to their separate financial statements (Section 362 (8) of Book 2 of the Dutch Civil Code), the revaluation reserve formed for an available-for-sale financial asset is allowed to be negative (DAS 240.227b).

1.5 Revaluation of assets of participating interests

Participating interests carried at net asset value may be subject to revaluation due to the revaluation of assets held by the participating interests. Under DAS 240.228, the change in value resulting from the revaluation can be recognised in two ways.

- In the legal reserve for participating interests; the philosophy underlying this method is that the participating interest is regarded as an undivided unit; the participating interest is regarded as one asset in the context of the value change.
- In the revaluation reserve; the philosophy underlying this method is that the participating interest, valued using the equity method, is regarded as a group of assets and liabilities instead of a collective asset; in line with this philosophy, a revaluation of the asset of the participating interest is regarded as if a revaluation of an asset of the entity itself were concerned.

The chosen method should be applied consistently to all participating interests. IFRS does not contain any such rules.
2 Presentation

2.1 Prescribed classification

Under Section 373 (1) of Book 2 of the Dutch Civil Code, the following items should be shown separately under equity:

- Issued capital
- Share premium
- Revaluation reserves
- Other legal reserves
- Reserves required by the articles of association
- Other reserves
- Undistributed profit (retained earnings)

Although IFRS does not require any specific classification, the financial statements should contain a statement of changes in equity (IAS 1.106). IFRS does not have any concept resembling legal reserves.

2.2 Presentation as equity or liability

Under DAS 240.207, presentation of financial instruments as equity or liability in the separate financial statements depends on the legal form. IAS 32.15 requires presentation based on the substance of the instrument. In connection with this, a financial instrument is presented as a liability if a repayment/repurchase obligation exists, or if the entity is unable to prevent distribution in respect of an instrument. The former is the case if a contractual repayment obligation exists, or if the holder of the instrument can force the issuing entity to repay or repurchase the instrument; the latter if the instrument, a preference share for example, incorporates the right to a certain dividend percentage if sufficient profit is made or sufficient freely distributable reserves are available. Since the entity has no control over this, it is unable to prevent distribution. In other words, preference shares are presented as a liability, unless the entity or general meeting can prevent dividend distribution (and repayment) until the entity is dissolved.

IAS 32 contains an exception for puttable financial instruments and for financial instruments, with the entity, in the event of liquidation, having the obligation to transfer the net assets, or a pro rata share thereof, to another party. These instruments transferred under sale and repurchase transactions are to be classified under equity if the relevant conditions are met.

IAS 32.28 also stipulates that if a financial instrument contains both a liability and an equity component, the two components should be classified separately under liabilities and equity respectively. DAS does not allow this (DAS 240.209) in the separate financial statements.

2.3 The term capital base

DAS 240.305 allows the disclosure of a capital base item (usually in the notes, as the annual accounts formats often do not allow a continuous list of totals). The capital base includes equity, non-controlling interests in group companies and generally subordinated loans. IFRS does not have any concept resembling capital base or group equity.
2.4 Procedures for forming legal reserves

Dutch law requires that various legal reserves be formed, such as the reserve for the retained profits of participating interests, a revaluation reserve, a reserve in connection with capitalised incorporation/share issue or development costs. These reserves may not be distributed. IFRS does not have any concept resembling legal reserves.

2.5 Revaluation reserve based on fair value measurement or cash flow hedging

Unlike Dutch GAAP, IFRS does not regard a revaluation reserve as a result of fair value measurement or cash flow hedging as a legal non-distributable reserve.

2.6 Changes in value of assets carried at current value recognised in profit or loss

If changes in value are recognised in profit or loss (for example for specific financial instruments or investment properties), a revaluation reserve must be formed in the absence of frequent market listings for these assets. The revaluation reserve is formed with additions being charged to profit or to the freely distributable reserves. Under IFRS, no revaluation reserve is formed for value increases recognised directly in profit or loss.

2.7 Profit or loss for the financial year

IFRS does not distinguish between a statement of financial position before and after profit appropriation. The profit for the financial year is always recognised as a separate item under equity, with the proposed dividend being disclosed in the notes (IAS 10.12 and IAS 1.137). This corresponds to a statement of financial position before profit appropriation in the Netherlands. Dutch law and regulations also allow the proposed dividend to be recognised under current liabilities in a statement of financial position after profit appropriation.

2.8 Cost of treasury shares

Under DAS 240.214, the cost, including the costs incurred in connection with a transaction involving treasury shares, or the carrying amount of the treasury shares held by the entity or its subsidiary, or held by a third party on behalf of the entity or its subsidiary, should be charged to other reserves. IAS 32.33 does not require cost to be charged to any specific component of equity (e.g., retained earnings or share premium). It allows cost to be recognised as a separate item under equity.

3 Disclosure

There are no differences in disclosure rules between Dutch laws and regulations and IFRS.

Accounting standards

Relevant accounting standards:
- DAS 210 Intangible Fixed Assets
- DAS 240 Shareholders’ Equity
- IAS 1 Presentation of Financial Statements
- IAS 12 Income Taxes
- IAS 32 Financial instruments: Presentation
11b Equity in consolidated financial statements

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Revaluation and deferred taxation</td>
<td>Forming a provision for deferred taxation is not obligatory, although recommended</td>
<td>Forming a provision for deferred taxation is obligatory</td>
</tr>
<tr>
<td>1.2</td>
<td>Release of revaluation reserve for property, plant and equipment</td>
<td>In certain situations, the revaluation reserve can be released to profit or loss</td>
<td>The revaluation reserve is released to another item under equity</td>
</tr>
<tr>
<td>1.3</td>
<td>Accounting for expenses for issuing equity instruments</td>
<td>To be charged to equity or capitalised as intangible asset</td>
<td>To be charged to equity</td>
</tr>
<tr>
<td>2</td>
<td>Presentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Classification of compound financial instruments</td>
<td>Equity and liability components can be classified separately; if they are not, the method of accounting for the instruments should be explained in the notes</td>
<td>Equity and liability components must be classified separately</td>
</tr>
<tr>
<td>2.2</td>
<td>The term capital base</td>
<td>Designation of capital base is allowed</td>
<td>The term capital base is not used</td>
</tr>
<tr>
<td>2.3</td>
<td>Non-controlling interests</td>
<td>Separately from equity</td>
<td>Under equity</td>
</tr>
<tr>
<td>2.4</td>
<td>Puttable instruments</td>
<td>Under equity or liabilities</td>
<td>Under equity if the relevant conditions are met</td>
</tr>
<tr>
<td>3</td>
<td>Disclosure</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

General

Chapter 11a considered equity in the separate financial statements. This Chapter (11b) discusses the provisions concerning equity (group equity) in the consolidated financial statements. Pursuant to Dutch regulations, forming legal reserves in the separate financial statements is required (Section 373 (4) of Book 2 of the Dutch Civil Code), legal reserves are not required in the consolidated financial statements (Section 411 (1) of Book 2 of the Dutch Civil Code).

Under Dutch laws and regulations (Section 411 (2) of Book 2 of the Dutch Civil Code and Article 10 (2) of the Annual Accounts Formats Decree), non-controlling interests are recognised as separate elements of group equity. Under IFRS 10.22, non-controlling interests should be presented separately within equity.

For the disclosure of stock options, please refer to Chapter 33 Share-Based Payments (including employee options). See Chapter 20 for treatment of goodwill.

1 Recognition and measurement

1.1 Revaluation and deferred taxation

Pursuant to Section 390 (5) of Book 2 of the Dutch Civil Code, it is not obligatory to take into account (and form a provision for) deferred taxation when forming a revaluation reserve. If such a provision is not formed, this should be explained in the notes, stating the quantitative effects. IAS 12.20 requires that a provision for deferred taxation be formed and charged to the revaluation reserve.
1.2 Release of revaluation reserve for property, plant and equipment

Section 390 (4) of Book 2 of the Dutch Civil Code stipulates that if a reduction in the revaluation reserve is released to profit or loss, it is included in the statement of profit or loss as a separate item. This relates mainly to property, plant and equipment. IAS 16.41 does not allow such a release relating to the revaluation of property, plant and equipment to profit or loss. Under IFRS, the revaluation/revaluation reserve is released to another component of equity.

In addition, DAS 240.410 stipulates that the revaluation reserve can be released if the entity's financing is taken into account when determining profit. IFRS does not contain such a provision.

Under Dutch law and regulations and IFRS, the revaluation reserve relating to financial assets can be released to profit or loss when these assets are realised (see also Chapter 23 Financial Instruments).

1.3 Accounting for expenses for issuing equity instruments

Under IAS 32.35, expenses relating to the successful issue of equity instruments are charged directly to equity, taking into account taxation, current and deferred, so that the expenses are accounted for net.

Only incremental external expenses directly attributable to the equity transaction may be taken direct to equity. Expenses incurred on an entity's own equity instruments issued for the purpose of acquiring another entity do not qualify as such, nor do expenses relating to equity transactions in the nature of a stock exchange flotation or a share split. Therefore, if shares are issued as part of a stock exchange flotation, the total issuing expenses should be allocated proportionally to the stock exchange flotation and the share issue. The former are recognised in profit or loss and the latter in equity.

The net amount of the expenses charged directly to equity should be disclosed separately.

DAS 240.219 states that, if expenses for issuing equity instruments are not capitalised, they should be charged direct to share premium, net of any tax effect. If and to the extent that share premium is insufficient for this purpose, the expenses should be charged to Other reserves. Under Section 365 of Book 2 of the Dutch Civil Code, these expenses may be capitalised, provided that a legal reserve equal to the expenses capitalised is formed. However, DAS 210.103 recommends that these expenses not be capitalised, since they do not meet the criteria for capitalisation as an intangible asset. There are no specific provisions with regard to determining the extent of the costs.

2 Presentation

2.1 Classification of compound financial instruments

IAS 32 stipulates that if a financial instrument contains both a liability and an equity component, the two components should be classified separately under liabilities and equity respectively. The Dutch Accounting Standards Board also prefers this method. However, DAS 290.813 permits equity and liability components not to be classified separately, provided the notes explain how these instruments are accounted for.
2.2 The term capital base
DAS 240.305 allows the disclosure of a capital base item (usually in the notes, as the annual accounts formats often do not allow a continuous list of totals). The capital base includes equity, non-controlling interests in group companies and generally subordinated loans. IFRS does not have any concept resembling capital base or group equity.

2.3 Non-controlling interests
Under IFRS, non-controlling interests are presented as a separate item under equity. In the consolidated statement of financial position drawn up in accordance with Part 9 of Book 2 of the Dutch Civil Code, non-controlling interests are recognised as separate elements of group equity, separately from equity.

2.4 Puttable instruments
IAS 32 contains an exception for puttable financial instruments and for financial instruments, with the entity, in the event of liquidation, having the obligation to transfer the net assets, or a pro rata share thereof, to another party. These instruments transferred under sale and repurchase transactions are to be classified under equity if the relevant conditions are met.

Under DAS 290.808, such instruments may be classified under liabilities or equity.

3 Disclosure
There are no differences in disclosure rules between Dutch laws and regulations and IFRS.

Accounting standards
Relevant accounting standards:
- DAS 210 Intangible Fixed Assets
- DAS 240 Shareholders’ Equity
- DAS 290 Financial Instruments
- IAS 1 Presentation of Financial Statements
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 12 Income Taxes
- IAS 32 Financial Instruments: Disclosure and Presentation
# 12 Provisions (excluding taxation and pensions)

<table>
<thead>
<tr>
<th></th>
<th>Recognition and measurement</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Valuation of provisions</td>
<td>Non-discounted value or present value</td>
<td>Present (discounted) value, if the effect of the time value of money is material</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.2</td>
<td>Costs of large maintenance</td>
<td>If treated as a separate asset component it should be capitalised and amortised or a provision for large maintenance should be formed; or in full through profit or loss</td>
<td>If treated as a separate asset component, it should be capitalised and depreciated</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.3</td>
<td>Provision for reorganisation costs</td>
<td>In certain situations, a provision may be formed if the reorganisation was started or announced after the reporting date, but prior to preparing the financial statements</td>
<td>A provision should be formed if the reorganisation was started or announced prior to the reporting date</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.4</td>
<td>Provision for decommissioning costs</td>
<td>A provision should be formed immediately upon acquisition and capitalisation as part of the purchase price or an amount should be added to the provision during the useful life of the asset</td>
<td>A provision should be formed immediately upon acquisition and capitalisation as part of purchase price</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.5</td>
<td>Reimbursement from third party to settle provision</td>
<td>Reimbursement to be capitalised only if it is probable that reimbursement will be received</td>
<td>Reimbursement to be capitalised only if it is virtually certain that reimbursement will be received</td>
<td>Conflicting</td>
</tr>
<tr>
<td>1.6</td>
<td>Levies</td>
<td>Levies to be recognised when all conditions for the government levies have been satisfied; or recognition of levies during the period to which the government levies relate</td>
<td>Levies to be recognised when all conditions for the government levies have been satisfied</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Classification</td>
<td>As a separate item between equity and liabilities</td>
<td>Under liabilities</td>
<td>Conflicting</td>
</tr>
<tr>
<td>2.2</td>
<td>Accrued interest</td>
<td>As interest expense or under additions to provisions</td>
<td>As interest expense</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Disclosure of term for which the provisions are formed</td>
<td>It is recommended that the portion that will be settled within one year and the portion that will be settled after five years be stated separately</td>
<td>Disclosure of the expected date of settlement for each class of provision</td>
<td>IFRS requires more detailed disclosure</td>
</tr>
<tr>
<td>3.2</td>
<td>Indication of uncertainties</td>
<td>Not required</td>
<td>Indication relating to amounts and timing of payments</td>
<td>IFRS requires more detailed disclosure</td>
</tr>
</tbody>
</table>
1 Recognition and measurement

1.1 Valuation of provisions

DAS 252.306 stipulates that provisions be carried at their non-discounted or present value.

Under IAS 37.45 they must be carried at their present value if the difference between the non-discounted value and the present value is material.

The discount rate should now reflect current market rate of interest (IAS 37.47, DAS 252.306).

In contrast to IFRS, DAS 252.306 provides further guidelines for defining the term current market rate of interest. It stipulates that market rate of interest as at the reporting date of high-quality corporate bonds best reflects the current market rate of interest. If there is no active market for corporate bonds, the return on government bonds best reflects the current market rate of interest.

1.2 Costs of large maintenance

Under DAS 212.418, the component method is obligatory for determining the amortisation charge, which puts it in line with IAS 16. For the application of the separate asset component method for large maintenance, DAS 212.448 allows application as from the time of acquisition or from the time the large maintenance is carried out for the first time. With regard to replacement investments, DAS 212.445 allows a provision for large maintenance costs to be formed or large maintenance costs to be recognised directly in profit or loss, instead of application of the separate asset component method.

IFRS does not allow a provision to be formed for large maintenance. Example 11B in Appendix C of IAS 37 shows that large maintenance can be a separate asset component, in which case the asset is capitalised and depreciated as from the time of acquisition.

1.3 Provision for reorganisation costs

IAS 37.72 stipulates that provisions for reorganisation costs may only be formed if, in addition to the existence of a formal reorganisation plan, the reorganisation is started or its main features have been announced in sufficient detail to those concerned prior to the reporting date. Under DAS 252.416, provisions for reorganisation costs may also be formed if the reorganisation is started or its main features have been announced in sufficient detail to those concerned after the reporting date, but before the financial statements are drawn up.

1.4 Provision for decommissioning costs

Under DAS 252.419, if a property, plant or equipment item is acquired that will give rise to certain obligations, such as the requirement to remove, demolish or dismantle it at the end of its useful life, a provision is formed at the moment the asset is acquired. These costs may be accounted for as part of the cost of the asset. It is also possible to form a provision during the asset’s useful life (see DAS 212.435 and following).

IAS 37 does not allow the gradual forming of a provision. Since the decommissioning obligation exists from the moment an asset is acquired, a provision should be formed at that time for the full amount. In addition, the costs should be capitalised as part of the cost of the asset (IAS 16.16 [c]).
1.5 Reimbursement from third party to settle provision

IAS 37.53 stipulates that an expected reimbursement to be received from a third party to settle a provision be capitalised only if it is virtually certain that reimbursement will be received. DAS 252.311 stipulates that if (a portion of) the expenditure required to settle a provision is expected to be reimbursed by a third party, such reimbursement should be recognised only if it is probable that the reimbursement will be received.

1.6 Levies

IFRIC 21 specifically addresses accounting for levies, in particular the timing of a provision being recognised and the amount of the provision. Interpretation 21 provides that:

- The liability arises at the time the activity triggering the obligation to pay the levy occurs, even if the amount of the levy depends on the activities that occurred in (a) previous period(s).
- The economic compulsion to continue to operate in a future period, which results in a levy being payable, does not create a constructive obligation to pay a levy; nor does the going concern assumption imply that an entity has a present obligation to pay a levy.
- The liability arises progressively if the activity that triggers the payment of the levy occurs over a period of time.
- If an obligation to pay a levy is triggered when a minimum threshold is reached, a provision may be recognised only when that minimum activity threshold is reached.
- The same principles apply to interim reports (such as quarterly or half-year reports).
- An entity shall recognise an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

DAS 252.429 offers two options for recognising government levies:

- During the period to which the government levies relate
- Or
- When all conditions for the government levies have been satisfied (comparable with IFRIC 21)

2 Presentation

2.1 Classification

Under DAS, provisions are classified as a separate item between equity and liabilities in the statement of financial position. Current provisions are not classified separately. IFRS stipulates that provisions should be disclosed separately in the statement of financial position (IAS 1.54), the current portion under current liabilities and the non-current portion under non-current liabilities.

2.2 Accrued interest

Under IAS 37.60, presentation of the increase in the present value as interest expense is mandatory. DAS 252.317 allows presentation as interest expense or as addition to the relevant provision.

3 Disclosure

3.1 Disclosure of term for which the provisions are formed

DAS 252.507 recommends that the portion of the total provision disclosed in the statement of financial position at year-end that is expected to be settled within one year and the portion that is expected to be settled after five years be stated separately. Under IAS 37.85 (a), the expected date of settlement should be stated for each class of provision.
3.2 Indication of uncertainties

IAS 37.85 (b) requires an indication of all uncertainties concerning the amount or timing of payments. DAS does not include this requirement.

Accounting standards

Relevant accounting standards:

- DAS 252 Provisions, Commitments and Assets Not Included in the Statement of Financial Position
- DAS 212 Tangible Fixed Assets
- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IFRIC 21 Levies
## 13 Employee benefits

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Carrying amount</td>
<td>Liabilities approach on the basis of DAS 252 Provisions, contingent liabilities and contingent assets (best estimate); only to be recognised as a liability in exceptional cases</td>
<td>Risk approach (DB/DC); with DB classification resulting in a liability (or asset) based on actuarial calculations</td>
</tr>
<tr>
<td>1.2</td>
<td>Recognition in profit or loss</td>
<td>Paid contribution plus any additional contributions or addition to provision in exceptional cases</td>
<td>Pension costs calculated actuarially (current service cost + net interest expense/income) on net liability</td>
</tr>
<tr>
<td>1.3</td>
<td>Changes in accounting estimates</td>
<td>In profit or loss</td>
<td>Remeasurements (actuarial gains and losses, et cetera) recognised directly in other comprehensive income; no effect on profit for the financial year</td>
</tr>
<tr>
<td>1.4</td>
<td>Application of US GAAP</td>
<td>Application of IAS 19/US GAAP is allowed, if applied fully and consistently</td>
<td>No alternative treatment allowed</td>
</tr>
<tr>
<td>1.5</td>
<td>Recognition of early retirement plan</td>
<td>Reference is made to DAS 252 Provisions, contingent liabilities and contingent assets</td>
<td>To be recognised as post-employment benefit in the event of effective lowering of retirement age, or as termination benefit in the case of a non-recurring liability as part of a reorganisation</td>
</tr>
<tr>
<td>1.6</td>
<td>Provision for insured disability expenses</td>
<td>A provision may be formed for increases in future contributions based on claims history. Alternatively, only contributions paid to be recognised in profit or loss</td>
<td>Usual method of post-employment benefit accounting</td>
</tr>
<tr>
<td>1.7</td>
<td>Accrued rights</td>
<td>Best estimate, actuarial method not prescribed</td>
<td>Projected unit credit method required</td>
</tr>
<tr>
<td>2</td>
<td>Presentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Presentation of pension charges in statement of profit or loss</td>
<td>To be presented as separate item</td>
<td>Presentation as separate item not mandatory</td>
</tr>
<tr>
<td>2.2</td>
<td>Presentation of pension liabilities in statement of financial position</td>
<td>To be presented as separate item in the statement of financial position</td>
<td>Presentation as separate item not mandatory</td>
</tr>
<tr>
<td>3</td>
<td>Disclosure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Related parties</td>
<td>No specific rules</td>
<td>Transactions with pension implementation agencies and information concerning key management personnel pension plans to be disclosed</td>
</tr>
</tbody>
</table>

### Introduction

Accounting for pensions in the financial statements is set out in DAS 271 Employee Benefits and IAS 19 Employee Benefits.
In the Netherlands, the rules for the attribution of pension costs to successive financial years differ fundamentally from IFRS and US GAAP. The Standard is based on an approach that is primarily based on the set-up and practical aspects of the Dutch pension system. The main features are the general obligation, pursuant to the Pensions Act, to fund vested pension entitlements, and a strict segregation between the responsibilities and obligations of the employer(s), the members and the pension plan administrator (pension fund and/or life insurance company). The DAS Board has concluded that the liabilities approach included in DAS 252 ‘Provisions, Contingent Liabilities and Contingent Assets’ is more appropriate as opposed to the risk approach on which IAS 19 is based.

1 Recognition and measurement

1.1 Carrying amount

DAS 271 only requires a liability to be recognised in the statement of financial position if and to the extent that, at the reporting date, the employer has a legal or constructive obligation towards the pension plan administrator (pension fund, insurance company) and/or to its employees. Obligations to employees generally arise from final salary plans or unconditional index-based plans. Under IAS 19, measurement of pension obligations depends on their classification under a DB (defined benefit) or DC (defined contribution) plan. When calculating the obligation under a DC plan, taking into account the contribution payable is sufficient. Measurement of a DB plan requires actuarial calculations to be made for the purpose of reliably measuring the value of the entitlements granted to employees for the current and past years of service, using assumptions about demographic variables (such as employee turnover and life expectancies) and financial variables (such as future increases in salaries), what is known as the projected unit credit method, from which the fair value of the plan assets is deducted.

1.2 Recognition in profit or loss

Under DAS 271, pension costs include the contribution payable for the relevant period plus the obligation to pay additional contributions arisen in that period. This is similar to the manner in which DC plans are recognised in profit or loss under IAS 19.

With respect to DB plans, under IAS 19, a loss is recognised, chiefly determined as the current pension costs (service costs) plus the net interest to be allocated. The net interest is calculated on a time-proportionate basis by multiplying the net liability (or asset) by the discount rate, with the net liability (or asset) being the balance of the present value of the pension benefits and the fair value of the plan assets.

1.3 Changes in accounting estimates

The measurement of pension entitlements under DB plans requires assumptions to be made about demographic variables (such as life expectancies) and financial variables (such as future increases in salaries). Differences (remeasurements) may arise between expectations and what has actually occurred, and expectations may be adjusted. IAS 19 requires remeasurements to be recognised in other comprehensive income on a permanent basis, meaning that they will never under any circumstances be reclassified to operational results. Remeasurements comprise:

- Actuarial gains and losses resulting from the calculations of the (gross) present value of the pension benefits; these comprise, on the one hand, the changes in accounting estimates, as the actual results differ from the estimated parameters and amounts, and, on the other, the effects of changes in parameters on new calculations to be made in a subsequent financial year.
The difference between the actual return on plan assets and the assumed return included in the calculation of the net interest on the net defined benefit liability/asset to be allocated.

Any change in the effect of the asset ceiling, excluding amounts included in net interest.

DAS require changes in accounting estimates to be recognised in profit or loss.

1.4 Application of US GAAP

DAS 271.101 allows entities to apply US GAAP, IFRS or EU-IFRS standards relating to pensions and other deferred employee benefits when drawing up their financial statements, provided that these standards are applied fully and consistently. IAS 19 does not allow this.

1.5 Recognition of early retirement plan

Reference is made to DAS 252 Provisions, Contingent Liabilities and Contingent Assets for the rules concerning the provision for early retirement plans. Under IAS 19, a pre-pension plan is accounted for as a post-employment benefit in the case of an effective lowering of the retirement age, or as termination benefit in the case of a non-recurring liability as part of a restructuring (IAS 19.133). In connection with this, specific rules and circumstances should be taken into account. IFRS and DAS therefore conflict on this point.

1.6 Provision for insured disability expenses

Under DAS 271.210, a provision may be formed for future insurance contributions directly attributable to the entity's own claims history, to the extent that the risk of disability is not insured (either with a state scheme or with an insurance company). Moreover, these contributions may be recognised as expenses in the period in which they are paid. DAS 271.214 stipulates that, if it is decided not to form such a provision, a general note should be included if the contributions are expected to have a material impact on future staff costs.

IAS 19.153 stipulates that long-term disability plans be classified as other long-term employee benefits. A prerequisite is that the employer must first establish whether or not the resulting risks are fully insured. If they are, the plan should be recognised as a defined contribution plan, with the paid contributions being allocated to the year to which they relate. However, if the employer continues to be exposed to employee incapacity risks, the projected unit credit method should be used to determine recognition of the relevant provision. Remeasurements (actuarial gains and losses, et cetera) may not be recognised in other comprehensive income in this respect.

1.7 Accrued rights

Under IAS 19.155, the projected unit credit method has to be applied to accrued rights to long term employee benefits (including jubilee benefits, profit sharing and bonuses). Dutch laws and regulations also allow this method. However, a best estimate of the amounts required to settle the commitments concerned at the reporting date, without the use of actuarial calculations, suffices (DAS 271.206).

Under DAS 252.302, best estimate represents the amount paid by a rational entity to settle the relevant commitments or to transfer them to a third party.

Unlike under pension plans, remeasurements (actuarial gains and losses, et cetera) must be recognised directly in profit or loss (IAS 19.154).
2 Presentation

2.1 Presentation of pension charges in statement of profit or loss
Section 377 of Book 2 of the Dutch Civil Code requires pension charges to be presented separately in the statement of profit or loss. IAS 19 does not require this. Dutch laws and regulations are therefore stricter in this respect.

2.2 Presentation of pension liabilities in statement of financial position
Section 375 of Book 2 of the Dutch Civil Code requires pension liabilities to be presented separately in the statement of financial position. IAS 19 does not require this. Dutch laws and regulations are therefore stricter in this respect.

3 Disclosure

3.1 Related parties
Under IAS 24, balances and transactions with pension implementation agencies and information concerning key management personnel pension plans should be disclosed as transactions with related parties. DAS does not require this disclosure.

Accounting standards
Relevant accounting standards:
- DAS 271 Employee Benefits
- DAS 252 Provisions, Contingent Liabilities and Contingent Assets
- IAS 19 Employee Benefits
## 14 Provision for deferred taxation

<table>
<thead>
<tr>
<th></th>
<th>Recognition and measurement</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition of deferred tax liability on revaluation</td>
<td>Recognition of deferred tax liability on revaluation is not mandatory</td>
<td>Recognition of deferred tax liability on revaluation is mandatory</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.1</td>
<td>Recognition of previously unrecognised deferred tax asset relating to tax losses by acquirer</td>
<td>Taken into account in determining the goodwill</td>
<td>Through profit or loss</td>
<td>Conflicting</td>
</tr>
<tr>
<td>1.2</td>
<td>Recognition of acquired deferred tax asset at a later stage</td>
<td>Deferred tax asset recognised through profit or loss; changes in goodwill also written off through profit or loss</td>
<td>Taken to goodwill if new facts/circumstances arise within one year of the acquisition date; in all other cases, through profit or loss</td>
<td>Conflicting</td>
</tr>
<tr>
<td>1.3</td>
<td>Recognition of deferred tax asset; concurrence with taxable temporary differences relating to revaluation</td>
<td>No deferred tax on revaluation is taken into account as part of the assessment</td>
<td>No restrictive rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>1.4</td>
<td>Measurement</td>
<td>Discounted (present) or non-discounted value</td>
<td>Non-discounted value</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.5</td>
<td>Deferred tax on share-based payments</td>
<td>No specific rules apply</td>
<td>Specific rules apply</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.6</td>
<td>Tax group (fiscal unit)</td>
<td>Several rules apply</td>
<td>No rules included</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>2</td>
<td>Presentation of deferred tax assets</td>
<td>To be presented either as current or non-current asset</td>
<td>To be presented as non-current asset</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>2.1</td>
<td>Presentation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Various information to be disclosed in the notes</td>
<td>Some disclosure mandatory for large entities only</td>
<td>Mandatory</td>
<td>IFRS require more detailed disclosure</td>
</tr>
</tbody>
</table>

### 1 Recognition and measurement

#### 1.1 Deferred tax on revaluation

Due to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code, recognition of a deferred tax asset or liability relating to revaluation is not mandatory, but recommended, under DAS 272.304. IAS 12.20 requires recognition of a deferred tax asset or liability.

#### 1.2 Recognition of deferred tax asset; concurrence with taxable temporary differences relating to revaluation

DAS 272.310 explicitly stipulates that taxable temporary differences relating to revaluation are not taken into account in assessing whether a deferred tax asset is recognised for deductible temporary differences. IAS 12 does not include such an explicit restriction.
1.3 Recognition of previously unrecognised deferred tax asset relating to tax losses by acquirer

This section concerns the financial statements of the acquirer, not the acquisition statement of financial position of the acquiree as at the date of acquisition.

There may be situations in which, as a result of a business combination, an acquirer may consider it probable that it will recover its own deferred tax asset that was not recognised before the business combination. For example, the acquirer may be able to utilise the benefits of its unrecognised unused tax losses against the future taxable profit of the acquiree. In such cases, the acquirer should recognise a deferred tax asset arising from future loss carry-forwards at the time of acquisition. Under DAS 272.505, this should be taken into account in determining the goodwill; the deferred tax asset recognised by the acquirer is deducted from the goodwill arising on the acquisition.

Under IAS 12.67, there is no deduction from the goodwill arising on the acquisition; instead, such a deferred tax asset should be recognised through profit or loss.

Under IFRS, this accounting treatment likewise applies to situations in which a deferred tax asset arising from loss carry-forwards recognised by the acquirer is impaired at the time of, and owing to, the acquisition. DAS does not contain any rules for reverse situations.

1.4 Recognition of acquired deferred tax asset at a later stage

If an acquirer recognises an acquired deferred tax asset, not recognised at the date of acquisition, at a later stage, this deferred tax asset is recognised as a tax gain through profit or loss, with the goodwill being written off simultaneously through profit or loss (DAS 272.505a). Under IAS 12.68, such deferred tax asset is only charged to goodwill if it is recognised within the period of initial recognition (up to one year following the acquisition date) based on new information about facts and circumstances that existed at the acquisition date. In all other cases, the deferred tax asset is recognised as a tax gain through profit or loss.

1.5 Measurement

DAS 272.404 stipulates that deferred tax assets and liabilities should be measured at either their discounted (present) value or their non-discounted value. Under IAS 12.53, deferred tax assets and liabilities may not be measured at present value.

1.6 Deferred tax on share-based payments

DAS 272 does not contain any specific rules on the recognition of deferred taxes arising from share-based payments. IAS 12.68A-C does contain such rules. The IAS 12 rules are also considered acceptable under DAS 272.

1.7 Tax group (fiscal unit)

DAS 272.8 lays down several rules for the allocation of taxes within a tax group. IAS 12 does not contain any such rules. Opinions differ widely on whether or not allocation to the entities involved should take place, ranging from full allocation to all entities to not allocating at all to any entities.
Whatever the choice, it must be consistently applied, and of course adequately disclosed. Any contractual agreements within the group must also be considered.

2 Presentation

2.1 Presentation of deferred tax assets
DAS 272.602 stipulates that deferred tax assets should be shown on a separate line under financial fixed (non-current) assets or under current assets. Under IAS 1 it is not permitted to include deferred taxes under current assets (IAS 1.56).

3 Disclosure

3.1 Various information to be disclosed in the notes
In general IAS 12 requires more detailed disclosure. DAS 272 contains disclosure recommendations for all entities and requirements for large entities. IAS 12 does not make this distinction, requiring all entities to include all disclosures.

DAS only requires large entities to disclose the effective and applicable tax rates. Any significant departures from previous years should also be disclosed.

The majority of other disclosure requirements in IAS 12 are also not mandatory for large entities.

Accounting standards
Relevant accounting standards:
- DAS 272  Taxation
- IAS 1  Presentation of Financial Statements
- IAS 12  Income Taxes
- SIC 25  Income Taxes —Changes in the Tax Status of an Enterprise or its Shareholders
## 15 Liabilities & accrued liabilities and deferred income

<table>
<thead>
<tr>
<th></th>
<th>Recognition and measurement</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Derecognition</td>
<td>On the transfer of risks to third parties</td>
<td>When the obligation specified in the contract is discharged, cancelled, or expires</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.2</td>
<td>Fair value option</td>
<td>Not allowed</td>
<td>Allowed if certain criteria are met</td>
<td>Dutch laws and regulations stricter</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Presentation</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Classification of current portion of long-term debt</td>
<td>Current portion of long-term debt to be classified under either current or non-current liabilities</td>
<td>To be classified as current</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>2.2</td>
<td>Classification of financial instruments as equity or financial liabilities in the separate financial statements</td>
<td>Solely in the separate financial statements, based on legal designation</td>
<td>Based on economic reality (in all types of IFRS financial statements)</td>
<td>Conflicting</td>
</tr>
<tr>
<td>2.3</td>
<td>Classification of compound financial instruments</td>
<td>Consolidated financial statements: equity and liability components may be classified separately; if they are not, the method of accounting for the instruments should be explained in the notes. Separate financial statements: classification depends on the legal form</td>
<td>Equity and liability items must be classified separately</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>2.4</td>
<td>Classification of preference shares if distribution is mandatory in the event of sufficient profit</td>
<td>In consolidated financial statements: classification as equity or liability</td>
<td>Classification as liability</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In separate financial statements: depending on legal form</td>
<td></td>
<td>Conflicting in separate financial statements, depending on legal form</td>
</tr>
<tr>
<td>2.5</td>
<td>Breakdown of liabilities</td>
<td>Detailed breakdown required</td>
<td>Breakdown limited to trade creditors and other amounts payable, financial obligations, current and deferred tax liabilities, and liabilities included in disposal groups</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>2.6</td>
<td>Presentation of liabilities held for trading purposes</td>
<td>Liabilities with no settlement date should be classified under non-current liabilities if they could be claimed after one year</td>
<td>Liabilities principally held for trading purposes should be presented as current liabilities, irrespective of when they are payable</td>
<td>Conflicting</td>
</tr>
<tr>
<td>2.7</td>
<td>Classification under current/non-current liabilities in the event of refinancing or repayment extension agreed after the reporting date</td>
<td>Relevant to classification under current/non-current liabilities if refinancing has been formally agreed prior to preparing the financial statements</td>
<td>Not relevant to classification under current/non-current liabilities</td>
<td>IFRS stricter</td>
</tr>
</tbody>
</table>
General

The IASB has replaced IAS 39 (in phases) with IFRS 9 Financial Instruments (with the subject of macro-hedge accounting only still being open). This standard addresses recognition and measurement. IFRS 9 will apply to financial years that begin on or after 1 January 2018, with early adoption being allowed. As the provisions of IAS 39 relating to liabilities will be incorporated virtually unchanged into IFRS 9, this chapter discusses the differences between Dutch laws and regulations and IAS 39, stating any changes ensuing from IFRS 9 where applicable.

1 Recognition and measurement

1.1 Derecognition

DAS 290.701 refers to DAS 115.104–112 for the derecognition of financial assets and financial liabilities. DAS 115.109 and 115.110 include a general provision on the derecognition of assets and liabilities. An asset or a liability should no longer be recognised in the statement of financial position if a transaction results in the transfer, to a third party, of all or nearly all entitlements to economic benefits and all or nearly all the risks attached to the asset or the liability.

IAS 39 addresses the derecognition of assets and liabilities in great detail. See also Chapter 23a Financial Instruments on IAS 39.

1.2 Fair value option

With the exception of financial liabilities in the trading portfolio and derivatives, Dutch regulations do not allow valuation of liabilities at current value. The fair value option under IAS 39.9 allows companies, at the time of entering into a financial instrument (financial asset or liability) contract, to carry such an instrument at fair value with changes in value being recognised in profit or loss, provided that one of the following three criteria is met IAS 39.9 and 11A):

- Application of the fair value option eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring financial assets or liabilities or recognising the gains and losses on them on different bases.
- A group of financial instruments (assets, liabilities or both) is managed on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains an embedded derivative except if the embedded derivative has little or no influence on the cash flows of the financial instrument or if it can easily be demonstrated that the economic features and risks of the embedded derivative are clearly and closely related to the host financial instrument.
The fair value option continues to apply under IFRS 9, the only change being that the portion of the change in value attributable to changes in the entity's credit risk may not be recognised in profit or loss, but should be accounted for in other comprehensive income (IFRS 9, Section 5.7.7).

2 Presentation

2.1 Classification of current portion of long-term debt

Section 375 (6) of Book 2 of the Dutch Civil Code stipulates that the current portion of an entity's long-term debt should be disclosed either by including it under current liabilities in the statement of financial position or by separate disclosure in the notes if the current portion is included under non-current liabilities. Under IAS 1, it is not permissible to include the current portion of loans under non-current liabilities (IAS 1.72).

2.2 Classification of financial instruments as equity or financial liabilities in the separate financial statements

In the separate financial statements, the presentation of financial instruments as equity or financial liabilities must be based on the legal form (DAS 240.207). IAS 32.15 requires presentation based on the economic reality of the instrument (for further details see Chapter 11a, Section 2.2).

2.3 Classification of compound financial instruments

IAS 32.28 states that if an entity issues a financial instrument with both a debt and an equity component, both these components must be classified separately under financial liabilities and equity respectively. In the consolidated financial statements, this method is preferred pursuant to DAS. However, under DAS 290.813 the debt and the equity components do not necessarily have to be classified separately; composite instruments may be presented in their entirety as equity or financial liabilities (DAS 290.813). In that case the notes must explain how these instruments are accounted for. In the separate financial statements, classification of instruments as a liability or as equity should be according to their legal form. The annual edition 2016 of the DAS includes a draft standard that prescribes splitting compound financial instruments into liability and equity components. This draft standard is not yet applicable to 2017.

2.4 Classification of preference shares if distribution is mandatory in the event of sufficient profit

If a dividend on preference shares is distributed at all times, provided that sufficient profit is made, the preference shares are classified as a liability under IAS 32. DAS 290.810 also stipulates that, in that case, a contingent liability exist for the entity. This liability only becomes unconditional when sufficient profit is available. However, DAS stipulates that distributions of profit are effectively essential characteristics of equity, allowing companies to present instruments subject to the condition of distribution as equity or liability in the consolidated financial statements. The entity should disclose the decision made in the notes.

In the separate financial statements, classification of instruments as a liability or as equity will be according to their legal form.
2.5 Breakdown of liabilities

Under Section 375 (1) of Book 2 of the Dutch Civil Code, the following should be shown separately under liabilities:

- Bond loans, mortgage bonds and other loans, with specific mention of convertible loans
- Amounts owed to credit institutions
- Prepayments received on orders, insofar as they have not already been deducted from asset items
- Trade payables and trade credits
- Bills of exchange and cheques payable
- Amounts owed to group companies
- Amounts owed to entities and partnerships that have an interest in the entity or in which the entity has an interest, insofar as not included under amounts owed to group companies
- Amounts owed in respect of tax and social security contributions
- Amounts owed in respect of pensions
- Other payables

Under IAS 1.54, at least the following should be included separately under liabilities:

- Trade payables and other amounts payable
- Financial obligations
- Immediate tax liabilities
- Deferred tax liabilities
- Liabilities included in disposal groups referred to in IFRS 5

2.6 Presentation of liabilities held for trading purposes

Under IAS 1.69, liabilities principally held for trading purposes should be presented as current liabilities. DAS does not include such a rule, but stipulate that liabilities with no agreed settlement date should be classified under current liabilities if they could be claimed after the reporting date within one year at most and under non-current liabilities otherwise (DAS 254.303).

2.7 Classification under current/non-current liabilities in the event of refinancing or repayment extension agreed after the reporting date

Under DAS 254.305, non-current liabilities with a contracted settlement date within one year should continue to be classified under non-current liabilities if the entity intends and has the right to refinance the debt concerned for a period of at least twelve months after the reporting date. If, at the reporting date, the entity is not entitled, under the ruling loan conditions, to refinance the debt for a period of at least twelve months after the reporting date, but if refinancing has been contractually agreed prior to preparation of the financial statements, the entity may classify the debt concerned as non-current, with application of this option being disclosed (DAS 254.305).

IFRS do not allow classification under non-current liabilities if a refinancing or debt repayment extension agreement is concluded after the reporting date but before the preparation of the financial statements. This is a non-adjusting event that must be disclosed as an event after the reporting date (IAS 1.73 and 1.76).
The same difference in accounting treatment applies to loans in respect of which the entity, at the reporting date, fails to meet the loan conditions, as a result of which the debt becomes payable on demand, if:

- On or before the reporting date, a period of grace of at least twelve months has been agreed and it is clear that the lender will not demand repayment, both DAS 254.307 and IAS 1.75 stipulate that the debt continues to be classified as non-current.
- Or

After the reporting date but before the preparation of the financial statements, a period of grace is agreed and repayment is not an issue, DAS 254.37, allows classification of the debt as non-current; IFRS (IAS 1.74) do not allow this and requires classification of the debt under current liabilities. This does qualify as a non-adjusting event which must be clarified as an event after the reporting date (IAS 1.76).

3 Disclosure

3.1 Information on financial instruments

All disclosure requirements for financial instruments are included in IFRS 7. Among other things, IFRS 7 requires an entity to group its financial instruments into classes of similar instruments and, if disclosure is required, provide such disclosure for each individual class.

The principal categories of disclosure are set out below:

- Disclosure of the significance of financial instruments for an entity’s financial position and performance. In addition, they include day one profit disclosure requirements.
- Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk (including a sensitivity analysis). The qualitative disclosures describe management’s objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity’s key management personnel.

For further details of the above, see Chapter 23 Financial instruments.

Dutch legislation requires information to be provided on financial instruments. In connection with this, a distinction is made between financial instruments carried at current value (Section 381a of Book 2 of the Dutch Civil Code) and financial instruments not carried at current value (Section 381b of Book 2 of the Dutch Civil Code). DAS has been brought into line with the mandatory disclosures previously prescribed by IAS 32 (by now replaced by IFRS 7 in this respect). For example, DAS 290.906 stipulates that the following should be disclosed for all financial instruments, whether or not recognised in the statement of financial position:

- Information on the size and nature of financial instruments, including significant contractual provisions that may have an impact on the amount and timing as well as on the certainty of the future cash flows.
- Accounting principles, including criteria for recognising financial instruments in the statement of financial position and valuation methods used.

DAS 290 also requires disclosure of the interest rate risk and fair value of financial instruments, and of the hedging of expected future transactions.
3.2 Disclosure regarding long-term liabilities with a remaining term to maturity of over five years

Pursuant to Section 375 (2) of Book 2 of the Dutch Civil Code, the total of the long-term debts with a remaining term to maturity of over five years must be disclosed separately. There is no such specific rule in IFRS.

Accounting standards

Relevant accounting standards:

- DAS 254 Long-term Liabilities
- DAS 258 Accruals and Deferred Income
- DAS 290 Financial Instruments
- IFRS 7 Financial Instruments: Disclosure
- IFRS 9 Financial Instruments
- IAS 1 Presentation of Financial Statements
- IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement
16  Statement of profit or loss

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Capitalisation of borrowing costs</td>
<td>Borrowing costs attributable to qualifying assets to be capitalised or recognised in profit or loss</td>
<td>Capitalisation of borrowing costs mandatory for qualifying assets</td>
</tr>
<tr>
<td>1.2</td>
<td>Recognition of interest income and expense</td>
<td>Effective interest method or straight-line amortisation (subject to certain conditions)</td>
<td>Effective interest method</td>
</tr>
<tr>
<td>1.3</td>
<td>Pre-acquisition dividend</td>
<td>To be deducted from the net asset value of the subsidiary, jointly controlled entity or associate</td>
<td>To be recognised in profit or loss, with an impairment test being made of the carrying amount of the subsidiary, jointly controlled entity or associate</td>
</tr>
<tr>
<td>2</td>
<td>Presentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Formats</td>
<td>Prescribed formats</td>
<td>Only those line items to be included are mentioned</td>
</tr>
<tr>
<td>2.2</td>
<td>Statement of comprehensive income</td>
<td>Three formats for presentation of comprehensive income</td>
<td>Two formats for presentation of comprehensive income</td>
</tr>
<tr>
<td>2.3</td>
<td>Condensed statement of profit or loss in separate financial statements</td>
<td>Allowed (only for non-PIEs)</td>
<td>Not allowed</td>
</tr>
<tr>
<td>3</td>
<td>Disclosure</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1 Recognition and measurement

1.1 Capitalisation of borrowing costs

Under IAS 23.8, borrowing costs directly attributable to a qualifying asset must be capitalised. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Under DAS 273.204, borrowing costs directly attributable to a qualifying asset may be capitalised or expensed immediately. If capitalisation is opted for, this should be applied to all qualifying assets (DAS 273.206).

1.2 Recognition of interest income and expense

Under IFRS, recognition of interest income and expense must be based on the effective interest method (IAS 18.30 and 39.9).

DAS stipulate that straight-line amortisation (instead of application of the effective interest rate method) is allowed as an alternative, provided it does not result in substantial differences compared with the effective interest rate method (DAS 270.125 and 273.201).
1.3 Pre-acquisition dividend
If equity investments in subsidiaries, jointly controlled entities and associates result in the right to dividend in respect of equity and/or profit established and achieved, respectively, prior to the acquisition of the investment, such dividend is deducted from the cost of the investment concerned (DAS 270.127).

Under IFRS, all dividends should be recognised in profit or loss (IAS 27.12), with the carrying amount of the relevant investment to be tested for impairment.

2 Presentation

2.1 Formats
The Annual Accounts Formats Decree sets out the statement of profit or loss formats that should be used when preparing financial statements.

As from 1 January 2016, formats G and H are no longer allowed. While IAS 1 does not contain any formats, it does set out the separate line items that should be included in the statement of profit or loss (IAS 1.82–1.87):
- Revenue
- Finance costs
- Share of profits and losses of associates and joint ventures accounted for using the equity method
- Tax expense
- As a single item a) profit or loss from discontinued operations after tax and b) profit or loss after tax from the adjustment to lower fair value less cost to sell upon disposal of (groups of) assets
- Profit or loss
- Each component of other comprehensive income classified by nature
- Non-controlling interests
- Comprehensive income

2.2 Statement of comprehensive income
DAS 265.202 lists three options for presenting comprehensive income:
- As a separate statement in addition to the consolidated statement of financial position, statement of profit or loss and statement of cash flows.
- As part of the disclosure of the portion of group equity attributable to the shareholders of the entity.
- As an extension of the consolidated statement of profit or loss.

IAS 1 defines the term comprehensive income as the change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners (IAS 1.7), thus comprising:
- Profit or loss for the period.
- Other comprehensive income, including revaluations of property, plant and equipment and intangible assets, revaluations of financial instruments, cash flow hedges, actuarial gains and losses and translation gains and losses. Effectively, these are all changes in equity not ensuing from transactions with shareholders.
One of the primary statements to be included by an entity is a Statement of Changes in Equity, i.e. a statement of changes in equity, with transactions with shareholders being presented separately, and total comprehensive income included as a single amount. In addition, companies can choose between the following options:

- Including one statement of comprehensive income, presenting the various elements of both components of comprehensive income (profit or loss and other comprehensive income).
- Including two statements: a traditional statement of profit or loss, showing the profit or loss for the period, followed by a statement of comprehensive income, including the profit or loss for the period as a single line item, plus specific elements of other comprehensive income (IAS 1.10A).

These two statements are both in accordance with DAS 265.202 options one and three listed above.

### 2.3 Condensed statement of profit or loss in separate financial statements

Section 402 of Book 2 of the Dutch Civil Code allows a condensed statement of profit or loss to be included in the separate financial statements if consolidated financial statements (and hence a comprehensive consolidated statement of profit or loss) are prepared. IFRS does not contain any such option.

As from 1 January 2016, public interest entities (PIEs) may no longer use Section 402 of Book 2 of the Dutch Civil Code.

### 3 Disclosure

There are no differences between Dutch laws and regulations and IFRS.

#### Accounting standards

Relevant accounting standards:

- DAS 110 Objectives and Basic Assumptions
- DAS 115 Criteria for Inclusion and Disclosure of Information
- DAS 260 Accounting for Intercompany Gains and Losses in the Financial Statements
- DAS 265 Statement of Comprehensive Income of the Entity
- DAS 270 Statement of profit or loss
- DAS 273 Borrowing Costs
- IAS 1 Presentation of Financial Statements
- IAS 18 Revenue
- IAS 23 Borrowing Costs
- IAS 27 Separate Financial Statements
- IAS 39 Financial Instruments: Recognition and Measurement
### 17 Statement of cash flows

<table>
<thead>
<tr>
<th></th>
<th>Recognition and measurement</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Preparation of statement of cash flows</td>
<td>Mandatory for large and medium-sized companies. Exemption for wholly-owned subsidiaries under certain conditions, and for 100% intermediate holding companies</td>
<td>Mandatory for all companies applying IFRS</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.2</td>
<td>Preparation of statement of cash flows in separate financial statements</td>
<td>Only if not included in consolidated financial statements</td>
<td>Always</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.3</td>
<td>Definition of cash and cash equivalents in statement of cash flows</td>
<td>Broader definition: accounting for current listed shares and bonds under cash and cash equivalents possible</td>
<td>Narrower definition</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.4</td>
<td>Definition of amounts owed to credit institutions</td>
<td>Accounting for negative balances under cash and cash equivalents not allowed</td>
<td>Accounting for negative balances under cash and cash equivalents is allowed under certain conditions</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>1.5</td>
<td>Basis for indirect method</td>
<td>Operating profit or loss (preferable), or profit or loss before or after taxation</td>
<td>Profit or loss before or after taxation. Alternatively: income and expenses disclosed in the statement of profit or loss, plus changes in working capital</td>
<td>IFRS stricter</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Presentation</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Classification of cash flows with regularly recurring sales of tangible non-current assets</td>
<td>Classification of proceeds from sales solely under operating activities if revenues are recognised as net turnover (choice). In that case, in our view, an accounting policy must be chosen regarding purchasing or manufacturing payments</td>
<td>Classification of proceeds from sales and purchasing and manufacturing payments under operating activities if IAS 16.68A applies</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>2.2</td>
<td>Classification of interest, dividend and income tax</td>
<td>Classification of interest received and dividends received under operating or financing activities, dividend paid preferably under financing activities</td>
<td>Classification of interest received and dividends received under operating or financing activities, dividend paid may be under financing activities</td>
<td>Dutch laws and regulations and IFRS differ</td>
</tr>
<tr>
<td>2.3</td>
<td>Cash flows on acquisition or disposal of subsidiaries</td>
<td>As investing activity</td>
<td>As investing activity when obtaining/losing control, as financing activity in the event of purchase/sale of non-controlling interest; under certain circumstances as operating or financing activity when actually paying for an earn-out</td>
<td>Dutch laws and regulations and IFRS differ</td>
</tr>
<tr>
<td>2.4</td>
<td>Classification of expenditure relating to acquisition costs upon purchase of subsidiary</td>
<td>Expenditure relating to directly attributable acquisition costs under investing activities</td>
<td>Expenditure relating to directly attributable acquisition costs under operating activities</td>
<td>Dutch laws and regulations and IFRS differ</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
<td>Dutch laws and regulations</td>
<td>IFRS</td>
<td>Conclusion</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
<td>----------------------------</td>
<td>------</td>
<td>------------</td>
</tr>
</tbody>
</table>
| 2.5     | Accounting for cash and cash equivalents in purchased/sold subsidiary | There are two possibilities for incorporating the cash and cash equivalents of subsidiaries on their acquisition and disposal:  
- To deduct them from the purchase or sales consideration  
- To present the gross purchase or sales consideration and separately disclose the cash and cash equivalents as a component of the reconciliation between net cash flows and the change in cash and cash equivalents shown in the statement of financial position | On obtaining or losing effective control of subsidiaries, any cash and cash equivalents should be deducted from the purchase or sales consideration | IFRS stricter |
| 2.6     | Off-setting cash flows | No specific guidance; cash receipts and payments to be presented separately | Specific guidance on off-setting in the statement of cash flows | IFRS more explicit |
| 2.7     | Subtotal for cash flows from business operations | Subtotal for cash flows from business operations recommended | No recommendation | Dutch laws and regulations recommend more detailed disclosure |
| 3       | Disclosure | | | |
| 3.1     | Information on acquisition/disposal of subsidiaries | No specific guidance, solely an example of a disclosure and, in a more general sense, disclosure of unusual receipts/payments | Detailed information to be provided on obtaining or losing control of subsidiaries | IFRS stricter |
| 3.2     | Information on cash and cash equivalents that are not freely available | Disclosure of the amount of cash and cash equivalents not freely available to the group, including detailed notes | Disclosure of cash flows relating to income tax, interest (including capitalised interest) and dividend | Dutch laws and regulations and IFRS differ |
| 3.3     | Cash flows arising from income tax, interest and dividend | Recommended; separate disclosure of dividends paid under cash flows from financing activities | | IFRS stricter |
| 3.4     | Presentation and disclosure of non-controlling interests | Dividends paid to non-controlling interests to be presented separately if under financing activities; any further disclosure recommended only | Dividends paid and other cash flows to non-controlling interests to be disclosed | IFRS stricter |
| 3.5     | Reconciliations | Various recommendations | Disclosure required of changes in liabilities arising from financing activities; possible by means of movement schedule | IFRS stricter |
| 3.6     | Other disclosures | Various recommendations and requirements: see the diagram below | Various recommendations and requirements: see the diagram below | Dutch laws and regulations and IFRS differ |
| 3.7     | Information in the directors’ report | Recommended | No rules | Dutch laws and regulations recommend more detailed disclosure |
1 Recognition and measurement

1.1 Preparation of statement of cash flows

DAS require only large and medium-sized companies to prepare a statement of cash flows, with the exception of wholly-owned subsidiaries whose parent entity prepares an equivalent statement of cash flows, stating the entity from which the parent entity’s consolidated financial statements may be obtained (DAS 360.104). Under DAS 360.104, 100% intermediate holding companies and entities applying Section 403 Book 2 of the Dutch Civil Code are exempt from preparing a statement of cash flows. A 100% intermediate holding company only provides equity to its investees and does not act as a financing company for its participating interests.

Under IAS 7.1, the requirement to prepare a statement of cash flows applies to all legal entities.

1.2 Preparation of statement of cash flows in separate financial statements

DAS 360.106 only requires a statement of cash flows to be included in separate financial statements if none is included in the consolidated financial statements. IAS 7 does not include any such requirement.

1.3 Definition of cash and cash equivalents in statement of cash flows

The statement of cash flows relates to cash and cash equivalents.

IFRS define cash equivalents as short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value (IAS 7.6). Cash equivalents are held for the purpose of meeting short-term cash commitments and not so much as investments or for other reasons. An investment normally meets the definition of a cash equivalent when it has a maturity of three months or less from the date of acquisition (IAS 7.7), because the longer the maturity, the bigger the risk of market changes having a material effect on the investment’s value. Equity investments are not recognised as cash equivalents, unless they are in substance cash equivalents (e.g., preference shares acquired within three months of their specified redemption date) (IAS 7.7).

DAS contains a concept similar to cash equivalents, i.e. assets that are highly liquid in the short term. These are investments that are convertible to cash and cash equivalents without any restrictions or any material risk of impairment as a consequence of the transaction.

Assets that are highly liquid in the short term under DAS appear to be comparable with the concept of cash equivalents under IFRS, but the former are defined more broadly. Current listed shares and bonds may also be recognised under cash and cash equivalents under DAS (Annex to DAS 360), although this is frequently not done in practice.
1.4 Definition of amounts owed to credit institutions

Under IAS 7.8, in principle, amounts owed to credit institutions are deemed to be part of financing activities. In connection with this, a distinction is made between loans granted by credit institutions and negative bank balances. However, when bank account debit balances are immediately claimable and an integral component of the cash flow management, as an exception these are regarded as cash and cash equivalents in the statement of cash flows and thus deducted from the cash and cash equivalents.

DAS does not distinguish between loans granted by credit institutions and negative bank balances. Negative bank balances are therefore not considered to be part of cash and cash equivalents under DAS.

1.5 Basis for indirect method

According to IAS 7.18, the indirect method is based on profit or loss before or after taxation, to be adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. The only alternative mentioned by IFRS is the presentation of income and expenditure from the statement of profit or loss (also adjusted for non-cash, investment and financing items) plus the changes in working capital (IAS 7.20).

Under DAS, the indirect method is based on any of the following components: operating profit or loss, or profit or loss before or after taxation. DAS 360.212 prefers operating profit or loss.

2 Presentation

2.1 Classification of cash flows from regularly recurring sales of tangible non-current assets

IFRS has stricter rules than Dutch GAAP regarding the classification of cash flows related to investments in and disinvestments of tangible non-current assets intended for lease which are later sold as part of normal operating activities. In such cases, IFRS require and DAS advise that the income is recognised as net turnover (IAS 16.68A, DAS 212.506). Correspondingly, in that case the sale price received is classified in the statement of cash flows as cash flow from operating activities (IAS 7.14, DAS 360.217). IAS 7.14 also stipulates that the payments for acquiring or manufacturing such tangible non-current assets should be shown under operating activities. This means that a business must already determine during investment which tangible non-current assets will eventually be sold as part of normal operating activities. There is no such provision in DAS 360, which raises the question whether according to DAS these payments should be classified as operating cash flow or investment cash flow. Either alternative has its merits in our view, so a choice may be made. This must be disclosed and applied consistently.

2.2 Classification of interest, dividend and income tax

Cash flows arising from interest, dividend and income tax are classified as follows in the statement of cash flows (IAS 7.31–36, DAS 360.213-214 and 360.218).
Presentation of interest, dividend and income tax is shown in the table below.

<table>
<thead>
<tr>
<th>R = Recommended A = Allowed (depending on business operations)</th>
<th>Under IFRS</th>
<th>Under Dutch GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>A, provided it is capitalised and disclosed</td>
<td>A, provided it is capitalised</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>A, provided it is capitalised</td>
<td>A, provided it is capitalised</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Interest paid</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Interest received</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Dividends received</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>A</td>
<td>R</td>
</tr>
<tr>
<td>Income tax paid/received</td>
<td>A, provided it is allocable</td>
<td>A, provided it is allocable</td>
</tr>
<tr>
<td></td>
<td>A, provided it is allocable</td>
<td>A, provided it is allocable</td>
</tr>
</tbody>
</table>

The table shows that the current rules for classification of interest and dividends received under IFRS differ slightly from those under Dutch GAAP. IAS 7 allows them to be presented as cash flows from operating activities as well as from investing activities. DAS require them to be presented as cash flows from operating activities or from financing activities.

Pursuant to Dutch GAAP, interest expenditure which has been capitalised under non-current assets is included in cash flows under investing activities. This is also possible under IFRS, although then the total interest paid (including capitalised interest) must be disclosed separately.

DAS recommends presentation of dividends paid as cash flows from financing activities. IFRS does not have any preference: they allow presentation of such dividends as cash flows from operating activities as well as from financing activities.

The present differences between IFRS and Dutch GAAP will largely be eliminated due to a new draft standard in DAS 360 on the classification of interest and dividend received. In accordance with the draft standard, interest and dividend received must be presented either as operating cash flow or as investing cash flow. Dividend paid is required to be presented as financing cash flow or, alternatively as operating cash flow. The proposed changes apply to financial years beginning on or after 1 January 2018, with earlier adoption recommended.

### 2.3 Cash flows on acquisition or disposal of subsidiaries

Under IFRS, cash flows arising on the acquisition or disposal of subsidiaries and other companies are only classified as investing activities if they pertain to obtaining or losing control (IAS 7.39). Cash flows arising from changes in ownership interests in a subsidiary or other company that do not result in losing control (i.e. acquisition or disposal of a non-controlling interest) are classified as cash flows from financing activities (IAS 7.42A and 7.42B). By contrast, under DAS the acquisition or disposal of a non-controlling interest without control being lost may also be classified under investing activities. Furthermore, under Dutch GAAP, like under IFRS, cash flows connected to lapsed or new consolidations may be classified as cash flows from investing activities (DAS 360.219).
The effective payment under an earn-out scheme (of the amount in excess of the liability recognised at the acquisition date) may be classified as cash flow from investing activities under Dutch GAAP and as cash flow from operating activities under IFRS. Classification as cash flow from financing activities can only be applied if there is clearly a financing element.

2.4 Classification of expenditure relating to acquisition costs on acquisition of a subsidiary

Under IFRS, costs that are directly attributable to an acquisition are recognised through profit or loss, whereas they are part of the acquisition price under Dutch GAAP. Accordingly, the expenditure relating to those acquisition costs is included in operating cash flow under IFRS, whereas it is part of investing cash flow under Dutch GAAP.

2.5 Accounting for cash and cash equivalents in purchased/sold subsidiary

IAS 7.42 requires the cash and cash equivalents acquired or disposed of to be deducted from the purchase or sale consideration, respectively, on obtaining or losing control of a subsidiary. Under DAS 360.219, according to Dutch GAAP these funds may be deducted from the purchase or sales consideration. As an alternative, they may be presented separately as part of the reconciliation between the net cash flow and the movement of the cash and cash equivalents shown in the statement of financial position.

2.6 Off-setting cash flows

Under IAS 7 cash flows arising from the following operating, investing or financing activities may be reported on a net basis (IAS 7.22) in the case of cash receipts and payments:

- On behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity.
- For items in which the turnover is quick, the amounts are large, and the maturities are short.

IAS 7.24 also includes several specific exemptions for financial institutions to present receipts and payments separately. Although DAS does not include any such guidance, in our view, it seems justifiable under Dutch GAAP in situations as described in IAS 7.22 and 7.24 to permit presentation on a net basis.

2.7 Subtotal for cash flows from business operations

DAS 360.216 recommends presenting a cash flow from business operations by means of a subtotal separately under the cash flows from operating activities. This subtotal comprises all operating cash flows, with the exception of cash flows arising from interest, dividends and income taxes. IAS 7 does not contain any such guidance.

3 Disclosure

3.1 Information on acquisition and disposal of subsidiaries

IAS 7.40 stipulates that the following information be separately disclosed on the acquisition and disposal of subsidiaries and other companies when control is obtained or lost:

- The total purchase or disposal consideration
- The portion of the purchase or disposal consideration discharged by means of cash
- The amount of cash in the subsidiary or entity acquired or sold
• The amount of the assets and liabilities other than cash in the subsidiary or entity acquired or sold, summarised by major category

DAS 360 does not prescribe disclosure of such information. However, the Annex to DAS 360 provides an example of a disclosure, with the following elements:
  • The portion of the purchase or disposal consideration discharged by means of cash
  • The amount of cash in the subsidiary acquired or sold
  • The payments or receipts to be expected in the future

In addition, DAS 360.304 applies the more general requirement of detailed disclosure of extraordinary receipts and expenditure, including, for example, expenditure in connection with the entity’s expansion, unless they are clearly broken down in the statement of cash flows.

3.2 Information on cash and cash equivalents that are not freely available

IAS 7 requires that the amount of the cash and cash equivalents that are not freely available for use by the group be disclosed in detail (IAS 7.48). This requirement is not included in DAS 360. However, a comparable requirement is included in Sections 371 (2) and 372 (2) of Book 2 of the Dutch Civil Code, which prescribe disclosure of the extent to which securities and cash and bank balances are not at the free disposal of the entity.

Differences could arise between these two requirements: firstly because IAS 7 refers to cash and cash equivalents, while the Dutch law refers to securities and cash and bank balances, and secondly because IAS 7 refers to the availability to the group while Dutch law refers to the availability to the entity. However, in practice any differences are likely to be immaterial.

3.3 Cash flows arising from income tax, interest and dividend

IAS 7.31 and 7.35 require separate disclosure of cash flows arising from income tax, interest received and paid (including capitalised interest) and dividends received and paid. DAS 360 only recommends these disclosures (DAS 360.202 and DAS 360 Annexes). However, DAS 360.221 requires separate disclosure of dividends paid to an entity’s shareholders or non-controlling shareholders, which are classified as cash flows arising from financing activities.

A new draft DAS standard stipulates that paid dividends to shareholders of the company and to non-controlling shareholders are always presented separately, regardless of the classification of this cash flow (DAS 360.221). This proposed amendment applies to financial years beginning on or after 1 January 2018, with earlier adoption recommended.

Additionally, IFRS also requires that when tax cash flows are allocated over more than one class of activity, the total amount of taxes paid be disclosed (IAS 7.36). There is no such requirement under Dutch GAAP.
3.4 Presentation and disclosure of non-controlling interests

IFRS 12.B10 requires that dividends paid to non-controlling interests and the share of these interests in the cash flows be disclosed. DAS 360.305 recommends that the amount in cash and cash equivalents on the reporting date and the cash flows from operating, investing and financing activities attributable to non-controlling interests be disclosed separately. However, DAS 360.221 requires separate disclosure of dividends paid to non-controlling shareholders, if classified in the statement of cash flows as cash flows arising from financing activities.

A new draft standard stipulates that paid dividends to non-controlling shareholders are always presented separately, regardless of the classification of this cash flow (DAS 360.221). This proposed amendment applies to financial years beginning on or after 1 January 2018, with earlier adoption recommended.

3.5 Reconciliations

DAS 360 recommends the following reconciliations:
- When using the direct method between operating result and the cash flows from operations (DAS 360.211).
- Material differences between items in the statement of cash flows and statements of changes in assets and liabilities (DAS 360.301).
- Material variances between on the one hand changes in items in the statement of profit or loss according to the statement of cash flows (when the indirect method is used) or statement of reconciliations (when the direct method is used) and on the other hand changes between the amounts in the statement of financial position at the beginning and end of a period (DAS 360.303).

With effect from financial years beginning on or after 1 January 2017, IFRS requires companies to provide more detailed information on the changes in liabilities arising from financing activities, with separate disclosure of changes arising from cash flows and non-cash changes (IAS 7.44A). One way to fulfil the disclosure requirement is to provide a reconciliation (i.e. a movement schedule) between the opening and closing balances in the statement of financial position of the liabilities arising from financing activities (IAS 7.44D).

3.6 Other disclosures

DAS and IFRS apply differing recommendations and requirements regarding the other disclosures on the statement of cash flows.

| Presentation of the various different mandatory and recommended disclosures relating to the statement of cash flows is shown in the diagram below. |
|-----------------------------------|-----------------|---------------|-----------------|-----------------|
| Disclosure                        | Under IFRS      | Under Dutch GAAP |                |                |
| General accounting principles:    | Mandatory       | Recommended    | Mandatory       | Recommended    |
| IAS 1.117                         |                 |                | Annex to DAS 360 |                |
| • Definition of the concept of ‘cash and cash equivalents’ and modifications thereof | IAS 7.46-47 |             |                 | Annex to DAS 360 |
| Compound transactions and non-cash transactions: | | | | |
| • Compound transactions |                     | DAS 360.206  |                |                |
| • Non-cash transactions | IAS 7.43        | DAS 360.206  |                |                |
Presentation of the various different mandatory and recommended disclosures relating to the statement of cash flows is shown in the diagram below.

<table>
<thead>
<tr>
<th>Disclosure</th>
<th>IFRS</th>
<th>Dutch GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Conclusion of financial lease:</td>
<td>IAS 7.44A-E: disclosure of changes in</td>
<td>DAS 360.207</td>
</tr>
<tr>
<td>reconciliation with items in the statement of financial position</td>
<td>liabilities arising from financing activities</td>
<td></td>
</tr>
<tr>
<td>Analytical reconciliation between cash and cash equivalents in the</td>
<td>IAS 7.45</td>
<td>DAS 360.302</td>
</tr>
<tr>
<td>statement of cash flows and in the statement of financial position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not at the free disposal</td>
<td>of the group’s cash and cash equivalents</td>
<td>of the entity’s cash and securities</td>
</tr>
<tr>
<td>(IAS 7.48)</td>
<td></td>
<td>(Sections 371 (2) and 372 (2) of Book 2</td>
</tr>
<tr>
<td>of the entity’s cash and securities</td>
<td></td>
<td>of the Dutch Civil Code)</td>
</tr>
<tr>
<td>Special items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Disclosure of acquisition and loss of control in subsidiaries and other</td>
<td>IAS 7.39-40: detailed disclosure</td>
<td>DAS 360.304</td>
</tr>
<tr>
<td>companies</td>
<td>requirements</td>
<td></td>
</tr>
<tr>
<td>Reconciliation of differences between statement of cash flows and items</td>
<td>IAS 7.44A-E: disclosure of changes in</td>
<td>DAS 360.301 and 360.303</td>
</tr>
<tr>
<td>in the statement of financial position</td>
<td>liabilities arising from financing</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents and cash flows attributable to non-controlling</td>
<td>IFRS 12.B10: Dividends paid and share of</td>
<td>DAS 360.221: Dividends paid to non-</td>
</tr>
<tr>
<td>interest</td>
<td>non-controlling interest in other cash</td>
<td>controlling shareholders to be presented</td>
</tr>
<tr>
<td></td>
<td>flows</td>
<td>separately if under financing activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Draft Standard: from 2018, mandatory</td>
</tr>
<tr>
<td></td>
<td></td>
<td>separate presentation of dividends paid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>to shareholders of the company and to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>non-controlling shareholders)</td>
</tr>
<tr>
<td>Amount of outstanding loan facilities</td>
<td>IAS 7.50</td>
<td></td>
</tr>
<tr>
<td>Breakdown of amount of cash flows into current activities and expansion</td>
<td>IAS 7.50-51</td>
<td></td>
</tr>
<tr>
<td>of activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment information</td>
<td>IAS 7.50 and 7.52</td>
<td></td>
</tr>
</tbody>
</table>
3.7 Information in the directors’ report

DAS 360.301 recommends that the directors’ report also provides detailed disclosure of information presented in the statement of cash flows. It does not specify the information to be provided in the directors’ report. IFRS does not further specify information on the statement of cash flows to be disclosed in the directors’ report.

Accounting standards

Relevant accounting standards:
- DAS 360 The Statement of cash flows
- IAS 7 Statement of Cash Flows
## 18 Notes to the financial statements

<table>
<thead>
<tr>
<th></th>
<th>Recognition and measurement</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Presentation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Disclosure structure</td>
<td>The sequence of the items in statement of financial position/statement of income must be retained</td>
<td>No specific requirements</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>3</td>
<td>Disclosure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Compliance with the standards</td>
<td>No requirement to state compliance with DAS in the financial statements; however, requirement to disclose the standards used to prepare the financial statements</td>
<td>Requirement to state compliance with IFRS in the financial statements</td>
<td>IFRS requires more detailed disclosure</td>
</tr>
<tr>
<td>3.2</td>
<td>Departure from the standards</td>
<td>No explicit requirement to disclose departure from DAS in the financial statements</td>
<td>Requirement to disclose departure from IFRS in the financial statements</td>
<td>IFRS requires more detailed disclosure</td>
</tr>
<tr>
<td>3.3</td>
<td>Remuneration of executive and non-executive directors</td>
<td>Remuneration of current and former executive and non-executive directors must be disclosed</td>
<td>Total remuneration of key management must be disclosed</td>
<td>IFRS and Dutch laws and regulations have different disclosure requirements</td>
</tr>
<tr>
<td>3.4</td>
<td>Loans to executive and non-executive directors</td>
<td>Information on loans, advances and guarantees to executive and non-executive directors must be disclosed</td>
<td>Transactions with key management must be disclosed</td>
<td>Dutch laws and regulations require more detailed disclosure</td>
</tr>
<tr>
<td>3.5</td>
<td>Employee information</td>
<td>Disclosure of average number of employees during the financial year, appropriately broken down according to the structure of the entity</td>
<td>No specific requirements</td>
<td>Dutch laws and regulations require more detailed disclosure</td>
</tr>
<tr>
<td>3.6</td>
<td>Audit fees</td>
<td>Total audit fees must be disclosed</td>
<td>No specific requirements</td>
<td>Dutch laws and regulations require more detailed disclosure</td>
</tr>
<tr>
<td>3.7</td>
<td>Information on related parties</td>
<td>Only on transactions not entered into at arm’s length conditions</td>
<td>Information on nature of relationship with related parties and all transactions with related parties, with no distinction being made between transactions entered into at arm’s length conditions and other transactions</td>
<td>IFRS and Dutch laws and regulations have different disclosure requirements</td>
</tr>
<tr>
<td>3.8</td>
<td>Management’s judgement when applying accounting policies</td>
<td>No specific requirements</td>
<td>Judgements must be disclosed</td>
<td>IFRS require more detailed disclosure</td>
</tr>
</tbody>
</table>
1 Recognition and measurement
There are no differences in recognition and measurement rules between IFRS and Dutch laws and regulations.

2 Presentation
2.1 Disclosure structure
Since 2016, the law stipulates that the notes must follow the order in which the items are listed in the statement of financial position and statement of profit or loss (Section 363 (1) of the Dutch Civil Code). The Explanatory Memorandum to this change in the law indicates that the legal requirement to provide adequate insight remains a guiding principle in the presentation of the data in financial statements and the accompanying notes. This means that compiling similar information in a single note is deemed acceptable (e.g., disclosure of deferred taxes in a single note).

IFRS does not have such a requirement.

3 Disclosure
3.1 Compliance with the standards
IFRS require a statement of compliance with IFRS to be made in the financial statements. However, financial statements may only state that these have been prepared in accordance with IFRS if they comply with all IFRS requirements (IAS 1.16). DAS does not require stating compliance with DAS in the financial statements. However, Section 362 (10) of Book 2 of the Dutch Civil Code requires disclosure of the standards used to prepare the financial statements.

3.2 Departure from the standards
According to the IASB, strict compliance with IFRS will almost always result in a fair presentation (IAS 1.15). In contrast to Section 362 (4) of Book 2 of the Dutch Civil Code, IAS 1.19 therefore only allows departure from the standards in extremely rare circumstances. A departure from IFRS is only allowed when compliance with IFRS would result in misleading financial reporting and when the applicable regulatory framework requires or does not forbid departure from the standards. In such circumstances, IAS 1.20 requires disclosure of the nature, reason and financial consequences of the departure. Disclosures should not only be provided with respect to the year in which the standards are departed from, but also in subsequent years, to the extent that the departure still has an impact on the figures for those years (IAS 1.21).

In the extremely rare circumstance in which management takes the view that compliance with an IFRS requirement would result in misleading financial reporting and the applicable regulations do not allow departure, the entity should disclose the following information to reduce the misleading aspects as much as possible (IAS 1.23):
- The title of the standard or interpretation, the nature of the requirement and the reason for management taking the view that the requirement is so misleading that it would conflict with a true and fair view.
- For each period presented in the financial statements, the changes that need to be made to each line item to ensure a fair presentation.
In accordance with Section 362 (4) of Book 2 of the Dutch Civil Code, the financial statements depart from legal requirements (in Part 9 of Book 2 of the Dutch Civil Code) solely if this contributes to providing the necessary view, with the reason for the departure and its impact on equity and results being disclosed in the notes; no such disclosure requirement for departures from the DAS is included in the DAS.

3.3 Remuneration of executive and non-executive directors

In accordance with Section 383 (1) of Book 2 of the Dutch Civil Code, an entity is required to provide information in the financial statements on the remuneration of current and former executive and non-executive directors. According to DAS 271.602, the terms directors and former directors refer only to those natural persons or entities that are current or former members of the entity's board in accordance with the Articles of Association. Remuneration may be disclosed in the form of total amounts for each of the management board and the supervisory board, except for open public limited liability companies (Section 383 (1) of Book 2 of the Dutch Civil Code).

Section 383b and 383c of Book 2 of the Dutch Civil Code require open public limited liability companies to disclose, in their financial statements, the remuneration of each individual current and former executive and non-executive director, to the extent that the entity incurs these amounts in the relevant financial year. For individual executive directors, remuneration must be broken down into the following components:

- Regular salary
- Long-term remuneration
- Post-employment and termination benefits
- Profit shares and bonuses

If remuneration paid to an executive director is in the form of a bonus based in part or in full on achieving the targets set by the entity, this should be disclosed, as should be the extent to which these targets have been achieved. If remuneration is paid to a non-executive director in the form of profit sharing or bonuses, the same information should be disclosed, as well as the reason underlying the decision to pay remuneration based in part or in full on achieving the targets set by the entity to a non-executive director. Also, if (previously paid) remuneration/bonuses are adjusted or recovered, this should be disclosed (Section 383c (6) of Book 2 of the Dutch Civil Code).

Under IAS 24.16, total key management remuneration must be disclosed. Under IAS 24.9, key management is defined as those persons who directly or indirectly control the entity and are responsible for the policies, management and operations of the entity.

Under IAS 24.17, total remuneration of managers in key positions must be broken down into the following components:

- Short-term (regular) benefits
- Post-employment benefits
- Other long-term benefits
- Termination benefits
- Share-based payments
Based on a comparison between Dutch laws and regulations and IAS 24, it can be concluded that:

- The term key management has a wider scope than the Dutch term “Bestuurders en commissarissen” (executive and non-executive directors) under the Articles of Association or otherwise.
- For Dutch companies not being open public limited liability companies, the requirements under IAS 24 are more extensive than those under Dutch laws and regulations.
- Dutch laws and regulations stipulate stricter requirements than IAS 24 with regard to executive and non-executive directors of open public limited liability companies.

### 3.4 Loans to executive and non-executive directors

Besides disclosures regarding the remuneration Section 283 (2) of Book 2 of the Dutch Civil Code also requires that information on loans, advances and guarantees granted to executive and non-executive directors should be disclosed (in total amounts). This information consists of:

- The amounts outstanding
- The interest rate
- The amounts repaid during the financial year
- The other principal terms and conditions
- Impaired amounts
- Amounts that were waived

Open public limited liability companies must disclose this information for each individual executive and non-executive director (Section 383e of Book 2 of the Dutch Civil Code).

IFRS does not explicitly require disclosure of information on loans, advances and guarantees granted to executive and non-executive directors. However, key management is considered a related party under IAS 24.9. IAS 24.17 requires disclosure of transactions with related parties. At a minimum, disclosures must include:

- The amount of the transactions.
- The amount of outstanding balances and their terms and conditions, and the nature of the consideration to be provided in settlement; and details of any guarantees given or received.
- Provisions for doubtful debts related to the amount of outstanding balances.
- The expense recognised during the period in respect of bad or doubtful debts due from related parties.

Differences between IFRS and Dutch laws and regulations exist due to the distinction made between open public limited liability companies and other Dutch entities and the fact that the term key management has a wider scope than the Dutch term “Bestuurders en commissarissen” (executives and non-executive directors) under the Articles of Association or otherwise. See also Section 3.3 above.

### 3.5 Employee information

Dutch law requires that the average number of employees during a financial year be disclosed, broken down according to the structure of the entity (Sections 382 and 410 (5) of Book 2 of the Dutch Civil Code). The entity must disclose the number of employees working outside the Netherlands. IAS 1 does not include any such requirement.
3.6 Audit fees

Section 382a of Book 2 of the Dutch Civil Code requires large entities to disclose in the notes to their financial statements the total fees for auditing the financial statements, total fees for other assurance engagements, total fees for tax advisory services and total fees for other non-audit services, performed by the external auditor and the audit firm. Entities should also disclose the method used to calculate the audit fees (DAS 390.301a). IFRS does not include any such requirement.

3.7 Information on related parties

3.7.1 Dutch GAAP

Section 381 (3) of Book 2 of the Dutch Civil Code requires large entities to disclose transactions with related parties. DAS 330 is in line with that law, stipulating that information must be provided on material transactions not entered into at arm’s length conditions. Such information pertains to the extent of the transaction, the nature of the relationship with the related party and other information required for an understanding of the entity’s financial position.

3.7.2 IFRS

In the case of transactions between related parties, information should be disclosed on both the nature of the relationship and the transactions. This information should at least include (IAS 24.18):

- The amount of the transactions
- The amounts outstanding, as well as their terms and conditions, whether they are secured, the nature of the consideration to be provided in settlement, details of any guarantees given or received
- Provisions for doubtful debts related to outstanding balances
- The expenses recognised in the period due to doubtful debts

The above information should be disclosed separately for each of the following categories of related party (IAS 24.19):

- The entity’s parent
- Companies with joint control or significant influence over the entity
- Subsidiaries of the entity
- Associates: companies over which the entity exercises significant influence
- Joint ventures in which the entity is a venturer
- The entity’s or its parent’s key management
- Other related parties

IAS 24 requires more detailed information on the nature of and transactions with related parties, with the question as to whether transactions have been entered into at arm’s length conditions or not being irrelevant. Dutch legislation only requires disclosure of material transactions not entered into at arm’s length conditions. However, the DASB recommends disclosure of all material transactions with related parties (DAS 330.201).

3.8 Management’s judgement when applying accounting policies

IFRS requires disclosure in the notes of the judgements that management has made in the process of applying the entity’s accounting policies to key items in the financial statements (IAS 1.122–1.124). There are no such specific requirements under Dutch laws and regulations.
Accounting standards
Relevant accounting standards:
  • DAS 110  Objectives and Basic Assumptions
  • DAS 271  Employee Benefits
  • DAS 300  Notes: Function and Arrangement
  • DAS 330  Related Parties
  • DAS 390  Other Disclosures
  • IAS 1    Presentation of Financial Statements
  • IAS 24  Related Party Disclosures
<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Definition of control</td>
<td>Consolidation is required if control is exercised. No specific rules for de facto control</td>
<td>A different definition of control, resulting in consolidation being required more often</td>
</tr>
<tr>
<td>1.2</td>
<td>Consolidation of specific parts</td>
<td>No guidance</td>
<td>Requirement to consolidate parts of the entity if a specific part is controlled</td>
</tr>
<tr>
<td>1.3</td>
<td>Consolidation of subsidiaries acquired with a view to their disposal in the near future</td>
<td>Exemption from consolidation (option to exclude such subsidiaries from the consolidation) applies in exceptional situations</td>
<td>Consolidation required</td>
</tr>
<tr>
<td>1.4</td>
<td>Other exemptions from consolidation</td>
<td>The following companies need not be consolidated. • Companies which are immaterial to the group • Companies the information on which can only be obtained at disproportionate expense or with great delay</td>
<td>No explicit exemption, the materiality principle can be applied</td>
</tr>
<tr>
<td>1.5</td>
<td>Exemption from sub-consolidation</td>
<td>Provided no notification of objection is received in writing from holders of at least 10% of the issued capital</td>
<td>Provided all non-controlling interest shareholders approve</td>
</tr>
<tr>
<td></td>
<td>Exemption from sub-consolidation</td>
<td>The ultimate parent’s or any other intermediate parent’s consolidated financial statements must be prepared in accordance with the requirements set out in the EU Directive on financial statements or in an equivalent manner</td>
<td>The ultimate parent’s or any other intermediate parent’s consolidated financial statements must be prepared in accordance with IFRS</td>
</tr>
<tr>
<td>1.6</td>
<td>Separate financial statements</td>
<td>Separate financial statements required</td>
<td>Separate financial statements may be added, in which case specific guidance applies</td>
</tr>
<tr>
<td>1.7</td>
<td>Uniform accounting policies</td>
<td>Different accounting policies may be used based on valid reasons</td>
<td>Uniform accounting policies are required</td>
</tr>
<tr>
<td>1.8</td>
<td>Attribution of losses to non-controlling interests</td>
<td>To be attributed to the majority shareholder if the non-controlling interests have a deficit balance</td>
<td>Non-controlling interests can have a deficit balance</td>
</tr>
<tr>
<td>1.9</td>
<td>Venture capital companies and investment entities</td>
<td>Exemption from consolidation for venture capital companies and investment entities allowed if a specific exit strategy is applied</td>
<td>Consolidation of equity interests/investments by venture capital/investment entities not allowed if specific conditions are met. Does not apply to the venture capital/investment entity’s parent</td>
</tr>
<tr>
<td>1.10</td>
<td>Consolidation obligation for personal holding</td>
<td>Personal holdings are exempt from consolidation, subject to specific conditions</td>
<td>No exemption for personal holdings</td>
</tr>
<tr>
<td>2</td>
<td>Presentation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
General: concepts of group and group company

In the Netherlands, an entity which, either solely or jointly with another group company, heads its group is required to include consolidated financial statements, showing its own financial information with that of its subsidiaries, other group companies and other entities over which it exercises control or in respect of which it carries out central management activities (Section 406 (1) of Book 2 of the Dutch Civil Code). Section 24b of Book 2 of the Dutch Civil Code defines a group as an economic unity in which entities and partnerships are united as were they one organisation. Group companies are entities and partnerships that are united in one group.

The Dutch Accounting Standards Board fleshed out the concept of a group and the existence of a group company in DAS 217.201–208. DAS 217.201 contains three criteria that have to be met under a group concept: forming an economic unity, organisational structure and central management. A group relationship exists if one entity effectively controls the other; in other words, whether it has a policy-setting and controlling interest in the other (policy-dependent) entity (DAS 217.202). A special purpose entity can form part of a group (DAS 217.205).

IFRS 10.19 requires that a parent present consolidated financial statements. IFRS 10.5 defines a parent as an entity that has one or more subsidiaries, and a subsidiary as an entity that is controlled by another entity (a parent).

1 Recognition and measurement

1.1 Definition of control

IFRS 10 provides that an investor controls an investee if the following criteria are met:
- Power over the investee
- Exposure, or rights, to variable returns from the investee
- Involvement in the investee
- The ability to use its power over the investee to affect the amount of the investor’s returns

1.1.1 De facto control

The definition of control will result in consolidation being required more often, as a non-controlling shareholder will also be required to draw up consolidated financial statements in the situation in which the other shares are divided among multiple shareholders, and if other criteria have been met. This is referred to as de facto control: the situation in which control, or potential control, is not based on contractual rights, but on actual circumstances.
For example, if a shareholder holds 40% of the shares, with the remaining 60% being divided among multiple shareholders, this may, and often will, result in the 40% shareholder actually having a dominant position in the general meeting of shareholders and effectively setting the investee's policy as a result. Dutch laws and regulations do not contain any specific provisions for de facto control, but this does not mean consolidation would not in some cases, based on the actual situation, be required on the grounds of de facto control.

1.2 Consolidation of specific parts

IFRS 10 acknowledges the possibility that control is exercised over a specific part of an entity. If specific assets and liabilities are recognised separately from the rest of the entity, the control of such specific assets and liabilities is assessed separately. This will then result in consolidation (or subsequent deconsolidation) of those specific assets and liabilities, rather than consolidation of the entity as a whole. Dutch laws and regulations do not include any such provisions.

1.3 Consolidation of subsidiaries acquired with a view to their disposal in the near future

Section 407 (1c) of Book 2 of the Dutch Civil Code stipulates that subsidiaries may be exempt from consolidation if they are held only with a view to their disposal. This can occur if, on the acquisition of a group or part of a group, the intention exists to reorganise this group and sell certain parts within the foreseeable future (DAS 217.304). It should be noted that this exemption only applies in the situation that the intention to sell in the near future already existed at the time of acquisition. Consolidated entities that, after some time, are intended to be sold in due course, are generally included in the consolidation until they are actually sold.

IFRS 10 does not make this exception as such. Under IFRS 5.6, such companies are regarded as held for sale, which means that they are consolidated, but only presented as assets and/or liabilities held for sale in the statement of financial position and, where relevant, under IFRS 5.32, as discontinued operations in the statement of profit or loss (see also Chapter 32). The foregoing applies irrespective of whether the subsidiary was acquired with a view to its disposal, or whether an existing subsidiary is to be sold.

If an entity acquires an entity with the sole intention of disposing it at a later stage, the interest is classified as held solely with a view to its disposal at the date of acquisition only if its disposal is likely to be within one year and the following requirements are met at the date of acquisition, or shortly afterwards (DAS 217.305):

- The entity is available for immediate disposal in its present condition.
- A decision to dispose of has been taken and a disposal plan prepared.
- An active programme to complete the plan has been initiated.
- The price asked is reasonable in relation to the fair value.
- It is unlikely that significant changes will be made to the disposal plan or that it will be withdrawn.

These indicators are usually met within three months of the date of acquisition. Interests satisfying the above conditions are recognised under current assets. If the sale takes longer than one year, due to facts or circumstances beyond the entity's control and there is sufficient evidence that the entity will comply with the sale plan, the interest will continue to be classified as held solely with a view to its disposal (DAS 217.306).
If an interest ceases to meet the held solely with a view to its disposal requirements, the financial data of the interest will be consolidated in the financial statements of the participating entity (DAS 217.307).

1.4 Other exemptions from consolidation
Under Dutch laws and regulations, the following subsidiaries need not be included in the consolidation (Section 407 (1) and 407 (2) of Book 2 of the Dutch Civil Code, DAS 217.217 and DAS 217.304):
- Subsidiaries the combined significance of which is not material to the group as a whole.
- Subsidiaries the required information of which can only be obtained at disproportionate expense or with great delay.

IFRS 10 does not contain such specific exemptions. However, IFRS include the general materiality principle (see Framework, Sections 29-30).

1.5 Exemption from sub-consolidation
The exemption from sub-consolidation is included both in Dutch law (Section 408 of Book 2 of the Dutch Civil Code) and in IFRS 10.4. Under both Dutch regulations (effective 2015) and IFRS, such exemption does not apply to entities whose securities are traded on a regulated or equivalent market. One of the conditions set out in Section 408 for this exemption to apply is that an entity has not been notified in writing by at least one-tenth of its members or by holders of at least one-tenth of its issued share capital of an objection to the exemption within six months after the commencement of its financial year. An additional condition is that the financial information which the entity would have to consolidate is included in the consolidated financial statements of the ultimate parent or any other intermediate parent. Consolidating financial information proportionally in the ultimate parent’s or any other intermediate parent’s consolidated financial statements does not satisfy this condition (DAS 217.214). Also, the ultimate parent’s or any other intermediate parent’s consolidated financial statements must be prepared in accordance with the requirements set out in the EU Directive on financial statements or in an equivalent manner.

The exemption under IFRS 10.4 applies to all intermediate holding companies that are subsidiaries of other companies, irrespective of the shareholding of the ultimate holding company concerned.

Non-controlling interest shareholders need to approve the application of the exemption. If the exemption is used, the consolidated financial statements of the ultimate or any other intermediate parent must comply with IFRS. Thus it is not possible to apply IFRS 10.4 if the consolidated financial statements have been drawn up according to US GAAP.

1.6 Separate financial statements
Under IFRS separate financial statements are presented together with the consolidated financial statements, or with the financial statements in which associates are carried using the equity method, or with the financial statements in which joint ventures are consolidated proportionally (IAS 27.6). One of the following two situations could apply:
- The entity has subsidiaries and is not exempt from preparing consolidated financial statements. In this case, the entity must prepare consolidated financial statements that comply with IFRS (IFRS 10.19).
- The entity has no subsidiaries, but does hold interests in joint ventures or associates over who’s operating and financial policies it exercises significant influence. In this case, the entity must draw up financial statements that comply with IFRS in which the associates and interests in joint ventures are valued using the equity method, or, in the case of joint ventures, consolidated proportionally (IAS 28.2).

In either case, the entity can include separate financial statements in which reference is made to the consolidated financial statements based on IFRS. In the separate financial statements, all interests must be measured in accordance with the equity method, at cost or at fair value in accordance with IAS 39 (IAS 27.10).

Under Dutch regulations, separate financial statements must always be prepared in accordance with the requirements of Part 9 of Book 2 of the Dutch Civil Code and DAS. There are no provisions covering statements similar to IFRS separate financial statements (even though IFRS separate financial statements can in themselves be regarded as separate financial statements).

### 1.7 Uniform accounting policies

Notwithstanding the consolidation method used, the consolidated financial statements should be prepared using uniform accounting policies (IFRS 10.19, DAS 217.504). Under DAS 217.504, different accounting policies may only be used based on valid reasons, to be disclosed in the notes. IFRS 10 do not allow this specific exception.

If the financial information of companies to be consolidated is prepared on the basis of accounting policies other than those adopted in the consolidated financial statements, and this would have a significant overall impact on the consolidated statement of financial position and statement of profit or loss, adjustments have to be made to this information in preparing the consolidated financial statements (DAS 217.504). Under IFRS 10.B87, appropriate adjustments have to be made at all times in such cases.

### 1.8 Attribution of losses to non-controlling interests

Losses of subsidiaries that are attributable to the non-controlling interests are presented as such, even if the non-controlling interests are not liable for the losses incurred (IFRS 10.B94). Non-controlling interests can have a deficit balance as a result. Under DAS 217.508, such losses are attributed to the majority shareholder.

### 1.9 Venture capital companies and investment entities

DAS 217.308 addresses the provision of Section 407 (1) of Book 2 of the Dutch Civil Code with respect to venture capital companies and investment entities, stating that information on an entity the interest in which is held exclusively with a view to its disposal need not be consolidated in the consolidated financial statements. This provision may be applied to controlling interests held by venture capital companies and investment entities, provided that, from the time of acquisition, a specific exit strategy has been defined with respect to these participating interests/investments, such that it is clear that these participating interests/investments are held only with a view to their disposal at a time set out in the exit strategy. In general, a term between five and ten years is deemed acceptable; a term up to five years is not subject to any debate.
Under IFRS 10, venture capital companies and investment entities are not allowed to consolidate their investments if a number of conditions are met. In that case, investments must be stated at fair value with changes in value in profit or loss in line with IFRS 9.

A venture capital entity/investment entity is an entity that meets all of the following three criteria:

- It obtains funds from one or more investors for the purpose of providing professional investment management services to these investors.
- It undertakes, vis-à-vis the investors, to generate increases in value or dividends, or both, from the investments.
- It measures investment performance and reviews such performance based on the fair value of the investments.

When determining whether an entity meets the definition of a venture capital entity/investment entity, the following features are considered.

- The venture capital entity/investment entity has multiple investments so as to spread investors’ risks and maximise returns.
- The venture capital entity/investment entity has multiple investors, who pool their funds to maximise investment returns.
- Investors are not related parties of the venture capital entity/investment entity.
- The venture capital entity/investment entity has investments in the form of equity interests or similar interests.

Under IFRS, this exemption does not apply to the investment entity’s parent, unless the latter also meets the investment entity’s criteria. This means that the parent must consolidate the investments held by the subsidiary investment entity. Dutch GAAP does not contain any specific provisions on this matter, which means that the exemption also applies to the parent.

### 1.10 Consolidation obligation for personal holding

A personal holding is defined as follows DAS 217.103: “A personal holding is defined for the purposes of this chapter as a legal entity all of whose shares are held directly by a natural person (and possibly other natural persons who are in a close family or other relationship with that natural person), which safeguards and structures the private interests of this natural person.”

Such a personal holding that owns the majority of the shares in another company will, on the basis of that shareholding, often have the majority of the voting rights in the general meeting of shareholders of this company and the majority of the economic benefits of this company (DAS 217.209). However, this does not necessarily mean that the personal holding will therefore be head the group. Personal holdings are also subject to the rule that a consolidation obligation applies to them if they are to be qualified as the head of as group. If the personal holding does not head the group, it is exempt from the consolidation obligation. A number of indicators for assessing whether an entity was a personal holding and therefore eligible for an exemption from consolidation were set out in the annual edition 2006 of the DAS. These indicators were deleted in the annual edition 2007 of the DAS but can still be useful for an initial assessment.

An exemption from consolidation can only apply under DAS. Under IFRS, a consolidation requirement will always apply to a personal holding able to exercise control.
2 **Presentation**

There are no differences between Dutch laws and regulations and IFRS.

3 **Disclosure**

3.1 **Differences in equity/profit between separate and consolidated financial statements**

If the equity and profit or loss for the year according to the separate financial statements are not the same as the equity and profit or loss for the year according to the consolidated financial statements, the differences are disclosed in the notes to the separate financial statements in accordance with Section 389 (10) of Book 2 of the Dutch Civil Code (DAS 217.401). IFRS 10 does not contain any such requirement.

3.2 **Differing disclosure requirements**

IFRS 12, which has been effective since 1 January 2013, addresses disclosure requirements applicable to group companies, associates, joint arrangements and structured entities. It combines many of the requirements formerly included in IAS 27, IAS 28 and IAS 31, as well as introducing a number of new requirements.

One of the new requirements is that companies must disclose significant assumptions and estimates made in assessing as to whether control, joint control or significant influence is exercised over another entity. IFRS 12 also requires that companies disclose the manner in which, for example, potential voting rights were considered in order to make the assessment.

IFRS 12 contains more detailed disclosure requirements on subsidiaries with significant non-controlling interests, and on joint arrangements and associates which are individually material. For example, IFRS 12 requires an entity to disclose summarised financial information for each of its subsidiaries that have non-controlling interests that are material to the reporting entity.

Disclosure requirements for structured entities (SEs) are also significantly more extensive. An entity is required to disclose the nature and scope of the changes in risks relating to its interests in consolidated and non-consolidated SEs. For example, an entity is required to disclose the terms and conditions of an agreement on the basis of which the entity could be required to provide financial support.

**Accounting standards**

Relevant accounting standards:

- DAS 214 Financial Fixed Assets
- DAS 217 Consolidation
- DAS 260 Accounting for Intercompany Gains and Losses in Separate and Consolidated Financial Statements
- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 10 Consolidated Financial Statements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
## 20 Business combinations and goodwill

<table>
<thead>
<tr>
<th></th>
<th>Scope</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Scope</td>
<td>Distinguish between acquisitions and mergers/pooling of interests</td>
<td>Only identifies business combinations</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.1</td>
<td>Distinction between mergers and acquisitions</td>
<td>No explicit rules</td>
<td>Explicit rules</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.2</td>
<td>Business combination or assets acquisition?</td>
<td>Apply equally to the acquirer’s consolidated and separate financial statements</td>
<td>Only applies to the acquirer’s consolidated financial statements</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.3</td>
<td>Which financial statements?</td>
<td>No explicit rules</td>
<td>Explicit rules</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>2</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Accounting for mergers and acquisitions</td>
<td></td>
<td>Only acquisition method is allowed</td>
<td>Conflicting</td>
</tr>
<tr>
<td>2.2</td>
<td>Determining cost of business combination — Acquisition-related costs</td>
<td>To be recognised as part of the cost of the business combination</td>
<td></td>
<td>Conflicting</td>
</tr>
<tr>
<td>2.3</td>
<td>Determining cost of business combination — Contingent consideration</td>
<td>To be taken into account if it is likely and can be reliably measured. To be measured at present value, with subsequent changes being recognised in goodwill</td>
<td>To be measured at fair value. Subsequent changes in the fair value of contingent consideration classified as a liability are recognised in statement of profit or loss. Subsequent changes in the fair value of contingent consideration classified as an equity instrument are not recognised</td>
<td>Conflicting</td>
</tr>
<tr>
<td>2.4</td>
<td>Determining cost of business combination — Market price of shares issued by the acquirer is guaranteed</td>
<td>Leads to a change in share premium on original share issue</td>
<td>Recognition pursuant to regular standards IAS 32 and 39</td>
<td>Conflicting</td>
</tr>
<tr>
<td>2.5</td>
<td>Recognition — Determining identifiable assets and liabilities — general</td>
<td>Probability requirement is criterion for recognition</td>
<td>Probability requirement is part of measurement</td>
<td>Conflicting</td>
</tr>
<tr>
<td>2.6</td>
<td>Recognition of intangible assets</td>
<td>To be shown separately from goodwill to the extent possible. Probability requirement is a criterion for recognition</td>
<td>To be shown separately from goodwill to the extent possible. Probability requirement is part of the measurement process</td>
<td>Conflicting</td>
</tr>
<tr>
<td>2.7</td>
<td>Indemnifications and related liabilities</td>
<td>Several accounting treatments possible</td>
<td>Recognition and measurement of indemnification asset at same amount as liability</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>2.8</td>
<td>Recognition of acquirer’s deferred tax assets due to the business combination</td>
<td>To be charged to goodwill</td>
<td>To be recognised in statement of profit or loss</td>
<td>Conflicting</td>
</tr>
<tr>
<td>2.9</td>
<td>Recognition of provision for restructuring costs due to the business combination</td>
<td>Provision for restructuring costs must be recognised if strict conditions are met</td>
<td>Provision for restructuring costs should not be recognised unless the costs meet the definition of liabilities at the acquisition date</td>
<td>Conflicting</td>
</tr>
<tr>
<td>2.10</td>
<td>Recognition of contingent liabilities</td>
<td>Not recognised</td>
<td>Certain contingent liabilities to be recognised and measured at fair value</td>
<td>Conflicting</td>
</tr>
<tr>
<td>2.11</td>
<td>Measurement — Determining fair value of acquired assets and liabilities</td>
<td>Limited guidance</td>
<td>IFRS 13 contains detailed rules</td>
<td>Conflicting</td>
</tr>
<tr>
<td>Section</td>
<td>Dutch laws and regulations</td>
<td>IFRS</td>
<td>Conclusion</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
<td>-----------------------------------</td>
<td></td>
</tr>
<tr>
<td>2.12 Measurement of intangible assets</td>
<td>Should not result in negative goodwill or an increase in negative goodwill</td>
<td>The amount to be capitalised is not limited</td>
<td>Conflicting</td>
<td></td>
</tr>
<tr>
<td>2.13 Measurement of non-controlling interests</td>
<td>To be measured at proportionate share in fair value of identifiable assets and liabilities</td>
<td>For each business combination, instruments that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation to be measured at either proportionate share in fair value of identifiable assets and liabilities, or at fair value. All other instruments to be measured at fair value</td>
<td>Dutch laws and regulations stricter</td>
<td></td>
</tr>
<tr>
<td>2.14 Accounting for positive goodwill</td>
<td>Law and DAS 216: To be capitalised and amortised systematically, with an impairment test where necessary</td>
<td>To be capitalised, not amortised, with an impairment test to be carried out annually</td>
<td>Conflicting</td>
<td></td>
</tr>
<tr>
<td>2.15 Recognition of positive goodwill in the (partial) sale of a participating interest</td>
<td>In separate financial statements: proportionate derecognition of goodwill. In consolidated financial statements: proportionate derecognition of goodwill or reallocation of equity to non-controlling interest</td>
<td>Reallocation of equity to non-controlling interests</td>
<td>IFRS stricter</td>
<td></td>
</tr>
<tr>
<td>2.16 Accounting for positive goodwill in the (partial) sale of a participating interest — goodwill carried to equity in the past</td>
<td>Partial reversal of goodwill charged to result</td>
<td>Not applicable</td>
<td>Conflicting</td>
<td></td>
</tr>
<tr>
<td>2.17 Accounting for negative goodwill</td>
<td>Under liabilities, with specific rules for the release of such goodwill</td>
<td>Immediately in statement of profit or loss</td>
<td>Conflicting</td>
<td></td>
</tr>
<tr>
<td>2.18 Goodwill denominated in foreign currency</td>
<td>To be regarded as an acquired item or as acquirer’s item</td>
<td>To be regarded as an acquired item</td>
<td>IFRS stricter</td>
<td></td>
</tr>
<tr>
<td>2.19 Initial accounting for acquisition</td>
<td>Definitively accounted for before the end of the financial year following the acquisition date, without comparative figures being restated</td>
<td>Definitively accounted for within one year of the business combination, with the comparative figures being restated</td>
<td>IFRS stricter</td>
<td></td>
</tr>
<tr>
<td>2.20 Reversal of provision for restructuring costs</td>
<td>No time limit is applied; subsequent adjustment of goodwill</td>
<td>No exceptions; current rules apply</td>
<td>Conflicting</td>
<td></td>
</tr>
<tr>
<td>2.21 Acquirer’s unrecognised deferred tax assets</td>
<td>To be recognised in statement of profit or loss, with simultaneous goodwill impairment charged to statement of income</td>
<td>To be recognised in statement of income</td>
<td>Conflicting</td>
<td></td>
</tr>
<tr>
<td>2.22 Accounting for step acquisitions — Measurement of acquisition price</td>
<td>Total of acquisition prices of the separate transactions, increased if applicable by the fair value on the acquisition date of the underlying assets and liabilities of previously held equity interests</td>
<td>Total of acquisition prices of the separate transactions, increased if applicable by the fair value on the acquisition date of previously held equity interests</td>
<td>Conflicting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dutch laws and regulations</td>
<td>IFRS</td>
<td>Conclusion</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---------------------------</td>
<td>------</td>
<td>------------</td>
<td></td>
</tr>
<tr>
<td>2.23</td>
<td>Accounting for step acquisitions — Remeasurement of previously held equity interests</td>
<td>Underlying assets and liabilities, excluding goodwill, of previously held equity interests may be remeasured. Remeasurement to be taken to the revaluation reserve</td>
<td>Previously held equity interests, including goodwill, must be remeasured. Gain or loss, if any, to be recognised in profit or loss (with revaluation reserve to be formed in separate financial statements); in addition, reserves related to previously held equity interests to be reclassified to profit or loss, or to be transferred to other reserves</td>
<td>Conflicting</td>
</tr>
<tr>
<td>2.24 Pooling of interests</td>
<td>Allowed</td>
<td>Not allowed</td>
<td>IFRS stricter</td>
<td></td>
</tr>
<tr>
<td>2.25 Recognition in separate financial statements</td>
<td>At fair value or net asset value, on the basis of their recognition in the consolidated financial statements</td>
<td>At cost, being the fair value at the time of the acquisition</td>
<td>IFRS stricter</td>
<td></td>
</tr>
</tbody>
</table>

### General

An important underlying principle of the IFRS is the approach based on which the reporting entity is considered from the perspective of the group as a whole rather than from the perspective of the parent entity. This approach is known as the economic entity concept, as opposed to the parent entity extension concept. This is reflected in IFRS 3, in particular, in the option of measuring non-controlling interests at fair value and recognising acquisition-related costs immediately in profit or loss. In connection with this, there is a further shift towards fair value accounting, as reflected in particular in IFRS 3 in the determining of the cost of the business combination and the measurement of acquired identifiable assets and liabilities at fair value.

### 1 Scope

#### 1.1 Distinction between mergers and acquisitions

Dutch laws and regulations distinguish between acquisitions and mergers. An acquisition is defined as a transaction in which the acquirer obtains control of the acquiree’s assets and liabilities, as well as the latter’s operations (DAS 940). Obtaining control is a specific feature of an acquisition. This is often reflected in the acquisition of a majority interest in a group company (subsidiary) (see 8.2.1.).
A merger or pooling of interests is a pooling of entities, with the parties involved pooling the control of all or virtually all assets and liabilities and all or virtually all operations so that none of the parties can be regarded as the acquirer (DAS 216.940). This is the case if parties enter into an alliance more or less on the basis of equality (DAS 216.110). The pooling should be effected so that the parties to the new entity have the same level of control and interests in relation to one another as before the pooling.

IFRS 3 does not distinguish between acquisitions and mergers, but only identifies the term business combination. IFRS 3 defines a business combination as a transaction or other event in which an acquirer obtains control of one or more businesses (IFRS 3, Appendix A).

1.2 Business combination or assets acquisition?
In order to apply IFRS 3, it should be established that a business combination exists. The definition of a business combination is a transaction or other event in which an acquirer obtains control of one or more businesses (IFRS 3, Appendix A). This means that it must be assessed whether an acquirer can be established and whether a business is acquired (IFRS 3.3, B7–B12). DAS 216 does not include an assessment as to whether an acquirer exists that obtains control of a business as such. However, DAS 216 clearly addresses the recognition of the acquisition of a business, rather than the acquisition of individual assets or a group of assets. This will therefore not lead to differences in practice.

IFRS 3 does not address the acquisition of individual assets or a group of assets that does not constitute a business (asset deal) (IFRS 3.2b). If no business is acquired, the acquirer should allocate the cost to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Incremental costs are often accounted for as part of the cost of acquisition. No positive and negative goodwill nor deferred taxation applies. There are no further specific disclosure requirements for ‘asset deals’. These rules are deemed to apply under Dutch GAAP.

1.3 Which financial statements?
DAS 216.103 addresses the accounting for mergers and acquisitions in the acquirer’s consolidated financial statements. DAS 214 outlines the provisions relating to the recognition of mergers and acquisitions in the separate financial statements, with participating interests being carried at net asset value or based on the equity method when combination 3 is applied. The relevant requirements are included in DAS 214.301, 214.305, 214.309, 214.327, 214.333, 214.333a, 214.336, 214.341, 214.341a and 341.342, by reference to DAS 216. IFRS 3 only addresses the recognition of mergers and acquisitions in the acquirer’s consolidated financial statements.

2 Recognition and measurement
2.1 Accounting for mergers and acquisitions
IFRS 3.4 stipulates that every business combination be accounted for using the acquisition method. Under DAS 216, only acquisitions are to be accounted for using the acquisition method, which is referred to as the purchase accounting method under DAS 216.201. This is the accounting treatment that is applied in the majority of the cases. DAS 216.107 indicates that virtually all mergers and acquisitions qualify as acquisitions. In the event of a merger, i.e. if a pooling of interests is involved, this is recognised based on the pooling of interests method (DAS 216.112).

DAS 216 provides clarification on the recognition of mergers and acquisitions of foundations and associations, both commercial and otherwise (DAS 216.601-608). IFRS 3 provides no such clarification.
2.2 Determining cost of business combination — Acquisition-related costs

Under DAS 216, the cost of the business combination partly includes the costs directly attributable to the business combination. These include audit, legal, appraisal and other advisory fees, and taxes where applicable. General expenses and costs incurred by a department responsible for acquisitions are not included in cost (DAS 216.207).

IFRS 3.53 stipulates that acquisition-related costs are recognised immediately in profit or loss. The background to this is that the reporting entity is considered from the perspective of the group as a whole rather than from the perspective of the parent entity. The incremental costs are deemed to be costs of the parent company and should therefore, from the perspective of the group, not be included in the cost of acquisition and goodwill.

2.3 Determining cost of business combination — Contingent consideration

A business combination agreement may provide for a potential adjustment to the cost of the business combination depending on future events. This is referred to as a contingent consideration in IFRS 3.39. An example of such a contingent consideration is an earn-out obligation, with part of the cost being determined by the acquiree’s future revenue or profit. An adjustment may also be triggered by an uncertain event—for example, if the result falls below a pre-set level.

DAS 216 stipulates that such consideration should be taken into account when determining the cost of the business combination, if the adjustment of the cost of the business combination is likely as at the acquisition date, and the amount involved can be reliably measured (DAS 216.239 and 216.242). It is assumed that a reliable estimate can be made in most cases (DAS 216.240). This contingent liability is recognised in the statement of financial position and carried at the present value of the expected future cash flows.

If the adjustment is unlikely, or the amount involved cannot be reliably measured, the cost of the business combination has to be adjusted as soon as the above conditions are fulfilled. The cost is also adjusted for the differences between the estimated and actual payments made after the acquisition date (DAS 216.241). The adjustments are accounted for in the year (or years) in which the adjusted estimates are implemented and/or the actual payments were made. The comparative figures are not restated. The adjustment to cost has an impact on the amount of the goodwill.

The goodwill is adjusted in line with the adjustment to the contingent cost of the business combination at the time of the adjustment, with the adjusted goodwill being subsequently amortised prospectively.

IFRS 3 stipulates that the acquirer measures the contingent consideration at fair value as at the acquisition date and recognises it in the statement of financial position (IFRS 3.39). The classification and measurement at fair value is based on an assessment of the facts and circumstances at the acquisition date. If the consideration is a financial instrument, the acquirer must classify it as equity or as a liability in accordance with IAS 32 Financial Instruments: Classification (IFRS 3.40, IAS 32.11).
If the financial instrument has the features of equity, subsequent changes in the fair value following the expiry of the provisional period of one year are not recognised. If the financial instrument has the features of a financial liability, subsequent changes in the fair value are recognised in the statement of profit or loss (IFRS 3.58). If the liability is not a financial instrument, the acquirer must recognise changes in fair value in profit or loss (IFRS 3.58).

Under IFRS, subsequent changes in the fair value of the conditional consideration are thus not recognised in the acquisition cost and the goodwill.

### 2.4 Determining cost of business combination — Market price of shares issued by the acquirer is guaranteed

It is possible that the value of the consideration changes following the acquisition date. This type of situation arises if the market price of the shares issued by the acquirer is guaranteed, with the acquirer having to issue additional shares to pay the consideration. Under DAS 216, the issue of additional shares is not considered to be an increase in the acquisition cost, but an adjustment to the share premium in respect of the original share issue (DAS 216.243). IFRS 3 contains no specific guidance on this matter.

If arrangements are made in this respect, they should be recognised on the basis of the current applicable standards, including IAS 32 and IAS 39. The classification of a contingent consideration can play a role in this regard.

### 2.5 Recognition — Determining identifiable assets and liabilities — general

The acquirer is required to separately identify the acquiree’s identifiable assets and liabilities at the acquisition date and to measure these at fair value at the acquisition date (IFRS 3.10 and IFRS 3.18, DAS 216.208).

The following criteria for recognition apply under DAS 216 (DAS 216.208):
- It is probable that the future economic benefits will flow to the acquirer or that the settlement will result in an outflow of resources that embodies economic benefits.
- The fair value can be measured reliably.

The following criteria for recognition apply under IFRS 3 (IFRS 3.11 and 3.12): The identifiable assets and liabilities must:
- Meet the definitions of an asset or liability, respectively, in the Conceptual Framework (Conceptual Framework 4.4 (a) and (b)).
- Be part of what the acquirer and the acquiree have exchanged as part of the acquisition, and not be the result of separate transactions (as discussed in Section 24.2.4).
The first criterion for recognition under DAS 216.208, the probability of an outflow of economic benefits, is not a criterion for recognition under IFRS 3. Identifiable assets or liabilities of the acquiree that meet the definition in the Conceptual Framework are recognised by the acquirer. Unconditional rights and obligations meet the definitions of an asset or liability, respectively, in the Conceptual Framework, as it is certain that future economic benefits will accrue to unconditional rights, even if there is uncertainty about the timing or the amount of those benefits (IFRS 3.BC126-130).

The degree of probability that future economic benefits will accrue to unconditional rights is accounted for in the measurement of these assets, and the same applies to unconditional obligations. As a result of this probability requirement—a criterion for recognition under DAS 216 (and IAS 38), and part of the measurement process under IFRS 3—assets and liabilities may be identified under IFRS 3 that are not identified under DAS 216 (and IAS 38).

The second criterion for recognition of DAS 216.208, the reliability of the measurement, is not specifically included in IFRS 3. It is considered to be part of the general criteria for recognition in the Conceptual Framework (IFRS 3.BC125; Conceptual Framework 4.38), and accordingly does not give rise to a difference compared with DAS 216.

2.6 Recognition of intangible assets

The obligation to present intangible assets separately from goodwill to the extent possible applies under both DAS 216 and IFRS 3. If assets and liabilities cannot be identified or do not meet the conditions referred to above, they will be part of goodwill (IFRS 3.B37, DAS 216.209).

IFRS 3 states that an intangible asset is identifiable if it is separable or is a contractual right (IFRS 3.B31-34). The asset can then by definition be recognised and measured. Under DAS 216 (and under IAS 38 ‘Intangible Assets’), the general criteria for recognition apply, one of which is the probability requirement. IFRS 3 assumes that intangible asset can be recognised and measured; due to that assumption, the probability requirement is included as part of the measurement. Therefore, this probability requirement—a criterion for recognition under DAS 216 and part of the measurement process under IFRS 3—may result in intangible assets that are identified as such under IFRS 3 not being identified under DAS 216.

The distinction between intangible assets and goodwill is more important under IFRS than under Dutch GAAP, as both goodwill and intangible assets may be amortised under Dutch GAAP, whereas goodwill is not amortised under IFRS.

2.7 Indemnifications and related liabilities

The transferor can contractually indemnify the acquirer against potential liabilities or other uncertainties.

Under IFRS 3, the asset resulting from the indemnification is recognised simultaneously with the liability. This indemnification is measured on the same basis as the liability is measured, subject to the need for a valuation allowance for uncollectible amounts (IFRS 3.27-28). Since the indemnification asset is recognised and measured at the same amount as the liability, there is no impact on accounting for the acquisition on goodwill and subsequently no impact on profit or loss.
As no specific or further requirements are included in DAS 216, we consider the regulations under DAS 252 ‘Provisions, Commitments and Rights not included in the Statement of Financial Position’ to be applicable to indemnifications. An indemnification can only be recognised when it is virtually certain (DAS 252.521). In our view, this does not give rise to a difference compared with IFRS 3 as indemnifications are recognised, as they are under IFRS 3, when the liabilities are recognised. As soon as the liabilities are required to be recognised, the indemnifications will be recognised. These contractual indemnifications are virtually certain on the basis of the contract. Various accounting treatments are possible.

2.7.1 Accounting treatment: Indemnification as a contractual asset in the PPA
The liability is accounted for as part of the acquisition. The indemnification is considered to be a contract to be measured, and is accounted for as such in the PPA. As the indemnification asset is recognised and measured at the same amount as the liability, there is no impact on goodwill and subsequently no impact on profit or loss when accounting for the acquisition. Hence: if the liability is adjusted via goodwill, the indemnification asset is adjusted via goodwill; if the liability is adjusted via the statement of profit or loss, the indemnification asset is adjusted via the statement of profit or loss.

2.7.2 Accounting treatment: Indemnification asset and liability outside PPA
The liability and the indemnification asset are excluded from the accounting for the acquisition, and therefore the PPA. The rationale is that owing to the indemnification, the liability has de facto not been acquired from the acquiree. There is no impact on goodwill. The indemnification and the liability are accounted for, but not as part of accounting for the acquisition and the PPA. Because the indemnification is recognised as an asset and is accounted for at the same amount as the liability, there is no subsequent impact on profit or loss.

2.7.3 Accounting treatment: Indemnification as an adjustment to cost
Cost is adjusted for re-estimates of the uncertain cost of acquisition and differences between the estimated and actual payments after the acquisition date (DAS 216.241). If the indemnification is treated as an adjustment to cost, changes in the indemnification are accounted for through cost and goodwill. Changes in the liability can be accounted for, up to a maximum of one year after the year of the acquisition, in goodwill (see Section 24.4). Thereafter, changes in the liability are accounted for in the statement of profit or loss, and there is an impact of profit or loss.

In our view, the most logical and consistent option is to account for the indemnification as a contractual asset in the PPA, since:
- Both the liability and the indemnification are items of the acquiree. The acquiree can be held liable for the liability, and will then recover it from the transferor. Therefore, it is in our opinion conceptually more correct to account for the liability and indemnification in the PPA.
- The liability and the indemnification will then not lead to a gain or loss at the acquirer.
- Accounting as a contractual asset complies with IFRS 3.

Although it may be more closely in line with DAS 216, and is therefore also considered to be acceptable by us, it would appear to be less logical and consistent to account for the indemnification as an adjustment to cost. At some point that would eliminate the neutrality with regard to profit or loss because changes in the indemnification are accounted for through cost and goodwill and changes in the liability are accounted for in the statement of profit or loss. That will also give rise to a difference compared with IFRS 3.
2.8 Recognition of acquirer’s deferred tax assets due to the business combination

There may be situations in which, as a result of a business combination, an acquirer may consider it probable that it will recover its own deferred tax asset that was not recognised before the business combination. Under DAS 272, this deferred tax asset is charged to goodwill (DAS 216.505). Under IAS 12 Income Taxes, this deferred tax asset is recognised in profit or loss (IAS 12.68). Under IFRS, therefore, recognition of such a deferred tax asset has no effect on goodwill.

2.9 Recognition of provision for restructuring costs due to the business combination

Under IFRS 3, restructuring costs the acquirer expects but for which it has not recognised a liability at the acquisition date cannot be recognised when accounting for the acquisition (IFRS 3.11). These costs are recognised after accounting for the acquisition in the financial statements in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. DAS 216.212 offers more scope for forming a provision for restructuring if the acquirer intends to restructure the activities of the acquiree, so that a liability arises as a direct result of the acquisition. However, such an increase in scope is subject to strict conditions.

2.10 Recognition of contingent liabilities

IFRS 3 also stipulates that contingent liabilities have to be identified and have to be measured at fair value only if these are existing liabilities whose amount cannot yet be reliably estimated and/or for which the outflow of resources is not yet probable, even if they do not meet the usual criteria of IAS 37 Provisions, Contingent Liabilities and Contingent Assets for recognition as liabilities (IFRS 3.18 and 3.23). Under DAS 216, such liabilities that influence the amount of goodwill are not recognised.

2.11 Measurement of the fair value of acquired assets and liabilities

DAS 216.214 and 215 provide specific guidance on determining the fair value of identifiable assets and liabilities, which conflicts with IFRS 3 and IFRS 13 Fair Value Measurement, respectively, in a number of areas. IFRS 3 provides no guidance. IFRS 13 applies when determining the fair value. IFRS 3 lists a number of identifiable assets and liabilities in respect of which an exception is made to the rule that they should be measured at fair value. These include:
- Assets classified as held for sale should be measured in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 3.31).
- Deferred tax assets and liabilities should be recognised and measured in accordance with IAS 12 Income Taxes (IFRS 3.24), but should not be carried at present value (IAS 12.53).
- Assets and liabilities relating to pensions should be measured in accordance with IAS 19 Employee Benefits (IFRS 3.26).

2.12 Measurement of intangible assets

DAS 216.215 stipulates that if the fair value of an intangible asset cannot be determined by reference to an active market, the amount to be capitalised should be limited to an amount not resulting in negative goodwill or an increase in negative goodwill. IFRS 3 does not contain such a restriction.
2.13 Measurement of non-controlling interests

IFRS 3 identifies two types of non-controlling interests (IFRS 3.19). Instruments entitling their holders to present ownership interests in the acquired entity and to a proportionate share of the entity’s net assets in the event of liquidation may be measured at the proportionate share in the fair value of the acquiree’s identifiable assets and liabilities, or at fair value. The choice of accounting policy can be made separately for each business combination. DAS 216 only allows non-controlling interests to be measured at the proportionate share in the fair value of the acquiree’s identifiable assets and liabilities. All other non-controlling interests (instruments not entitling their holders to present ownership interests and/or a proportionate share of the entity’s net assets in the event of liquidation) are measured at their acquisition-date fair values, as are all other identifiable assets and liabilities.

2.14 Accounting for positive goodwill

The law and DAS 216 stipulate that goodwill is capitalised and systematically amortised based on the useful life (DAS 216.218 and 216.221). IFRS 3 stipulates that goodwill is capitalised and an impairment test is conducted at least once a year (IFRS 3.32).

2.15 Accounting for positive goodwill in the (partial) sale of a participating interest

Under IFRS, in the event of the partial sale of a participating interest, there is no proportionate derecognition of goodwill (IFRS 10.B96). This goodwill is only derecognised when control is lost (IFRS 10.B98 (a) (i)). In the event of a partial sale, under IFRS it is not clear what should happen to the portion of the goodwill related to the participating interest sold. We are of the opinion that in consolidated financial statements a proportionate part of the goodwill must be reallocated from equity to the non-controlling interest. Otherwise, a goodwill impairment would not be correctly attributed to the non-controlling interest or a gain or loss on sale will not be calculated on the correct basis due to losing control.

Under Dutch GAAP, it is clear that part of the goodwill is included in the calculation of the gain or loss on sale in separate financial statements. If an entity sells a business or participating interest entirely or partially, in the separate financial statements the carrying amount of the attributed goodwill for the sold portion must be proportionally derecognised and recognised as part of the result on sales (DAS 214.341a). In separate financial statements this results in a write-off of a proportionate part of the goodwill. Recognition in consolidated financial statements is still subject to discussion. DAS have not clarified this. Two alternatives are being considered: the related part of the goodwill is reallocated from equity to the non-controlling interest, or the related part of goodwill is written down. We consider both alternatives acceptable.

2.16 Accounting for positive goodwill in the (partial) sale of a participating interest — goodwill carried to equity in the past

If an acquirer carried positive goodwill directly to equity when recognising an acquisition in the past, prior to the change of accounting policy arising from the amendments in Part 9 of Book 2 of the Dutch Civil Code that are mandatory for financial statements for 2016, the positive goodwill attributed, or the proportionate portion thereof, must be reversed upon a full or partial sale of the acquisition and recognised as part of the result on sales.
DAS 214 uses an average daily balance method to indicate the amount of the goodwill, or the proportionate portion thereof, written down from equity that must be reversed (DAS 214.341):
- If the sale takes place within a year of the acquisition, 100% of the goodwill write-off.
- If the sale takes place within two years of the acquisition, at least 80% of the goodwill write-off.
- If the sale takes place within three years of the acquisition, at least 60% of the goodwill write-off, et cetera.

Since there is no mention of positive goodwill charged to equity in IFRS 3, other than DAS 214, there is also no mention of goodwill reversal when an acquiree is sold.

### 2.17 Accounting for negative goodwill

Before negative goodwill is recognised, another evaluation is required and it needs to be established (IFRS 3.36, DAS 216.234):
- All assets and liabilities have been identified.
- All elements (the identified assets and liabilities, if applicable the non-controlling interest, in case of a step acquisition—the revaluation of the already existing stake, and the consideration transferred) of the acquisition have been measured correctly.

The provisions discussed in Section 2.11 are relevant in this connection.

DAS 216.235 requires negative goodwill—insofar as it relates to expected future losses/liabilities that have been taken into account as part of the intended business combination and can be reliably measured, but do not represent any identified liability at the acquisition date—to be presented as a separate accrual item. This negative goodwill should be released to profit or loss as the losses and charges arise (RJ 216.235).

There is a lucky buy if these expected losses and charges do not occur in the period in which they were expected and to the extent that the negative goodwill does not relate to expected future losses/liabilities that can be reliably measured at the acquisition date. This negative goodwill should be released to profit or loss as follows (RJ 216.235).
- The portion of the negative goodwill not exceeding the fair value of the identified non-monetary assets is released consistently to profit or loss in proportion to the weighted average of the remaining useful lives of the acquired assets to be depreciated or amortised.
- The portion of the negative goodwill exceeding the fair value of the identified non-monetary assets is recognised immediately in profit or loss.

Under IFRS 3, the excess amount resulting from the difference between the fair value of the assets and liabilities and the acquisition price, after having been re-evaluated and reset as stated above, is recognised immediately in profit or loss.

### 2.18 Goodwill denominated in foreign currency

DAS 122.310 contains two methods of accounting for goodwill in foreign currencies. The first method regards the goodwill as an item of the acquiree denominated in the acquiree’s functional currency, to be translated at the closing rate. The second method regards the goodwill as an acquirer’s item denominated in the acquirer’s functional currency, to be fixed at the historical rate prevailing on the acquisition date. IAS 21.47 only allows the first method.
2.19 Initial accounting for acquisition
Under IFRS 3.45, a business combination can be definitively measured up to a maximum period of one year following the acquisition date. Under DAS 216.244, this can be done until the end of the financial year following the year in which the acquisition is made. This is referred to as the measurement period. In connection with this, under IFRS 3.49, any adjustments and the resulting effects are recognised retrospectively, with the comparative figures being restated. Under DAS 216, adjustments and the resulting effects are recognised in the year in which the amendments are made (DAS 216.247). IFRS 3.50 stipulates that after the measurement period ends, the acquirer shall revise the accounting for a business combination only to correct an error in accordance with IAS 8. Under DAS 216.247, these effects are recognised in the statement of profit or loss.

2.20 Reversal of provision for restructuring costs
Under DAS 216, the valuation period does not apply to the reversal of a provision for restructuring costs. Such a reversal must at all times result in an adjustment to goodwill, rather than a direct change in profit or loss (DAS 216.248). IFRS 3 does not include such an exception.

2.21 Acquiree’s unrecognised deferred tax assets
It is possible that an acquirer recognises a deferred tax asset of the acquiree not recognised at the acquisition date at a later date. Under DAS 272, such a deferred tax asset is recognised as a tax gain in profit or loss, with goodwill impairment being simultaneously accounted for in profit or loss. To that end, the acquirer adjusts the gross carrying amount of the goodwill and related accumulated amortisation to the amounts that would have been recognised if the deferred tax asset had been recognised at the acquisition date. However, the acquirer does not recognise negative goodwill nor increases the carrying amount of existing negative goodwill (DAS 272.505a). Under IAS 12, such a deferred tax asset is charged to goodwill only if it is recognised in the measurement period, based on new information on the actual situation as at the acquisition date. In all other cases, the deferred tax asset is recognised as a tax gain in profit or loss (IAS 12.68).

2.22 Accounting for step acquisitions — measuring acquisition price
A step acquisition is involved if the acquirer has a previously held an equity interest in the acquiree and obtains control at the acquisition date. Recognition of a step acquisition differs under DAS 216 and IFRS 3.

In the case of a step acquisition, the acquisition price at the acquisition date is the total of the original acquisition prices of the individual transactions (DAS 216.204), possibly increased by the fair value at the acquisition date of the underlying assets and liabilities of a previously held equity interest. The acquisition price and fair values of the underlying assets and liabilities at the acquisition date are therefore calculated by aggregating the acquisition prices of equity interests acquired previously and the fair values of the underlying assets and liabilities on the dates of the individual transactions.

Under IFRS 3, all components of the acquisition are accounted for at fair value at the acquisition date, including the previously acquired equity interests in the acquiree already held by the acquirer. The total acquisition price is then equal to the additional interest acquired plus the fair value of the previously held equity interests. This measurement of the acquisition price differs from DAS 216 under which the fair values of the underlying assets and liabilities of previously held equity interests, rather than the fair values of the previously held equity interests, are part of the acquisition price.
2.23 Accounting for step acquisitions — remeasuring previously held equity interests

Under DAS 216, both remeasuring the amounts of the underlying assets and liabilities, excluding goodwill, of previously acquired equity interests, and not remeasuring those amounts are allowed. Under DAS 2016, any revaluation of the underlying assets and liabilities of previously acquired equity interests may only be recognised on the acquisition date, that is the date that control was acquired.

Previously acquired equity interests can be carried at net asset value or cost. This revaluation of the assets and liabilities embodied in the net asset value of previously acquired equity interests to fair value at the acquisition date must be taken directly to a revaluation reserve in accordance with Section 390 of Book 2 of the Dutch Civil Code (DAS 216.204). When applying combination 3, the previously acquired equity interests must always be remeasured and be accounted for in accordance with IFRS as described below (DAS 214.312).

If the interest already held is carried at cost (since, despite the size of the interest, no significant influence could be exercised over its operating and financial policy), any increases in value relating to retained earnings should be separated and not be included in the revaluation reserve. These retained earnings should be taken directly to other reserves.

If the underlying assets and liabilities of previously held equity interests are not remeasured, a mixed measurement arises, as the previously held equity interests are measured at net asset value on the basis of the fair value of the acquiree’s underlying assets and liabilities at the dates of the individual transactions. Upon obtaining control, the underlying assets and liabilities of the interest acquired in the transaction leading to control were measured at the fair value as at the current acquisition date. To avoid this, DAS 216 allows remeasurement of the underlying assets and liabilities of previously held equity interests.

Under IFRS 3, all components of the business combination, including the acquirer’s previously held equity interests in the acquiree, including goodwill, are carried at fair value at the acquisition date.

The difference between the fair value and the carrying amount of the previously held interest is recognised in profit or loss (IFRS 3.42). Unless there are frequent market listings for the previously held interest a legal reserve will often have to be formed in the separate financial statements if these are prepared on the basis of Dutch GAAP, with IFRS accounting policies used in the IFRS consolidated financial statements having been applied — Combination 3) for this unrealised revaluation gain on the previously held interest. This gain is therefore not distributable (DAS 240.227c).

In addition, the reserves relating to previously held interests and included under equity are reclassified to profit or loss and/or transferred to other reserves in line with the applicable IFRS (IFRS 3.42), with no distinction being made between previously held interests initially classified as associates and interests initially regarded as an available-for-sale financial instrument.

2.24 Pooling of interests

As indicated in Section 2.1, recognition of a pooling of interests is only possible under Dutch GAAP (DAS 216.3). IFRS 3 makes no mention of pooling of interests. Under IFRS, the pooling of interests method is only used in mergers and acquisitions under common control.
2.25 Recognition in separate financial statements

Accounting for business combinations, in this case acquired participating interests, in the separate financial statements under DAS 214 generally differs from that under IAS 27. Under DAS 214, consolidated participating interests are recognised at net asset value or based on the equity method when Combination 3 is applied (DAS 100.107). Upon acquisition, initial measurement at fair value or net asset value is as is recognised in the consolidated financial statements. Under IAS 27, they are recognised in the separate financial statements at fair value or cost or based on the equity method.

3 Presentation

3.1 Goodwill in consolidated financial statements

Positive goodwill relating to consolidated subsidiaries can be recognised, visibly disclosed or not visibly disclosed, in the consolidated financial statements under intangible assets (Section 365 (1d) of Book 2 of the Dutch Civil Code), or be separately presented under IFRS (IAS 1.54(c) and 1.55).

3.2 Goodwill in separate financial statements

If participating interests are measured at net asset value, purchased positive goodwill is presented separately in the separate financial statements under intangible assets pursuant to Dutch reporting standards (Section 365 (1) of Book 2 of the Dutch Civil Code). This goodwill is not presented separately but is included in the value of the participating interest if participating interests are measured on the basis of the equity method (Combination 3), under Dutch GAAP, as well as under IFRS.

3.3 Amortisation and impairment the statement of profit or loss

The Dutch Annual Accounts Formats Decree prescribes the required presentation of amortisation and impairment of capitalised positive goodwill in the statement of profit or loss. There are no mandatory presentation rules under (IAS 1.102).

4 Disclosure

4.1 Disclosure requirements

IFRS 3 and DAS 216.4 contain detailed disclosure requirements. IFRS 3.B64–B67 contain similar but more detailed disclosure requirements for business combinations. The most important among these more detailed disclosure requirements are listed below (IFRS 3.B64):
- The primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree (IFRS 3.B64 (d)).
- The acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration (IFRS 3.B64 (f)).
- The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed (IFRS 3.B64 (f)).
- For each business combination in which the acquirer holds less than 100% of the equity interest in the acquiree at the acquisition date:
  - The amount of the non-controlling interest in the acquiree recognised at the acquisition date and the measurement basis for that amount.
  - For each non-controlling interest in an acquiree measured at fair value, the valuation techniques and key model inputs used for calculating that value (IFRS 3.B64 (o)).
• In a business combination achieved in stages:
  • The acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date.
  • The amount of any gain or loss accounted for as a result of remeasuring to fair value the previously held equity interest in the acquiree and the line item in the statement of profit or loss in which that gain or loss is recognised (IFRS 3.B64 (p)).

IFRS 3 requires slightly more detailed disclosure on positive goodwill — in particular relating to the components of the goodwill recognised, as well as to the extent to which goodwill is tax deductible — and slightly less detailed disclosure on negative goodwill.

In addition, the acquirer should disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognised in the current reporting period that relate to business combinations that occurred in the period or previous reporting periods (IFRS 3.61–62 and B67). DAS 216 does not contain any such disclosure requirements.

**Accounting standards**

Relevant accounting standards:

- **DAS 121** Impairment of Assets
- **DAS 122** Valuation Principles for Foreign Currencies
- **DAS 214** Financial Fixed Assets
- **DAS 216** Mergers and Acquisitions
- **DAS 272** Income Taxes
- **IFRS 3** Business Combinations
- **IAS 12** Income Taxes
- **IAS 36** Impairment of Assets
## 21 Joint ventures

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>1.1</strong></td>
<td>Definition of joint venture</td>
<td>Joint venture is a broad term: in the form of an entity, or through joint activities or assets</td>
<td>The general term used is joint arrangement; the term joint venture is used to refer to a specific type of joint arrangement</td>
</tr>
<tr>
<td><strong>1.2</strong></td>
<td>Measurement of joint ventures/joint arrangements</td>
<td>With respect to joint ventures in the form of an entity: • In consolidated financial statements: proportionate consolidation or carried at net asset value • In separate financial statements: measurement at net asset value; if there are valid reasons, then at cost or at fair value</td>
<td>With respect to joint ventures (based on IFRS definition): • In consolidated financial statements: equity method, unless held for sale • In separate financial statements: measurement at cost or in accordance with IAS 39/IFRS 9, unless held for sale</td>
</tr>
<tr>
<td></td>
<td>Other joint ventures: assets and liabilities recognised directly in consolidated and separate financial statements</td>
<td>J oint operations: assets and liabilities recognised directly in consolidated and separate financial statements</td>
<td></td>
</tr>
<tr>
<td><strong>1.3</strong></td>
<td>Initial measurement of contributed assets and liabilities</td>
<td>Initial measurement of assets and liabilities contributed by participants at fair value in joint venture’s financial statements</td>
<td>General rules for initial recognition of assets and liabilities apply</td>
</tr>
<tr>
<td><strong>1.4</strong></td>
<td>Measurement of interests held by venture capital companies, unit trusts and similar organisations</td>
<td>At cost or fair value</td>
<td>Using equity method or at fair value through profit or loss</td>
</tr>
<tr>
<td><strong>1.5</strong></td>
<td>Recognition of gains or losses if contributed assets are comparable in nature, use and fair value</td>
<td>Recognition of gain or loss is not allowed</td>
<td>Recognition of gain or loss is required unless the transaction lacks commercial substance</td>
</tr>
<tr>
<td><strong>1.6</strong></td>
<td>Measurement of joint ventures held for sale</td>
<td>At net asset value</td>
<td>At the lower of the last-known carrying amount using the equity method and net realisable value less costs to sell</td>
</tr>
</tbody>
</table>

### 2 Presentation

| **2.1** | Presentation of joint ventures held for sale | Under financial assets | As a separate item below current assets | Conflicting |

### 3 Disclosure

| **3.1** | Judgments on level of control | No guidance | Information on judgments | IFRS stricter |
| **3.2** | Detailed information | No detailed information | Detailed information | IFRS stricter |
1 Recognition and measurement

1.1 Definition of joint venture

The definition of joint venture under Dutch laws and regulations is in line with the no longer applicable regulations of IAS 31. Dutch laws and regulations distinguish between three types of joint ventures. A joint venture can be in the form of:

- An entity
- Joint activities
- Joint assets

Generally speaking, the DAS concept of joint venture resembles the IFRS concept of joint arrangement.

IFRS 11 uses this general term joint arrangements, classifying them into joint operations and joint ventures. A detailed explanation of the equity method, which is prescribed for joint ventures, is included in the revised IAS 28. Disclosure requirements are included in IFRS 12.

A joint arrangement is every contractual agreement in which parties have joint control. Joint control is more clearly defined in IFRS than in DAS. Hence what could be understood as a joint venture under DAS may not fit the IFRS definition. One example is a situation where a party has joint control with various other parties, while IFRS demand that there always must be another fixed party.

In joint operations the parties have rights to the assets and liabilities, while in joint ventures rights exist to the net assets.

IFRS 11 requires a joint venture to be structured through a separate vehicle. However, a separate vehicle can still involve joint operations. Collaborative ventures in the form of joint activities and joint assets are always joint operations.

1.2 Measurement of joint ventures/joint arrangements

1.2.1 Joint ventures

Under IFRS 11, a joint venture (as defined under IFRS) is consolidated or measured exclusively in accordance with the equity method, unless the joint venture is classified as held for sale (IAS 31.42). In such cases, the joint venture is carried in accordance with IFRS 5 (see Chapter 32).

Under Dutch laws and regulations, such joint ventures, which are always in the form of an entity, are either consolidated proportionately or measured at net asset value.

In the separate financial statements, under Section 389 of Book 2 of the Dutch Civil Code and DAS 215, joint ventures must be measured at net asset value; if there are valid reasons, they are measured at cost or fair value.

With respect to the measurement of joint ventures in the separate financial statements of the venturer, IFRS 11.26 explicitly refers to IAS 27.10, which stipulates that measurement is at cost or in accordance with IFRS 9, unless the joint venture is classified as held for sale (see Section 1.6).
1.2.2 Joint operations

Joint operations in the form of joint activities and assets are measured in a similar manner under Dutch laws and regulations and IFRS, with assets and liabilities being recognised directly in the consolidated and separate financial statements. Under IFRS, the same method is applied with respect to joint operations in the form of jointly controlled entities; under Dutch laws and regulations, the provisions with respect to joint ventures apply in such cases (see above).

1.3 Initial measurement of contributed assets and liabilities

DAS 215.210 prescribes that the assets and liabilities contributed by participants are initially measured at fair value at the contribution date in the joint venture's financial statements. IFRS 11 does not contain any specific rules on the own financial statements of the joint venture, which means that the general provisions concerning initial recognition of assets and liabilities apply.

1.4 Measurement of interests held by venture capital companies, unit trusts and similar organisations

IAS 28.18 states that interests held by venture capital companies, unit trusts and similar organisations in associates/joint ventures may be carried at fair value (under IAS 39/IFRS 9) with changes in value recognised in profit or loss. This essentially allows these organisations to choose between valuation using the equity method and valuation at fair value with changes in value recognised in profit or loss.

DAS typically refer to these interests as participations rather than as associates/joint ventures, allowing valuation at cost or fair value.

1.5 Recognition of gains or losses if contributed assets are comparable in nature, use and fair value

A situation may arise in which the non-monetary assets contributed by various venturers are comparable in nature, use (in the same business activity) and fair value. The question then arises whether a gain or loss should be recognised on the contribution transaction. DAS 215.208 does not allow this. IAS 28.30 stipulates that a gain or loss may be recognised, provided that the transaction has sufficient commercial substance, i.e. the contribution serving a business purpose and not just a construction intended to justify profit. DAS is therefore more restrictive on this point.

1.6 Measurement of joint ventures held for sale

If a joint venture satisfies the held for sale criteria, it must be measured at the lower of the last-known carrying amount using the equity method and net realisable value less costs to sell (IFRS 5; see also Chapter 32). Dutch laws and regulations do not contain any specific rules for joint ventures held for sale and therefore conflict with IFRS on this point.

2 Presentation

2.1 Presentation of joint ventures held for sale

If a joint venture satisfies the held for sale criteria, it must be presented below current assets (as Non-current assets held for sale, see Chapter 32). Dutch laws and regulations do not allow this, requiring the standard presentation, i.e. proportionate consolidation or as a participating interest.
3 Disclosure

Disclosure requirements for joint arrangements are included in IFRS 12.

3.1 Judgments on level of control

A standard provision, IFRS 12.7 stipulates that an entity shall disclose information about significant judgments and assumptions it has made in determining that it exercises control, joint control or significant influence. IFRS 12.9 requires more detailed disclosure on specific situations.

DAS does not contain such requirements.

3.2 Detailed information

With regard to associates and joint ventures which are considered material on an individual basis, IFRS 12 requires detailed disclosure. Moreover, IFRS 12 expressly states that information must be provided on 100% basis, rather than based on the equity interest in the joint ventures.

This differs from the information provision requirements for associates and joint ventures that are not material on an individual basis; only the equity interest in the associates and joint ventures is disclosed, with all non-material associates and joint ventures being aggregated.

Required disclosures relating to risks must contain, at a minimum, (i) contractual liabilities incurred for joint ventures, to be disclosed separately from other contractual liabilities, and (ii) contingent liabilities relating to joint ventures, to be disclosed separately from other contingent liabilities.

DAS 215 does not contain any such requirements.

Accounting standards

Relevant accounting standards:

- DAS 214 Financial Fixed assets
- DAS 215 Joint Ventures
- DAS 217 Consolidation
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 28 Investments in Associates and Joint Ventures
## 22 Foreign currencies

<table>
<thead>
<tr>
<th>1</th>
<th>Recognition and measurement</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Accounting for forward exchange contracts</td>
<td>Measurement at fair value or cost</td>
<td>Measurement at fair value</td>
</tr>
<tr>
<td>1.2</td>
<td>Goodwill and fair value adjustments on acquisition of foreign entity</td>
<td>Accounted for either as assets of the foreign entity or as assets of the reporting entity</td>
<td>Accounted for as assets of the foreign entity</td>
</tr>
<tr>
<td>1.3</td>
<td>Accounting for cumulative translation differences on disposal of a foreign entity</td>
<td>To be retained in equity, or reclassified to profit or loss</td>
<td>To be reclassified to profit or loss</td>
</tr>
<tr>
<td></td>
<td>Accounting for cumulative translation differences on partial disposal of a foreign entity</td>
<td>Proportionate reclassification of translation differences based on partial disposal, irrespective of the extent of control, or whether or not control is lost</td>
<td>If control is lost, with part of the interest being retained, cumulative translation differences to be reclassified in full to the statement of profit or loss</td>
</tr>
<tr>
<td>1.4</td>
<td>Scope of disposal of a foreign entity</td>
<td>Scope is limited to sale of interest</td>
<td>Scope is wider: sale, repayment of share capital, et cetera</td>
</tr>
<tr>
<td>1.5</td>
<td>Definition of hyperinflation</td>
<td>Hyperinflation exists if aggregate inflation over a three-year period amounts to 100% or more</td>
<td>No definition of hyperinflation; indicators provided</td>
</tr>
<tr>
<td>1.6</td>
<td>First-time application of hyperinflation</td>
<td>Policy choice for first restatement of non-monetary items: full retrospective application or starting from the first period in which criteria for hyperinflation were met</td>
<td>Financial statements including comparative figures to be restated to reflect the effect of inflation</td>
</tr>
<tr>
<td>1.7</td>
<td>First-time hyperinflation impact on deferred tax items</td>
<td>No specific guidance</td>
<td>Deferred tax items to be restated as a result of the translation of the underlying assets and liabilities to reflect hyperinflation</td>
</tr>
</tbody>
</table>

## 2 Presentation

<table>
<thead>
<tr>
<th>2</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Foreign currency translation differences recognised directly in equity</td>
<td>As cumulative translation differences reserve or as part of a reserve for retained profits of participating interests as a separate item within equity</td>
<td>As cumulative translation differences reserve as a separate item within equity</td>
</tr>
<tr>
<td>2.2</td>
<td>Selecting presentation currency</td>
<td>Opting for foreign currency if the activities of the entity or the group’s international network justify so</td>
<td>Free choice</td>
</tr>
</tbody>
</table>
### General

IAS 29, Financial Reporting in Hyperinflationary Economies, is a specific standard on hyperinflation included in IFRS. This standard also contains guidance on how to restate the financial statements of companies located in countries with a hyperinflationary economy to reflect the loss of purchasing power. DAS does not contain any such guidance since the Netherlands does not have a hyperinflationary economy. The hyperinflation indicators included in IAS 29 also apply to the translation of foreign associates located in countries with hyperinflation. The summary below only includes this aspect of IAS 29.

### 1 Recognition and measurement

#### 1.1 Accounting for forward exchange contracts

DAS 122 and IAS 21 do not deal with the treatment of forward contracts. In common with all other financial instruments, these are dealt with under DAS 290 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement. Accordingly, reference is made here to Chapter 23 Financial Instruments.

Forward exchange contracts are unlisted derivative financial instruments that may be measured at cost or fair value (DAS 290.513). IAS 39.9 stipulates that all derivative financial instruments are measured at fair value.
1.2 Goodwill and fair value adjustments on acquisition of foreign entity

Under DAS 122.310, goodwill arising on the acquisition of a foreign operation and any adjustment to fair value of carrying amounts of assets and liabilities at the acquisition date are recognised:

- As assets and liabilities of the foreign operation and translated at the closing rates ruling at the reporting date; hence, changes in goodwill and fair value are effectively fixed in foreign currencies. These foreign currency items should be translated each year at the closing rates ruling at the reporting date.

- Or

- As assets and liabilities of the reporting entity denominated in the reporting entity's functional currency, or classified as non-monetary assets denominated in foreign currencies and measured using the rate ruling at the time of the transaction.

IAS 21.47 only allows the first method.

1.3 Accounting for cumulative translation differences on the sale of a foreign entity

Under DAS 122.302 (c) and IAS 21.39, translation differences arising on foreign entities should be accounted for as a separate item within equity. On the sale of the foreign entity, IAS 21 requires that the cumulative exchange adjustments recognised in other comprehensive income and accounted for as a separate item within equity be reclassified from equity to profit or loss (IAS 21.48). DAS 122.311 permits the alternative treatment of directly recognising the cumulative translation differences in Other reserves.

IAS 21.48A explicitly stipulates that if control of a subsidiary is lost, with only part of the interest being disposed, the cumulative translation differences be recognised in full in the statement of profit or loss. The same guidance applies in the event of loss of significant influence over an associate or loss of joint control over a joint venture.

Dutch GAAP provides for proportionate reclassification (to the statement of profit or loss or to other reserves) of translation differences based on partial disposal, irrespective of the extent of control, or whether or not control is lost. Such proportionate reclassification applies to subsidiaries, associates and joint ventures alike.

In addition, IAS 21.48B stipulates that on disposal of an entity that includes a foreign operation involving a non-controlling shareholder, the cumulative translation differences attributable to the non-controlling interests be reclassified from the cumulative translation differences, not to the statement of profit or loss but, to another component of equity. Dutch laws and regulations do not specifically address this issue.

If the parent entity loses control of a subsidiary in which it holds an interest of less than 100% (with a non-controlling interest in equity as a result), and in which it continues to hold an interest after the transaction, IAS 21.48C stipulates that the entity reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences.
Likewise, with respect to a subsidiary in which less than 100% of the shares are held, IAS 21.48C stipulates that, in the event of a change to an equity interest, without control being lost, the entity proportionally re-attributes the cumulative amount of the exchange differences between other comprehensive income and the non-controlling interests in that foreign operation.

Finally, it should also be noted that under Dutch laws and regulations, the cumulative translation differences separately accounted for in equity are regarded as a legal reserve, which is non-distributable (DAS 122.402). IFRS does not use the concept ‘legal reserve’.

### 1.4 Scope of disposal of a foreign entity

IAS 21.49 defines a wider scope for the disposal of a foreign entity. An entity may dispose of its interest in a foreign entity through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity. In the case of a partial disposal, only the proportionate share of the related cumulative translation differences should be reclassified to profit or loss. A dividend distribution qualifies as a partial disposal if it concerns the repayment of invested capital. Under DAS 122.311, the scope is limited to the sale of a foreign entity. In our opinion, in practice, this will hardly result in a difference between IFRS and DAS.

### 1.5 Definition of hyperinflation

Specific guidance applies to the translation of foreign associates in countries with a hyperinflationary economy. IAS 29 sets out a number of characteristics that indicate hyperinflation. This list is not exhaustive (IAS 29.3).

- The local population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts received in local currency are immediately invested to maintain purchasing power.
- The local population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in the foreign currency.
- Sales and purchases on credit are made at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short.
- Interest rates, wages and prices are linked to a price index.
- The cumulative inflation rate over three years is approaching or exceeds 100%

Under DAS, hyperinflation is always considered to exist if the aggregate inflation over a period of three years amounts to 100% or more (DAS 122.312).

IAS 29 and DAS 122 do not provide a conclusive definition of hyperinflation, but allow room for assessment, with DAS 122 providing a minimum condition.

### 1.6 First-time application of hyperinflation

IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies addresses the issue of how the financial statements should be restated if the economy in which the entity (or its subsidiary) operates becomes hyperinflationary, and how deferred tax items should be recognised and translated on the basis of hyperinflation accounting.

In the year in which the entity identifies the existence of hyperinflation in an economy, the financial statements, including the comparative figures for the previous year, should be restated to reflect the effect of inflation. The entity should apply IAS 29 as if the economy had always been hyperinflationary.
This is done by restating the relevant assets and liabilities to reflect the effect of inflation from the date
the assets were acquired (or subsequently revalued) and/or the liabilities were assumed. This therefore
also includes periods in which no hyperinflation existed.

DAS does not address the situation in which hyperinflation arises in the country of the reporting entity.
However, DAS 122.312a addresses the situation in which hyperinflation arises in the country of a
foreign operation. It stipulates that first-time translation of assets and liabilities can be effected in two
ways:

- Translation of non-monetary items at the beginning of the financial year to reflect hyperinflation as
  from the dates the assets are acquired and the liabilities assumed (with full retrospective effect).
- Translation of non-monetary items at the beginning of the financial year to reflect hyperinflation as
  from the beginning of the financial year in which the criteria for hyperinflation are satisfied for the
  first time (i.e. a 100% starting index at the beginning of the financial year).

This guidance in DAS is significantly less detailed compared to IFRIC 7. Moreover, unlike under IFRIC 7,
the comparative figures need not be restated, and two accounting policy choices are provided.

1.7 First-time hyperinflation impact on deferred tax items

Under IFRIC 7, all restatements to reflect the effect of inflation need to be processed, thereafter
determining the difference between the carrying restated amounts and their tax bases resulting in the
calculation of deferred tax. Subsequently, the deferred tax items for the previous year (and the opening
balance) should be restated to reflect the effect of inflation since the beginning of that year until the
current financial year’s reporting date.

DAS does not contain any such guidance.

2 Presentation

2.1 Foreign currency translation differences recognised directly in equity

Under DAS 122.404, foreign currency translation differences recognised directly in equity should be
presented as follows:

- Translation differences related to profits of participating interests and direct value increases as
defined in Section 389 (6) of Book 2 of the Dutch Civil Code: as a cumulative translation differences
reserve as defined in Section 389 (8) of Book 2 of the Dutch Civil Code, or as part of a reserve for
retained profits of participating interests as defined in Section 389 (6) of Book 2 of the
Dutch Civil Code.
- Other translation differences: as a cumulative translation differences reserve as defined in
Section 389 (8) of Book 2 of the Dutch Civil Code.

The accounting policies with regard to the method of translation and of the accounting for translation
differences have to be disclosed (DAS 122.404 and 502).

IAS 21 does not contain any presentation requirements, with the exception of the cumulative translation
differences to be presented as a separate item within equity (IAS 21.32/39).
Both the reserve for retained profits of participating interests as referred to in Section 389 (6) of Book 2 of the Dutch Civil Code and the cumulative translation differences reserve as referred to in Section 389 (8) of Book 2 of the Dutch Civil Code are legal reserves and are therefore not freely distributable (DAS 122.402).

2.2 Selecting presentation currency

The presentation currency is the currency in which the entity’s financial statements are presented (IAS 21.8 and DAS 122.104). Under Section 362 (7) of Book 2 of the Dutch Civil Code, the financial statements, or only the consolidated financial statements, may be prepared in a foreign currency if the activities of the entity or the group’s international network justify so. In this context, foreign currency is a currency other than the euro. IFRS does not contain any such requirements and allow free choice of presentation currency.

3 Disclosure

3.1 Reporting currency different from local currency

DAS 122.504 stipulates that the reasons for using a reporting currency other than the local currency have to be disclosed. IFRS does not require any such disclosure.

3.2 Accounting policies for translation of goodwill and fair value adjustments on acquisition of foreign entity

DAS 122.502 requires disclosure of the accounting policies applied for the translation of goodwill and adjustments to fair value on the acquisition of a foreign entity. This does not apply under IAS 21.

3.3 Effect of changes in exchange rates occurring after the reporting date

The effect of a change in the exchange rates after the reporting date on monetary assets denominated in foreign currencies or on the financial statements of a foreign operation should be disclosed, if a proper evaluation or decision-making by users of the financial statements depends on information concerning this development (DAS 122.508). IAS 21 does not include any such disclosure requirement.

3.4 Presentation currency is a hyperinflation currency

IAS 29.39 also contains certain disclosure requirements for financial statements presented in a currency that is a hyperinflation currency:

- The fact that the financial statements and the corresponding figures for previous periods have been restated for the changes in the general purchasing power of the functional currency.
- Whether the financial statements are based on a historical cost approach or a current value approach.
- The identity and level of the price index at the end of the reporting period and the movement in the index during the current and the previous reporting period.

DAS 122 does not contain any such disclosure requirements.
**Accounting standards**

Relevant accounting standards:

- DAS 122  Measurement Principles for Foreign Currencies
- DAS 290  Financial Instruments
- IAS 21   The Effects of Changes in Foreign Exchange Rates
- IAS 29   Financial Reporting in Hyperinflationary Economies
- IAS 39   Financial Instruments: Recognition and Measurement
- IFRIC 7  Applying the Restatement Approach Under IAS 29 Financial Reporting in Hyperinflationary Economies
# 23a Financial instruments (on the basis of IAS 39)

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Recognition and measurement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Derecognition</td>
<td>On the transfer of risks and rewards to third parties</td>
<td>If substantially all the risks and rewards of ownership are transferred, the financial asset should be derecognised. If this is not the case, but they are also not retained, it should be determined whether the entity still has control of the asset. If this is the case, it should continue to recognise that part of the asset for which it is exposed to risks. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled, or expires</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.2 Measurement of unlisted equity instruments (assets)</td>
<td>At cost or current value</td>
<td>At fair value, unless fair value cannot be reliably measured</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.3 Measurement of derivatives with underlying securities other than listed shares</td>
<td>At cost or current value</td>
<td>At fair value, unless fair value cannot be reliably measured</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.4 Fair value option</td>
<td>No specific option, but fair value with changes in value recognised in profit or loss is allowed for all financial assets, with the exception of loans granted and receivables</td>
<td>Fair value with changes in value recognised in profit or loss if specific conditions are met</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.5 Reclassification between categories</td>
<td>Reclassification is allowed under certain circumstances. Reclassification cannot result in a gain or a loss</td>
<td>Reclassification of certain items is allowed under certain circumstances. Reclassification may not result in a gain or a loss</td>
<td>Dutch laws and regulations and IFRS differ</td>
</tr>
<tr>
<td>1.6 Negative revaluation reserve</td>
<td>Decreases in value below cost should be recognised in the statement of profit or loss (no negative revaluation reserve)</td>
<td>Decreases in value below cost of financial assets classified as available for sale are recognised in equity, unless impairment is involved</td>
<td>Conflicting</td>
</tr>
<tr>
<td>1.7 Amortised cost</td>
<td>Based on the annuity method of amortisation of premiums, discounts and transaction costs (effective interest method), or, if only minor differences result, based on the straight-line method of amortisation</td>
<td>Based on the annuity method of amortisation of premiums, discounts and transaction costs (effective interest method)</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.8 Fair value</td>
<td>DAS 290 does not provide specific rules, so can be read to allow the current bid price, the current ask price as well as the use of mid-market prices in determining the fair value</td>
<td>IFRS 13 generally requires the use of the price within the bid-ask spread which is the most representative of fair value under the given circumstances.</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td></td>
<td>DAS 290 provides no specific rules on an entity’s own credit risk. Taking this into consideration is justifiable, but not mandatory</td>
<td>IFRS 13 requires that an entity’s own credit risk be taken into account when measuring financial liabilities at fair value</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.9 Recognition of embedded derivatives</td>
<td>Dutch laws and regulations</td>
<td>IFRS</td>
<td>Conclusion</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>---------------------------</td>
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<td>-----------</td>
</tr>
<tr>
<td>If embedded derivatives cannot be separated, because their fair value cannot be measured reliably, the compound instrument must be measured on the basis of the underlying instrument (which may be at cost)</td>
<td>If embedded derivatives are not separated the compound instrument must be measured at fair value through profit or loss</td>
<td>Conflicting</td>
<td></td>
</tr>
</tbody>
</table>

| 1.10 Date of recognition of a sales or purchase transaction in the statement of financial position | For each category of financial assets and liabilities a systematic choice whether to recognise or derecognise a purchase or sales transaction either on transaction date or delivery date | For each category of financial assets a systematic choice whether to recognise or derecognise a purchase or sales transaction either on transaction date or delivery date. IAS 39 does not cover this for financial obligations | Dutch laws and regulations and IFRS differ |

| 1.11 Reversal of impairment | Reversed through the statement of profit or loss | Not allowed in the event of measurement at cost; if measured at fair value through other comprehensive income, reversed without being recognised in profit or loss | Conflicting |

| 1.12 Separating derivatives | Reversal of equity and debt instruments is allowed | Reversal is only allowed with debt instruments | IFRS stricter |

| 1.13 Hedging of investments held to maturity | DAS contain no exception for hedging the interest element of investments held to maturity | IFRS contains an exception for hedging the interest element of investments held to maturity | IFRS stricter |

| 1.14 Cost hedge accounting | Cost hedge accounting is allowed | Cost hedge accounting does not exist | IFRS stricter |

| 1.15 Conditions for hedge accounting | Fewer conditions, and expressed in more general terms | IFRS contains more conditions | IFRS stricter |

| 1.16 Documentation on hedge accounting | Documentation of generic or individual hedging relationships | Documentation of individual hedging relationships | IFRS stricter |

| 1.17 Hedge effectiveness | No 80/125 range required | 80/125 range required | IFRS stricter |

## Presentation

| 2.1 Classification of financial instrument as equity or liability in the separate financial statements | Depending on legal form | Substance over form principle | Conflicting |

| 2.2 Classification in the consolidated financial statements of preference shares with the dividend depending on profit | To be presented as equity or as a liability | To be presented as a liability | IFRS stricter |

| 2.3 Classification of compound financial instruments | Equity and liability components can be classified separately; if they are not, the recognition method used for the instruments should be explained in the notes | Equity and liability components must be classified separately | IFRS stricter |

## Disclosure

| 3.1 Additional information | Specific disclosure requirements | Specific disclosure requirements | IFRS requires more detailed disclosure |
General

The IASB has recently completed a project to replace IAS 39. Within that context, it published the new standard for financial instruments (IFRS 9) in 2014. IFRS 9 includes new provisions relating to the classification and measurement of financial instruments, impairments and hedge accounting. Macro-hedge accounting has not yet been included; it is the subject of a separate project. Differences between Dutch laws and regulations and IAS 39 are discussed in Chapter 23a, and differences between Dutch laws and regulations and IFRS 9 are discussed in Chapter 23b.

DAS 290 addresses the recognition, measurement, presentation and disclosure of financial instruments. IFRS include the following three standards on financial instruments:
- IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRS 7 Financial Instruments: Disclosures

Financial instruments include primary instruments such as receivables, payables and shares, as well as derivative financial instruments, including financial options, forward contracts, interest rate swaps and currency swaps. This chapter deals with primary as well as derivative financial instruments. The measurement, recognition and disclosure of primary financial instruments are also discussed more specifically in:
- Chapter 5 Other Financial Fixed Assets
- Chapter 8 Current Assets: Receivables
- Chapter 9 Current Assets: Securities
- Chapter 15 Liabilities & accrued liabilities and deferred income

1 Recognition and measurement

1.1 Derecognition

DAS 290.702 stipulates that a financial instrument should no longer be recognised in the statement of financial position if a transaction results in the transfer, to a third party, of all or substantially all rewards and all or substantially all risks attached to the position. It also states that the provisions of DAS 115 for the derecognition of assets and liabilities also apply to financial instruments. DAS 115.109-110 contain a general provision on the derecognition of assets and liabilities.

An asset or a liability should no longer be included in the statement of financial position if a transaction means that all or substantially all rewards and all or substantially all risks attached to the asset or liability have been transferred to a third party.
IAS 39 contains highly detailed provisions on the derecognition of financial assets and liabilities. On the transfer of financial assets, it should first be determined whether derecognition rules are to be applied to the whole or part of the financial asset. It should then be determined whether substantially all the risks and rewards of ownership are retained. If this is the case, the asset should continue to be included in the statement of financial position. If substantially all the risks and rewards of ownership are transferred, the asset should be derecognised. If this is not the case, but they are also not retained, it should be determined whether the entity has transferred control. If this is the case, the asset should be derecognised. If the entity still has control of the asset, the asset should continue to be recognised to the extent that the entity remains exposed to the impact of changes in the value of the asset (IAS 39.20). Whether an entity still has control of the asset depends on the acquiring party’s ability to sell the asset. If the acquiring party is able to sell the entire asset to a third party, the entity no longer has control of the asset (IAS 39.23).

A financial asset can be transferred by means of a transfer of legal ownership, with the recipient retaining the right to receive the cash flows directly from the debtor. IAS 39 also contains rules with regard to pass-through arrangements, in which the transferor still collects the cash flows on behalf of the acquiring party. An asset can only be derecognised if the collected cash flows are transferred immediately and not, even if only temporarily, used for the entity’s own benefit. Any interest received in the brief period in which the cash is held by the entity must also be transferred.

A financial liability (IAS 39.39) should be derecognised when it is extinguished —that is, when the entity has fulfilled its obligation specified in the contract, or when the obligation is cancelled or expires. This may be the case not only when a debt is waived or a loan repaid, but also when a loan is transferred, provided no guarantee, resale commitment or repurchase right is agreed upon, other than at the current market value, and the creditor can no longer claim the amount from the entity.


1.2 Measurement of unlisted equity instruments (assets)
The classification of a financial asset is important for its measurement. DAS 290.407 distinguishes five categories of financial instruments, each category being subdivided into subcategories. IAS 39.9 distinguishes four categories of financial instruments. The division into categories and subcategories is broadly the same under DAS 290 and IAS 39. With regard to equity instruments, DAS 290 stipulates that unlisted equity instruments can be carried either at cost or at fair value, depending on the choice of accounting policy. Under IAS 39, unlisted equity instruments are carried at fair value, unless the fair value cannot be reliably measured, in which case the instrument is carried at cost. However, instances in which the fair value cannot be reliably measured are rare.

1.3 Measurement of derivatives with underlying securities other than listed shares
Under DAS 290.513, derivatives with underlying securities other than listed shares can be carried either at cost or at fair value through profit or loss. Under IAS 39, all derivatives are carried at fair value through profit or loss if no hedge accounting is applied. Unlike DAS 290, IAS 39 does not allow derivatives with underlying securities other than listed shares to be carried at cost, with the exception of derivatives on unlisted shares whose value cannot be reliably measured. However, instances in which the fair value cannot be reliably measured are rare.
1.4 Fair value option

In addition to instruments held for trading, IFRS include instruments designated at fair value through profit or loss, also referred to as the fair value option. The fair value option allows entities, subject to certain conditions, to measure such financial instruments in the same manner as financial instruments held for trading, i.e. at fair value with changes in value being recognised in profit or loss. Under IFRS, the collective name for financial instruments held for trading and financial instruments to which the fair option applies is a financial asset or financial liability at fair value through profit or loss (IAS 39.9).

Application of the fair value option under IFRS is only allowed if one of the following three criteria is met (IAS 39.9/11A):

- Application of the fair value option eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring financial assets or liabilities based on different principles.
- A group of financial instruments (assets, liabilities or both) is managed on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains an embedded derivative, except where such embedded derivative has no or very limited effect on the financial instrument’s cash flows or where it is very easy to demonstrate that its economic characteristics and risks are closely related to the financial instrument.

If an entity does not apply fair value hedge accounting (involving documentation requirements and hedge effectiveness testing), the fair value option can be an alternative. The same holds true if an entity does not wish to separate an embedded derivative from the host contract. However, the fair value option is generally regarded as inflexible as it cannot be reclassified at a later stage.

DAS 290 does not contain a fair value option as such. However, it does allow the measurement of financial assets at fair value with changes in value being recognised in profit or loss, although application is more restricted.

For example, if an entity has purchased a bond, DAS 290.518 allows the entity to carry it at fair value with changes in value being recognised in profit or loss. Unlike under IAS 39, this option is not subject to any criteria being met. However, under DAS 290, such a choice should be made for the category or subcategory as a whole, whereas the fair value option under IAS 39 can in some cases be applied to an individual financial instrument (provided the criteria are met).

DAS 290 only allows financial liabilities to be carried at fair value if they relate to trading portfolio items. This will particularly be the case in the financial sector, for example with regard to short positions. Other financial liabilities may not be carried at fair value under DAS or Section 10 (2) of the Current Value Decree.

1.5 Reclassification between categories

Under DAS 290.502, financial assets and liabilities should be allocated to categories or subcategories on an item-by-item basis or at portfolio level. Reclassification often represents a change in accounting policies. DAS 290.532 also stipulates that reclassification from one category or subcategory to another cannot result in a gain or loss at the time of reclassification.

Sections IAS 39.50–54 contain detailed rules on situations in which reclassification is allowed and the specific way they are accounted for. Here too, a gain or loss will not arise at the time of reclassification.
1.6 Negative revaluation reserve

The entity can opt for recognition in the revaluation reserve of unrealised value changes in: (i) purchased loans and bonds; or (ii) investments in equity instruments that are carried at fair value. In that case, the revaluation reserve, measured per financial asset, may not be negative (DAS 290.518 [b], 290.521 [b] and 290.522 [b]). Under IFRS, decreases in value below cost of financial assets classified as available for sale are recognised in equity, unless impairment is involved.

1.7 Amortised cost

The amortised cost is the balance of the amount upon initial recognition in the statement of financial position and the unamortised portion of the premiums and discounts, repayment premiums and transaction costs, taking into account principal repayments (IAS 39.9, DAS 940). Under DAS and IFRS, the amortised cost of a financial asset or financial liability is calculated using the effective interest method.

DAS stipulates that straight-line amortisation (instead of application of the effective interest rate method) be allowed as an alternative, provided it does not result in substantial differences compared with the effective interest rate method (DAS 273.201 and DAS 940). IFRS does not contain this exception.

1.8 Fair value

The fair value is the amount for which an asset can be sold or a debt settled in an arm’s length transaction between knowledgeable willing parties (DAS 940). IFRS 13.9 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If a financial instrument is carried at fair value, the fair value will have to be remeasured for every reporting period.

IFRS 13 generally requires the use of the price within the bid-ask spread which is the most representative of fair value under the given circumstances. This may be the bid price for an asset and the ask price for a liability, but this need not always be the case. When an entity has assets and liabilities with offsetting market risks, it may use mid-market prices. DAS 290 provides no specific rules in this respect.

IFRS 13 requires that an entity’s own credit risk be taken into account in measuring financial liabilities, in particular derivatives. DAS 290 provides no specific guidance on this, with the definition of fair value following the definition used in IAS 39 prior to the introduction of IFRS 13. IAS 39 allowed for diversity of recognising credit risk in measuring financial liabilities, as fair value as defined in IAS 39 could also be considered a settlement price. This suggests that DAS 290 allows —but does not require —the credit risk to be taken into account in measuring financial liabilities at fair value.

1.9 Recognition of embedded derivatives

IAS 39.9 and DAS 290.825 stipulate that other contracts can also contain derivatives (known as Embedded derivatives). In connection with this, the question arises as to whether these embedded derivatives should be separated from the host contract and accounted for separately as derivatives in the statement of financial position.
DAS 290 and IAS 39 both stipulate that an entity need not separate a derivative embedded in a contract if it is unable to determine the value of an individual derivative. Under IAS 39, the compound instrument as a whole is carried at fair value with changes recognised in profit or loss; under DAS 290, the compound instrument is measured on the basis of the original instrument, which may be at cost.

1.10 Date of recognition of a sales or purchase transaction in the statement of financial position

A purchase or sale according to standard market conventions must be systematically recognised or derecognised in the statement of financial position per category of financial asset either on the trade date (date on which the binding agreement is concluded) or on the settlement date (date of transfer) (IAS 39.38 and DAS 290.703). Other than DAS, IAS 39 deals solely with transactions related to financial assets and does not contain any specific requirements concerning trade date or settlement date for transactions related to financial liabilities.

1.11 Reversal of impairment

Where applicable, Section 287 (5) of Book 2 of the Dutch Civil Code stipulates that impairments should be reversed through profit or loss if the impairment no longer exists. IAS 39 does not allow the reversal of impairment of shares measured at cost. If shares are classified as available for sale, any subsequent increase in market value is not recognised through profit or loss, but directly in equity.

1.12 Separating derivatives

Under IAS 39, the fair value of a hedging instrument is determined in its entirety and the whole hedging instrument is included in a hedging relationship (IAS 39.74). The only exceptions permitted are the time value and intrinsic value of options and the difference between the forward rate and spot rate of a forward contract. The underlying reasoning is that the factors that cause changes in fair value are often interdependent, as a result of which separation is impossible. This means that IFRS often prohibit hedge accounting being applied to any component of the agreed compound derivative.

DAS 290 does not contain such an explicit restriction, which means that, in our opinion, some components of the compound derivative qualify for hedge accounting. It is important that the initial separating be effected reliably during the term to maturity.

1.13 Hedging of investments held to maturity

IAS 39 does not allow investments held to maturity to be hedged for the interest rate risk. DAS does not contain such a restriction.

1.14 Cost hedge accounting

DAS 290 contains cost hedge accounting, allowing entities to carry hedging instruments at cost. The hedging instruments can be derivatives and monetary items denominated in foreign currencies. IAS 39 does not include this type of hedge accounting, since it specifies that derivatives are carried at fair value rather than at cost. Cost hedging refers to the hedging of the risk arising from changes in fair value or variability in cash flows, while the derivative, just as the hedged item, is carried at cost.
1.15 Conditions for hedge accounting

IAS 39 and DAS 290 stipulate that specific conditions for hedge accounting must be met. Under IFRS, the following conditions must be met (IAS 39.88):

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk.
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.
- For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable (not only following the intention of the management, but also based on facts and circumstances) and must present an exposure to variations in cash flows that could ultimately affect profit or loss.
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

DAS 290 only contains conditions a, b and c (DAS 290.610 and 290.613), which are expressed in more general terms. With respect to, for example, condition b, DAS 290 does not specifically require the hedging relationship to be highly effective, but rather a description of the expectations as far as effectiveness is concerned.

1.16 Documentation on hedge accounting

Documentation of hedging relationships is required for all types of hedge accounting. In connection with this, DAS 290 lists two alternatives (DAS 290.613):

- Application of hedge accounting based on documentation of generic hedging relationships.
- Application of hedge accounting based on documentation of individual hedging relationships.

IFRS does not make this distinction, and only allows documentation of individual hedging relationships.

1.17 Hedge effectiveness

An effectiveness test is required before hedge accounting can be applied. The test assesses whether the hedge is expected to be effective and whether the hedging relationship has been sufficiently effective to be allowed to apply hedge accounting. This effectiveness can be tested by, for example:

- Comparing the change in the fair value of a hedging instrument with that of a hedged position in any given period, or the cumulative change in fair value since the inception of the hedging relationship (dollar-offset method)
- Performing a regression analysis of the changes in fair value of the hedging instrument and the hedged item
Under IFRS, a hedge is deemed to be effective if, from the inception of and throughout the term of the hedge, changes in the fair value and cash flows of the hedged item are expected to be offset against changes in the fair value and cash flows of the hedging instrument. This prospective effectiveness should be highly effective. Actual effectiveness should be within a 80–125% range. Any instance of ineffectiveness, including that within a 80–125% range, has to be recognised in the statement of profit or loss. The need to create a direct link between the hedging instrument and the hedged item in the formal documentation makes it difficult to recognise a macro-hedging strategy, with net risk positions being hedged, in accordance with hedge accounting principles. IFRS does not allow a net position to be designated as a hedged item. In order for hedge accounting to be applied, the net position has to be broken down into individual assets, liabilities, contingent liabilities and/or future transactions.

Although DAS 290 requires the expected effectiveness to be documented, it does not specify any requirements, such as the 80–125% range. This means that hedge accounting can be applied to some hedging relationships under DAS 290, whereas it cannot under IAS 39, owing to (expected) effectiveness being too limited.

2 Presentation

2.1 Classification of financial instrument as equity or liability in the separate financial statements

DAS 240.207 requires the presentation of financial instruments as equity or liability in the separate financial statements to be based on legal form. IAS 32.15 requires presentation based on the economic reality (substance) of the instrument. See also Chapter 11a, Section 2.2.

2.2 Classification in the consolidated financial statements of preference shares with the dividend depending on profit

Under DAS 290, preference shares on which the dividend is determined annually on the basis of the entity's profit for the year concerned only may be recognised as equity or as a financial liability. Under IAS 32, such a preference share qualifies as a financial liability.

2.3 Classification of compound financial instruments

IAS 32.28 stipulates that if an entity issues a financial instrument containing both a liability and an equity component, the components should be classified separately under liabilities and equity respectively. The Dutch Accounting Standards Board prefers this method for the consolidated financial statements (DAS 290.813).

However, DAS permits the liability and equity components not to be classified separately, although the notes should then disclose the treatment of such instruments. Instruments that, despite being associated with each other, are nevertheless identifiable as separate instruments, such as a bond loan and the corresponding warrants, must always be presented separately in accordance with DAS.

The DASB has issued draft standard 290.813, proposing the same accounting treatment as under IAS 32.28.
3 Disclosure

3.1 Additional information

IFRS 7 requires disclosures similar to DAS 290 for a number of subjects (IFRS 7.7 and 7.21), but, overall, contains a much larger number of disclosure requirements than DAS:

- **Quantitative information about exposure to risks arising from financial instruments**
  
  In connection with this, IFRS 7 emphasises that an entity should disclose information that enables users to assess the significance of financial instruments for the entity. IFRS 7 also states that information should be provided on how management assesses risks. In addition to specified minimum disclosures, quantitative disclosures on risks are based on information provided to key management personnel. DAS 290 does not contain such a requirement.

- **Credit risk disclosure**
  
  DAS 290 and IFRS 7 require information about maximum exposure to credit risk and significant concentrations of risk. Unlike DAS 290, IFRS 7 contains an additional requirement: it requires quantitative disclosure for each type of risk arising from financial instruments based on information provided to key management personnel. IFRS 7.36 requires specific information about the credit quality of financial assets that are neither past due nor impaired. IFRS 7.37 requires an analysis of the age of financial assets that are past due or are impaired as at the reporting date. IFRS 7.13C also contains specific disclosure requirements for offsetting applied under netting arrangements.

- **Liquidity risk disclosure**
  
  DAS 290 requires interest-rate, cash-flow and liquidity risk disclosure through information on contractual interest rate reset or repayment dates and effective interest rates, also taking into account the impact of hedging instruments. IFRS 7 requires quantitative disclosure: an entity should disclose a maturity analysis for non-derivative financial liabilities, reflecting all future cash flows, including interest payments (a non-discounted analysis). This repayment analysis should include financial guarantee contracts at guaranteed maximum amounts. A statement of cash flows for derivative financial liabilities is only disclosed if it is essential for an understanding of the timing of the cash flows (for example, for interest rate swaps in cash flow hedges, or for loans committed but not yet granted). Furthermore, an entity should provide a description of how it manages the liquidity risk. IFRS 7.34 states that the quantitative disclosure must be based on information provided to key management personnel.

- **Market risk disclosure**
  
  DAS 290 requires qualitative disclosure of market risk. IFRS 7 requires quantitative disclosure: an entity should disclose a sensitivity analysis for each type of market risk, showing how profit or loss and equity would be affected by changes in the relevant risk variables. In addition, the methods and assumptions used should be disclosed (IFRS 7.40). IFRS 7.34 states that the quantitative disclosure must be based on information provided to key management personnel.

- **Fair value disclosure**
  
  Under DAS 290 and IFRS 7, an entity should disclose information about the fair value for each class of financial asset and financial liability, whether or not recognised in the statement of financial position (DAS 290.937, IFRS 7.25). IFRS 7 applies fair value as defined in IFRS 13. IFRS 13 requires additional disclosure concerning fair values, as well as requiring that an entity discloses for each class of financial instruments, among other things:
  
  - The level or levels in the fair value hierarchy (Level 1, 2 or 3) on the basis of which the instruments are measured.
• Any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers.
• For fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from the beginning balances to the closing balances, disclosing total gains or losses for the period recognised in profit or loss, total gains or losses recognised in other comprehensive income, purchases, sales, issues and settlements, transfers into or out of Level 3 and the reasons for those transfers.
• Disclosure of financial assets whose carrying amounts exceed their fair value

Under DAS 290, if an entity has carried one or more financial assets at a carrying amount that exceeds the fair value, the entity must disclose the following information (DAS 290.943):
• The carrying amounts and fair values of the individual assets, or relevant groups of individual assets.
• The reasons for not reducing the carrying amount, including information on the basis of which management is convinced that the carrying amount can be realised.

IFRS 7 does not contain such a disclosure requirement.
• Although DAS does not contain any specific disclosure requirements with respect to financial assets or liabilities at fair value through profit or loss, they do include recommendations on this point. IFRS 7 contains specific requirements, including disclosure of maximum exposure to credit risk and changes in the fair value of the instrument.
• IAS 1 requires specific disclosures on capital management. DAS contains no such similar disclosure requirement.

**Accounting standards**

Relevant accounting standards:
- DAS 290  Financial Instruments
- IFRS 7  Financial Instruments: Disclosures
- IFRS 13  Fair Value Measurement
- IAS 32  Financial Instruments: Presentation
- IAS 39  Financial Instruments: Recognition and Measurement
## 23b Financial instruments (on the basis of IFRS 9)

<table>
<thead>
<tr>
<th></th>
<th>Recognition and measurement</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Derecognition</strong></td>
<td>On the transfer of risks and rewards to third parties</td>
<td>If substantially all the risks and rewards of ownership are transferred, the financial asset should be derecognised. If this is not the case, but they are also not retained, it should be determined whether the entity still has control of the asset. If this is the case, it should continue to recognise that part of the asset for which it is exposed to risks. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled, or expires</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.2</td>
<td><strong>Measurement of unlisted equity instruments (assets)</strong></td>
<td>At cost or current value</td>
<td>At fair value</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.3</td>
<td><strong>Measurement of derivatives with underlying securities other than listed shares</strong></td>
<td>At cost or current value</td>
<td>At fair value</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.4</td>
<td><strong>Measurement and income recognition of debt instruments</strong></td>
<td>Specific items may be carried at fair value with changes in value recognised in profit or loss, or in equity (OCI)</td>
<td>Specific categories are distinguished which determine whether measurement is at amortised cost, at fair value with changes in value recognised in profit or loss, or at fair value with changes in value recognised in equity (OCI)</td>
<td>IFRS and Dutch laws and regulations differ</td>
</tr>
<tr>
<td>1.5</td>
<td><strong>Reclassification between categories</strong></td>
<td>Reclassification is allowed under certain circumstances. Reclassification cannot result in a gain or a loss</td>
<td>Reclassifications are only allowed under specific exceptional circumstances if the business model has changed. These are recognised prospectively</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.6</td>
<td><strong>Negative revaluation reserve</strong></td>
<td>Decreases in value below cost should be recognised in profit or loss (no negative revaluation reserve)</td>
<td>Decreases in value are recognised in the statement of profit or loss, or in equity (OCI). A negative revaluation reserve is allowed</td>
<td>Conflicting</td>
</tr>
<tr>
<td>1.7</td>
<td><strong>Recognition of gains and losses in the event of measurement at fair value</strong></td>
<td>In most cases, choice between recognition in profit or loss and equity (revaluation reserve)</td>
<td>Through the statement of profit or loss or equity (OCI), depending on the category. Choice is more limited</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td></td>
<td>Dutch laws and regulations</td>
<td>IFRS</td>
<td>Conclusion</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------</td>
<td>------</td>
<td>------------</td>
<td></td>
</tr>
<tr>
<td>1.8</td>
<td>Amortised cost</td>
<td>Based on the annuity method of amortisation of premiums, discounts and transaction costs (effective interest method), or, if only minor differences result, based on the straight-line method of amortisation</td>
<td>Based on the annuity method of amortisation of premiums, discounts and transaction costs (= effective interest method)</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.9</td>
<td>Fair value</td>
<td>DAS 290 allows the current bid price, the current asking price as well as the use of mid-market prices in determining the fair value</td>
<td>IFRS 13 states that if an asset or liability measured at fair value has a bid price and an ask price, the price within the bid-ask range that is most representative of fair value in the circumstances should be used</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.10</td>
<td>Recognition of embedded derivatives</td>
<td>Separating derivatives may be required for both financial assets and financial liabilities</td>
<td>Separating derivatives may be required for financial liabilities. Embedded derivatives in financial assets are not separated, but the instrument in its entirety must be measured at fair value through profit or loss</td>
<td>Conflicting</td>
</tr>
<tr>
<td>1.11</td>
<td>Impairment of assets measured at amortised cost</td>
<td>Based on cash flows discounted at the original effective interest rate, or value adjustment to lower fair value. No impairment for expected losses, with the exception of current financial assets</td>
<td>Based on a combination of expected losses (expected loss model) and cash flows discounted at the original effective interest rate</td>
<td>IFRS and Dutch laws and regulations differ</td>
</tr>
<tr>
<td>1.12</td>
<td>Reversal of impairment losses</td>
<td>Reversal of impairment on equity instruments allowed</td>
<td>On equity instruments, except those held for trading, there is a choice for, any changes in value, including impairments, to be recognised either in profit or loss, or in equity (OCI). Reversal of impairment does not apply, therefore</td>
<td>Conflicting</td>
</tr>
<tr>
<td>1.13</td>
<td>Separating derivatives</td>
<td>DAS permit separating of derivatives, subject to certain conditions being met, allowing hedge accounting to be applied to individual components</td>
<td>If only the intrinsic value of the spot element is regarded in the hedging relationship, the mutations in the fair value of the time value or the term points are included in equity (OCI) instead of profit or loss. This also applies to the foreign currencies basis spread</td>
<td>IFRS and Dutch laws and regulations differ</td>
</tr>
<tr>
<td>1.14</td>
<td>Cost hedge accounting</td>
<td>Cost hedge accounting is allowed</td>
<td>Cost hedge accounting is not addressed</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.15</td>
<td>Conditions for hedge accounting</td>
<td>Fewer conditions, and expressed in more general terms</td>
<td>IFRS contain more conditions</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.16</td>
<td>Documentation on hedge accounting</td>
<td>Documentation of generic or individual hedging relationships</td>
<td>Documentation of individual hedging relationships</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.17 Hedge effectiveness</td>
<td>Effectiveness of hedge accounting relationships to be tested retrospectively as at the reporting date on the basis of critical characteristics</td>
<td>To be tested such matters as the basis of hedge effectiveness objective and the economic relationship between the hedged item and hedge instrument. Hedging relationships no longer sufficiently effective are rebalanced</td>
<td>IFRS and Dutch laws and regulations differ</td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>-----------------------------------</td>
<td></td>
</tr>
<tr>
<td>1.18 Discontinuing hedge accounting</td>
<td>Voluntary discontinuation of hedge accounting allowed</td>
<td>Voluntary discontinuation of hedge accounting not allowed</td>
<td>IFRS stricter</td>
<td></td>
</tr>
<tr>
<td>2 Presentation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Classification of financial instrument as equity or liability in the separate financial statements</td>
<td>Depending on legal form</td>
<td>Substance over form principle (based on economic reality)</td>
<td>Conflicting</td>
<td></td>
</tr>
<tr>
<td>2.2 Classification in the consolidated financial statements of preference shares with the dividend depending on profit</td>
<td>To be presented as equity or as a liability</td>
<td>To be presented as a liability</td>
<td>IFRS stricter</td>
<td></td>
</tr>
<tr>
<td>2.3 Classification of compound financial instruments</td>
<td>Equity and liability components can be classified separately; if they are not, the recognition method used for the instruments should be explained in the notes</td>
<td>Equity and liability components must be classified separately</td>
<td>IFRS stricter</td>
<td></td>
</tr>
<tr>
<td>3 Disclosure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Additional information</td>
<td>Specific disclosure requirements</td>
<td>Specific disclosure requirements</td>
<td>IFRS require more detailed disclosure</td>
<td></td>
</tr>
</tbody>
</table>

**General**

The IASB has replaced IAS 39 Financial Instruments: Recognition and Measurement by IFRS 9 Financial Instruments, which has three main themes: classification and measurement; impairment; and general hedge accounting. In the context of the IFRS 9 project, the IASB decided that the macro hedge accounting issue would not come under the scope of general hedge accounting, but be defined as a separate project. Initial proposals for macro hedge accounting have yet to be published.

The new provisions of IFRS 9 will be mandatory as from financial years beginning on or after 1 January 2018.

Under IFRS 9, classification comprises two principal categories of primary financial assets based on the nature of the instrument: debt instruments and equity investments. Examples of debt instruments include trade receivables, loans and bonds. In contrast to IAS 39, IFRS 9 does not distinguish between listed and unlisted instruments.

All financial assets must be initially measured at fair value. Subsequent measurement depends on the nature of the instrument and specific criteria.
All financial assets are initially measured at fair value. Related transaction costs are included if subsequent measurement is not at fair value through profit or loss. With respect to subsequent measurement of financial assets, there are three options, i.e.:

- At amortised cost: for debt instruments meeting two criteria.
- At fair value through OCI for:
  - Debt instruments meeting two criteria.
  - Equity instruments not held for trading.
- At fair value through profit or loss: for all derivatives, receivables and equity instruments not qualifying for either 1 or 2, or included voluntarily (fair value option).

Under IFRS 9, financial liabilities are measured at fair value if they are part of the trading portfolio, or if the fair value option is used.

If the fair value option is used, the gain resulting from the lower creditworthiness (and loss resulting from the higher creditworthiness) is not presented in profit or loss, but under other comprehensive income under IFRS 9. To the extent that such presentation would result in an accounting mismatch (as the impact of changes in the creditworthiness are set off against changes in value of financial assets measured at fair value), the changes in value are presented in profit or loss.

1 Recognition and measurement
1.1 Derecognition

DAS 290.702 refers to DAS 115.104–112 for the derecognition of financial assets and financial liabilities. DAS 115.110 includes a general provision on the derecognition of assets and liabilities. An asset or a liability should no longer be recognised in the statement of financial position if a transaction results in the transfer to a third party of all or substantially all rewards and all or substantially all risks attached to the asset or the liability.

The recognition and derecognition rules under IFRS 9 have been taken virtually in full from IAS 39. IFRS 9 contains highly detailed provisions on the derecognition of financial assets and liabilities. On the transfer of financial assets, it should first be determined whether derecognition rules are to be applied to the whole or part of the financial asset. It should then be determined whether substantially all the risks and rewards of ownership are retained. If this is the case, the asset should continue to be included in the statement of financial position. If substantially all the risks and rewards of ownership are transferred, the asset should be derecognised. If this is not the case, but they are also not retained, it should be determined whether the entity has transferred control. If this is the case, the asset should be derecognised. If the entity still has control of the asset, the asset should continue to be recognised to the extent that the entity remains exposed to the impact of changes in the value of the asset (IFRS 9, Chapter 3.2.6 c (ii)). Whether an entity still has control of the asset depends on the acquiring party’s ability to sell the asset. If the acquiring party is able to sell the entire asset to a third party, the entity no longer has control of the asset (IFRS 9, Chapter 3.2.9).
A financial asset can be transferred by means of a transfer of legal ownership, with the recipient retaining the right to receive the cash flows directly from the debtor. IFRS 9 also contains rules with regard to pass-through arrangements, in which the transferor still collects the cash flows on behalf of the acquiring party. An asset can only be derecognised if the collected cash flows are transferred immediately and not, even if only temporarily, used for the entity’s own benefit. Any interest received in the brief period in which the cash is held by the entity must also be transferred.

A financial liability (IFRS 9, Chapter 3.3.1) should be derecognised when it is extinguished—that is, when the entity has fulfilled its obligation specified in the contract, or when the obligation is cancelled or expires. This may be the case not only when a debt is waived or a loan repaid, but also when a loan is transferred, provided no guarantee, resale commitment or repurchase right is agreed upon, other than at the current market value, and the creditor can no longer claim the amount from the entity.

IFRS 9 also contains highly specific application guidance dealing with various types of situations (IFRS 9 Appendix B 3.2 and 3.3).

1.2 Measurement of unlisted equity instruments (assets)

The classification of a financial asset is important for its measurement. DAS 290.407 distinguishes five categories of financial instruments, each category being subdivided into subcategories (see Chapter 23a). With regard to equity instruments, DAS 290 stipulates that unlisted equity instruments can be carried either at cost or at fair value. Under IFRS 9, unlisted equity instruments are carried at fair value.

IFRS 9 has no listed equity instruments category. Under IFRS 9, these are classified under Held for trading or Designated at fair value through other comprehensive income (i.e. at fair value through OCI). All changes in value are recognised in the statement of profit or loss, unless shares are designated at fair value through OCI, in which case changes in value are recognised directly in equity. These changes in value may not be recognised at a later point in the statement of profit or loss (no recycling). This means that no interim impairment takes place and that changes in value as the result of a sale are not recognised in the statement of profit or loss.

1.3 Measurement of derivatives with underlying securities other than listed shares

Under DAS 290.513, derivatives with underlying securities other than listed shares can be consistently carried either at cost or at fair value through profit or loss. IFRS 9 requires all derivatives to be measured at fair value with changes in value being recognised in profit or loss.

1.4 Measurement and income determination on debt instruments

Under IFRS 9, debt instruments are subsequently measured at:
- Amortised cost
- Fair value with changes in value recognised in equity (OCI)
- Fair value through profit or loss
Measurement at amortised cost is only allowed if both of the following conditions are met.

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The business model used to manage financial assets may be determined by the manner in which the entity is managed and its performance reviewed, which is not on the basis of a single factor, but with all relevant indications being considered. These include the way performance is reported to management, managers are remunerated (for example, based on fair value of the assets under their management) and frequency, timing and volume of sales made in previous periods, among other things.

With respect to the contractual terms of the financial asset, the economic relationship between the principal and the compensation for the time value of money and the credit risk ensuing from such a principal has changed slightly. It has to be assessed whether such a change is significant in relation to the interest typically charged on such a loan.

Debt instruments are measured at fair value with changes in value recognised in equity (OCI) of debt instruments, provided that they meet the condition that the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. However, debt instruments may also be held within the business model to manage the assets in order to collect contractual cash flows (interest and principal payments) as well as selling the instruments, in that way realising cash flows.

For such debt instruments the category Fair value with changes in value in equity (OCI) applies. The interest income, translation gains and losses and impairment losses (credit loss) arising from such debt instruments are recognised in profit or loss. The same holds for the cumulative gain or loss recognised in equity (OCI), which is transferred to profit or loss if the debt instrument in question is derecognised, for example following a sale (recycling).

All other debt instruments are measured at fair value with changes in value being recognised in the statement of profit or loss.

Even if the above conditions are met, the fair value option is still available, provided this results in the elimination or significant reduction of an accounting mismatch. If the entity chooses to apply the fair value option to these instruments, all changes in value are recognised in profit or loss.

DAS 290 does not contain a fair value option as such. However, it does allow the measurement of financial assets at fair value through profit or loss, although application is more restricted.

For example, if an entity has purchased a bond, DAS 290.518 allows the entity to carry it at fair value with changes in value recognised in the statement of profit or loss. Unlike under IFRS 13, this option is not subject to any criteria being met. However, under DAS 290, such a choice should be made for the category or subcategory as a whole, whereas in some cases the fair value option under IAS 39 can be applied to an individual financial instrument (provided the criteria are met).
DAS 290 only allows financial liabilities to be carried at fair value if they relate to trading portfolio items. This will particularly be the case in the financial sector, for example with regard to so-called short positions. Other financial liabilities may not be carried at fair value under DAS or Section 10 (2) of the Current Value Decree.

1.5 Reclassification between categories
Under DAS 290.502, financial assets and liabilities should be allocated to (sub)categories on an item-by-item basis or at portfolio level. Reclassification often represents a change in accounting policies. DAS 290.532 also stipulates that reclassification from one (sub)category to another cannot result in a gain or loss at the time of reclassification. Under IFRS 9, only a change in the business model, which will occur only rarely, can result in reclassification, which is recognised prospectively.

1.6 Negative revaluation reserve
Entities can opt for recognition in the revaluation reserve of unrealised value changes in: (i) purchased loans and bonds; or (ii) investments in equity instruments that are carried at fair value. In that case, the revaluation reserves, measured per financial asset, may not be negative (DAS 290.518 (b), 290.521 (b) and 290.522 (b)).

Under IFRS 9, equity instruments are classified under Held for trading or Designated at fair value through other comprehensive income (i.e. at fair value through OCI). All changes in value are recognised in profit or loss, unless shares are designated at fair value through OCI, in which case changes in value are recognised directly in equity. No impairment is recognised in profit or loss if changes in value are recognised in equity, which may result in a negative component of equity under IFRS.

IFRS 9 also includes a Fair value through OCI category for debt instruments. Fair value decreases arising from this category of debt instruments are charged to equity (OCI), possibly resulting in a negative revaluation reserve under IFRS.

1.7 Recognition of gains and losses in the event of measurement at fair value
Entities are free to measure unrealised changes in value with respect to: (i) purchased loans and bonds; or (ii) investments in equity instruments at fair value. In that case, they can choose between recognising the gains or losses directly in profit or loss and recognising them in other comprehensive income until the time they are realised (DAS 290.518, 290.521 and 290.522).

Under IFRS 9, changes in fair value are always recognised in profit or loss, except for:
- Investments in equity instruments, if an entity chooses to recognise changes in value in other comprehensive income.
- Investments in debt instruments with changes in value being recognised in other comprehensive income, to the extent that no impairment is involved.
- Changes in the fair value of financial liabilities as a result of changes in own creditworthiness, unless the financial liabilities are part of the trading portfolio.
1.8 Amortised cost
The amortised cost is the balance of the amount upon initial recognition in the statement of financial position and the unamortised portion of the premiums and discounts, repayment premiums and transaction costs, taking into account principal repayments (IAS 39.9, DAS 940). Under DAS and IFRS, the amortised cost of a financial asset or financial liability is calculated using the effective interest method.

DAS stipulates that straight-line amortisation (instead of application of the effective interest rate method) is allowed as an alternative, provided it does not result in substantial differences compared with the effective interest rate method (DAS 273.201 and DAS 940). IFRS does not contain this exception.

1.9 Fair value
The fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm’s length transaction (DAS 940). IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IAS 39.9). If a financial instrument is carried at fair value, the fair value will have to be remeasured for every reporting period.

IFRS 13 states that if an asset or liability measured at fair value has a bid price and an ask price, the price within the bid-ask range that is most representative of fair value in the circumstances should be used.

IFRS 13 requires an entity’s own credit risk to be taken into account when measuring financial liabilities, particularly derivatives. DAS 290 provides no specific rules on this matter, with the definition of fair value being in line with that used in IAS 39 prior to the introduction of IFRS. IAS 39 provided various options of recognising an entity’s own credit risk when measuring financial liabilities, as fair value could also be regarded as a settlement price under IAS 39. This would seem to suggest that taking credit risk into consideration is justifiable, but not mandatory, under DAS 290 when measuring financial liabilities at fair value.

1.10 Recognition of embedded derivatives
IAS 39.9 and DAS 290.825 stipulate that other contracts can also contain derivatives (known as Embedded derivatives). IFRS 9 no longer requires embedded derivatives related to a financial asset representing a host contract falling within the scope of IFRS 9 to be separated from the host contract: the financial instrument is regarded in its entirety. However, IFRS 9 does require embedded derivatives to be separated in some cases, for example in the event the host contract is a financial liability or if it is not a financial instrument. The criteria for separating in such cases are similar to those set out in IAS 39.

1.11 Impairment of assets measured at amortised cost
IFRS 9 contains specific requirements for recognising impairments related to debt instruments that are measured at amortised cost or fair value with changes in value in equity (OCI). The requirements demand that a credit loss is immediately taken for such financial assets (such as a loan) based on an expected loss which will occur in the coming twelve months or —after a significant decrease in credit quality or when the simplified model can be used —based on the entire remaining loan term.
This may result in recognition—at an earlier date—of credit losses which no longer only include losses already incurred, as provided under IAS 39 and DAS 290.

Under DAS 290, financial assets measured at amortised cost are written down to the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. DAS also allow financial assets to be written down to market value/fair value.

Losses expected as a result of future events, no matter how likely, are not recognised. However, in the Netherlands, an exception to this rule is if an impairment of current assets is reasonably foreseeable in the short term, it may be taken into account in the measurement thereof (Section 387 (3) of Book 2 of the Dutch Civil Code). DAS 160.205 strongly recommends that an impairment that is foreseeable in the short term not be taken into account.

DAS advises against application of the legal option under Section 387 (3) of Book 2 of the Dutch Civil Code, as an impairment foreseeable in the short term provides no further details of the actual situation as at the reporting date.

1.12 Reversal of impairment losses

IFRS does not allow reversal of impairment losses incurred on equity instruments. Impairments as well as subsequent increases in value of equity instruments measured at fair value through profit or loss or through equity (OCI) are recognised in the statement of profit or loss or equity, respectively.

Impairment losses relating to debt instruments measured at amortised cost or at fair value through OCI are charged to the statement of profit or loss, and are reversed if the impairment no longer exists. These impairment losses are reviewed regularly. Under the general credit loss model of IFRS 9 this means that if the credit quality of the loan improves—and such to the extent that there is no longer a significant deterioration of the loan's credit risk since the first inclusion instead of an expected loss for the entire loan term—a new provision is calculated based on an expected loss expected to be incurred in the next twelve months. If the credit quality has not improved or when the simplified model is used, recalculation takes place based on the new estimate of the expected losses for the entire duration of the remaining loan term. Movements are recognised in the statement of profit or loss.

Where applicable, Section 387 (5) of Book 2 of the Dutch Civil Code stipulates that impairments of equity as well as debt instruments should be reversed and credited to the statement of profit or loss if the impairment no longer exists.

1.13 Separating derivatives

IFRS 9 does not allow separating of a compound derivatives contract, in that way preventing hedge accounting being applied to an individual underlying derivative.

The IFRS hedge model does contain specific requirements if only the intrinsic value or the spot element is designated in the hedge relationship. The mutations in the fair value of the time value or the term points are first included in equity (OCI) instead of the statement of profit or loss. The subsequent recognition in the statement of profit or loss depends on the nature of the hedged position. IFRS 9 has a similar treatment for the so-called basis spread in foreign currency contracts.
DAS 290 does not contain such the more explicit restriction of IFRS 9, which means that, in our opinion, some parts of a compound derivatives contract qualify for hedge accounting. It is important that the initial separating is effected reliably during the term to maturity.

1.14 Cost hedge accounting
DAS 290 distinguishes cost hedge accounting, allowing entities to carry hedging instruments at cost. The hedging instruments include derivatives and monetary items denominated in foreign currencies. IAS 39 does not include this type of hedge accounting, since it specifies that derivatives must be carried at fair value rather than at cost. Cost hedging refers to the hedging of the risk arising from changes in fair value or variability in cash flows, while the derivative, just as the hedged item, is carried at cost.

1.15 Conditions for hedge accounting
DAS 290.610 stipulates that specific conditions for hedge accounting must be met. To qualify as a hedged item, the hedged item in a hedge accounting relationship should be able to affect profit or loss if no such relationship would exist. Such an impact on profit or loss is required, as hedge accounting is an exception to the usual measurement income determination on derivatives. Absent any risk that may affect profit or loss, there is no need to make such exception.

DAS 290.613 also stipulates that application of hedge accounting, if so desired, must be based on documentation of generic hedging relationships or documentation of individual hedging relationships (see Section 1.16 below).

IFRS 9 requirements relating to hedge accounting align hedge accounting more closely with the risk management activities of an entity. Compared to IAS 39, a number of specific arbitrary rules were replaced by rules based more on principles. In addition, IFRS 9 allows more hedging instruments and hedged items being taken into account for hedge accounting purposes.

IFRS 9 also includes hedge accounting requirements which contain the following significant elements:

- Financial assets and financial liabilities other than derivatives may also be designated as hedging instruments if they are measured at fair value through profit or loss.
- All changes in cash flows or changes in value, whether or not relating to non-financial items, may be designated as hedged items.
- Specific proportions (layers) of a nominal amount of an existing transaction, such as the initial 10,000 items purchased in January, may be designated as hedged items.
- The 80–125% range for determining hedge effectiveness has been replaced by testing on the basis of hedge effectiveness objectives.
- Hedging relationships which are no longer sufficiently effective, with the original objective of risk management being unchanged, may be rebalanced (instead of being discontinued).
- Voluntary discontinuation of hedge accounting is not allowed if risk management remains unchanged.
- Subject to specific conditions, groups of items and net positions may be designated as single hedged items.
- Commodity contracts concluded for the supply of goods may be treated as derivatives.
1.16 Documentation on hedge accounting

Documentation of hedging relationships is required for all types of hedge accounting. In connection with this, DAS 290 lists two alternatives (DAS 290.613). Application of hedge accounting based on:

- Generic documentation
- Documentation of individual hedging relationships

Hedging documentation describes how the hedging strategy and hedging relationship fit within the risk management objectives and includes an expectation of the effectiveness of the hedging strategy and hedging relationship, respectively. It also sets out the hedging instruments and hedged positions involved in the hedging relationship concerned.

IFRS only allows documentation of individual hedging relationships.

1.17 Hedge effectiveness

An effectiveness test is required before hedge accounting can be applied. The test assesses whether the hedge is expected to be effective and whether the hedging relationship has been sufficiently effective to apply hedge accounting. DAS 290 stipulates that this effectiveness can be tested by, for example:

- Comparing the change in the fair value of a hedging instrument with that of a hedged position in any given period, or the cumulative change in fair value since the inception of the hedging relationship (dollar-offset method)
- Performing a regression analysis of the changes in fair value of the hedging instrument and the hedged item
- Comparing the critical characteristics of a hedging instrument with those of a hedged position. The extent to which the critical characteristics are identical in both components of a hedging relationship may be an indication of the effectiveness

Dutch regulations also allow application of cost hedge accounting. In the case of cost hedge accounting, ineffectiveness is recognised in profit or loss only if and to the extent a (cumulative) loss is involved. Quantitative ineffectiveness testing is required only if it turns out that the critical characteristics of the hedging instrument and hedged position are not, or have not been, identical, which means that a hedge is not fully effective (DAS 290.634). Critical characteristics include, among others, the amount, term, hedged risk and method of settlement of the hedging instrument and hedged position.

Under IFRS 9, a hedge is deemed to be effective if, from the inception of and throughout the term of the hedge, changes in the fair value and cash flows of the hedged item are expected to be offset against changes in the fair value and cash flows of the hedging instrument.

A prospective effectiveness test should be carried out to establish whether the following effectiveness requirements are met:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. No imbalance should arise as a result.
IFRS 9 requires a retrospective assessment as to whether the risk management objectives with respect to the hedge have changed. This could result in hedge accounting being discontinued, which could also be the case if the economic relationship between the hedged item and the hedging instrument has ceased to exist. Absent such circumstances, however, hedge accounting must be continued and an assessment made as to whether the hedge ratio (reflecting the expected changes to the hedged item and hedging instrument) should be adjusted.

Adjustment will be effected by designating new hedged items or hedging instruments, or removing existing items or instruments from the hedging relationship.

Under IFRS 9, any hedge effectiveness is measured retrospectively and recognised in the statement of profit or loss.

1.18 Discontinuing hedge accounting
DAS 290 allows the voluntary discontinuation of hedge accounting at any time. As set out in Section 1.17, under IFRS 9 hedge accounting cannot be discontinued if the circumstances relating to the risk management objectives or the economic relationship between the hedged item and the hedging instrument continue to exist. In that case, hedge accounting must be continued for the entire or the remaining part of the hedging relationship.

2 Presentation
2.1 Classification of financial instruments as equity or liability in the separate financial statements
DAS 240.207 requires the presentation of financial instruments as equity or liability in the separate financial statements to be based on legal form. IAS 32.15 requires presentation based on the economic reality (substance) of the instrument. See also Chapter 11a, Section 2.2.

2.2 Classification in the consolidated financial statements of preference shares with the dividend depending on profit
Under DAS 290, preference shares on which the dividend is determined annually on the basis of the entity’s profit for the year concerned only may be recognised as equity or as a financial liability. Under IAS 32, such a preference share qualifies as a financial liability.

2.3 Classification of compound financial instruments
IAS 32.28 stipulates that if an entity issues a financial instrument containing both a liability and an equity component, the components should be classified separately under liabilities and equity respectively. The DAS board prefers this method for the consolidated financial statements (DAS 290.813). However, DAS permits the liability and equity components to be not classified separately, although the notes should then disclose the treatment of such instruments. Instruments that, despite being associated with each other, are nevertheless identifiable as separate instruments, such as a bond loan and the corresponding warrants, must always be presented separately in accordance with DAS.

The DASB has issued draft standard 290.813, proposing the same accounting treatment as under IAS 32.28.
3 Disclosure

3.1 Additional information

IFRS 7 requires disclosure similar to DAS 290 for a number of subjects but, overall, contains a much larger number of disclosure requirements than DAS 290.

- Quantitative information about exposure to risks arising from financial instruments
  
  In connection with this, IFRS 7 emphasises that an entity should disclose information that enables users to assess the significance of financial instruments for the entity. IFRS 7 also states that information should be provided on how management assesses risks. In addition to specified minimum disclosures, quantitative disclosures on risks must be based on information provided to key management personnel. DAS 290 does not contain such a requirement.

- Credit risk disclosure
  
  DAS 290 and IFRS 7 require information about maximum exposure to credit risk and significant concentrations of risk. Unlike DAS 290, IFRS 7 contains an additional requirement: it requires quantitative disclosure for each type of risk arising from financial instruments based on information provided to key management personnel. With regard to credit risk, IFRS 7.35A–N requires specific information on the credit risk management of the business in relation to the recognition and measurement of the expected credit losses, including the methods, assumptions and information used to determine these losses. The business must also disclose quantitative and qualitative information which enable users of the financial statements to evaluate the amounts of the credit provisions, including any movements therein and the reasons for these. The business must also provide specific information about its credit risks. Finally, IFRS 7.13A–F also contain specific disclosure requirements for offsetting applied under netting arrangements.

- Liquidity risk disclosure
  
  DAS 290 requires disclosure of interest-rate, cash-flow and liquidity risk disclosure through information on contractual interest rate reset or repayment dates and effective interest rates, also taking into account the impact of hedging instruments. IFRS 7 requires quantitative disclosure: an entity should disclose a maturity analysis for non-derivative financial liabilities, reflecting all future cash flows, including interest payments (a non-discounted analysis). This repayment analysis should include financial guarantee contracts at guaranteed maximum amounts. A statement of cash flows for derivative financial liabilities must only be disclosed if it is essential for an understanding of the timing of the cash flows (for example, for interest rate swaps in cash flow hedges, or for loans granted but not yet paid). Furthermore, an entity should provide a description of how it manages the liquidity risk. IFRS 7.34 states that the quantitative disclosure must be based on information provided to key management personnel.

- Market risk disclosure
  
  DAS 290 requires qualitative disclosure of market risk. IFRS 7 requires quantitative disclosure: an entity should disclose a sensitivity analysis for each type of market risk, showing how profit or loss and equity would be affected by changes in the relevant risk variables. In addition, the methods and assumptions used should be disclosed (IFRS 7.40). IFRS 7.34 states that the quantitative disclosure must be based on information provided to key management personnel.
• Fair value disclosure

Under DAS 290 and IFRS 7, an entity should disclose information about the fair value for each class of financial asset and financial liability, whether or not recognised in the statement of financial position (DAS 290.937, IFRS 7.25). IFRS 7 uses fair value as defined in IFRS 13. The latter requires additional disclosure concerning fair values.

IFRS 13.93, for example, requires that for every category of financial instruments measured at fair value the information disclosed should include:

- The level or levels in the fair value hierarchy (Level 1, 2 or 3) on the basis of which the instruments are measured.
- Any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers.
- For fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing total gains or losses for the period recognised in profit or loss, total gains or losses recognised in other comprehensive income, purchases, sales, issues and settlements, transfers into or out of Level 3 and the reasons for those transfers.
- Disclosure of financial assets whose carrying amounts exceed their fair value under DAS 290, if an entity has carried one or more financial assets at a carrying amount that exceeds the fair value, the entity must disclose the following information (DAS 290.943):
  - The carrying amounts and fair values of the individual assets, or relevant groups of individual assets.
  - The reasons for not reducing the carrying amount, including information on the basis of which management is convinced that the carrying amount can be realised.
  - Although DAS does not contain any specific disclosure requirements with respect to financial assets or liabilities measured at fair value with changes in value recognised in the statement of profit or loss, they do include recommendations on this point. IFRS 7 contains specific requirements, including disclosure of maximum exposure to credit risk and changes in the fair value of the instrument.
- IAS 1 requires specific disclosures on capital management. DAS contain no such similar disclosure requirement.

Accounting standards

Relevant accounting standards:

- DAS 290  Financial Instruments
- IFRS 7  Financial Instruments: Disclosures
- IFRS 9  Financial Instruments
- IFRS 13  Fair Value Measurement
- IAS 32  Financial Instruments: Presentation
- IAS 39  Financial Instruments: Recognition and Measurement
24 Leasing

<table>
<thead>
<tr>
<th>1</th>
<th>Recognition and measurement</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Distinction between finance and operating leases</td>
<td>Quantitative as well as qualitative factors</td>
<td>Only qualitative factors</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>1.2</td>
<td>Specific regulations for SPEs</td>
<td>Economic risks borne in other capacity should be recognised</td>
<td>No explicit provisions</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>1.3</td>
<td>Accounting for initial direct costs of finance lease in the financial statements of the lessor</td>
<td>To be capitalised and amortised, or charged immediately to profit or loss</td>
<td>To be included in the initial measurement of the finance lease receivable</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.4</td>
<td>Accounting for initial direct costs of operating lease in the financial statements of the lessor</td>
<td>To be recognised over the lease term corresponding to the lease income, or directly in profit or loss</td>
<td>To be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.5</td>
<td>Recognition of sale and leaseback with an operational lease</td>
<td>If the sale price is lower than the fair value and the difference is compensated in future lease rates, an accrual is included for: a. Only the cost, to the extent compensated b. The entire amount compensated</td>
<td>The IFRS only allow the cost (for as far as compensated) to be included as asset item (option a)</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>2</td>
<td>Presentation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Disclosure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Additional information</td>
<td>Limited information to be provided</td>
<td>Information to be disclosed in the notes is more extensive than that required by DAS</td>
<td>IFRS require more detailed disclosure</td>
</tr>
</tbody>
</table>

General

The IASB issued IFRS 16 ‘Leases’ in January 2016. IFRS 16 was developed to address the main criticisms of the model in the current standards, namely that:

- Differing accounting treatments are applied to economically equivalent lease contracts.
- Assets and liabilities under operating leases are not recognised in the lessee’s statement of financial position.

IFRS 16 is mandatory for financial years beginning on or after 1 January 2019. Earlier application is permitted, provided IFRS 15 ‘Revenue from Contracts with Customers’ is also applied. At the time of preparing this edition, IFRS 16 had not yet been endorsed by the EU.

It is not yet clear whether changes will also be carried in the DAS, and new differences may accordingly arise between IFRS and Dutch GAAP in the future. This chapter is based on IAS 17 and does not yet describe the consequences of IFRS 16.
1 Recognition and measurement

1.1 Distinction between finance and operating leases

The criteria used in DAS and under IFRS for classifying a lease as either finance or operating are essentially the same. The lease classification depends on the economic reality (substance) of the transaction and not the legal form.

The classification of the lease should be determined based on the entire contract (DAS 292.120). Or as IAS 17.7 puts it, “The classification of leases adopted (…) is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee”.

In addition to the qualitative factors which IAS 17.10 refers to, DAS 292.120 also sets out quantitative criteria, such as the 75% rule (the lease period covers at least 75% of the useful life) and the 90% rule (the present value of the minimum lease payments is equal to or more than 90% of the (fair) value of the leased asset). The quantitative criteria are intended as additional examples for illustrating the application of the main rule. IAS 17.10, on the other hand, refers only to qualitative criteria, such as the major part of the economic life of the asset, and substantially all of the fair value of the leased asset.

1.2 Specific regulations for SPEs

DAS 292.130 states that the economic risk borne by the lessee, or a group company of the lessee, acting in a capacity other than as lessee should be taken into account when assessing whether a finance lease exists in terms of the contract provisions. This provision explicitly concerns a Special Purpose Entity (SPE) or Special Purpose Company (SPC) carrying out lease activities; a lease contract is concluded with an entity that has been specifically incorporated for this purpose (SPE) to act as the lessor. Apart from its role as a lessee, the lessee, or a group company of the lessee, can also act in another capacity, such as shareholder, partner or limited partner, financier or guarantor, and – on the basis of that other capacity – also bear some of the economic risks relating to the leased asset, for example for the full or partial loss of the capital contributed by the lessee to the SPE, as a result of the impairment of the leased asset, or for the damage suffered due to the fact that the lessor invokes a guarantee issued by a group company of the lessee.

IAS 17 does not specifically address a situation in which an SPE lessor is used. IFRS focus on whether the SPE must be consolidated. If so, an operating lease may still lead to the recognition of assets and liabilities in the statement of financial position, as the SPE lessor is consolidated.

1.3 Accounting for initial direct costs of finance lease in the financial statements of the lessor

Initial direct costs incurred by the lessor at the inception of a lease are included in the initial measurement of the finance lease receivable and amortised (IAS 17.38).

Under DAS 292.303, the lessor can choose between capitalising and directly expensing such costs. IFRS are therefore stricter.
1.4 Accounting for initial direct costs of operating lease in the financial statements of the lessor

Under DAS, initial direct costs in relation to an operating lease are to be recognised by the lessor over the lease term corresponding to the lease income, or directly in profit or loss (DAS 292.315). IAS 17.52 does not allow a choice between the two. Initial direct costs are to be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

1.5 Sale and leaseback with operational leaseback

The IFRS provisions regarding sale and operational leaseback are in keeping with those of the DAS. Some difference does arise in situations where the difference between the sale price and the fair value is compensated by future lease payments which are lower than the market rates. In such instances, an accrual is recognised which is released in relation to the expected term of use of the asset. The DAS has a choice for the asset between a) only the burden, for as far as compensated and b) the entire amount being compensated. Under IFRS only option a) exists.

2 Presentation

No differences exist between Dutch laws and regulations and IFRS.

3 Disclosure

3.1 Additional information

The disclosure requirements of DAS 292 and IAS 17 are virtually identical. In addition, both standards refer to the disclosure requirements for financial instruments. However, whereas IAS 17 requires disclosure in a number of cases, the same disclosures are only recommended under DAS.

- For finance leases, the lessee should disclose (IAS 17.31 compared with DAS 292.208):
  A general description of the material leasing arrangements (IAS 17.31). This is recommended, but not mandatory under DAS.

- For operating leases, the lessee should disclose (IAS 17.35 compared with DAS 292.212):
  A general description of the significant leasing arrangements (IAS 17.35 (d)). This is recommended, but not mandatory under DAS.

- For finance leases, the lessor should disclose (IAS 17.47 compared with DAS 292.311):
  A general description of the material leasing arrangements (IAS 17.47 (f)). This is recommended, but not mandatory under DAS.

- For operating leases, the lessor should disclose (IAS 17.56 compared with DAS 292.319):
  A general description of the material leasing arrangements (IAS 17.56 ©). This is recommended, but not mandatory under DAS.

DAS 292 requires disclosure —under Section 366 (2) of Book 2 of the Dutch Civil Code —when the lessee is not the legal owner of the leased item.
Accounting standards

Relevant accounting standards:

- DAS 292 Leasing
- IAS 17 Leases
- IFRIC 4 Determining Whether an Arrangement Contains a Lease
- SIC 15 Operating Lease Incentives
- SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
## 25 Changes in accounting policies, changes in accounting estimates and correction of errors

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Change from cost to fair value of tangible or intangible assets</td>
<td>Retrospective recognition and disclosure as change in accounting policy</td>
<td>Rules regarding recognition and disclosure regarding change in accounting policy irrelevant. Prospective recognition</td>
</tr>
<tr>
<td>1.2</td>
<td>Errors leading to a serious failure to provide a true and fair view</td>
<td>Legal requirement: Management notification addressed to the Commercial Register. Listed companies: filing with Netherlands Authority for the Financial Markets (AFM)</td>
<td>IFRS has no such requirement</td>
</tr>
<tr>
<td>2</td>
<td>Presentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Change in accounting policies and correction of errors</td>
<td>Comparative figures to be restated and differences to be disclosed</td>
<td>Three statements of financial position</td>
</tr>
<tr>
<td>3</td>
<td>Disclosure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Change in accounting policies</td>
<td>Less explicit disclosure requirements</td>
<td>More explicit disclosure requirements</td>
</tr>
<tr>
<td>3.2</td>
<td>Change in accounting policies – effect on subsequent financial years</td>
<td>Quantified indication of the effect</td>
<td>No specific rules</td>
</tr>
<tr>
<td>3.3</td>
<td>Disclosure of nature of future change in accounting policies</td>
<td>No specific rules</td>
<td>Specific disclosure requirements</td>
</tr>
<tr>
<td>3.4</td>
<td>Correction of errors</td>
<td>Specific disclosure requirements</td>
<td>Specific disclosure requirements</td>
</tr>
</tbody>
</table>

### General

A change in accounting policies may be the result of the introduction of or amendment to a specific standard. In that case, a new or revised standard may contain specific rules concerning the transition to the new accounting standards (for example, retrospectively or prospectively). These transitional provisions may result in differences between Dutch laws and regulations and IFRS. The impact of transitional provisions that may apply is not covered in this chapter.
1 Recognition and measurement

1.1 Change from cost to fair value of tangible or intangible assets

A change in accounting policy from the cost price model to the fair value model regarding the measurement of tangible and intangible non-current assets is not processed according to IAS 8, but as a remeasurement in line with IAS 38 and IAS 16 respectively (IAS 8.17). This entails prospective recognition, that is, not adjusting the comparative figures. In addition, the IAS 8 requirements are not applicable (IAS 8.18).

DAS does not have such a specific requirement; therefore the change to the fair value model must be recognised (retrospective application) and disclosed as a change in accounting policy.

1.2 Errors leading to a serious failure to provide a true and fair view

Dutch law refers to such an error in financial statements established after their adoption by members or shareholders, as the financial statements being seriously lacking with regard to providing the legally required true and fair view (DAS 940, formerly referred to as a fundamental error). In the event of such an error, Section 262 (6) of Book 2 of the Dutch Civil Code applies. This section requires that management inform members or shareholders regarding the serious failure to provide a true and fair view, and also notify the Commercial Register. This notification must include an audit opinion if the financial statements were audited. Pursuant to the Financial Markets Amendment Act 2014, if the financial statements are revised retrospectively, listed companies are required to file these revised financial statements with the Netherlands Authority for the Financial Markets AFM as well (in addition to filing them with the Chamber of Commerce).

IFRS does not contain a similar requirement. However, each entity that is subject to Title 9 Book 2 of the Dutch Civil Code that applies IFRS voluntarily is subject to this requirement.

2 Presentation

2.1 Change in accounting policies and correction of errors

In the event of retrospective restatement or reclassification, IFRS requires three statements of financial position to be drawn up: at the end of the current period; at the end of the previous period; and at the beginning of the earliest comparative period (IAS 1.40A). However, if the statement of financial position at the beginning of the earliest comparative period is not impacted by the restatement/reclassification, or it is not material, in our view this additional statement of financial position may be omitted, in which case that fact is disclosed.

No requirement for providing a third statement of financial position applies under DAS.
25 Changes in accounting policies, changes in accounting estimates and correction of errors

3 Disclosure

3.1 Change in accounting policies

DAS 140.213-214 prescribe the following disclosures:

- An explanation of the differences between the old and the new policies
- The reasons for changing the policies
- The way in which the effects of the policy change have been accounted for
- The effect of the policy change on equity and result
- The effect of the policy change on individual items
- An indicative analysis of any significant quantitative effect on subsequent years (see Section 3.2 below)
- If a reliable calculation or estimate of the impact on equity and results, or an indicative analysis of the effect on subsequent years cannot be made, this should be disclosed in the notes

With respect to disclosure requirements, the IASB distinguishes between changes in accounting policies resulting from the application of a new Standard or Interpretation and voluntary changes in accounting policies.

In the case of a change in accounting policies resulting from the application of a new Standard or Interpretation which has a material effect on the current, prior or subsequent periods, IAS 8.28 requires that the following information be disclosed:

- The title of the Standard or Interpretation
- If applicable, that the change in accounting policies is made in accordance with the transitional provisions of the Standard or Interpretation concerned
- The nature of the change in accounting policies
- If applicable, a description of the transitional provisions
- If applicable, the transitional provisions that might have an impact on future periods
- For the current period and each prior period, the amount of the adjustment
- The amount of the adjustment relating to periods before those included in the comparative figures
- If retrospective application is wholly or partly impracticable for prior periods, the circumstances that led to this and a description of how and from when the change in accounting policies has been applied

If a voluntary change in accounting policies has an effect on the current, prior or subsequent periods, IAS 8.29 requires that the following information be disclosed:

- The nature of the change in accounting policies
- The reasons why applying the new accounting policy provides reliable and more relevant information
- For the current period and each prior period, the amount of the adjustment
- The amount of the adjustment relating to periods before those included in the comparative figures
- If retrospective application is wholly or partly impracticable for prior periods, the circumstances that led to this and a description of how and from when the change in accounting policies has been applied

As is clear from the above, the disclosure requirements are described more explicitly in IFRS. However, under Dutch GAAP the disclosure needed to meet the legal requirement to provide a true and fair view (as referred to in Section 362 (1) of Book 2 of the Dutch Civil Code) will not differ from IFRS, with the exception of the two differences that are described in Sections 3.2 and 3.3.
3.2 Change in accounting policies — effect on subsequent financial years

DAS stipulates that if a change in accounting policies is expected to have a significant effect on one or more subsequent financial years, a quantitative indicative analysis of such effect should be disclosed. If this information cannot be given, this should be stated in the notes (DAS 140.216). IFRS does not contain regulation regarding this matter.

3.3 Disclosure of nature of future change in accounting policies

If an entity has not yet applied a new Standard or Interpretation that has been issued but is not yet effective, the entity should disclose this fact and disclose the following information (IAS 8.30 and 8.31):

- The title of the Standard or Interpretation
- The nature of the impending change or changes in accounting policies
- The date on which application of the Standard or Interpretation becomes compulsory
- The date on which it plans to apply the Standard or Interpretation initially
- A discussion of the impact of the change in accounting policies, or, if that impact is not known or cannot be reasonably estimated, a statement to that effect

DAS does not include such requirements.

3.4 Correction of errors

Under DAS, the following information is included in the disclosure regarding correcting a material error (IAS 8.49, DAS 150.204–205):

- The fact that there is a material error
- The effect of error correction
- The nature of the error
- The size of the error, if applicable
- The differences between the adjusted comparative figures and the original comparative figures (Section 363 (5) of Book 2 of the Dutch Civil Code)
- If it is impractical to adjust the comparative figures, the reason why they are not adjusted and the nature of the adjustment if it were to take place
- The fact that adjustment of previous years in multi-year summaries is impossible, should this be the case
- Adjusted regular and diluted profit per share for comparative financial years, where applicable (DAS 340.301)

IFRS requires similar information in the notes to that in DAS. IFRS requires disclosure of the following (IAS 8.49):

- The nature of the error
- For every comparative financial year for as far as practical
- The size of the correction of every item influenced by this
- The adjusted regular and diluted profit per share for as far as applicable
- The size of the correction of the initial equity of the earliest period presented
- If the adjustment of a comparative period is impossible, the circumstances that led to this and a description of how and from when the error has been corrected
Accounting standards

Relevant accounting standards:

- DAS 140 Changes in Accounting Policies
- DAS 145 Changes in Accounting Estimates
- DAS 150 Correction of Errors
- IAS 1 Presentation of Financial Statements
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
## 26 Segment information

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Scope</strong></td>
<td>Disclosures of segment information related to net turnover and</td>
<td>Mandatory for listed companies; no segmentation requirements for unlisted entities and no segment information concerning employees required.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>employees is mandatory for large and medium-sized entities, respectively. DAS 350.3 on supplementary segment information is recommended for large and medium-sized entities</td>
<td>Dutch laws and regulations and IFRS differ</td>
</tr>
<tr>
<td>2</td>
<td><strong>Presentation</strong></td>
<td>Definition of operating segment is based on internal reporting to</td>
<td>Dutch laws and regulations and IFRS differ</td>
</tr>
<tr>
<td></td>
<td>(recommended under Dutch GAAP; mandatory under IFRS)</td>
<td>management</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>2.1 Definition of operating segment</strong></td>
<td>Definition of operating segment is based on internal reporting to</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>chief operating decision maker</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>2.2 Quantitative criteria</strong></td>
<td>Net turnover is the criterion</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Revenue is the criterion</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>2.3 Changes to reportable segments due to quantitative criteria</strong></td>
<td>No specific requirements</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Specific requirements for the presentation of segments that meet the quantitative criteria for the first time, or no longer meet the quantitative criteria</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>2.4 Number of reportable segments</strong></td>
<td>No guidance</td>
<td>Practical limit of ten reportable segments</td>
</tr>
<tr>
<td>3</td>
<td><strong>Disclosure (recommended under Dutch GAAP; mandatory under IFRS)</strong></td>
<td>Profit or loss to be disclosed for each segment, depending on internal reporting</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td></td>
<td><strong>3.1 Profit or loss per reportable segment</strong></td>
<td>Profit or loss to be disclosed for each segment at any time</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>3.2 Other items per segment</strong></td>
<td>Brief list of items that segment information may comprise</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td></td>
<td><strong>3.3 Reconciliation of segment information</strong></td>
<td>Detailed list of other items to be disclosed for each segment</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>3.4 Disclosure of accounting policies</strong></td>
<td>Reconciliation of segment information for each material item with the financial statements</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td></td>
<td><strong>3.5 Entity-wide disclosures</strong></td>
<td>Less detailed</td>
<td>Detailed disclosure of products, services, customers and geographical information</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No specific rules</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>3.6 Changes to structure of organisation</strong></td>
<td>If the comparative figures cannot be restated, only disclosure thereof</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td></td>
<td></td>
<td>If the comparative figures cannot be restated, segment information to be disclosed on the basis of old as well as new segmentation</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>3.7 Disclosure of nature of segment</strong></td>
<td>Less detailed</td>
<td>More detailed as to the application of the aggregation criteria</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More detailed</td>
<td></td>
</tr>
</tbody>
</table>
1 Scope

Dutch law requires large and medium-sized entities to which Part 9 of Book 2 of the Dutch Civil Code applies to disclose segment information concerning employees. In addition, disclosure of segment information concerning net turnover is mandatory for large entities.

Under Section 380 of Book 2 of the Dutch Civil Code, large and medium-sized entities must break down segment information on net turnover by sector (paragraph 1) and geographical area (paragraph 2). DAS 350.2 contains additional provisions concerning such information on net turnover.

Under Section 382 of Book 2 of the Dutch Civil Code, all entities, irrespective of size, must disclose segment information concerning employees, both in the consolidated and separate financial statements. Specifically, they must disclose the average number of employees during the financial year, broken down according to the structure of the entity, with common practice being a breakdown by sector and/or geographical area. The number of employees stationed outside the Netherlands should also be disclosed. Pursuant to the new Title 9 of Book 2 of the Dutch Civil Code, small entities applying Dutch GAAP (and not IFRS) will only have to disclose the average number of employees during the financial year and are exempt from the requirement to provide segmented information about this (Section 396 (5) of Book 2 of the Dutch Civil Code). Following the introduction of the new legislation, micro-entities are entirely exempt from providing personnel data (Section 395a (6) of Book 2 of the Dutch Civil Code). Under IFRS, there are no personnel requirements, although a Dutch entity applying IFRS should provide segmented information on personnel data pursuant to Dutch law (Section 362 (9) of Book 2 of the Dutch Civil Code).

DAS 350.3 makes recommendations for large and medium-sized entities that voluntarily provide supplementary segment information in addition to the above information required by law (DAS 350.103). IFRS 8 is mandatory only for listed companies (IFRS 8.2). Moreover, the recommendations for large and medium-sized entities under DAS 350.3 are largely based on IFRS 8, which is mandatory for listed entities. As a result, IFRS 8 and DAS 350.3 are partly the same, with the differences pertaining to terminology in particular. However, IFRS requires more detailed segment information.

The differences between DAS 350.3 and IFRS 8 are listed in Sections 2 and 3 below.

2 Presentation (recommended under Dutch GAAP; mandatory under IFRS)

2.1 Definition of operating segment

The definition of an operating segment under DAS 350.3 differs gradually from that under IFRS, with internal reporting to the management being the decisive factor under DAS 350.304, and information to the chief operating decision maker leading in identifying an operating segment under IFRS 8.5. Although DAS 350.3 does not explain the term management in further detail, the introduction to the 2009 edition of DAS and DAS 350.301 indicate that the term management does not refer to the board of directors under the Articles of Association, but management in a wider sense, being the body managing the operations and being provided with management information thereon. In our view, this difference in terminology will not usually lead to differences between DAS 350.3 and IFRS in practice.
2.2 Quantitative criteria

An operating segment or aggregate segment is disclosed separately if it meets the quantitative criteria (DAS 350.301, IFRS 8.11). The three quantitative criteria for determining the reportable segments under DAS 350.3 match those under IFRS 8, except one. Under DAS 350.3, net turnover is the criterion, as opposed to revenue under IFRS. Revenue has a wider scope than net turnover.

2.3 Changes to reportable segments due to quantitative criteria

IFRS 8 provides rules for accounting for changes to reportable segments compared with the previous year that meet the quantitative criteria for the first time or no longer meet the quantitative criteria, respectively:

- If management judges that an operating segment identified as a reportable segment in the immediately preceding period is of continuing significance, information about that segment shall continue to be reported separately in the current period even if it no longer meets the criteria for reportability (IFRS 8.17).
- If an operating segment is identified as a reportable segment in the current period in accordance with the quantitative thresholds, segment data for a prior period presented for comparative purposes shall be restated to reflect the newly reportable segment as a separate segment, even if that segment did not satisfy the criteria for reportability in the prior period, unless the necessary information is not available and the cost to develop it would be excessive (IFRS 8.18).

DAS 350.3 does not provide these rules.

2.4 Number of reportable segments

IFRS 8 sets a practical limit to the number of reportable segments that an entity separately discloses, with ten serving as a guideline (IFRS 8.19). DAS 350.3 does not contain any such guideline.

3 Disclosure (recommended under Dutch GAAP; mandatory under IFRS)

3.1 Profit or loss per reportable segment

Under both IFRS 8 and DAS 350.3, the information to be disclosed for each reportable segment depends on the management reporting. However, unlike IFRS 8.23, disclosure of the segment profit or loss under DAS 350.3 is relevant only if such information is included in the management information made available (DAS 350.314).

3.2 Other items per segment

DAS 350.3 provides a list of possible information to be disclosed for each reportable segment (DAS 350.314). The list is less detailed than under IFRS 8.23-24. For example, IFRS require disclosure of interest income and expense and income tax. In addition, IFRS require segment information on the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method. IFRS goes one step further by requiring segment information on material items from the statement of profit or loss and non-cash items, whereas DAS 350.3 only refers to exceptional items. However, disclosure of such segment information under DAS 350.3 as well as under IFRS depends on whether and to what extent it is included in management reporting.
3.3 Reconciliation of segment information

Under IFRS 8.28, the total of the segments’ revenue and profit or loss has to be reconciled with revenue and profit or loss presented in the statement of profit or loss. In addition, the total of the segments’ assets and liabilities, on condition that they are regularly provided to the chief operating decision maker, has to be reconciled with the total amounts for the entity. Such reconciliation is also to be effected for every other material segment item disclosed. DAS 350.3 only requires reconciliation for net turnover, profit or loss, assets and the total of provisions and current and non-current liabilities (DAS 350.316), but not for other significant items. Moreover, unlike DAS 350.3, IFRS require all sources of revenues included in the all other segments category to be disclosed in the notes.

3.4 Disclosure of accounting policies

Since the accounting policies regarding segment information may differ from those used for the financial statements, they should be disclosed. Elements required to be disclosed under DAS 350.3 are largely the same as under IFRS, although disclosure requirements under IFRS are more detailed. IFRS require more disclosure on the effect of any changes in the accounting policies on the results compared with the previous year and the nature and effect of any asymmetrical allocations to reportable segments (IFRS 8.27).

3.5 Entity-wide disclosures

IFRS 8.31-34 requires an entity, including an entity with a single reportable segment, to disclose information for the entity as a whole about its products and services, geographical areas and major customers. Under Section 380 of Book 2 of the Dutch Civil Code, large entities must break down segment information on net turnover by sector (paragraph 1) and geographical area (paragraph 2).

DAS 350.3 includes no further entity-wide disclosure requirements.

3.6 Changes to structure of organisation

If an entity changes the structure of its organisation, resulting in changes to the composition of the reportable segments, DAS 350.3 requires disclosure of the impact of the changes on the segment information and of whether and how the comparative figures have been restated accordingly (DAS 350.317). The comparative figures are subsequently restated under DAS 350.3 and IFRS alike to reflect the new organisational structure, unless the necessary information is not available and the cost to develop it would be excessive (DAS 350.317, IFRS 8.29-30). Should the latter situation occur, the entity shall disclose in the year in which the change occurs segment information for the current period on both the old basis and the new basis of segmentation (IFRS 8.29-30). DAS 350.3 does not include any such additional disclosure requirement.

3.7 Information on the nature of the segment

The factors used in determining whether the reportable segments, including the entity’s basis, are disclosed, for example whether the segments have been broken down on the basis of products and services, geography or applicable rules and regulations, and whether operating segments have been aggregated.
In addition, DAS 350.3 and IFRS 8 require that the nature of the products and services used by each reportable segment to generate its turnover be disclosed (DAS 350.313; IFRS 8.22 a) and b)). The IASB also requires the following disclosures on the assessment performed by management in aggregating segments (IFRS 8.22 (aa)):

- A brief description of the aggregated operating segments.
- A description of the economic indicators assessed by management in determining whether economic characteristics are equal. Examples hereof are profit margin differences and turnover growth expectations.

This disclosure requirement has not been included in DAS.

**Accounting standards**

Relevant accounting standards:
- DAS 350 Segment Information
- IFRS 8 Operating Segments
## 27 Rights and obligations not shown in the statement of financial position

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Recognition and measurement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td><strong>Assets not included in the statement of financial position</strong></td>
<td>Assets not recognised: existing assets whose value cannot be reliably measured</td>
<td>No specific rules for assets not recognised</td>
</tr>
<tr>
<td>2</td>
<td><strong>Presentation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td><strong>Disclosure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td><strong>Disclosure under Dutch law</strong></td>
<td>Disclosure of liability required under Section 403 of Book 2 of the Dutch Civil Code, guarantees to executive or supervisory directors, and security, if any, for commitments not shown in the statement of financial position</td>
<td>No specific rules</td>
</tr>
<tr>
<td>3.2</td>
<td><strong>Sequential liability of contractors and parties hiring personnel</strong></td>
<td>The nature of the liability should be disclosed</td>
<td>No specific rules</td>
</tr>
<tr>
<td>3.3</td>
<td><strong>Consequences of being a partner in a general partnership or a general partner in a limited partnership</strong></td>
<td>The nature of the liability should be disclosed</td>
<td>No specific rules</td>
</tr>
<tr>
<td>3.4</td>
<td><strong>Long-term commitments</strong></td>
<td>Information should be included on major long-term financial commitments of the entity</td>
<td>No specific rules</td>
</tr>
<tr>
<td>3.5</td>
<td><strong>Commitments for inventories</strong></td>
<td>Disclosure should be made of total commitments under purchase and sale contracts if the purchase or delivery obligations are abnormally large compared with normal business volumes</td>
<td>No specific rules</td>
</tr>
<tr>
<td>3.6</td>
<td><strong>Forming part of a fiscal unit and commitments to group companies</strong></td>
<td>Disclosure should be made of the fact that the enterprise forms part of a fiscal unit for corporate income tax and/or VAT purposes together with other group companies</td>
<td>No specific rules</td>
</tr>
<tr>
<td>3.7</td>
<td><strong>Exemption from disclosure of liabilities if seriously prejudicial</strong></td>
<td>In exceptional cases; disclosure of the general nature of the dispute together with the fact that, and reason why, the information has not been disclosed</td>
<td>IFRS requires more detailed disclosure</td>
</tr>
</tbody>
</table>
General
Under DAS, long-term financial commitments are classified under commitments not shown in the statement of financial position. These are not distinguished as a separate category under IAS 37, but further detailed in the standards concerned, such as IAS 17 Leasing.

1 Recognition and measurement

1.1 Assets not included in the statement of financial position
The scope of assets not included in the statement of financial position is wider under DAS than under IFRS. Under DAS, these assets also include assets not recognised (DAS 252.110): they are existing assets arising on events taking place up to and including the reporting date, which are not accounted for in the statement of financial position since the cost or value of these assets cannot be sufficiently reliably estimated (for example, claims against third parties that are expected or certain to be awarded, but the amount of which cannot be reliably measured). IAS 37 does not specifically refer to this category.

2 Presentation
There are no differences between Dutch laws and regulations and IFRS.

3 Disclosure

3.1 Disclosure under Dutch law
The following specifically Dutch aspects, which are referred to in the legislation, should be disclosed:
- Joint and several liability undertaking, which is a precondition for the exemption of a group company from the legal requirements relating to the presentation and issue of the financial statements (Section 403 (1) of Book 2 of the Dutch Civil Code).
- Guarantees issued on behalf of the entity’s executive directors, in total and individually, on behalf of the entity’s supervisory directors, in total, by the entity, its subsidiaries and the companies included in its consolidated financial statements (Section 383 (2) of Book 2 of the Dutch Civil Code).
- Commitments not included in the statement of financial position, the liabilities for which security has been provided and the form of this security. Also, the liabilities in respect of which the entity has undertaken to encumber or not to encumber its property, either conditionally or unconditionally, to the extent required to provide the view referred to in Section 362 (1) of Book 2 of the Dutch Civil Code (Section 375 (3) of Book 2 of the Dutch Civil Code).

Although not specifically mentioned in IAS 37, these aspects fall under the general disclosure requirements relating to contingent liabilities under IAS 37.

3.2 Sequential liability of contractors and parties hiring personnel
Sequential liability is a guarantee commitment of contractors and parties hiring personnel to be disclosed as an obligation not shown in the statement of financial position in the notes (DAS 252.109). Although IAS 37 does not include any specific rules on sequential liability, this comes under the general disclosure requirements relating to contingent liabilities under IAS 37.
3.3 Consequences of being a partner in a general partnership or a general partner in a limited partnership

Every partner in a general partnership or the managing partner in a limited partnership has unlimited liability for all debts of the general or limited partnership. Such unlimited liability should be disclosed in the notes to the extent required to provide the necessary view (DAS 252.206 and DAS 214.617). Although not specifically mentioned in IAS 37, these aspects fall under the general disclosure requirements relating to contingent liabilities under IAS 37.

3.4 Long-term commitments

Major long-term financial commitments not included in the statement of financial position and entered into by the entity must be disclosed in the notes (Section 381 of Book 2 of the Dutch Civil Code). Furthermore, separate disclosure is to be made of the total amounts falling due after one year and after five years. If individual commitments are of special significance by virtue of the term and/or amount for which they have been made, additional information (on the nature, amount and term of the commitment) should be disclosed (DAS 252.514). IAS 37 does not include any specific rules on this matter, but similar provisions are included in other relevant standards, for example, concerning leasing under IAS 17.35. For further details of lease commitments, see Chapter 23 Leasing.

With respect to non-current assets, DAS 252.515 contains a specific rule requiring disclosure of the total amount of capital commitments. As IAS 16.74 contains a similar rule, there is essentially no difference in the disclosure requirements for non-current assets.

3.5 Commitments for inventories

The notes to the financial statements should disclose the total amount of commitments under purchase and sale contracts for inventories, if the purchase or delivery obligations are abnormally large compared with normal business volumes (DAS 252.516). IFRS does not include any specific rules on this point.

3.6 Forming part of a fiscal unit and commitments to group companies

IFRS does not recognise the concept of a fiscal unit. With respect to commitments to group companies, DAS 252.517 requires separate disclosure of the fact that — if this is the case — the entity forms part of a fiscal unit for corporate income tax and/or VAT purposes together with other group companies. For further information, see Chapter 14 Provisions for deferred taxation.

3.7 Exemption from disclosure of liabilities if seriously prejudicial

In extremely rare cases, disclosure of some of the required information may seriously prejudice the position of the entity in a dispute. In such cases, an entity need not disclose the information, but will disclose the general nature of the dispute (IAS 37.92 and DAS 252.512). IFRS requires disclosure of the fact that, and reason why, the information, which, as a rule, should be disclosed, has not been disclosed (IAS 37.92).
Accounting standards

Relevant accounting standards:

- DAS 252  Provisions, Commitments and Rights Not Included in the Statement of Financial Position
- IAS 37   Provisions, Contingent Liabilities and Contingent Assets
## 28 Government grants, emission rights, service concessions and government levies

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Accounting for grants</td>
<td>No general rule. Specific rules for four types of grant</td>
<td>General rule: grants should be recognised systematically in the statement of profit or loss over the periods in which related costs are recognised; grants may not be credited directly to equity</td>
</tr>
<tr>
<td>1.2</td>
<td>Loan facilities</td>
<td>To be classified as operating grant or investment grant at the time the credit no longer need to be repaid</td>
<td>To be recognised as grant if there is reasonable assurance that terms for forgiveness will be met</td>
</tr>
<tr>
<td>1.3</td>
<td>Development loans</td>
<td>If repayment of a development loan depends on revenue or profit realised on the project concerned, loan receipts should be set off against the development costs. Repayment of the loan principal and interest must be recognised in cost of sales</td>
<td>No specific rules for development loans; general rules for loan facilities apply</td>
</tr>
<tr>
<td>1.4</td>
<td>Deducting investment grant from capital investment — residual value</td>
<td>Possible refund to be taken into account</td>
<td>No specific rules</td>
</tr>
<tr>
<td>1.5</td>
<td>Investment scheme as tax facility</td>
<td>The right to this is to be recognised directly or over a number of years in profit or loss in the year from which a value can be allocated to it for the first time</td>
<td>No specific rules; general rules for tax facilities and grants apply</td>
</tr>
<tr>
<td>1.6</td>
<td>Grants in the form of other economic benefits</td>
<td>No specific rules. General rule of fair value measurement is applied</td>
<td>Asset and government grant to be carried at fair value or nominal amount</td>
</tr>
<tr>
<td>1.7</td>
<td>Repayment of government grants</td>
<td>No specific rules. General rule for accounting as change in accounting estimate applies</td>
<td>Repayment to be accounted for as a change in accounting estimate</td>
</tr>
<tr>
<td>1.8</td>
<td>Emission rights</td>
<td>Specific rules</td>
<td>No specific rules</td>
</tr>
<tr>
<td>1.9</td>
<td>Government levies</td>
<td>To be accounted for when all conditions of the government levy have been met Or To be accounted for in the period to which the government levy relates</td>
<td>To be accounted for when all conditions of the government levy have been met</td>
</tr>
<tr>
<td>2</td>
<td>Presentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Operating grant – presentation in the statement of profit or loss</td>
<td>No specific rule</td>
<td>To be presented separately or under other income or as a deduction from the expense</td>
</tr>
</tbody>
</table>
3 Disclosure

3.1 Disclosure in the notes of the nature and amount of grants

The amount of the grants needs to be explained in the notes only if this contributes to the view required by law. The nature and amount of grants should always be disclosed.

IFRS requires more detailed disclosure.

3.2 Disclosure of unfulfilled conditions

No specific rules. Disclosure required for contingent financial liabilities relating to development loan already received. Required for unfulfilled conditions and other contingencies attaching to government assistance recognised in the financial statements.

IFRS requires more detailed disclosure.

General

IAS 20 and DAS 274 address government assistance. Government grants are a subset of government assistance (IAS 20.3, DAS 274.102, and DAS 940). IAS 20 also makes a distinction between grants related to assets (comparable to investment grants under DAS 274), grants related to income (comparable to operating grants under DAS 274) and forgivable loans (comparable to loan facilities under DAS 274). The basic premise for accounting for grants under IAS 20 is therefore in line with that applied under DAS.

1 Recognition and measurement

1.1 Accounting for grants

IAS 20 stipulates as a general rule that government grants be recognised systematically in profit or loss over the periods in which the related costs —to which the grant was designated —are recognised. This also means that grants may not be credited directly to equity (IAS 20.12). DAS does not contain a general rule but distinguish four types of grant in detail. They state for each of these four types of grant how it should be accounted for. These rules are largely in line with the general rules contained in IAS 20.

1.2 Loan facilities

A credit-related forgiveness of a debt if certain conditions are met is not taken into account for the purpose of accounting for the receipt of the credit. The amount of the credit should be carried in the statement of financial position under liabilities. When it transpires that the credit need no longer be repaid, an assessment is made whether the amount to be released qualifies as an operating grant or an investment grant (DAS 274.109).

The accounting treatment under IAS 20 is more or less the same as that prescribed by DAS. However, IAS 20.10 specifically states that a forgivable loan from government must be treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

1.3 Development loans

A development loan is a loan facility granted to finance development costs. If the development is unsuccessful, the loan is forgiven after a certain period of time. If successful, repayment of both the principal and interest is required (DAS 274.105). If repayment of a development loan depends on revenue or profit realised on the project concerned, loan receipts should be set off against the development costs. The repayment of the loan principal and interest should be included in cost of sales (DAS 274.111). If repayment of a development loan does not depend on revenue or profit realised, the general rules for loan facilities (see Section 1.2 above) will apply.
IFRS does not distinguish between loan facilities and development loans. As a result, the general rules for loan facilities under IAS 20.10 (see Section 1.2 above) apply. This means that, under IFRS, the time of recognition of forgivable loans as government grants, including related income, may be different from that under DAS, potentially leading to a different outcome.

1.4 Deducting investment grant from capital investment — residual value

DAS stipulate that, if the investment grant is deducted from the capital investment, any grants to be refunded in the event the property is likely to be disposed upon reaching its residual value should be taken into account when measuring the residual value (DAS 274.116). IFRS does not contain any specific rules on this matter. However, a similar accounting treatment can be established on the basis of the general rule under IAS 20.7, stating that government grants are not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. In other words, no major differences exist between Dutch laws and regulations and IFRS in practice.

1.5 Investment scheme as tax facility

Government incentives can be provided in various forms, for instance through tax measures. That gives rise to the question whether such a ‘grant’ is in scope of standards on Government Grants (IAS 20 and DAS 274) or standards on Income Taxes (IAS 12 and DAS 272).

The standards do not clarify this. The relevant features (for instance, dependence on actual payment of tax, taxability of the ‘grant’) will need to be considered.

Specifically under DAS, if a grant awarded under an investment scheme is treated as a tax facility, the right to this should be recognised immediately, or over a number of years, in profit or loss (under taxes on profit/loss from ordinary activities) in the year in which a value can be allocated to it for the first time (DAS 274.117).

1.6 Grants in the form of other economic benefits

DAS and IAS 20 stipulate that government assistance includes other economic benefits in addition to financial contributions (DAS 274.102, DAS 940, IAS 20.3). Whereas DAS 274 does not go into the measurement of this government assistance, IAS 20 stipulates that, in the case of a transfer of a non-monetary asset, such as land or other resources for the use of the entity, the fair value of the non-monetary asset should be measured, and both the asset and government grant should be carried at fair value (IAS 20.23). An alternative treatment is to recognise both the asset and grant at their nominal amounts (which can be nil) (IAS 20.23). In our view, such a transaction should be carried at fair value under DAS.

1.7 Repayment of government grants

IAS 20.32 stipulates that repayment of a government grant should be treated as a change in accounting estimate. DAS 274 does not contain any rules on the repayment of government grants, with the exception of specific rules for the repayment of a contingent development loan (see Section 1.3 above). However, based on the general definition of a change in accounting estimate in accordance with DAS 145, repayment of a government grant is generally treated as a change in accounting estimate.
1.8 Emission rights

With effect from 1 January 2005, certain companies have been faced with the EU directive on the trade in emission rights relating to greenhouse gases. The directive stipulates that designated companies be granted emission rights by the government at the beginning of every calendar year allowing a specific CO₂ emission level. The Appendix to DAS 274 considers the recognition of purchased emission rights and emission rights obtained free of charge. Part 9 of Book 2 of the Dutch Civil Code and DAS allow for two variants for the recognition and measurement of emission rights and the resulting liabilities.

The first option is recognition and measurement on a gross basis, with the emission rights granted free of charge being initially carried at fair value and the government grant presented under liabilities, with a provision formed for the actual emission. The second option is recognition and measurement on a net basis, with the emission rights granted free of charge being initially carried at cost and a provision formed to the extent that the actual emission exceeds the emission rights granted. IFRS contains no specific rules on the recognition of emission rights, since the IASB decided to abolish IFRIC Interpretation 3 Emission Rights, which was issued in 2004. The IASB decided to do so following objections from the European Union stating that the method of recognition did not meet the true and fair view requirements. It is therefore questionable whether European companies would be allowed to apply IFRIC 3, as this interpretation would possibly not have been approved in Europe. One of the disadvantages of IFRIC 3, according to DAS, is that certain accounting mismatches may arise. As a result, IFRIC 3 does not generally lead to acceptable financial reporting (DAS 274, Appendix 3.3). In our opinion, application of either variant as included in DAS 274, Appendix 1 is acceptable under IFRS until the IASB has issued specific rules in this matter.

1.9 Government levies

Under IFRS, the levy can only be accounted for when all conditions for the government levy have been met. Under DAS, it is in addition also possible to account for government levies in the period to which they relate. Therefore, IFRS is stricter with regard to accounting for levies, permitting only one accounting treatment, unlike DAS, which offers a choice between two accounting treatments.

2 Presentation

2.1 Operating grant —presentation in statement of profit or loss

Under IAS 20.29, grants related to income should be presented in the statement of profit or loss separately or under other income, or as a deduction from the related expense.

DAS does not contain any specific rules on the recognition of operating grants. Based on the general principles, both methods of presentation included in IAS 20 can be applied.

3 Disclosure

3.1 Disclosure in the notes of the nature and amount of grants

Under DAS, the amount of grants and similar facilities accounted for in the year under review needs to be disclosed only if required to provide a true and fair view (DAS 274.121). Under IAS 20, the nature and amount of the grants should be disclosed in all cases (IAS 20.39).
3.2 Disclosure of unfulfilled conditions

Under IAS 20, unfulfilled conditions and other contingencies attaching to the grant presented in the financial statements should be disclosed (IAS 20.39). DAS does not require this. However, as under IFRS, contingent financial liabilities relating to development loans received should be disclosed.

Accounting standards

Relevant accounting standards:

- DAS 274  Government Grants and Other Forms of Government Support
- DAS 390.1  Information on Services Provided Under a Service Concession
- IAS 20  Accounting for Government Grants and Disclosure of Government Assistance
- IFRIC 12  Service Concession Arrangements
- SIC 10  Government Assistance – No Specific Relation to Operating Activities
- SIC 29  Service Concession Arrangements: Disclosures
## 29 Earnings per share

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Basic earnings per share – adjustments for preference shares (to the extent classified as equity)</td>
<td>Definition under DAS is more concise</td>
<td>IFRS is more explicit on adjustments to be made</td>
</tr>
<tr>
<td>1.2</td>
<td>Number of ordinary shares – acquisition and pooling of interests</td>
<td>A distinction is made</td>
<td>No distinction is made</td>
</tr>
<tr>
<td>1.3</td>
<td>Reverse share split</td>
<td>No specific rule</td>
<td>Reduction in the number of shares is accounted for at the time the special dividend is recognised</td>
</tr>
<tr>
<td>1.4</td>
<td>Settlement of contracts in ordinary shares or cash</td>
<td>No distinction is made</td>
<td>A distinction is made – different methods of treatment</td>
</tr>
<tr>
<td>1.5</td>
<td>Determining whether potential ordinary shares lead to dilution</td>
<td>Based on the effect on earnings per share from ordinary activities</td>
<td>Based on the effect on earnings per share from continuing operations</td>
</tr>
<tr>
<td>1.6</td>
<td>Employee share options with fixed or determinable terms and non-vested shares</td>
<td>No specific rule</td>
<td>To be treated as options from the grant date</td>
</tr>
<tr>
<td>1.7</td>
<td>Options held on own shares</td>
<td>No specific rule</td>
<td>Not to be included in the calculation of diluted earnings per share</td>
</tr>
<tr>
<td>1.8</td>
<td>Contracts requiring the entity to repurchase its own shares</td>
<td>No specific rule</td>
<td>To be included in the calculation of diluted earnings per share</td>
</tr>
<tr>
<td>1.9</td>
<td>Different classes of shares</td>
<td>No specific rule</td>
<td>Profit for the period to be allocated to the different classes of shares</td>
</tr>
<tr>
<td>1.10</td>
<td>Potential shares of group companies</td>
<td>No specific rule</td>
<td>If potential shares have a dilutive effect on the basic earnings per share, they are included in the calculation of diluted earnings per share</td>
</tr>
<tr>
<td>2</td>
<td>Presentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Distinction between continuing and discontinued operations</td>
<td>Distinction not mandatory</td>
<td>Distinction mandatory</td>
</tr>
<tr>
<td>2.2</td>
<td>Earnings per share – separate financial statements</td>
<td>No specific rule</td>
<td>Disclosure of earnings per share based on separate financial statements is only allowed in the separate financial statements’ statement of profit or loss</td>
</tr>
<tr>
<td>3</td>
<td>Disclosure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Disclosure of share transactions taking place after the reporting date</td>
<td>Disclosure is mandatory if this is required to enable users of the financial statements to make proper evaluations and decisions</td>
<td>Disclosure is required if this is required to enable users of the financial statements to make proper evaluations and decisions</td>
</tr>
<tr>
<td>3.2</td>
<td>Instruments with potentially diluting effect on future basic earnings per share</td>
<td>No specific rule</td>
<td>Disclosure of any potential effects</td>
</tr>
</tbody>
</table>
General

Entities whose ordinary shares, or potential ordinary shares, are listed, or are in the process of being listed are required to present earnings per share. Since DAS 340 Earnings per Share is based on IAS 33 Earnings per Share, no major differences exist between the two standards.

Under IFRS, the rules of IAS 1 provide entities with a choice of including a statement of comprehensive income and a statement of profit or loss supplemented with a statement of comprehensive income. The statement of comprehensive income includes the net profit or loss according to the statement of profit or loss supplemented with a statement of other comprehensive income. IAS 33.12/13 stipulates that the calculation be based on basic earnings (i.e. before addition or deduction of items of other comprehensive income). Basic and diluted earnings per share are presented in the statement of profit or loss if a separate statement of profit or loss is included, and in the statement of comprehensive income if only this statement is included.

1 Recognition and measurement

1.1 Basic earnings per share — adjustments for preference shares (to the extent classified as equity)

For the purpose of calculating basic earnings per share, IFRS is more explicit on adjustments to be made for preference shares — to the extent they are classified as equity — than DAS. For the purpose of calculating basic earnings per share, the profit or loss attributable to the parent entity is adjusted for the after-tax amounts of preference dividends, profits or losses arising on the settlement of preference shares, and other similar effects of preference shares classified as equity (IAS 33.12). The required adjustments are discussed in detail in IAS 33.14-18. The definition used in DAS is more concise, which means that the profits or losses arising on the settlement of preference shares and other similar effects of preference shares are not explicitly stated.

This adjustment does not apply to preference shares classified as debt, as the preference dividends will have been recognised as finance costs and deducted from profit or loss accordingly.

1.2 Number of ordinary shares — acquisition and pooling of interests

IAS 33 does not distinguish between a business combination that can be classified as an acquisition and a business combination that can be classified as a pooling of interests, because IFRS 3 Business Combinations does not make such a distinction. Whenever a business combination is involved, an acquirer as well as an acquiree must be identified. However, DAS make this distinction, as a result of which the methods of calculating earnings per share differ.

Under DAS, ordinary shares issued as part of a business combination which can be classified as a merger or pooling of interests are fully included for all financial years presented, since the financial statements are drawn up as if the entities had always been merged. When calculating the earnings per share of the new entity, the weighted average number of shares of both entities is converted into their equivalents in shares outstanding after the merger or pooling (DAS 340.206).

Ordinary shares issued as part of a business combination that can be classified as an acquisition are included as from the acquisition date, since the acquiree's profits and losses are recognised as from that same date (IAS 33.22 and DAS 340.206).
1.3 Reverse share split

If a reverse share split effectively represents a share repurchase, for example if at the same time a corresponding special dividend is distributed that is virtually equal to the fair value of the repurchased shares, the reduction in the number of ordinary shares should be accounted for at the time the special dividend is recognised (IAS 33.29). DAS does not contain such a requirement.

1.4 Settlement of contracts in ordinary shares or cash

When calculating the diluted earnings per share for contracts that can be settled in ordinary shares or cash, the Dutch Accounting Standards Board does not distinguish for the purpose of recognition between the issuer of the instrument making this choice and the holder of the contract doing this, whereas the IASB does make this distinction.

The IASB has provided as follows with respect to the settlement of contracts in ordinary shares or cash:
- If an entity has issued a contract that may be settled in ordinary shares or cash at the entity’s option, the entity should assume that the contract will be settled in ordinary shares, and include the resulting potential ordinary shares when calculating the diluted earnings per share if the effect is dilutive (IAS 33.58).
- For contracts that may be settled in ordinary shares or cash at the holder’s option, the more dilutive of cash settlement and share settlement should be assumed by the issuer when calculating diluted earnings per share (IAS 33.60).

In contrast to the IASB, the Dutch Accounting Standards Board states that, in the case of a financial instrument or other contract that may be settled in ordinary shares or otherwise (for example, in cash) at the issuing entity’s or holder’s option, the maximum number of shares to be issued should, irrespective of the designated option, be regarded as potential ordinary shares when calculating the diluted earnings per share (DAS 340.216a).

1.5 Determining whether potential ordinary shares lead to dilution

Whether potential ordinary shares lead to a dilution of earnings per share and should therefore be included in the calculation of diluted earnings per share is determined on the basis of the effect on earnings or loss per share from continuing operations under IFRS (IAS 33.41) and on the basis of the profit or loss from ordinary operations (including discontinued operations) under Dutch regulations (DAS 340.221).

1.6 Employee share options with fixed or determinable terms and non-vested shares

Under IFRS, employee share options with fixed or determinable terms and non-vested ordinary shares should be treated as options and included as from the grant date. Performance-based employee share options are treated as contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time (IAS 33.48). DAS does not consider this.

1.7 Options held on own shares

Contracts such as purchased put options and purchased call options, i.e. options held by the entity on its own shares, are not included in the calculation of diluted earnings per share because it is assumed that, if the shares were issued, they would not have a dilutive effect (IAS 33.62). DAS does not include any specific rules.
1.8 Contracts requiring the entity to repurchase its own shares
Contracts that require the entity to repurchase its own shares, such as written put options, are taken into account for the calculation of diluted earnings per share if the potential effect of repurchase is dilutive. DAS does not include any specific rules.

1.9 Different classes of shares
For the purpose of calculating basic and diluted earnings per share, the profit for the period should be allocated to the different classes of shares in accordance with their rights to the profit. Earnings per share should then be determined for each instrument and each class of ordinary shares (IAS 33.A14).

DAS does not include any specific rules.

1.10 Potential shares of group companies
A group company, joint venture or entity over which the parent entity can exercise significant influence could issue potential ordinary shares that are convertible into either ordinary shares of the group company, joint venture or entity over which the parent entity can exercise significant influence, or ordinary shares of the parent. If these potential ordinary shares have a dilutive effect on the basic earnings per share, they are included in the calculation of diluted earnings per share (IAS 33.40). Potential ordinary shares issued by a group company, joint venture or entity over which the parent entity can exercise significant influence that give entitlement to shares in the group company, joint venture or entity over which the parent entity can exercise significant influence are taken into account for the purpose of calculating the diluted earnings per share of the parent, by first calculating the diluted earnings per share of the relevant group company, joint venture or entity over which the parent entity can exercise significant influence, and then, based on the number of shares held, adding these to the diluted earnings per share of the parent, excluding the result of the relevant group company, joint venture or entity over which the parent entity can exercise significant influence.

DAS does not include any specific rules.

2 Presentation
2.1 Distinction between continuing and discontinued operations
Basic and diluted earnings per share should be presented on the basis of profit or loss from continuing operations in the statement of profit or loss as well as on the basis of profit or loss from discontinued operations (either in the statement of profit or loss or in the notes to the financial statements) (IAS 33.66 and 33.68). DAS does not require this distinction in presentation (DAS 340.401).

2.2 Earnings per share — separate financial statements
Under IFRS, an entity that chooses to disclose earnings per share based on the separate financial statements can present such earnings per share information only in the separate financial statements’ statement of profit or loss. An entity must not present such earnings per share information in the consolidated financial statements (IAS 33.4). DAS does not contain provisions on the disclosure of earnings per share based on the separate financial statements.
3 Disclosure

3.1 Disclosure of share transactions taking place after the reporting date

Under DAS 340.303, ordinary share transactions or potential ordinary share transactions that occur after the reporting date should be disclosed if this is required to enable users of the financial statements to make proper evaluations and decisions. IAS 33.70 (d) requires such disclosure without considering the users’ interests.

3.2 Instruments with potentially diluting effect on future basic earnings per share

An entity should disclose the instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but which were not included in the calculation of diluted earnings per share because they were not diluted for the period(s) presented (IAS 33.70 (c)). DAS does not require such disclosure.

Accounting standards

Relevant accounting standards:
- DAS 340 Earnings per Share
- IAS 33 Earnings per Share
30  Events after the reporting period

<table>
<thead>
<tr>
<th></th>
<th>Recognition and measurement</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Events after the reporting</td>
<td>To be presented in the</td>
<td>IFRS does not recognise this specific period, which means that any events taking place after the preparation of the financial statements (authorised for issue) are not presented in the financial statements</td>
<td>Conflicting</td>
</tr>
<tr>
<td></td>
<td>period providing more</td>
<td>financial statements if</td>
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<td></td>
<td>information of the situation</td>
<td>this is essential to</td>
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<tr>
<td></td>
<td>at the reporting date after</td>
<td>provide a true and fair</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>the financial statements</td>
<td>view</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>have been drawn up</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Proposed dividend</td>
<td>Recognition as a liability is allowed (statement of financial position after profit appropriation)</td>
<td>Proposed dividend declared after the reporting date not to be recognised as a liability</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.2</td>
<td>Dividend on preference</td>
<td>Preference dividend for</td>
<td>Treatment depends on classification of preference shares in the statement of financial position</td>
<td>Conflicting</td>
</tr>
<tr>
<td></td>
<td>shares</td>
<td>distribution to be</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>recognised as a liability</td>
<td></td>
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<td>if sufficient freely</td>
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<tr>
<td></td>
<td></td>
<td>distributable equity is</td>
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<tr>
<td></td>
<td></td>
<td>available</td>
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<td></td>
</tr>
</tbody>
</table>

2  Presentation

3  Disclosure

3.1  Disclosure of the power to amend the financial statements after their preparation

No specific rules

To be disclosed if applicable

IFRS require more disclosure

General

DAS 160.202a distinguishes between events after the reporting period, based on the accounting framework selected by the entity. Potential combinations of allowable accounting regulations are set out below:

<table>
<thead>
<tr>
<th></th>
<th>Consolidated financial statements</th>
<th>Separate financial statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Part 9 of Dutch Civil Code</td>
<td>Part 9 of Dutch Civil Code</td>
</tr>
<tr>
<td>2</td>
<td>IFRS</td>
<td>Part 9 of Dutch Civil Code, not based on IFRS-based accounting principles</td>
</tr>
<tr>
<td>3</td>
<td>IFRS</td>
<td>Part 9 of Dutch Civil Code, based on IFRS-based accounting principles</td>
</tr>
<tr>
<td>4</td>
<td>IFRS</td>
<td>IFRS</td>
</tr>
</tbody>
</table>

In the case of 3 or 4, DAS 160.202a stipulates that events after the reporting period should be treated in accordance with the provisions of IAS 10, i.e. until the financial statements have been authorised for issue (when the financial statements have been signed and authorised for issue by management).

In the case of 1 or 2, the treatment of information in the financial statements depends on when the information becomes known during the process of preparing, adopting and publishing the financial statements.
1 Recognition and measurement

1.1 Events after the reporting period providing more information of the situation at the reporting date after the financial statements have been drawn up

Under Section 362 (6) of Book 2 of the Dutch Civil Code, adjusting events (events providing additional information on the situation at the reporting date) that become known between the preparation of the financial statements and the date on which the financial statements are adopted by the general meeting should be presented in the financial statements if this is essential to provide a true and fair view (DAS 160.202). IFRS does not distinguish this period, which means that events occurring after the date when the financial statements are authorised for issue, cannot result in adjustments being made to the financial statements (IAS 10.3, 5 and 6).

1.2 Proposed dividend

Under Dutch laws and regulations, the statement of financial position can be drawn up ignoring profit appropriation (preferred treatment) or allowing for profit appropriation, notwithstanding the fact that the proposed dividend distribution will not be final until after the reporting date (Section 373 (1) of Book 2 of the Dutch Civil Code, DAS 160.208). In the latter case, the proposed dividend can be presented separately under equity or under liabilities.

IAS 10.12 does not allow a dividend distribution that is adopted after the reporting date to be recognised as a liability in the statement of financial position. IAS 10.13 and IAS 1.137 require the intended dividend distribution to be disclosed in the notes to the financial statements.

1.3 Dividend on preference shares

DAS 160 contains specific provisions about the treatment and presentation of preference dividend (DAS 160.209).

The preference dividend to be distributed is to be recognised as a liability as at the reporting date, provided that the freely distributable part of equity disclosed in the statement of financial position is sufficient. This applies irrespective of whether the statement of financial position is drawn up before or after the appropriation of profit, and irrespective of the classification of preference share capital as equity or liability. If the statement of financial position is drawn up before appropriation of profit, the amount to be distributed as a preference dividend will be recognised as a separate negative item under equity and is charged to net profit or loss for the financial year concerned, with the balance being referred to as unappropriated profit.

IFRS does not distinguish between a statement of financial position before and after profit appropriation. The profit or loss for the financial year is always recognised as a separate component of equity, which corresponds to a statement of financial position before profit appropriation under Dutch law and regulations. IFRS does not contain any specific provisions on the distribution of preference dividend. The same provisions applicable to dividends and liabilities apply to the distribution of preference dividend. Under IFRS, recognition of the preference dividend to be distributed depends on the classification of the preference share capital as a component of equity or as liability. If they classify as a liability and the entity has a constructive obligation to distribute a preference dividend, the preference dividend must be recognised as a liability. If they classify as a component of equity, the preference dividend is treated the same as dividend.
2 Presentation
There are no differences in the presentation of events after the reporting date between IFRS and Dutch laws and regulations.

3 Disclosure
3.1 Disclosure of the power to amend the financial statements after their preparation
IAS 10.17 requires disclosure of whether the shareholders have the power to amend the financial statements after their preparation.

The Dutch Civil Code or DAS does not contain this requirement. In the case of Dutch entities, the board of management prepares the financial statements, but the general meeting adopts these, and, as such, has the power, in theory, to determine the content of the items in the financial statements and adjust them if necessary.

Accounting standards
Relevant accounting standards:
• DAS 160 Events After the Reporting Date
• IAS 10 Events After the Reporting Period
## 31 Interim reports

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Laws and regulations</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Listed entities are required by law to prepare interim financial reports in accordance with the Financial Supervision Act (FSA). Unlisted entities are not required or advised to prepare interim reports (DAS 394)</td>
<td>Listed entities are advised to prepare interim reports</td>
<td>Dutch law and regulations stricter</td>
</tr>
<tr>
<td>2</td>
<td>Interim directors’ report</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Application</td>
<td>No rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td></td>
<td>Listed entities are required by law to prepare interim directors’ report (FSA). Unlisted entities are not required or advised to prepare interim reports. If any interim report is drawn up, an interim directors’ report is recommended (DAS 394)</td>
<td>No rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td></td>
<td>For listed entities, minimum requirements concerning interim directors’ report (FSA)</td>
<td>No rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td></td>
<td>For unlisted entities, limited recommendations concerning minimum content of interim directors’ report (DAS 394)</td>
<td>No rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>2.2</td>
<td>Content</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Information to be included</td>
<td>No rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td></td>
<td>Information to be included in interim report need not exceed the extent required under other standards</td>
<td>No rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td></td>
<td>Forward-looking statements</td>
<td>No rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td></td>
<td>It is recommended to make forward-looking statements</td>
<td>No rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td></td>
<td>Audit or review</td>
<td>No rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td></td>
<td>If interim report has not been reviewed or audited by independent auditor, this should be disclosed</td>
<td>No rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>3</td>
<td>Interim financial statements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Application</td>
<td>No rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td></td>
<td>Listed entities are required by law to prepare interim financial statements based on IFRS (FSA).</td>
<td>Listed entities are advised to prepare interim financial statements</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td></td>
<td>Unlisted entities are not required or advised to prepare interim financial statements (DAS 394)</td>
<td>No rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td></td>
<td>For listed entities, limited minimum requirements exist for interim financial statements (FSA). In addition, minimum requirements exist for all forms of interim reports (IAS 34), not specifically for interim financial statements, as FSA requires application of IFRS</td>
<td>Minimum requirements for interim reports</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td></td>
<td>For unlisted entities, minimum requirements exist for interim reports (DAS 394)</td>
<td>No rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>Section</td>
<td>Dutch laws and regulations</td>
<td>IFRS</td>
<td>Conclusion</td>
</tr>
<tr>
<td>---------</td>
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</tr>
<tr>
<td>3.2 Content</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance with regulations</td>
<td>No rules</td>
<td>Disclosure of compliance with IAS 34 or IFRS</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>Information to be included</td>
<td>Information to be included in interim report need not exceed the extent required under other standards</td>
<td>No rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>Third statement of financial position in the event of accounting standards changes, correction of errors or reclassification</td>
<td>No rules</td>
<td>To be included if full interim financial statements have been prepared. Not to be included if condensed financial statements have been prepared</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>Disclosure in other statements</td>
<td>Not allowed</td>
<td>Allowed subject to specific conditions</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>Disclosure of segments</td>
<td>Disclosure required</td>
<td>Additional disclosure required</td>
<td>IFRS require more detailed disclosure</td>
</tr>
<tr>
<td>Disclosure of business combinations</td>
<td>Disclosure required</td>
<td>Additional disclosure required</td>
<td>IFRS require more detailed disclosure</td>
</tr>
<tr>
<td>Disclosure of fair value of financial instruments</td>
<td>Disclosure required</td>
<td>Additional disclosure required</td>
<td>IFRS require more detailed disclosure</td>
</tr>
<tr>
<td>Disclosure of changes to the status of an investment entity</td>
<td>No rules</td>
<td>Disclosure required</td>
<td>IFRS stricter</td>
</tr>
</tbody>
</table>

4 Responsibility statement

- Listed entities are required by law to prepare responsibility statement (FSA). FSA contains specific provisions concerning content of responsibility statement
- No rules
- Dutch laws and regulations stricter

5 Key figures

- Recommended
- No rules
- Dutch laws and regulations stricter

**General**

Two approaches can be distinguished when measuring the assets and liabilities or the results for an interim period, i.e. the discreet approach and the integrated approach. Under the discreet approach, reporting on any interim period is regarded as stand-alone reporting, with the same requirements for period closings being applied as for full-year reporting. Under the integrated approach, however, the interim period is regarded as part of a full financial year, with amounts being allocated to the interim period from a full-year perspective. DAS 394 Interim Reports as well as IAS 34 Interim Financial Reporting assume the discreet approach, but with a few exceptions being made. Exceptions are the recognition of income tax expense and impairment reversals.

The basic premise is that the frequency of an entity’s reporting (annual, half-yearly, or quarterly) should not affect the measurement of its annual results. The entire period between the most recent financial statements and the interim period’s reporting date should be taken into account for that purpose. In other words, measurements for interim reporting purposes should be made on a year-to-date basis (DAS 394.401 and IAS 34.28).
Among other things, this means that estimates made during an interim period can be or are adjusted during a subsequent interim period in the same financial year (DAS 394.401, IAS 34.29). Amounts reported in prior interim reports are not therefore adjusted retrospectively (IAS 34.35 and 36).


IFRIC 10 stipulates that impairments of the items below which were recognised in a previous interim period should not be reversed in a subsequent period in the same financial year:

- Goodwill — IAS 36.124 stipulates that an impairment loss recognised for goodwill shall not be reversed in a subsequent period.
- Unlisted equity instruments carried at cost — IAS 39.66 stipulates that impairments of these financial instruments shall not be reversed.

IFRIC 10 also stipulates that impairments of available-for-sale equity instruments recognised in a prior interim period cannot be reversed in a subsequent interim period in the same financial year (IAS 39.69; see Chapter 23).

IFRIC 10 stipulates that these prohibition clauses take precedence over the basic premise stating that the frequency of an entity’s reporting should not affect the measurement of its annual results. This is clear proof of the fact that, in the case of impairment, the discreet approach is used as a basis for preparing interim reports. This means that the annual result of an entity publishing quarterly reviews can differ in some cases from the annual result of an entity drawing up half-year or directors’ reports instead.

Due to the statutory application of IFRS by listed entities, DAS are primarily intended for unlisted entities. The number of unlisted entities drawing up interim reports on the basis of Dutch GAAP is limited. As a result, impairments of goodwill are less likely to occur, since goodwill is amortised (or directly charged to equity). Should the above contradiction arise, IFRIC 10 could be applied by analogy.

In addition, the requirements of DAS 394 relating to recognition and measurement are largely in line with those of IAS 34. IAS 34 also includes the following examples:

- Appendix B includes examples of applying the recognition and measurement principles
- Appendix C includes examples of applying estimates

Although DAS 394 does not include any such examples, it considers them to be applicable accordingly.

1 Laws and regulations

Listed entities are required to prepare interim financial reports, including the interim financial statements, interim directors’ report and interim responsibility statement in accordance with the Financial Supervision Act (FSA) (Section 5:25d (1)). The requirements concerning interim financial reporting are set out section 5.1a of the FSA and in the Decree on Implementation of the Directive for Issuer Transparency under the FSA. These requirements apply to listed entities; described more specifically as issuing institutions with the Netherlands as member state of origin and the securities (shares and/or bonds) of which have been admitted to trading in a regulated market in the European Union (Section 5.25b (1) of the FSA). Interim financial reports must be drawn up in accordance with IFRS, in particular IAS 34. Unlisted entities are free, but not obliged, to apply DAS 394 or IAS 34.
IAS 34 recommends that listed entities apply the regulations on interim reporting.

DAS 394 contains no requirement or recommendation for preparing interim reports.

2  Interim directors’ report

2.1  Application

Listed entities are required to prepare interim financial reports in accordance with the FSA (Section 5:25d (2b)). Unlisted entities are free to apply DAS 394 or IAS 34. DAS 394 contains no requirement or recommendation for preparing interim reports, and thus a management report. If an interim report is drawn up, DAS 394.301 recommends including a directors’ report. The FSA contains specific provisions for the interim directors’ report for listed entities (Section 5:25d (8-10)). There are no requirements regarding directors’ reports in IAS 34.

2.2  Content

2.2.1  Information to be included

Information to be included in interim reports of entities need not exceed the extent of information other standards require to be included in the annual financial statements or annual directors’ report (DAS 394.101). IAS 34 contains no such requirement.

2.2.2  Forward-looking statements

DAS 394 only contains recommendations on the content of the directors’ report. DAS 394 recommends that forward-looking statements be made relating to the current financial year, partly given the forecasts announced in this respect in the most recent annual directors’ report (DAS 394.305). There are no requirements regarding directors’ reports in IAS 34.

2.2.3  Audit or review

The FSA and DAS 394 require that if the interim financial reporting has not been audited or reviewed by an independent auditor, this should be disclosed (Section 5:25d (4) of FSA and DAS 394.303). The FSA requires disclosure in the interim directors’ report. DAS 394 provides no further guidance as to the place of disclosure. IAS 34 contains no such requirement.

3  Interim financial statements

3.1  Application

Listed entities are required to prepare interim financial statements in accordance with the FSA (Section 5:25d (2a)). The consolidated interim financial statements must be drawn up in accordance with IFRS (Section 5:25d (5a) and 5:25d (6a) of FSA). IAS 34.1 recommends that listed entities apply the regulations on interim reporting.

Unlisted entities are free to apply DAS 394 or IAS 34. DAS 394 contains no requirement or recommendation for preparing interim reports.
3.2 Content

The FSA contains limited minimum requirements relating to interim financial statements of listed entities (Section 5:25d (5) and 5:25d (6)). DAS 394 and IAS 34 contains minimum requirements for all forms of interim reporting, not specifically for the interim financial statements. The FSA does state that the consolidated interim financial statements are required to be prepared on the basis of IFRS (in particular IAS 34). Unlisted entities are free to apply DAS 394 or IAS 34.

3.2.1 Compliance with regulations

IAS 34.19 stipulates that if an interim report is prepared in accordance with IAS 34 or IFRS, this fact should be disclosed. DAS 394 contains no such requirement.

3.2.2 Third statement of financial position in the event of accounting standards changes, correction of errors or reclassification

Under IAS 34, in case of a change in accounting policies, correction of errors or a reclassification with a material effect on the statement of financial position at the beginning of the comparative period (the third statement of financial position), such statement of financial position need not be included if the entity presents condensed summaries (IAS 1.BC33 and IAS 34.8). If an entity prepares complete interim financial statements, it is required to include such a third statement of financial position (IAS 34.5 (f)). DAS 394 contains no such requirement.

3.2.3 Disclosure in other statements

DAS 394 requires information to be included in the notes to the interim report (DAS 394.303). IAS 34 also permits inclusion of this information in other statements in the interim financial reporting, provided these are explicitly referred to in the interim financial statements and the other statements explicitly refer back to the interim financial statements, and provided these statements have been made available on the same terms and at the same time as the interim financial statements (IAS 34.16A).

3.2.4 Information to be included

Information to be included in interim reports of entities need not exceed the extent of information other standards require to be included in the financial statements or directors’ report (DAS 394.101). IAS 34 contains no such requirement.

3.2.5 Disclosure of segment information

IAS 34 requires more segment information to be included than DAS 394. The following additional segment information is required under IAS 34.16A (g):

- A breakdown of revenue into revenues from external customers and intersegment revenues to the extent this is reported to the chief operating decision maker.
- A measure of segment profit or loss.
- The aggregate amount of assets and liabilities for each segment, to the extent it has been reported regularly to the chief operating decision maker and for which there has been a material change from the aggregate amounts disclosed in the financial statements.
- A description of differences from the financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.
- A reconciliation of segment profit or loss with the entity’s profit or loss before taxation and discontinued.
3.2.6 Disclosure of business combinations

IAS 34 requires more detailed disclosure of business combinations than DAS 394. IAS 34.16A (i) stipulates that, in the case of business combinations, the entity disclose the information required by IFRS 3 Business Combinations.

3.2.7 Disclosure of fair value of financial instruments

IAS 34 requires more detailed disclosure of the fair value of financial instruments than DAS 394. IAS 34.16A (j) stipulates that certain disclosures required by IFRS 7 and IFRS 13 be included.

3.2.8 Disclosure of changes to the status of an investment entity

IAS 34 requires entities becoming, or ceasing to be, investment entities to disclose the impact on the financial statements of changes to the status of an investment entity (IAS 34.16A (k) and IFRS 12.9B). DAS 394 contains no such requirement.

4 Responsibility statement

Listed entities are required to prepare responsibility statements in accordance with the FSA (Section 5:25d (2c)).

The FSA contains specific rules relating to the content of responsibility statements (Section 5:25d (2c)). IFRS contains no such requirement for drawing up a responsibility statement.

5 Key figures

DAS 394 recommends inclusion of a summary of key figures in the interim report (DAS 394.301). IAS 34 contains no such recommendation.

Accounting standards

Relevant accounting standards:
- DAS 394 Interim Reports
- IAS 34 Interim Financial Reporting
- IFRIC 10 Interim Financial Reporting and Impairment
## 32 Assets held for sale and discontinued operations

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Classification of certain assets as held for sale/distribution</td>
<td>No specific rules</td>
<td>If certain conditions are met</td>
</tr>
<tr>
<td>1.2</td>
<td>Measurement of assets and disposal groups held for sale/distribution</td>
<td>No specific rules</td>
<td>Measurement at the lower of the carrying amount and fair value less cost to sell or distribute; impairment losses are recognised in the statement of profit or loss. If the assets are no longer held for sale/distribution: retrospective adjustment</td>
</tr>
<tr>
<td>1.3</td>
<td>Depreciation</td>
<td>Depreciation is charged up to the time of actual disposal</td>
<td>Depreciation is no longer recognised as from the time the asset is classified as held for sale</td>
</tr>
<tr>
<td>1.4</td>
<td>Recognition as discontinued operation</td>
<td>If an agreement to sell has been concluded or a formal plan to discontinue exists. Discontinuation may also include liquidation or discontinuation of operations</td>
<td>Only if held for sale or upon disposal, and if certain criteria are met</td>
</tr>
<tr>
<td>2</td>
<td>Presentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Separate presentation of assets held for sale/distribution and disposal groups</td>
<td>Normal presentation requirements apply. Retired assets must be presented under property, plant and equipment (tangible fixed assets)</td>
<td>Separate presentation in the statement of financial position and related reserves is mandatory</td>
</tr>
<tr>
<td>2.2</td>
<td>Presentation of results of discontinued operations</td>
<td>In the notes or in the statement of profit or loss, with a breakdown by item in the statement of profit or loss according to the Annual Accounts Formats Decree</td>
<td>Separate presentation of results after tax in the statement of profit or loss and restatement of comparative figures</td>
</tr>
<tr>
<td>2.3</td>
<td>Presentation of information on operations discontinued after the reporting date</td>
<td>In the notes under post-balance-sheet events as discontinued operation</td>
<td>Presentation in the financial statements as discontinued operation not permitted; disclosure as post-reporting date event possibly permitted</td>
</tr>
<tr>
<td>3</td>
<td>Disclosure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Disclosure of assets held for sale/distribution or disposal groups</td>
<td>No specific regulations</td>
<td>Detailed disclosure requirements</td>
</tr>
<tr>
<td>3.2</td>
<td>Presentation and disclosure of discontinued operations</td>
<td>Disclosure required</td>
<td>Other disclosure requirements</td>
</tr>
<tr>
<td>3.3</td>
<td>Disclosure of discontinued operations that are no longer classified as held for sale or as discontinued operations</td>
<td>No specific regulations</td>
<td>Disclosure required</td>
</tr>
</tbody>
</table>
General

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations deals with the treatment in the financial statements of non-current assets and operations that have been or will be disposed of. The following terms are defined (IFRS 5 Appendix A):

- A non-current asset held for sale, i.e. an individual non-current asset held for the purpose of being sold.
- A disposal group held for sale, i.e. a group of non-current assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in one single transaction.
- An asset/disposable group held for distribution, i.e. an asset or group of assets being held for distribution to the owners (shareholders) of the entity.
- A discontinued operation, i.e. a component of an entity that either has been disposed of or is held for sale and (a) represents a major line of business or geographical area of operations, or (b) is part of a single coordinated plan to dispose of a major line of business or geographical area, or (c) is a subsidiary acquired exclusively with a view to its resale.

The IFRS 5 provisions regarding classification, presentation, measurement and disclosure also apply to non-current assets/disposal groups that can be classified as held for distribution in accordance with IFRIC 17 (IFRS 5.5A).

Assets not falling within the scope of IFRS 5 in terms of measurement and recognition include (IFRS 5.5):

- Deferred tax assets from the application of IAS 12 Income Taxes.
- Assets arising from the application of IAS 19 Employee Benefits.
- Financial assets that fall under the scope of IAS 39 Financial Instruments: Recognition and Measurement.
- Investment property accounted for in accordance with the fair value model of IAS 40 Investment Property.
- Biological assets carried at fair value less costs to sell in accordance with IAS 41 Agriculture.
- Contractual rights under insurance contracts (IFRS 4 Insurance Contracts).

It should be noted that the above scope only applies to measurement; classification and presentation should be in accordance with IFRS 5.

DAS 345 contains provisions concerning information on discontinued operations to be included in the financial statements. These provisions only relate to information to be disclosed in the notes concerning a component of the entity that is classified as an operation to be discontinued. An operation is deemed to be discontinued if the entity sells, liquidates or discontinues the component of the entity concerned entirely or almost entirely in one go or in stages according to a pre-set plan (DAS 345.201).

Unlike DAS 345, IFRS 5 not only provides guidance on disclosures, but also on measurement and recognition.
1 Recognition and measurement

1.1 Classification of certain assets as held for sale/distribution

Under IFRS 5.8, a non-current asset or disposal group qualifies as held for sale in the financial statements for the financial year in which, at any time, it meets all the following criteria:

- Management has decided to sell the asset or disposal group and has prepared a sale plan.
- The asset or disposal group is available for immediate sale.
- An active programme to complete the plan has been initiated.
- The sale is highly probable and is expected to be completed within one year.
- The asking price is reasonable in relation to the fair value of the asset or disposal group, the other sales terms and conditions also being common practice in the case of the sale of such an asset or disposal group.
- It is unlikely that significant changes will be made to the disposal plan or that the plan will be withdrawn.

IFRS 5 provides details of possible situations in which the sale could take longer than one year to complete and the asset or disposal group should still be classified as held for sale, and of the situation in which a non-current asset or disposal group is acquired with a view to its subsequent disposal (IFRS 5.9-11 and IFRS 5 Appendix B).

If the criteria are met after the reporting date but before the financial statements are prepared, the asset or disposal group cannot be classified as held for sale in the financial statements. However, the entity should disclose the information in the notes (IFRS 5.12).

A non-current asset/disposal group meets the qualification held for distribution if:

- Management has decided to distribute to the owners (shareholders).
- The asset/disposal group is suitable for immediate distribution.
- Implementation of the distribution decision has begun.
- The distribution is highly likely to take place within a year.
- Fundamental changes to or a retraction of the distribution decision are not to be expected.

The above analysis implicitly considers that the approval of the distribution decision by the meeting of shareholders is highly probable (IFRS 5.12A).

The term Non-current assets held for sale/distribution used in IFRS has no equivalent under DAS. However, the classification of non-current assets as held for sale/distribution is subject to strict conditions under IFRS 5.7-8.

1.2 Measurement of assets and disposal groups held for sale/distribution

If, under IFRS, an asset or disposal group has to be classified as held for sale/distribution, it is measured at the lower of its carrying amount and fair value less costs to sell/distribute (IFRS 5.1). Detailed rules have been drawn up for determining the fair value and for recognition of measurement differences (IFRS 5.18-24). This paragraph sets out the principal accounting principles, which apply to:

- Held-for-sale assets falling within the scope of IFRS 5 in terms of measurement.
- The disposal group as a whole (portfolio approach: IFRS 5.4).
In addition, this paragraph addresses standards for allocating the measurement of the disposal group to the individual assets/liabilities.

1.2.1 Basis for measurement of assets held for sale/distribution
The principal basis for applying the rules is the measurement, immediately before the initial classification as held for sale, of the asset or disposal group in accordance with the applicable IFRS. If an impairment test needs to be carried out, this will result in the recoverable amount being determined. If the recoverable amount is lower than the carrying amount, an impairment loss is recognised (IFRS 5.18). This amount subsequently is the basis for the measurement of the asset/disposal group held for sale/distribution. In our view, classification as held for sale/distribution is almost always an indication of an impairment that first needs to be tested on the basis of IAS 36 Impairments.

1.2.2 Measurement and impairment of assets/disposal groups held for sale/distribution
The following applies on initial as well as subsequent measurement of the asset/disposal group held for sale/distribution:
- Just before reclassification as held for sale/distribution, the asset/disposal group is measured (or remeasured) pursuant to IFRS 5.18, taking impairment into account (IAS 36); in other words, until the moment of reclassification, the asset/disposal group remains valued in the same way and on the same basis (see preceding paragraph Basis for measurement of assets held for sale/distribution.
- In the case of a disposal group, for example one or more cash-flow generating units, the items that do not fall under the scope of IFRS 5 (e.g., deferred tax and pension items) are measured based on the relevant standards (in this case IAS 12 and 19), also for subsequent measurement (IFRS 5.19).
- The asset/disposal group is then measured at the lower of the carrying amount and fair value less costs to sell/distribute (IFRS 5.15/15A).
- If the fair value of the entire disposal group (including the once again determined carrying amount of the items not subject to the scope of the measurement provisions of IFRS 5) less costs to sell/distribute is lower than the carrying amount of the asset/disposal group, an (additional) impairment loss is recognised (IFRS 5.20).
- Pursuant to IFRS 5.25, no depreciation of the asset or assets of a disposal group takes place. If the fair value less costs to sell increases on subsequent measurement of an asset/disposal group held for sale, a gain is recognised. However, such gain may not exceed the cumulative impairment loss that has been recognised either in accordance with IFRS 5 or previously in accordance with IAS 36 (IFRS 5.21/22).

1.2.3 Allocation of measurement of disposal group to individual assets/liabilities
An impairment loss is allocated to all assets and liabilities forming part of the disposal group, as follows (IFRS 5.23-24):
- The impairment loss is recognised to the extent that no impairment loss has been accounted for in accordance with other IFRS standards. As is stated above, when determining an impairment loss, the assets that with regard to measurement do not fall within the scope of IFRS 5, but are measured in accordance with the other relevant (own) standards, are included in the carrying amount of the disposal group, based on the again determined carrying amount, including any impairment (IFRS 5.19/20).
• The (remainder of the) impairment loss is initially allocated to the goodwill forming part of a disposal
group (if the goodwill has been acquired in a business combination and the disposal group is regarded
as a cash-generating unit to which the goodwill has been allocated in accordance with IAS 36).
• The (remainder of the) impairment loss is subsequently allocated to the non-current assets that
would be measured separately within the scope of IFRS 5. The loss is allocated pro rata on the basis
of the carrying amounts of the non-current assets.

The allocation method referred to under the last two points is based on the allocation method used in
IAS 36 Impairment of Assets, except that, under IFRS 5, the carrying amount of an individual non-
current asset may drop below its recoverable amount.

Reversal of an impairment loss on a disposal group is allocated to individual assets and liabilities in the
same way as an impairment loss (IFRS 5.23, see above). However, such a gain is only recognised to the
extent that no gain arising from the reversal of an impairment loss has been recognised in accordance
with other IFRS standards (IFRS 5.19/22).

1.2.4 Held-for-sale/distribution qualification no longer applies (change to disposal
plan)

If an asset/disposal group no longer meets the held-for-sale/distribution conditions, the asset or assets
of the disposal group must be measured at the lower of (IFRS 5.26–28):
• The carrying amount of the asset prior to being qualified as held for sale/distribution, with due
observance of any and all of the changes in value (depreciation, amortisation and remeasurement) it
would have been subject to had it not been qualified as held for sale.
• The recoverable amount of the asset when it no longer meets the held-for-sale/distribution
qualification.

This therefore entails retrospective restatement of the carrying amount of the asset/disposal group.

If carried at cost, changes in value of an asset are recognised in the statement of profit or loss as the
result of continuing operations (IFRS 5.28); if the asset had been remeasured before being classified as
held for sale on the basis of IAS 16 or IAS 38, the adjustment is accounted for as a revaluation.

The above also applies to subsidiaries, joint operations, joint ventures (or any parts thereof) and
associates no longer classifying as held for sale/distribution. For joint ventures (or any parts thereof) and
associates, this means that their measurement is effected retroactively, using the equity method, as if
they had never been held for sale/distribution. During the held-for-sale/distribution period, the equity
value was frozen, as it were (IFRS 5.28).

There is the following exception to the above rules. If a change takes place in the manner of disposal of
an asset/disposal group, from held for distribution to held for sale or vice versa, the measurement
accounting policies of IFRS 5 remain in place (held for disposal accounting), while the ending of the
classification held for sale/distribution does not apply. This means that the one-year period in which the
assets must be sold, respectively transferred, is not extended.
DAS does not contain any detailed guidance on the measurement of assets held for sale/distribution. DAS 345 also does not contain any rules on the measurement of assets and liabilities forming part of the disposal group, nor does it lay down any rules for determining gains and losses arising from the component of the entity. Logically, DAS neither contain any rules on no longer meeting the held-for-sale/distribution qualification. The rules for measurement and determination of results set out in other DAS apply unchanged to the component of the entity (DAS 345.101).

1.3 Depreciation

Under IFRS 5.25, assets held for sale/distribution are not depreciated. Under Dutch regulations, assets are depreciated up to the time of their actual disposal, unless the assets have (also) been retired from active use.

1.4 Recognition as discontinued operation

IFRS criteria for classification as discontinued operations (IFRS 5.32; see the General section above) are stricter than the criteria used under DAS for operations that are discontinued. Under the latter standards, an operation is deemed to be discontinued if the entity sells, liquidates or discontinues the component of the entity concerned entirely or almost entirely in one go or in stages according to a preset plan (DAS 345.201). Under IFRS, the sale or disposal must meet the specific criteria set. The term Discontinued operation therefore has a wider scope under DAS 345 than under IFRS.

Under DAS, information is disclosed only after the occurrence of an initial event. Under DAS 345.301, an initial event occurs when:

- The entity enters into an agreement to sell all or almost all the assets associated with the activity in question
- Or
- The authorised bodies of the entity have approved and communicated a formal and detailed plan for the discontinuation of an activity

Under IFRS, information on a discontinued operation is disclosed if it satisfies the definition of a discontinued operation (IFRS 5.31-32), which means that it is held for sale or has been disposed of, and the other strict criteria have been met.

2 Presentation

2.1 Separate presentation of assets held for sale/distribution and disposal groups

The asset or the assets belonging to a disposal group should be presented separately following current assets as non-current assets held for sale/distribution. This means that the long-term liabilities relating to a disposal group should likewise be presented separately below current liabilities. The assets and liabilities to be presented separately may not be netted off. In addition, the reserves concerning cumulative income and expense deriving from ‘other comprehensive income’ relating to the ‘held for sale/distribution’ assets and disposal groups are required to be presented separately within equity. The main asset and liability categories should be disclosed in the notes (IFRS 5.38). The comparative figures are not restated.
Dutch law and regulations do not contain any rules on this point. This means that non-current assets held for sale continue to be classified under non-current assets, rather than being presented as a separate item in the statement of financial position. Assets that are retired from active use are presented separately under property, plant and equipment (tangible fixed assets).

2.2 Presentation of results of discontinued operations

Under IFRS 5, the results of discontinued operations should be presented separately in the statement of profit or loss (IFRS 5.33). The comparative figures are restated (IFRS 5.34).

Dutch regulations stipulate that the gain or loss on discontinuation or disposal should in any case be disclosed separately in the notes (DAS 345.401). However, under Dutch GAAP, discontinued operations are disclosed separately in the statement of profit or loss in accordance with the standard model from the Annual Accounts Formats Decree, with the amount from discontinued operations being presented separately for each item in the model. The presentation in the statement of profit or loss used under DAS therefore differs from that under IFRS.

2.3 Presentation of information on operations discontinued after the reporting date

If the initial event indicating discontinuation of operations occurs after the end of the financial year, but before the financial statements have been prepared, the required disclosures should be included in the notes as post-reporting date events (DAS 345.306).

Under IFRS 5, the above does not qualify as a discontinued operation. However, IFRS may require disclosure of the event after the reporting date in accordance with IAS 10.

3 Disclosure

3.1 Disclosure of assets held for sale/distribution or disposal groups

If an asset or disposal group is classified as held for sale/distribution or is disposed of during the financial year, IFRS 5.41 requires the following information to be disclosed in the notes:
- The major classes of assets and liabilities classified as held for sale/distribution are separately disclosed either in the statement of financial position or in the notes (IFRS 5.38), except if the disposal group is a newly acquired subsidiary, which is immediately classified as held for sale (IFRS 5.39).
- A description of the non-current asset (or disposal group).
- A description of the facts and circumstances leading to the expected sale/distribution, and the expected manner and timing of the sale/distribution. This includes the expected progress of the sale/distribution.
- The gain or loss recognised on the measurement of the non-current asset or disposal group to fair value less disposal costs and, if not separately presented in the statement of profit or loss, the item in the statement of profit or loss that includes the gain or loss

The reportable segment in which the non-current asset (or disposal group) is presented in accordance with IFRS 8 Operating Segments (IFRS 5.41).
3.2 Presentation and disclosure of discontinued operations

DAS 345.304 requires disclosure in the notes to the financial statements of certain information on the discontinued operation in the financial year in which the initial event occurs. The following must be disclosed:

- A description of the operation to be discontinued.
- The operational segment in which this operation is presented in line with DAS 350 Segment Information.
- The time and the nature of the initial event.
- The date on which or the period in which the discontinuation will be completed, if known or can be established.
- The carrying amounts at the reporting date of the total assets and the total liabilities that are to be disposed of/liquidated.
- The income, expenses and profit/loss from ordinary activities before taxation of this operation and the related tax (in line with DAS 272.711).
- The cash flows from operating activities, investing activities and financing activities of the discontinued operations for the reporting period.

DAS recommend that the latter two be disclosed in the primary statements (i.e. the statement of profit or loss and statement of cash flows, respectively) (DAS 345.402). However, the presentation in the statement of profit or loss used under DAS differs from that under IFRS (see Section 2.2 above).

The information provided should subsequently be updated in the financial statements for the financial years following the period in which the initial event occurred up to and including the financial year in which the discontinuation was completed, i.e. the plan has been completed in full or almost in full, or has been discontinued. The buyer need not have made all payments (DAS 345.308).

IFRS 5 requires disclosure of the following information on discontinued operations.

- A single amount in the statement of comprehensive income equal to the total of:
  - The gain or loss for the year from the discontinued operations
  - The post-tax gain or loss recognised on the measurement of the discontinued operation to fair value less costs to sell
    Or
  - The post-tax gain or loss on the disposal of the discontinued operation
- A breakdown of the amount concerned (either presented in the statement of comprehensive income separately from the income and expenses from continuing operations, or in the notes) by item as set out as follows (Note: the breakdown is not required if the discontinued operation is a subsidiary acquired with the sole intention of being resold):
  - The revenue, expenses and pre-tax profit or loss of the discontinued operation and the related income tax expense.
  - The gain or loss recognised on the measurement of the discontinued operation to fair value less costs to sell, or on the disposal of the discontinued operation and the related income tax expense.
  - The net cash flows attributable to the operating, investing and financing activities of the discontinued operations. This information is disclosed in the statement of cash flows or in the notes and is not required if the discontinued operation is a subsidiary acquired with the sole intention of being resold.
  - The amount of income from continuing operations and from discontinued operations attributable to owners of the parent. These disclosures may be presented either in the notes or in the statement of comprehensive income (IFRS 5.33).
The basic and diluted earnings per share from discontinued operations. This disclosure can be included as part of the statement of comprehensive income or in the notes (IAS 33.68-68A).

If an entity presents the components of profit or loss in a statement of income, separate from the statement of other comprehensive income, the discontinued operations are presented in the statement of income (IFRS 5.33A).

The nature and amount of adjustments in the current financial year to amounts related to the disposal of a discontinued operation in a prior financial year should be disclosed separately under discontinued operations. Examples are adjustments relating to the purchase price, product warranty obligations and the settlement of employee obligations (IFRS 5.35).

3.3 Disclosure of discontinued operations that are no longer classified as held for sale or as discontinued operation

If a discontinued operation can no longer be classified as held for sale or as a discontinued operation, the following information should be disclosed (IFRS 5.36 and 5.37):

- The results of operations of the component previously presented as discontinued operations should be reclassified and included in the profit or loss from continuing operations for all financial years presented, or the comparative figures should be restated.
- Any gain or loss on the remeasurement of the assets in the statement of profit or loss should be included in profit or loss from continuing operations.

DAS 345 does not contain any requirements on this point.

Accounting standards

Relevant accounting standards:
- DAS 345 Discontinuing Operations
- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
### 33 Share-based payments (including employee options)

<table>
<thead>
<tr>
<th></th>
<th>Recognition and measurement</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Transactions between entities under common control</td>
<td>DAS 275 does not apply to transactions under common control</td>
<td>No specific rule</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.2</td>
<td>Non-identifiable goods and/or services</td>
<td>No specific rule</td>
<td>Specific rules for measuring non-identifiable goods and/or services</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.3</td>
<td>Measuring share options</td>
<td>Choice between measurement at fair value and intrinsic value</td>
<td>Measurement at fair value, unless value cannot be measured (rare)</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.4</td>
<td>Share-based payments with the counterparty deciding on settling the transaction</td>
<td>Choice between recognition as compound financial instrument or as a liability</td>
<td>To be recognised as a compound financial instrument</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.5</td>
<td>Option pricing models</td>
<td>No specific information</td>
<td>Specific information on measuring fair value using option pricing models</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.6</td>
<td>Allocation of group arrangements to entities within the group</td>
<td>No specific rule</td>
<td>Detailed interpretation, with expenses generally being recognised by the entity receiving the service</td>
<td>IFRS stricter</td>
</tr>
</tbody>
</table>

### General

Although DAS 275 and IFRS 2 have different structures, they contain the same categories of share-based payments.

#### 1 Recognition and measurement

**1.1 Transactions between entities under common control**

DAS 275 does not apply to a contribution or other transaction taking place between entities under common control, including a contribution transaction upon incorporation of the entity (DAS 275.103). IFRS 2 does not contain this exception.

**1.2 Non-identifiable goods and/or services**

IFRS 2.2 states that sometimes share-based payment transactions take place whereby the entity is unable to identify some or all of the specific goods or services received. A key indicator of this is the fair value of any identifiable goods or services received being lower than the fair value of the equity instruments granted or liability incurred.
The value of non-identifiable goods or services is based on the difference between the fair value of the identifiable goods and/or services and the fair value of the share-based payment. DAS 275 contains no specific provisions for share-based payments involving goods or services received which cannot be identified, or cannot be identified in full.

1.3 Measuring share options
DAS 275 contains specific rules on recognising share options, allowing entities to measure share options at fair value or intrinsic value (DAS 275.314). IFRS 2 contains no specific rules on the recognition of share options. Under IFRS 2, all share-based payments are carried at fair value, unless the fair value of the equity instruments cannot be reliably measured, which is only considered a possibility in exceptional cases. In this case, share-based payments are measured at intrinsic value (IFRS 2.24-25).

1.4 Share-based payments with the counterparty deciding on settling the transaction
DAS 275 allows entities to recognise share-based payments with the counterparty being able to settle the transaction and the fair value of the transaction settled in cash is lower than the fair value of the transaction settled in equity-instruments, as a compound financial instrument or liability (DAS 275.207). IFRS 2 does not contain this choice of options, requiring these share-based payments to be recognised as a compound financial instrument (IFRS 2.35).

1.5 Option pricing models
IFRS 2 discloses information on measuring the fair value of shares and share options using option pricing models. DAS 275 does not specifically address such models, but stipulates that, if the entity uses an internal measurement model for its own shares, such a model can also be used for the purpose of DAS 275.

1.6 Allocation of group arrangements to entities within the group
IFRS 2.3A contains specific rules for share-based payments made by an entity within the group other than that receiving the goods or services. Such arrangements are not included in the scope of DAS 275.

A parent can grant rights to its own equity instruments to the employees of its subsidiary, and the subsidiary can grant rights to equity instruments of its parent to its employees.

If the parent has granted an equity-settled share-based payment to the employees of its subsidiary, the subsidiary should recognise the value of the services received from its employees in line with an equity-settled share-based payment, with the corresponding recording in equity as a contribution by the parent (IFRS 2.43B).

If the subsidiary has granted rights to equity instruments of its parent to its own employees, the way in which those rights are to be accounted for depends on the nature of the rights granted, and on the rights and obligations of the subsidiary (IFRS 2.43A).
2 Presentation

2.1 Presentation requirements

DAS 275 contains requirements relating to the presentation of the cost and liability arising from share-based payments, or refers to the presentation requirements under DAS 240 Equity or DAS 252 Provisions, Commitments and Rights Not Included in the statement of financial position. IFRS 2 contains no presentation requirements. Similar to DAS, the requirements under IFRS relating to provisions (IAS 37) and equity (IAS 32) apply to the presentation of share-based payments.

3 Disclosure

3.1 Disclosure requirements

IFRS 2 contains more detailed disclosure requirements, including requirements relating to the way in which the fair value of goods and services received or equity instruments granted is determined (IFRS 2.46-48), and (the carrying amount and intrinsic value of) recognised liabilities (IFRS 2.50b).

Dutch laws and regulations contain disclosure requirements for open public limited liability companies (Section 383d (1) of Book 2 of the Dutch Civil Code). These requirements apply to individual executive directors, individual supervisory directors and employees. IFRS contain similar disclosure requirements. These disclosure requirements apply to all entities, with no distinction being made to individual executive directors, individual supervisory directors and employees (IFRS 2.45). IAS 24 requires disclosure of total share-based payments made to key management personnel.

Accounting standards

Relevant accounting standards:

- DAS 275 Share-Based Payments
- IFRS 2 Share-Based Payment
## 34 Impairment of non-current assets

<table>
<thead>
<tr>
<th>1 Recognition and measurement</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Scope</td>
<td>Applies to all non-current assets, with the exception of financial assets to which DAS 290 applies, assets relating to employee benefits and deferred tax assets</td>
<td>In addition to Dutch laws and regulations, does not apply to investment property measured at fair value, biological assets measured at fair value, insurance contract assets, or non-current assets held for sale</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.2 Impairment testing</td>
<td>If there is any indication of impairment. If goodwill is amortised over a period of more than 20 years, an estimate of the recoverable amount should at least be made at the end of each financial year</td>
<td>If there is any indication of impairment. Whether or not there is any indication of impairment, for intangible assets with indefinite useful lives, or not yet in use, and goodwill acquired in a business combination annually</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.3 Minority/non-controlling interest as part of impairment testing</td>
<td>No specific rules</td>
<td>If non-controlling interest is measured at the proportionate interest in the fair value of the net assets, goodwill to be grossed up on the basis of the unit being wholly owned</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.4 Reversal of impairment loss recognised for goodwill in an interim period</td>
<td>No specific rule</td>
<td>Specific rule that impairment may not be reversed</td>
<td>IFRS stricter</td>
</tr>
</tbody>
</table>

### 2 Presentation

- - -

### 3 Disclosure

| 3.1 Goodwill not allocated to cash-flow generating unit | No specific rules | Amount and reason for not allocating goodwill to be disclosed | IFRS require more detailed disclosure |
| 3.2 Estimates used in determining recoverable amount | Detailed disclosure required | More detailed disclosure required | IFRS require more detailed disclosure |

### General

DAS 121 Impairment of Fixed Assets is almost an exact translation of a previous version of IAS 36 Impairment of Assets. The current text of IAS 36 differs from DAS 121 on some points. DAS 216 Mergers and acquisitions also contains a number of impairment testing provisions.

### 1 Recognition and measurement

#### 1.1 Scope

DAS 121 does not apply to financial assets to which DAS 290 applies (participating interests over which no significant influence is exercised, securities —classified under Financial fixed assets —and long-term receivables), assets relating to employee benefits as referred to in DAS 271 and deferred tax assets to which DAS 272 applies. However, DAS 121 does apply to participating interests measured at net asset value and to all intangible assets and property, plant and equipment (DAS 121.102/IAS 36.2).
IAS 36 contains more exceptions; it does not apply to investment properties measured at fair value (IAS 40), biological assets measured at fair value (IAS 41), assets arising from insurance contracts (IFRS 4) and non-current assets held for sale (IFRS 5; IAS 36.2).

1.2 Impairment testing
An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired (IAS 36.9; DAS 121.202).

If goodwill is amortised over a period of more than twenty years, DAS 216 requires that an estimate be made of the recoverable amount at least at the end of each financial year, even if there is no indication of impairment (DAS 216.230).

In contrast to DAS 121, IAS 36.10 stipulates that an impairment test must also be performed for the following assets annually (at a consistently applied fixed date), irrespective of whether there is any indication of impairment:
- Intangible assets with indefinite useful lives (that are not amortised)
- Intangible assets not yet in use
- Goodwill acquired in a business combination

1.3 Minority/non-controlling interest as part of impairment testing
Under IFRS 3, the acquirer has the option of measuring a non-controlling interest at:
- The net asset value disclosed in the statement of financial position, being the proportionate share of the non-controlling interest in the fair value of the assets and liabilities (partial goodwill)
  Or
- Fair value, being the stand-alone fair value of the non-controlling interest (full goodwill) (IFRS 3.19 and 3.32)

The amounts of goodwill depend on the option selected. The impairment test should be based on the full amount of goodwill, however. If the non-controlling interest is measured at the proportionate interest in the fair value of the net assets, the carrying amount of the non-controlling interest should initially be adjusted to reflect the gross goodwill amount (IAS 36.C4). In other words, the goodwill should be grossed up.

DAS 121 provides no specific rules on this point. In our view, the accounting treatment under DAS should in principle follow the IFRS methodology in order to facilitate proper comparison of the carrying amount and the recoverable amount.

1.4 Reversal of impairment loss recognised for goodwill in an interim period
IFRIC 10 Interim Financial Reporting and Impairment stipulates that the specific rules of IAS 36 override those of IAS 34 Interim Financial Reporting. This means that an impairment loss for goodwill recognised for an interim period of any financial year may not be reversed in subsequent interim periods of the same financial year. The number of non-listed entities drawing up interim reports is limited. If such non-listed entities use Dutch GAAP to draw up financial statements, goodwill impairment will be less frequent because the goodwill is depreciated (or was deducted from equity directly, prior to the changes in law that became effective as of 2016). If the above contradiction arises, IFRIC 10 could be applied analogously.
2 Presentation
There are no differences between DAS 121 and IAS 36.

3 Disclosure
3.1 Goodwill not allocated to cash-generating unit
If part of the goodwill acquired in a business combination during the reporting period has not been allocated to a cash-generating unit (or group of units) by the reporting date, the amount of the unallocated goodwill and the reason for not allocating it should be disclosed in the notes (IAS 36.133). DAS 121 provides no rules on this point.

3.2 Estimates used in determining recoverable amount
DAS 121 states that if the recoverable amount is the realisable value, the way in which this was determined should be disclosed. If the recoverable amount is based on cash flow forecasts, a description should be provided of the method and the principal assumptions used in determining the recoverable amount, including the period and the discount rate. IAS 36 requires more extensive information on impairments when the recoverable amount is based on fair value less costs of disposal.

IAS 36 also requires more extensive information on estimates used in determining the recoverable amount of cash-generating units to which goodwill or intangible non-current (fixed) assets with indefinite useful lives are allocated.

Accounting standards
Relevant accounting standards:
• DAS 121 Impairment of Fixed Assets
• IAS 36 Impairment of Assets
• IFRIC 10 Interim Financial Reporting and Impairment
Special organisations
## 35 Banks

<table>
<thead>
<tr>
<th>1</th>
<th>Recognition and measurement</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>General banking risks</td>
<td>A separate fund may be formed for general banking risks. This fund should be included in the statement of financial position as a liability following the provisions. The net total of additions and charges should be recognised in profit or loss. DAS recommends that no fund be formed</td>
<td>Forming of fund is not allowed</td>
<td>IFRS stricter</td>
</tr>
</tbody>
</table>

| 2 | Presentation | | |
|---|---------------|---------------------------|------|------------|
| 2.1 | Statement of financial position and statement of profit or loss formats | Specific formats are prescribed in the Annual Accounts Formats Decree | No specific formats | Dutch laws and regulations stricter |
| 2.2 | Statement of financial position items - short-term government paper | To be included as a separate item | To be included under other assets | Dutch laws and regulations stricter |
| 2.3 | Statement of financial position items - subordinated loans | To be included as a separate item between equity and provisions | To be included under the relevant liability | Conflicting |
| 2.4 | Statement of profit or loss items | Limited rules on breakdown of results | Detailed rules on breakdown | IFRS stricter |

| 3 | Disclosure | | |
|---|-------------|---------------------------|------|------------|
| 3.1 | Equity | Limited disclosure of capital requirements; disclosure of solvency ratios required | Detailed disclosure of capital requirements; no disclosure of solvency ratios required | IFRS requires more detailed disclosure |
| 3.2 | Disclosure of various items | Specific banking rules | Detailed rules, albeit not specifically for banks | IFRS requires substantially more detailed disclosure |

### General

In most cases, the provisions described in the preceding chapters also apply to banks. This chapter deals in more detail with a few specific issues relating to banks. Note that IAS 32, IAS 39, IFRS 7, IFRS 9 and IFRS 13 also apply to banks and that these standards in particular can lead to differences in the treatment and disclosure of financial instruments compared to Dutch laws and regulations. The differences addressed in Chapters 5, 8, 9, 15 and 23 also apply to banks, except that banks are subject to special accounting principles for the measurement of assets.

### 1 Recognition and measurement

#### 1.1 General banking risks

Under Dutch laws, a separate fund may be formed for general banking risks. This fund should be included in the statement of financial position as a liability, presented after the provisions. The net total of additions and charges should be recognised in profit or loss (Section 424 of Book 2 of the Dutch Civil Code), although DAS 600 recommends that no fund for general banking risks be formed.

IFRS does not allow a fund for general banking risks to be formed.
2 Presentation

2.1 Statement of financial position and statement of profit or loss formats

The Annual Accounts Formats Decree contains specific formats for the statement of financial position (format K) and the statement of profit or loss (formats L and M) of banks.

IFRS prescribes no specific formats for the statement of financial position and statement of profit or loss of banks. However, it lists a minimum of items to be included in the statement of financial position and the statement of profit or loss. However, the preparation of a statement of financial position and statement of profit or loss has become standard practice, partly based on the banks-to-supervisory authorities reporting formats developed by the European Banking Authority.

2.2 Statement of financial position items — short-term government paper

The statement of financial position format under Dutch law includes short-term government paper as a separate item. This item consists of government-issued interest-bearing securities with an original term to maturity of up to two years eligible for refinancing with the central bank in the country of origin. IFRS does not disclose this item separately.

2.3 Statement of financial position items — subordinated loans

The statement of financial position format under Dutch laws and regulations includes subordinated loans as a separate item between provisions and equity. Subordinated loans are an important type of financing for banks, the reason being that, provided they meet the conditions laid down by the Dutch central bank (De Nederlandsche Bank) as part of capital adequacy testing, they are regarded as forming part of available capital (Tier I and Tier II capital).

IFRS requires subordinated loans to be presented under liabilities.

2.4 Statement of profit or loss items

Dutch laws and regulations require a modest level of detail for items disclosed in the statement of profit or loss. Banking income is broken down as follows:

- Interest income
- Interest expense
- Income from securities and participating interests
- Commission income
- Commission expense
- Result on financial transactions
- Other income
DAS 600.309 stipulates that the result on financial transactions should be broken down in terms of the bank's operations, for example by:

- The result on securities (including related derivatives)
- The result on foreign exchange (including related derivatives)
- The result on derivatives
- Other results

Under IAS 1 and IFRS 7, a substantial number of items should be disclosed separately in the statement of profit or loss or the notes to the statement of profit or loss.

3 Disclosure

3.1 Equity

Under DAS 600.263, banks should disclose capital ratios in the notes to the financial statements. These are calculated on the basis of the methodology of the Basel accord on capital adequacy and resulting European laws and regulations in the context of the supervision by the Dutch central bank (De Nederlandsche Bank) or the European Central Bank. The notes should at least disclose the minimum core capital required and the core capital available, as well as the total Tier I and Tier II capital required and the total Tier I and Tier II capital available. This standard also recommends that insight be provided into the composition of risk-weighted items and the breakdown of the total Tier I and Tier II capital.

Under IAS 1.135, an entity being subject to externally imposed capital requirements, for example a bank, should disclose the following, among other information:

- The nature of those requirements and how those requirements are incorporated into the management of capital.
- Whether during the period it complied with any externally imposed capital requirements to which it is subject.
- If it has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

3.2 Disclosure of various items

DAS 600 contains two recommendations and one rule on impairments of loans and advances. Information should be disclosed on the method used to determine impairments and write-downs of loans and advances, as well as the underlying criteria used for that purpose. It is also recommended that the gross amount of loans and advances for which no interest income is recognised be disclosed and a statement of changes in impairments of loans and advances be included (DAS 600.205 and 600.211).

In addition to the disclosure requirements under DAS 600 Banks, specific disclosures are required under the Banks Annual Accounts Decree—which have been largely incorporated in DAS 600—and DAS 290 Financial instruments.
IFRS 7 Financial Instruments: Disclosures is highly significant for banks. IFRS requires more detailed disclosure than Dutch laws and regulations. Additional information requirements concerning financial instruments include the following:

- Carrying amounts of each class of financial instrument
- Maximum exposure to credit risk
- Mitigation of exposure to credit risk due to derivatives
- Reclassifications
- Collateral
- Allowance for credit losses
- Hedge accounting
- Fair value
- Risks (by type)

Credit risks should be disclosed on the basis of the maximum exposure to risk, with any collateral provided not being taken into account, information on collateral, the quality of financial assets that are not past due or impaired, and information on facilities that have been restructured owing to problems.

IFRS 13 also includes a range of provisions and disclosure requirements relating to the fair value of financial instruments as well as non-financial instruments.

The IASB has replaced IAS 39 by IFRS 9 in three phases. Phase 1 addresses the classification and recognition of financial assets. Phase 2 concerns provisions for credit losses and Phase 3 addresses general hedge accounting. In the context of the IFRS 9 project, the IASB decided that the macro hedge accounting issue would not come under the scope of general hedge accounting, but be defined as a separate project. This project has not yet been completed. Until then, the current provisions of IAS 39 on macro hedge accounting will be leading.

The new provisions of IFRS 9 will be mandatory as from financial years beginning on or after 1 January 2018.

**Accounting standards**

Relevant accounting standards:

- Dutch Civil Code Book 2, Part 9, Chapter 14
- The Banks Annual Accounts Decree
- DAS 290 Financial Instruments
- DAS 600 Banks
- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments
- IFRS 13 Fair Value Measurement
- IFRS 32 Financial Instruments: Presentation
- IFRS 39 Financial Instruments: Recognition and Measurement
## 36 Investment entities

<table>
<thead>
<tr>
<th>1</th>
<th>Recognition and measurement</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Dutch investment entities or UCITS are required to prepare financial statements, a directors’ report and other information in accordance with Part 9 of Book 2 of the Dutch Civil Code, regardless of their legal form. Part 9 of Book 2 of the Dutch Civil Code provides the option of preparing the financial statements in accordance with EU-IFRS. Under and pursuant to the Financial Supervision Act, rules on providing information to the public and disclosing information in the financial statements apply. The required disclosures vary for each licensing regime (investment institution or UCITS) and depend on the question as to whether the investment entities are also offered to private investors, among other factors. These requirements apply regardless of whether the financial statements are prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code or (also) in accordance with EU-IFRS</td>
<td>No distinction is made</td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Consolidation</td>
<td>Exemption from consolidation allowed for investment entities that apply DAS 615, provided that, from the time of acquisition, a specific exit strategy has been defined with respect to the majority interests. Measurement of majority interests at fair value with recognition of realised and unrealised changes in value through profit or loss recommended</td>
<td>Consolidation not allowed for investment entities that are within the scope of the definition of investment entities in IFRS 10. A typical characteristic of the business purpose of an investment entity is that it has an exit strategy. Investments in subsidiaries are measured at fair value with recognition of changes in value in profit or loss</td>
<td>IFRS stricter</td>
</tr>
<tr>
<td>1.2</td>
<td>Different categories of investment</td>
<td>Measurement at fair value or amortised cost, depending on the nature of the investment, but it is recommended that all investments be carried at fair value, with all changes in value recognised in profit or loss</td>
<td>Measurement at fair value or amortised cost, depending on the nature of the investment; no preference. Investments in joint ventures and associates can be measured at fair value with recognition of changes in value in profit or loss, and the same accounting policy can be applied to other investments managed on a total return basis</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>1.3</td>
<td>Costs charged to investors individually for issue or purchase of units</td>
<td>Dutch laws and regulations</td>
<td>IFRS</td>
<td>Conclusion</td>
</tr>
<tr>
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<tr>
<td></td>
<td>If costs have been charged to investors individually for issue or purchase, in addition to the unit price, those costs and the related income must be recognised in the statement of profit or loss</td>
<td>The costs or mark-up or mark-down must be taken to the statement of profit or loss if the units are classified as financial liabilities and taken to equity if the units are presented as equity</td>
<td>Conflicting</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.4</th>
<th>Costs charged to investors individually for formation and/or emission of units</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If costs have been charged to investors separately for formation and/or emission in addition to the share rate, those costs and the related income must be recognised in the statement of profit or loss</td>
<td>The costs charged individually must be taken to the statement of profit or loss if the units are classified as financial liabilities and taken to equity if the units are presented as equity</td>
<td>Conflicting</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.4</th>
<th>Puttable instruments</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To be accounted for under equity in separate financial statements; to be accounted for under equity in consolidated financial statements, provided that certain conditions are satisfied</td>
<td>To be accounted for under liabilities if the holder of the financial instrument is entitled to resell the instrument to the issuer. Investment entities may be entitled to apply exception</td>
<td>Conflicting for separate financial statements</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.5</th>
<th>Revaluation reserve for investments without frequent market listings</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revaluation reserve is mandatory for unrealised revaluations</td>
<td>No obligation to form revaluation reserve</td>
<td>Dutch laws and regulations stricter</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2.1</th>
<th>Statement of financial position and statement of profit or loss formats</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Specific formats for investment entities are prescribed in the Annual Accounts Formats Decree. DAS 615 contains additional requirements for the items that must be presented as a minimum in the statement of financial position and the statement of profit or loss</td>
<td>No prescribed formats. Under or pursuant to the FSA, requirements apply for investment entities concerning the items that must be presented as a minimum in the statement of financial position and the statement of profit or loss</td>
<td>Dutch laws and regulations stricter</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2.2</th>
<th>Negative investments</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Short positions in investments or financial instruments with a negative value are to be included under the item 'Investment' on the liability side of the statement of financial position</td>
<td>No prescribed 'Investment' item on the liability side of the statement of financial position</td>
<td>Dutch laws and regulations stricter</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2.3</th>
<th>Directors’ report</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In part in addition to the provisions of DAS 400:</td>
<td>Review of financial performance and position of the entity recommended</td>
<td>Dutch laws and regulations stricter</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The objectives and the investment policy conducted, at least in terms of risk and return</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Statement of investment result for each unit for the last five years</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• In addition, requirements apply under and pursuant to the FSA for the directors’ report of an investment entity</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2.4</th>
<th>Statement of cash flows</th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To be subdivided into cash flow from investing and financing activities</td>
<td>To be subdivided into cash flow from operating, investing and financing activities</td>
<td>Dutch laws and regulations and IFRS differ</td>
<td></td>
</tr>
</tbody>
</table>
Disclosure

3.1 Investments on investments and segment information
Breakdown of composition of investment portfolio and movements during the financial year and disclosure of investments in fund of funds. No further requirements then apply pursuant to DAS 350 Segment Information.

No specific rules
Under IFRS, reporting segment information is mandatory for listed entities on the basis of IFRS 8 Operating Segments. Segment information must not consist solely of reporting the investment portfolio for each segment.

More specific disclosure requirements under Dutch laws and regulations.

3.2 Disclosure of various items
Detailed disclosure requirements for costs, including the recurring costs factor and turnover ratio, transaction costs, outsourcing and related party transactions, tax status, among other items.

Besides standard disclosure requirements on financial instruments, investment property and related parties, among other things, no specific rules for investment entities.

Dutch laws and regulations require more detailed disclosure.

General

Dutch investment entities required to have a licence are required under the Financial Supervision Act (FSA) must prepare financial statements, a directors’ report and other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. Section 362 (8) of the Dutch Civil Code offers the option of preparing the financial statements in accordance with the standards issued by the International Accounting Standards Board and endorsed by the European Commission (EU-IFRS), provided all applicable issued and endorsed standards are applied.

The Dutch Accounting Standards Board has issued a separate Standard for investment entities. Investment entities offered by a manager required to have a licence are subject to the Financial Supervision Act. Related regulations, including the Decree on the Supervision of the Conduct of Financial Enterprises pursuant to the Financial Supervision Act and the Further Regulations on the Supervision of the Conduct of Financial Enterprises, also contain rules on external reporting by investment entities. Such reporting requirements have been included in DAS 615 Investment entities, but they also apply if the investment entity draws up the financial statements in conformity with the standards ensuing from Section 368 (8) of Book 2 of the Dutch Civil Code as adopted by the IASB and endorsed by the European Commission.

If the investment entity prepares the financial statements on the basis of EU-IFRS, the annual reporting requirements under the FSA will continue to apply as well as a number of Dutch legal provisions in Part 9 of Book 2 of the Dutch Civil Code and the DAS will continue to apply, including disclosures such as those of auditor’s fees and executive remuneration, the provisions concerning capital maintenance, the contents of the directors’ report, the other information and publication.

The Financial Supervision Act and the aforementioned related regulations contain extensive rules on providing information to the public and disclosing information in the notes to the financial statements. The required disclosures vary for each licensing regime (investment institution or UCITS) and depend on the question as to whether the investment entities are also offered to private investors, among other factors. Please also refer to the EY Financial Statements Checklist for Investment Entities.
IFRS does not contain a separate standard for investment entities, except for the exclusion of consolidation for investment entities (see below). The principal rules relevant to investment entities are included in IAS 1 Presentation of Financial Statements, IFRS 7 Financial Instruments: Disclosures, IFRS 13 Fair Value Measurement, IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement and, for property investment entities, IAS 40 Investment Property.

In addition, a number of provisions from other standards are also relevant to investment entities. The impact of IFRS 9 Financial Instruments, which replaces IAS 39, on investment entities is expected to be limited for the time being and IFRS 15 Revenue from Contracts with Customers does not apply to financial instruments.

Listed investment entities are required to apply IFRS when drawing up their consolidated financial statements.

This chapter applies to all investment entities offered by a manager required to have a licence, regardless of legal structure, and might provide a blueprint for other investment entities. This chapter only deals with the departures from the general provisions for drawing up the financial statements of investment entities. Specific reference is made to the chapters concerned (3, 5, 8, 9, 15 and 23) for general provisions relating to the financial statements which apply to investment entities and other entities alike.

1 Recognition and measurement

1.1 Consolidation

DAS include an exemption from consolidation for investment entities for majority interests in investments held by investment entities applying DAS 615, if a specific exit strategy has been formulated for these majority interests from the time of acquisition, such that it is clear that these interests are held only to be sold at a time defined in accordance with the exit strategy (DAS 317.308).

If the investment entity applies this exemption from consolidation, the majority interests should not be classified as a participating interest, but classified as securities instead. DAS 226 Securities and DAS 290 Financial Instruments (DAS 317.308a) therefore apply to these majority interests for the purpose of measurement and determination of results as well as presentation and disclosure.

DAS 615.202a recommends that all majority interests are measured at fair value and realised and unrealised changes in value are taken through profit or loss for investment entities that apply the exemption from consolidation.

Investment entities in scope of the definition of IFRS 10 must not consolidate subsidiaries nor apply IFRS 3 when they obtain control over another entity. Instead, an investment entity must measure an investment in a subsidiary at fair value through profit or loss (IFRS 10.31). An investment entity according to the definition in IFRS 10 (IFRS 10.27 and 10.28) obtains funds from one or more investors to provide investment management services with the business purpose of achieving income from capital appreciation and/or investment income and values and evaluates the performance of substantially all its investments on the basis of fair value.
A typical characteristic of the business purpose of an investment entity is that it has an exit strategy (IFRS 10.B85F) at the level of the various types of investment that describes how it intends to achieve the capital appreciation of equity interests and (perpetual) debt investments that can be held indefinitely. An investment entity may have an investment in another investment entity that is formed in connection with the entity for legal, regulatory, tax or similar business reasons. In this case, the investment entity investor need not have an exit strategy for that investment, provided that the investment entity investee has appropriate exit strategies for its investments (IFRS 10.B85H). This will apply in many master-feeder arrangements.

### 1.2 Different categories of investment

Although, as a rule, investment entities are allowed to apply the different accounting policies to the different types of investment as set out in the chapters concerned, DAS 615.201 recommends that investment entities measure investments at fair value with realised and unrealised changes in fair value directly through profit or loss (DAS 615.202). No mandatory revaluation reserve need to be recognised for investments with frequent market listings. However, Section 390 (1) of Book 2 of the Dutch Civil Code requires such a revaluation reserve to be recognised for unrealised revaluations of other investments (such as investment properties).

IAS 39 distinguishes between investments at fair value through profit and loss, investments available for sale and investments held to maturity. The first two categories of investment are carried at fair value, while the last category is carried at amortised cost. For the recognition of changes in fair value, please refer to Chapter 23 Financial instruments. Measurement and recognition of changes in value of investment properties are set out in Chapter 3.

IAS 28 offers venture capital companies, unit trusts and similar investment entities whose business is investing in financial assets with a view to profiting from their total return in the form of interest or dividends and changes in fair value the option of measuring investments in joint ventures and associates at fair value through profit or loss (IAS 28.18). An entity may apply the same accounting policy to other investments managed on a total return basis but over which its influence is insufficient for them to be within the scope of IAS 28 (IAS 39.AG4I (a)).

### 1.3 Service charges included in the re-issue price of own shares

For open-ended investment institutions, the following two specialties apply regarding charges to investors when they join.

Costs of incorporation and/or share issues charged separately to investors in addition to the unit price, as well as income arising therefrom have to be recognised in profit or loss (DAS 615.710).

If an investment entity has included, when issuing or purchasing own units, a mark-up or mark-down in the re-issue price or purchase price for the share in the transaction costs for the purchase or sale of investments by the investment entity and if the aforesaid mark-up or mark-down is separately identifiable, such a mark-up or mark-down must always be recognised in profit or loss (DAS 615.711) under other (operating) income (Explanatory Memorandum to the Decree amending the Annual Accounts Formats Decree). If the mark-up or mark-down, respectively, is not separately identifiable, it is part of the re-issue price or purchase price and is taken directly to equity (share premium) in accordance with DAS 240.403.
Under IAS 32, this is not always relevant for open-ended funds, as they do not always hold any equity. However, the specific provisions under IAS 32 allow most open-end investment entities to present equity, with any mark-up being recognised as share premium. The same holds true for closed-end funds.

1.4 Puttable instruments
IAS 32.18b contains a provision on puttable instruments that may be very important for investment entities. A financial instrument that gives the holder the right to put it back to the issuer for cash or another financial asset (as is the case with open-ended investment entities) is not an equity instrument, but a liability. However, if the instrument meets all the criteria referred to in IAS 32.16A and 16B, or meets the criteria referred to in IAS 32.16C and 16D, it is presented as equity. IFRS does not distinguish between the consolidated and the separate financial statements in this case.

DAS 290.808 also refers to puttable equity instruments that may be presented as equity, provided that certain conditions mentioned above are satisfied. However, this only concerns their presentation in the consolidated financial statements. DAS require the presentation of equity instruments in the separate financial statements to be based on legal form, which means that all equity instruments, whether or not puttable, are presented as equity.

In order to be allowed to be presented as equity, the puttable instruments must have the following features:
- In the event of liquidation they must give the holder the right to a pro rata part of the net assets of the investment entity.
- The instrument belongs to the most subordinated (shares) class.
- Within this (shares) class, the instruments have identical features.
- The investment entity has no other financial instruments or contracts of which the expected cash flows are primarily based on the result of the investment entity or that can limit or fix the remaining value of the puttable instruments. Besides the buy-back obligation the instrument does not provide any other contractual rights to cash flows.

1.5 Revaluation reserve for investments without frequent market listings
In contrast to Section 401 (2) of Book 2 of the Dutch Civil Code, DAS 615.303 requires both realised and unrealised changes in the fair value of investments to be recognised in profit or loss. Pursuant to Section 390 (1) of Book 2 of the Dutch Civil Code, an investment entity forms a revaluation reserve from the profit appropriation equal to the unrealised fair value increases of investments for which there are no frequent market listings.

IFRS does not require a (legal) revaluation reserve to be formed.
2 Presentation

2.1 Statement of financial position and statement of profit or loss formats

Under the Annual AccountsFormats Decree, the statement of financial position of an investment entity should be drawn up in accordance with format Q or R and the statement of profit or loss in accordance with format S. The exemption provisions for small and medium-sized entities pursuant to Sections 396 and 397 of Book 2 of the Dutch Civil Code do not apply to investment entities that have obtained a licence from the supervisory authority (Section 398 (3) of Book 2 of the Dutch Civil Code).

DAS 615.302a lists the elements and underlying items which the statement of financial position must contain at a minimum. DAS 615.303 provides a similar list for the statement of profit or loss.

DAS 615.302 stipulates that the subdivision of investment-related assets into non-current and current assets is not relevant and difficult to apply, given the nature of the investment entity. However, this subdivision does apply to other assets (non-investment-related), and the distinction required by law will continue to apply.

IFRS does not include any prescribed statement of financial position formats, but only provides general instructions (IAS 1.54 and following). IAS 1.60 and following provide detailed provisions for distinguishing between current and non-current assets and liabilities.

IFRS does not include any prescribed statement of profit or loss formats, but does include some general requirements (IAS 1.81A and following).

It should be noted that requirements apply under or pursuant to the FSA for the line items that must be included as a minimum in the statement of financial position and the statement of profit or loss.

2.2 Negative investments

DAS 615.302a furthermore introduces the item of Investment on the liability side of the statement of financial position: short positions in investments or financial instruments with a negative value are to be included under Investment on the liability side of the statement of financial position.

IFRS does not prescribe any Investment item under liabilities.

2.3 Directors’ report

In addition to the provisions relating to directors’ reports included in Chapter 7 of Part 9 of Book 2 of the Dutch Civil Code and DAS 400, an investment entity should address the following matters in its directors’ report (DAS 615.501):

• Its objectives and the investment policy conducted, at least in terms of risk and return.
• The investment result per unit (held by third parties) for the last five years, broken down by income, changes in value and costs.

IFRS does not contain specific requirements for the directors’ report. IAS 1.13 does include a recommendation to include a report in which management describes and explains the financial results and position of the entity.
Note that an investment entity that applies IFRS-EU based on Section 362 (8) of Book 2 of the Dutch Civil Code must also draw up an directors’ report in keeping with Part 7 of Title 9 of Book 2 of the Dutch Civil Code and DAS 400.

Unrelated to choosing to report based on Title 9 of Book 2 of the Dutch Civil Code or IFRS (EU), an investment entity must disclose a number of matters in the directors’ report, for instance with regard to the voting policy on listed shares, a so-called in control or AO/IB statement from the investment manager of the investment entity and disclosure regarding the remuneration policy for the investment manager. For more details on this, see the EY Financial Statements Checklist for Investment Entities.

2.4 Statement of cash flows
The statement of cash flows (DAS 360) requirement also applies to investment entities. It consists of two components (DAS 615.311): cash flows from investing activities and cash flows from financing activities.

IFRS does not include any prescribed statement of cash flows formats. However, IAS 7.10 stipulates that the statement of cash flows should report cash flows during the period classified by operating, investing and financing activities.

3 Disclosure
3.1 Information on investments and segment information
A breakdown of assets as at year-end according to standards in line with investment policies (Section 122 [1b] of the Decree on the Supervision of the Conduct of Financial Enterprises) should be disclosed in the notes. In the case of indirect investments in other investment entities, additional information is likewise required (Section 122 [1g] of the Decree on the Supervision of the Conduct of Financial Enterprises).

DAS 615.406 requires a reconciling statement of movements in investments during the financial year, with investments being distinguished by type, i.e. by type of securities and other investments, e.g., investment property and derivatives. The statement must at least contain the aggregate of the acquisitions and of the alienations, the revaluations, and the price gains and losses. Contrary to DAS 350 Segment information, the following disclosures of segment information will suffice:
- A reconciling statement of movements in investments during the financial year, with investments being distinguished by type.
- A breakdown of assets as at year-end.

IFRS does not require any such disclosure.

Under IFRS, reporting segment information is mandatory for listed entities on the basis of IFRS 8 Operating Segments. For more information on this standard, see Chapter 26 Segment information. Segment information does not consist solely of reporting the investment portfolio for each segment.
3.2 Disclosure of various items

Under the Standard for investment entities, the following information, among other items, should be disclosed in detail:

- Notes to equity (DAS 615.408): a comparative statement showing, for the preceding three years as at year-end, the investment entity’s intrinsic value, the number of outstanding units and the net asset value for each unit.
- Insight into other significant currency positions and financial instruments not intended to hedge price or exchange rate risks (DAS 615.409).
- Responsibilities regarding outsourcing (DAS 615.412).
- Recurring costs factor (DAS 615.413).
- Turnover ratio (DAS 615.414) for non-property investment entities.
- Transaction costs, costs of incorporation, costs associated with borrowing and lending financial instruments, management and custody costs, and any and all other relevant costs (DAS 615.415 and following).
- The tax status of the investment entity (DAS 615.424).
- Repurchased own shares (DAS 615.425 and following).

IFRS does not stipulate any such disclosure requirements. Pursuant to the Market Conduct Supervision (Financial Institutions) Decree (Bgfo Wft: Besluit gedragstoezicht financiële ondernemingen Wft), investment entities which are also offered to private investors must include extensive notes regarding costs, including the current cost factor, turnover rate, et cetera. These disclosure requirements are unrelated to the choice for Title 9 of Book 2 of the Dutch Civil Code or IFRS.

Accounting standards

Relevant accounting standards:

- DAS 210 Intangible Fixed Assets
- DAS 213 Investment Property
- DAS 290 Financial Instruments
- DAS 615 Investment Entities
- IFRS 7 Financial Instruments: Disclosure
- IFRS 13 Fair Value Measurement
- IAS 24 Related Party Disclosures
- IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement
- IAS 40 Investment Property
37 Pension funds

<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Recognition and measurement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Calculation of provision for pension liabilities</td>
<td>Actuarial, based on pension entitlements accrued up to and including the reporting date (not taking into account projected salary increases)</td>
<td>Actuarial, whether or not taking into account projected salary increases</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td><strong>2 Presentation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Formats for statement of financial position and statement of profit or loss</td>
<td>There is a list of items that should be included at a minimum</td>
<td>No rules</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td>2.2 Directors’ report, statement of cash flows and other information</td>
<td>Detailed provisions</td>
<td>Less detailed provisions</td>
<td>Dutch laws and regulations stricter</td>
</tr>
<tr>
<td><strong>3 Disclosure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Disclosure of information</td>
<td>The information to be disclosed is very extensive</td>
<td>Less extensive information required</td>
<td>Dutch laws and regulations require more disclosures</td>
</tr>
</tbody>
</table>

**General**

DAS 610 and IAS 26 deal with reporting by pension funds. DAS 271 and IAS 19 on employee benefits only discuss the accounting for pension liabilities in the financial statements of employers. This chapter, however, only deals in detail with a few specific reporting issues relating to pension funds. IAS 26 takes a more general approach than DAS 610.

Application of IFRS is not self-evident for Dutch pension funds as Dutch laws and regulations (including the Pensions Act and the Pension Funds (Financial Assessment Framework) Decree) are closely in line with financial statements prepared on the basis of Dutch GAAP.

**1 Recognition and measurement**

**1.1 Calculation of provision for pension liabilities**

The Pensions Act requires pension liabilities to be measured at market value, in connection with which it is considered to be acceptable to apply a discount rate for this on the basis of the UFR method for the interest rate structure as published by the Dutch Central Bank DNB, provided it is applied consistently. When calculating the provision, pension entitlements and rights should be measured at the level existing as at the reporting date (DAS 610.251).

IAS 26.18 stipulates that pension liabilities should be carried at actuarial present value, optionally using projected salary increases.
1.2 Calculation of provision for pension liabilities — frequency of actuarial valuations

IAS 26.17 discusses the frequency of actuarial valuations. If an actuarial valuation has not been carried out at the date of the financial statements, the most recent valuation should be used as a base. DAS 610 does not contain any such relaxed requirements, stipulating that the calculation be made at year-end as a minimum, based on actuarial principles which are up to date at year-end.

2 Presentation

2.1 Formats for statement of financial position and statement of profit or loss

No specific formats for the statement of financial position and statement of profit or loss of pension funds are prescribed in the Annual Accounts Formats Decree. DAS stipulates which items may be presented in the statement of financial position (DAS 610.201, DAS 610.233 and Appendix 1 to DAS 610) and which items should at a minimum be presented in the statement of profit or loss (DAS 610.302 and Appendix 2 to DAS 610). DAS 610 does not allow the pension capital method.

Although IAS 26 does not explicitly deal with the statement of financial position and statement of profit or loss formats to be used, IAS 26.17 requires that the financial statements of a defined benefit plan include:

- The net assets available for benefits
- The actuarial present value of promised retirement benefits, distinguishing between vested benefits and non-vested benefits
- The resulting excess or deficit

Or

- A statement of net assets available for benefits including either:
  - A note disclosing the actuarial present value of promised retirement benefits, distinguishing between vested benefits and non-vested benefits
  Or
  - A reference to this information in an accompanying actuarial report

2.2 Directors’ report, statement of cash flows and other information

IAS 26 includes fewer detailed rules on the presentation and disclosure requirements for the directors' report and other information than DAS. A statement of cash flows is not mandatory under IFRS. Since the exemption for medium-sized and small entities does not apply to pension funds, all pension funds must meet the requirements of Title 9 of Book 2 of the Dutch Civil Code regarding the directors’ report, statement of cash flows and other details.
3 Disclosure

3.1 Disclosure of information

The following are to be disclosed (IAS 26.35):

- A statement of changes in the net assets available for benefits.
- A summary of significant accounting policies used.
- A description of the pension plan and the effects of any changes in the plan during the reporting period.

In addition, highly detailed additional information is to be disclosed (IAS 26.35-36).

DAS 610 requires similar disclosure, with the disclosure requirements being more extensive and specific.

Accounting standards

Relevant accounting standards:

- DAS 610 Pension Funds
- IAS 26 Accounting and Reporting by Retirement Benefit Plans
<table>
<thead>
<tr>
<th></th>
<th>Dutch laws and regulations</th>
<th>IFRS</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recognition and measurement</td>
<td>Reversal of impairment losses is permitted</td>
<td>Reversal of impairment losses is prohibited</td>
</tr>
<tr>
<td>1.1</td>
<td>Equity investments</td>
<td>Investment property; market value or cost less depreciation</td>
<td>Revalued value or cost, both net of depreciation. Cumulative revaluations to be kept in equity upon realisation</td>
</tr>
<tr>
<td>1.2</td>
<td>Property for own use</td>
<td>Amortised cost, redemption value, or market value with changes recognised in equity or the statement of profit or loss</td>
<td>Market value with changes recognised in equity or statement of income. Amortised cost only allowed under strict conditions</td>
</tr>
<tr>
<td>1.3</td>
<td>Bonds</td>
<td>Negative amounts to be recognised directly in profit or loss</td>
<td>Revaluation reserve can be negative in the case of equities and bonds classified as available for sale, unless they are impaired</td>
</tr>
<tr>
<td>1.4</td>
<td>Negative revaluation reserve</td>
<td>Effective interest method as well as straight-line amortisation allowed</td>
<td>Effective interest method is mandatory (also if market value is used)</td>
</tr>
<tr>
<td>1.5</td>
<td>Premiums and discounts on purchase of fixed-interest instruments</td>
<td>Provision for deferred profit sharing required; shadow accounting optional</td>
<td>Shadow accounting optional</td>
</tr>
<tr>
<td>1.6</td>
<td>Investments for the account and risk of policyholders (ARP)</td>
<td>Measurement on the basis of policy conditions, mostly market value of underlying investments</td>
<td>Not to be treated differently from own investments</td>
</tr>
<tr>
<td>1.7</td>
<td>Insurance liabilities—general</td>
<td>Apply current laws and DAS 605</td>
<td>Any combination of ‘frozen’ accounting principles with subsequent changes in local accounting principles possible</td>
</tr>
<tr>
<td>1.7.1</td>
<td>Measurement of insurance liabilities</td>
<td>Provision for deferred profit sharing required; shadow accounting optional</td>
<td>Shadow accounting optional</td>
</tr>
<tr>
<td>1.7.2</td>
<td>Catastrophe provision</td>
<td>Permitted (equalisation provision only for credit insurance companies)</td>
<td>Not permitted</td>
</tr>
<tr>
<td>1.7.3</td>
<td>Embedded minimum interest rate guarantees</td>
<td>For contracts classified as ‘for the account of policyholders': minimum interest rate guarantees to be measured at fair value with changes in value recognised in profit or loss</td>
<td>Separate measurement required under certain conditions only</td>
</tr>
<tr>
<td>1.7.4</td>
<td>Liability adequacy test for measuring insurance liabilities</td>
<td>Mandatory under DAS, various conditions. Solvency II value of liabilities can be used as minimum</td>
<td>Mandatory. IFRS has limited specific minimum requirements, otherwise IAS 37 test to be applied</td>
</tr>
<tr>
<td>1.7.5</td>
<td>Discounting non-life insurance provisions</td>
<td>Only under certain conditions</td>
<td>Allowed in all cases</td>
</tr>
<tr>
<td>1.7.6</td>
<td>Elimination of intragroup transactions</td>
<td>Full elimination not mandatory in all cases</td>
<td>Full elimination mandatory</td>
</tr>
</tbody>
</table>
Insurance companies in the Netherlands are subject to specific annual reporting requirements (Chapter 15 of Part 9 of Book 2 of the Dutch Civil Code and DAS 605). These rules are also important for certain holding companies of insurance companies.

IFRS 4 does not focus on insurance companies, but on insurance contracts. The key element of the definition of an Insurance contract in IFRS 4 is the transfer of significant insurance risk. Under current Dutch legislation, virtually all insurance contracts fall within the scope of the definition under IFRS.

If the transfer of insurance risk is insufficient, IFRS refer to these contracts as investment contracts which have to be measured and presented (IAS 39, IFRS 7) as financial instruments. However, if discretionary participation features in investment contracts they fall within the scope of IFRS 4; virtually no such contracts have been reported in the Netherlands to date.

In this chapter financial instruments were dealt with according to the existing standard IAS 39, in part because companies that mainly enter into insurance contracts are given the opportunity to postpone the introduction of IFRS 9 until the introduction of IFRS 17 (2021 at the latest).

Dutch laws and regulations make detailed distinctions between reinsurers, life insurers, funeral insurers providing services in kind, non-life insurers and healthcare insurers. IFRS 4 distinguishes between insurance and reinsurance contracts, but with few practical consequences.
Future rules: IFRS 17

Scope and status

The main features of the IASB proposals are included here.

The new standard on insurances (IFRS 17) is required to be applied with effect from 1 January 2021. Early application is permitted, but in that case IFRS 9 and IFRS 15 (Revenue from contracts with customers) must also be applied as from that same date.

Measurement

The principal features of the standard are as follows:
• The standard introduces changes in the definition of insurance risk.
• The standard presents specific rules for the level of aggregation to be applied for measurement purposes.
• Measurement is based on a probability-weighted, discounted current best estimate of cash flows. Cash flows include estimated future profit sharing.
• Unrealised gains on contracts are accrued as Contractual Service Margin (CSM). This is amortised pro rata based on the total services provided.
• The standard introduces more specific provisions for accounting for profit-sharing contracts. For profit-sharing contracts meeting certain requirements the variable fee model applies. In this model, the shareholder’s share of the investment returns is part of the CSM. The contract boundary determining future cash flows ends when an adequate adjustment to the premium can be effected.
• An explicit adjustment for uncertainty is required.
• Discounting will be at the current market interest rate, based on the (interest rate) characteristics of the portfolio(s).
• No account is taken of own creditworthiness. The insurer must account for the impact of changes in the market interest rate on a portfolio basis either through profit or loss or Other Comprehensive Income. Impacts of other changes in market value must follow the same accounting treatment.
• Subject to specific conditions, underwriting adjustments to liabilities (for instance, due to increasing survival rates,) as well as changes in the risk adjustment, can be deducted from the CSM; however, a negative CSM is not allowed.
• Application is retrospective; specific transitional provisions can simplify this.

Presentation

Earned premiums and claims or benefit expenses will continue to be presented in the statement of profit or loss. However, revenue (earned premiums) will exclude amounts that will at any rate be reimbursed to the policyholder at some point in the future; the remaining sum will be accounted for as revenue for the coverage period.

The IASB will allow a simplified presentation for short-term contracts (particularly non-life contracts) which is very similar to the current earned premium method.

Disclosure

IFRS 17 features a significant increase in disclosures. Besides information on risks in a more descriptive form, extensive disclosures on amounts are required, such as a breakdown and movements of items and the sensitivity of the amounts to assumptions applied, with fairly detailed requirements concerning the components that must be shown separately.
A significant additional disclosure requirement is that a detailed summary of changes of the insurance liabilities must be presented, separately showing the changes in the risk adjustment and the CSM. This differentiates between the effects on the liabilities of new contracts, external factors (such as market interest rates) and decisions taken by the insurer.

**Dutch GAAP — DAS 605**

DAS 605 may also be revised in due course in the light of IFRS 17. As yet, there are no proposals to that effect.

## 1 Recognition and measurement

### 1.1 Equity investments

Dutch rules require investments in shares, including all units in investment funds and similar equity instruments to be carried at market value by an insurance company. Changes in value are recognised directly in profit or loss, or taken to the revaluation reserve.

IFRS and Dutch rules differ with regard to the recognition of impairment losses on shares. These losses cannot under any circumstances be reversed under IFRS via the statement of profit or loss, whereas this is possible under Dutch regulations.

See also 1.4 on negative revaluation reserve, which is allowed under IFRS, but not under Dutch rules.

Both IFRS and Dutch rules require the full gain or loss on disposal to be recognised in the statement of profit or loss.

### 1.2 Property for own use

Under Dutch regulations, all property for own use by an insurance company is always treated as investment property. Measurement at cost minus depreciation is allowed but measurement is commonly based on market value, in which case depreciation is not allowed. Changes in value must then be recognised in profit or loss. The balance of allocated investment income and rental charges, respectively, relating to the property in use for the entity’s business included in the statement of profit or loss should be disclosed in the notes.

Under IFRS, property for the entity’s own use should be carried at cost or remeasured amount, always net of depreciation. Any realised cumulative gains on the sale of the property are kept in equity (IAS 16). Measurement of property is partly based on the component method under IAS 16. A depreciation charge is always recognised under IFRS, with the recognition of allocated investment income and rental charges not being allowed.

### 1.3 Bonds

Under Dutch rules, interest-bearing securities may be carried at amortised cost or at fair value. As under IFRS, changes in value can be recognised directly in profit or loss, or taken to the revaluation reserve.

In the Netherlands, the redemption value can be used as an alternative to amortised cost, in which case premiums and discounts at the time of purchase are recognised separately (DAS 605.214). See also Section 1.5 below.
IAS 39 allows bonds to be carried at amortised cost, provided the held-to-maturity criteria are met. As insurance companies in most cases are unable or unwilling to meet these strict criteria, bonds are generally classified as available for sale investments, which are measured at fair value, with changes in value taken to the revaluation reserve until realisation.

The gain or loss on the sale of bonds, whether measured at cost or fair value, must in all cases be recognised immediately in the statement of profit or loss.

Under IFRS, interest income is recognised net of amortisation of premiums and discounts in accordance with the effective interest method. It is necessary, therefore, to keep track of the amortised cost of each bond or bond loan, even if they are classified as available for sale investments. See also Section 1.5 below.

1.4 Negative revaluation reserve

Under IFRS, the revaluation reserve for shares and bonds can be negative. Dutch rules usually do not allow this. Under the Dutch rules, a positive or negative revaluation must be established for each specific investment (not, for example, the total portfolio of Dutch treasury bonds).

1.5 Premiums and discounts on purchase of fixed-interest instruments

Under Dutch law and regulations, straight-line amortisation is allowed, provided this does not result in significant differences compared with the results of the effective interest method. Premiums paid at the time of purchase may also be charged directly to profit or loss.

Under IFRS, premiums and discounts are amortised over the term of the financial instrument using the effective interest method.

1.6 Investments for the account and risk of policyholders (ARP)

In the Netherlands, unit-linked contract investments are carried at current value, with changes in value being recognised in profit or loss. The measurement and recognition of the corresponding liabilities mirror the measurement and recognition of the investments. Based on EU regulations, both the changes in value of the investments and the effect of these on the liabilities are generally included in the statement of profit or loss. If policyholders have a contractual right to increases in value of investments or a share of these, under Dutch rules a provision must often be created for deferred profit sharing; see Section 1.7. With respect to minimum interest guarantees, reference is made to Section 1.7.3 below.

IFRS does not distinguish ARP contracts or ARP investments. If the investments are clearly linked to the contract, they can be designated as at fair value through profit or loss.

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1 They do allow this if the consolidated financial statements have been prepared under IFRS and the separate financial statements are presented in accordance with IFRS recognition and measurement principles as allowed under Section 362(8) of Book 2 of the Dutch Civil Code, DAS Combination 3.
1.7 Insurance liabilities — general

Under Dutch GAAP, the measurement of insurance liabilities (technical provisions) is traditionally often based on the original premium calculation (referred to as the tariff base). However, due to decreasing interest rates, increasing life expectancy and cost developments, many additions have proved necessary, also at the behest of supervisory authorities.

Until the adoption of IFRS 17, IFRS 4 allows the continuation of the previous accounting for insurance contracts applied by Dutch insurance companies, apart from a limited number of exceptions.

Because DAS has copied a number of new options from IFRS 4, a wide variety of accounting principles has arisen.

This variety is unlikely to decrease in the near term. On the one hand, as of 2016 the link between Dutch reporting and regulatory reporting has been abandoned. This has led in particular to the rules related to the liability adequacy test becoming much less detailed and significant disclosures (such as, for instance, the source analysis) have lost much of their meaning. On the other hand, the adoption of IFRS 17 is not expected to take place for a considerable time.

Given the non-retroactive effect of IFRS and the number of reporting options, there are few differences between Dutch GAAP and IFRS. A number of specific issues are discussed below.

1.7.1 Measurement of insurance liabilities

Many Dutch insurers based the transition to IFRS on Dutch accounting principles as at 1 January 2004. IFRS allows but does not mandate adoption of changes in the Dutch accounting principles. Dutch GAAP is therefore stricter, as IFRS gives insurers the option to decide whether or not to adopt subsequent changes in GAAP.

Current Dutch GAAP for insurers is limited to a number of principles.

As of 2016, the Solvency II valuation of the insurance liabilities can also be used in the financial statements. Under this valuation method, profits and losses on each insurance contract are recognised in full and at once on concluding the contract. This means that the expected profit or loss concerning future coverage periods over which the contract extends is already stated. This model accordingly differs from the principle of accrual accounting.

Despite that fact, application of this valuation method is also an option under IFRS, provided it is part of ‘previous accounting’.

1.7.2 Shadow accounting and provision for profit sharing

Deferred profit sharing
A provision for deferred profit sharing is required under Dutch laws and regulations. The provision is formed if policyholders are entitled to profit sharing associated with realised gains and losses on investments, but those entitlements are not automatically reflected in the insurance liabilities. Unrealised increases in value subsequently result in deferred liabilities (just like deferred income tax). IFRS 4 only refers in general to previous accounting. Under IFRS, shadow accounting, described below, has a similar effect, but is not mandatory.
Shadow accounting is a method that recognises unrealised gains and losses on investments as if they were realised. If, upon realisation, an obligation to the policyholder were to arise, shadow accounting provides insight into the deferred financial obligations to policyholders. In addition, shadow accounting may also have implications for the measurement of deferred acquisition costs and/or intangible assets. The shadow adjustment of insurance liabilities or asset items referred to above is presented reversely under the same classification as unrealised gains and losses on investments: usually the AFS reserve, part of the revaluation reserves.

Discretionary Participation Features

IFRS 4 introduces virtually unlimited opportunities for measuring and presenting what is known in the Netherlands as profit sharing dependent on the entity’s results. These options have been copied by Dutch regulations, albeit subject to specific guidance provided by the DASB.

1.7.3 Catastrophe provision

DAS 605 allows a catastrophe provision to be formed. IFRS 4 does not allow the recognition of provisions for possible future claims, including catastrophe provisions.

1.7.4 Embedded minimum interest rate guarantees

To the extent that the insurance contracts containing minimum interest rate guarantees are classified as for account of the policyholder (in particular, unit-linked insurances), these guarantees should be carried at fair value with all changes in value being recognised in the statement of income (DAS 605).

DAS 605 also contains the requirement, albeit much more limited in scope, that such guarantees should be taken into account for other types of insurance when forming an opinion on the measurement of insurance liabilities. IFRS require that insurers take into consideration (not necessarily measure) the effect of options and guarantees on future cash flows when measuring insurance liabilities. IFRS does not require options and guarantees to be carried at fair value. However, under IFRS, in some cases embedded derivatives must be separated and carried at fair value through profit or loss.

1.7.5 Liability adequacy test for measuring insurance liabilities

Dutch rules

DAS requires a liability adequacy test to be performed, which must meet a number of requirements. In this regard Solvency II measurement of the liability requirements can be chosen as starting point if desired. DAS 605.554 also requires to disclose the level of aggregation at which the results of the test have been reviewed.

IFRS

IFRS allow the liability adequacy test (LAT) to be based on tests used locally (with existing rules being recognised), provided they meet the following specified requirements:

- They should consider current estimates of all contractual cash flows.
- Options and guarantees should be considered.

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2 Owing to low market interest rates, minimum interest rate guarantees applicable to traditional products are currently also commonly in the money.
Guarantees need not be measured, therefore, and expected cash flows included in the test need not be discounted.

The liability adequacy tests which are applied in the Netherlands, are deemed to meet the minimum requirements of IFRS 4.15.

Overall, the DAS test is slightly stricter than the IFRS LAT.

1.7.6 Discounting non-life insurance provisions
DAS 605.530 allows discounting for non-life insurance provisions, but only under certain conditions. However, discounting for non-life insurance provisions is rarely applied, with the exception of cases relating to disability insurance. Although IFRS 4 permits discounting in all cases, but given previous accounting practice in the Netherlands, under IFRS non-life insurance provisions are hardly ever discounted.

1.8 Elimination of intragroup transactions
Under Section 446 (1) of Book 2 of the Dutch Civil Code, the elimination of arm’s length intragroup transactions is not compulsory if the rights arising from such transactions accrue to beneficiaries. The impact on equity and results should be disclosed.

IFRS 10 requires full elimination of all transactions within the consolidation scope.

2 Presentation
2.1 Use of statement of financial position and statement of profit or loss formats
Under DAS, insurance companies must present their statement of financial position using Format N. The reinsurer’s share in the technical provisions and deferred interest rate rebates must be presented in the statement of financial position as part of the gross technical provisions (Section 435 (3) of Book 2 of the Dutch Civil Code) and broken down in the notes.

EU-mandatory formats O and P for the statement of profit or loss are divided into a technical account (life and non-life respectively) and a non-technical account. The allocation of investment income to both accounts is of significance for an understanding of the insurance activities, which is why the Dutch Accounting Standards Board requires changes in the allocation method to be treated as a change in accounting policy.

Unlike in the prudential statements to be provided to the DNB, reinsurance companies are allowed to use their own formats for financial statements purposes.

IFRS does not prescribe formats for the statement of financial position and statement of profit or loss of insurance companies, apart from the concise guidance provided by IAS 1.

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3 The law refers to deduction, but due to the low interest rates discounts on future interest profits in excess of the valuation interest (rentestandkortingen) have become rises (rentestandopslag) that increase the provision.

4 As of 2016, a condensed separate statement of profit or loss is no longer permitted for insurers that are Public Interest Entities. Therefore, if ‘Combination 3’ is applied, model O or P must be applied in the separate financial statements.
2.2 Unbundling

IFRS 4 allows an insurance product to be divided into an insurance component and a deposit component. However, unbundling is mandatory for specific financing and other contracts only; it is hardly ever used in practice.

In the Netherlands, unbundling is not prohibited, but is only usually applied by specific insurers (spaarkassen).

2.3 Own employees’ pension liabilities

According to Book 2 of the Dutch Civil Code, life insurance companies may recognise own employees’ pension liabilities under insurance liabilities. The amount of the pension liabilities must also be disclosed separately.

IFRS does not allow the combined presentation referred to above: own employees’ pension liabilities should be removed from insurance liabilities and recognised in line with IAS 19.

Self-administered pension plans create additional complexity in terms of reporting under application of IAS 19, particularly because insurance companies often do not have plan assets within the meaning of IAS 19, as they are available to the insurance entity’s own creditors, for example in bankruptcy.

3 Disclosure

3.1 Disclosure of life insurance sources of profit

Under DAS 605.604, life insurance companies are required to provide a breakdown of results by source of profit until late 2015 the supervising authority required this to be broken down into interest, costs, mortality and disability, and other causes.

IFRS 4 does not contain such a breakdown, since it is uncommon under international standards.

3.2 Claims Development Tables (CDTs)

Dutch regulations require disclosure of non-life insurance run-off schedules in most cases. These run-off schedules must separately disclose the year under review, each of the previous three years and the aggregate of the run-off amounts for all prior accident years, resulting in a five-column statement.

IFRS 4 requires non-life insurers to provide run-off schedules up to a maximum of ten years. The format provided by IASB uses accumulated payments/estimates.

3.3 Risks, assumptions and sensitivity analyses

IFRS 4 requires insurance companies to provide insight into the sensitivity of equity and results for changes in underwriting assumptions, or by providing another analyses used internally, such as Embedded Value, Economic Capital or Solvency II.

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5 IAS 19 can also be applied under Dutch GAAP: DAS 271 provides this option. IAS 19 is mandatory under Solvency II valuation rules, even if the insurer applies Dutch GAAP.
DAS 605 also allows solely verbal disclosures.

IFRS 4 requires disclosures of insurance liabilities that also apply to financial instruments (liabilities) (IFRS 7), with insurance companies being allowed to present the mandatory maturity schedule (liquidity risk) on the basis of realistic estimates rather than the contractual repayment dates usually required under IFRS 7.

DAS 605 also refers to the standard on financial instruments (DAS 290) for more details.

3.4 Solvency requirements
In the financial statements drawn up under Dutch GAAP, the required minimum as well as available solvency should be disclosed in accordance with existing supervisory regulations (as at 2016: Solvency II). The financial statements should also state the minimum solvency margin required by management, the method used to determine this margin and the relationship with the risks referred to in the risk management section of the directors’ report.

IAS 1 requires disclosure of the policy and methodology for capital management, including those relating to external capital requirements. If the entity has failed to meet external capital requirements at any time during the reporting period, this should be disclosed. In addition, the entity should disclose quantitative information on what the board manages as capital: this also could concern financial liabilities such as subordinated loans.

Under the supervision act, large insurers are required, unless they provide only funeral insurance with in-kind benefits, to publish a Solvency and Financial Condition Report containing detailed information on solvency. Other insurers are required to disclose the key details on this in the financial statements, unless they are exempt from supervision. Both requirements apply under both Dutch GAAP and IFRS.

Accounting standards
Relevant accounting standards:
• Dutch Civil Code Book 2, Part 9, Chapter 15
• DAS 290 Financial Instruments
• DAS 605 Insurance Companies
• IFRS 4 Insurance Contracts
• IFRS 7 Financial Instruments: Disclosure
• IFRS 9 Financial Instruments
• IFRS 17 Insurance Contracts
• IAS 39 Financial Instruments: Recognition and Measurement
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