Circular No. 2 – Financial Reporting (CIR2)

Status on 15 October 2024
Basis Art. 49-51 LR and Directive Financial Reporting (DFR)

1 This Circular further describes in detail the obligations of issuers applying IFRS Accounting Standards[1] or Swiss GAAP FER as their accounting standard. It makes reference to paragraphs in IFRS Accounting Standards and Swiss GAAP FER whose application has resulted in findings from SIX Exchange Regulation AG ("SIX Exchange Regulation"). The Circular is revised and amended annually.

2 The objective of SIX Exchange Regulation is not to formulate and publish interpretations of specific accounting standards. Interpretations of IFRS Accounting Standards are prepared exclusively by the IFRS Interpretations Committee. SIX Exchange Regulation only monitors listed companies' compliance with these standards.

IFRS Accounting Standards (“IFRS”)

3 The following references to IFRS (the "blue" 2024 edition) which are provided in red italic script have been updated and relate to findings identified by SIX Exchange Regulation with regard to the review of annual and semi-annual financial statements completed last year.

1 Materiality

4 In connection with financial reporting, materiality means that the information is of particular importance to the addressee's assessment of the company's net assets, financial position and performance. In this regard, qualitative as well as quantitative aspects must be taken into account. Moreover, materiality must be determined with regard to specifically required information and its overall effect. Generally, the disclosure of irrelevant information could represent a violation of the principle of materiality equivalent to the omission or misrepresentation of important details.

2 Relevance

5 Disclosures are deemed to be relevant if they convey actual information to users of financial statements. The required explanations in the annual financial statements must be challenged at every balance sheet date to ensure that they remain current and they must refer to company specific circumstances. Excessive descriptions of circumstances of lower importance, as well as generic disclosures that have no material substance ("boilerplate"), reduce the information value of a set of financial statements and must be avoided.

[1] including foreign national accounting standards that are substantially converged with IFRS Accounting Standards

3 Understandability

6 Explanations must be provided in a manner that is understandable by a reasonably informed addressee. Disclosures must therefore be provided in a way that is clear and easy to comprehend. Spreading information on the same matter across several notes is detrimental to understandability and should be avoided. Furthermore, grouping information in a way that a material amount is assigned to a category named "other" does not fulfil the requirements of IFRS.

4 Faithful representation

7 Financial reports present economic phenomena in words and figures. To be useful, financial reporting must not only be as complete and neutral as possible, but also free from error. Multiple errors in the annual financial statements can make it very difficult for the reader to obtain a faithful and complete view of the financial position and performance, even if each error is individually insignificant.

5 Presentation of financial statements (IAS 1)

8 According to IAS 1.18, the application of inappropriate accounting policies may not be rectified by describing the accounting policies, by disclosure in the notes or by additional explanations (e.g. in footnotes).

9 IAS 1.25 states that uncertainties with regard to the entity's ability to continue as a going concern must be disclosed in the annual financial statements. Such uncertainties might, for example, include doubts about financing, a significant drop in demand, a price deterioration or a pending authorisation decision.

10 The minimum comparative information required by IAS 1.38 is generally to be disclosed for all sections of the notes, except where otherwise required or permitted by IFRS.

11 IAS 1.41 states that, if items in the annual financial statements are reclassified, the comparative figures must also be reclassified (including those as at the beginning of the preceding period for balance sheet items). The nature, amount and reason for the reclassification must be disclosed.

12 According to IAS 1.69(c), a liability (e.g. a provision) is classified as current if its settlement is due within twelve months after the reporting period. In comparison, an asset is classified as current if it is expected to be realised within twelve months after the reporting period (IAS 1.66(c)). Furthermore, assets and liabilities that do not fulfil any of the criteria as set out in IAS 1.66(a)–(d) and IAS 1.69(a)–(d), respectively, shall be classified as non-current.

13 The statement of comprehensive income contains the items listed in IAS 1.82, and begins with "Revenue" as defined in the relevant standards. According to IAS 1.85, additional line items and sub-totals below "Revenue" may be inserted only if they are relevant to an addressee's understanding of the entity's financial position, for example because of industry practice. According to IAS 1.85A, additional subtotals may not be displayed with more prominence than the subtotals required by IFRS for the statement of consolidated income. According to IAS 1.87, no extraordinary items may be presented. The underlying purpose of this rule must be respected at all times. No attempt may be made to circumvent it by listing the corresponding items under a substantially equivalent description. The total of discontinued operations must be presented as a single amount in the income statement (or in the appropriate section of the comprehensive income statement), according to IAS 1.82 (ea). If the analysis of the single amount required under IFRS 5.33(b) is presented in the income statement (or in the appropriate section of the statement of the comprehensive income), this shall not keep the items which must be presented according to IAS 1.82 from being clearly identifiable.

14 According to IAS 1.99, an entity must disclose expenses recognised in its statement of comprehensive income either by their nature ("nature of expense" method) or by their function within the entity ("function of expense" method). The standard does not provide for an approach which combines the two methods. When costs are aggregated or sub-totals are used, the company must ensure that this is in line with the selected approach and does not lead to a combination of the two methods. Furthermore, the frequency of transactions is not a suitable criterion by which to aggregate different types of expenses (IAS 1BC63).

15 In accordance with IAS 1.107, any dividend amount per share recorded over the period must be reported either in the statement of changes in equity or in the notes. In addition, information on proposed dividend payouts per share must be disclosed in accordance with IAS 1.137. As such, it is not appropriate to present such information underneath the statement of comprehensive income.

16 The accounting policies disclosed in the notes must be useful to the addressee's understanding of the financial statements (IAS 1.117). This requirement is deemed fulfilled if, among other things, the accounting policies are described in sufficient detail, grouped according to subject and updated regularly. Statements on methods which were not used (e.g. hedge accounting) do not fulfil this requirement, neither does merely reproducing the relevant provisions of IFRS. However, detailed descriptions of accounting policies for which IFRS does not provide enough or specific guidance or where accounting policy options are available are required for critical areas.

17 The disclosures required by IAS 1.122 on critical management judgements in applying the entity's accounting policies constitute an important element of the financial statements and must be compiled with reasonable care. It is therefore recommended that this information be disclosed prominently at the beginning of the notes, along with the assumptions concerning estimation uncertainty that are required under IAS 1.125. *Some of the disclosures made in accordance with IAS 1.122 are required by other Accounting Standards. For example, IFRS 12 requires an entity to disclose the judgements it has made in determining whether it controls another entity (IAS 1.124).*

6 Inventories (IAS 2)

18 According to IAS 2.9, inventories must be measured at the lower of cost and net realisable value. In doing so, the assumptions made for the determination of the net realisable value must be based on the most reliable indications available at the time of valuation (IAS 2.30). Furthermore, it must be ensured that these assumptions (e.g. forecast sales proceeds) are also consistently applied in other calculations (e.g. impairment test).

7 Statement of cash flows (IAS 7)

19 Cash flows are inflows and outflows of cash and cash equivalents, which are defined as 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. Financial investments with a maturity of more than three months as at the date of acquisition do not normally meet these criteria. Financial instruments that are subject to fluctuations in value do not qualify as cash equivalents (IAS 7.7). The fact that a financial instrument is accepted as collateral for a liquidity facility of a national bank is not sufficient for its qualification as a cash equivalent. The individual components must also be disclosed to enable an assessment of the actual composition of cash and cash equivalents (IAS 7.45). Permanently utilised bank overdrafts may not be included as a component of cash and cash equivalents. Instead, they represent a form of financing, and, pursuant to IAS 7.8, the corresponding cash flows are presented within financing activities.

20 According to IAS 7.10, the statement of cash flows must present cash flows from operating activities, as well as from investing and financing activities. Where the indirect method is used, the net cash flow from operating activities according to IAS 7.20 is determined by adjusting profit or loss for the effects of non-cash items (e.g. depreciation), changes in balance sheet positions (e.g. trade receivables), and other items for which the cash effects are investing and financing activities (e.g. gains on the sale of property, plant and equipment). According to IAS 7.35, cash flows arising from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities. IAS 7IE contains various examples regarding the presentation of the cash flow statement.

21 Cash flows from investing and financing activities are, according to IAS 7.21, generally to be presented gross, which means separately for receipts and payments. Cash flows arising from the issue or redemption placement or withdrawal of long-term bonds do not fulfil the IAS 7.22(b) criteria for net presentation. In addition, the cash flows must also include the activities from discontinued operations as outlined in IFRS 5.33(c). Alternatively, the activities from discontinued operations may be disclosed in the notes. Furthermore, the more prominent presentation of additional "normalised" cash flows or subtotals (e.g. free cash flow) must be avoided.

22 Cash payments for capitalised development costs (e.g. software developed internally) are classified as cash flows arising from investing activities (IAS 7.16(a)).

23 For cash flows arising from transactions in a foreign currency or cash flows from the translation of a foreign subsidiary the exchange rate at the date of the cash flow should be used (IAS 7.26-27). According to IAS 7.27, the use of other exchange rates (e.g. weighted average exchange rate for the period) is only permitted if they essentially correspond to the actual rate.

24 Pursuant to IAS 7.28, unrealised gains and losses on the fund arising from changes in exchange rates on cash and cash equivalents are not considered cash flows, but are reported as a reconciling item between the balance at the beginning of the period, plus the net cash flows for that period and the balance at the end of the period. This reconciliation may not include any differences or unrelated elements which cannot be supported.

25 Payments for the interest portion of lease liabilities must be classified in the statement of cash flows according to the requirements of IAS 7 (IFRS 16.50(b)). In accordance with IAS 7.33, interest payments on lease liabilities may either be presented as cash flows from operating or financing activities. Interest payments on lease liabilities are, however, to be presented within the same section as other interest payments (IFRS 16BC211). Interests received may be classified as either cash flows from operating or from investing activities in the statement of cash flows according to IAS 7.33.

26 The total of cash flows paid in connection with the acquisition of subsidiaries (net of cash and cash equivalents acquired) must be presented as a single line item and classified as cash flows from investing activities according to IAS 7.39.

27 Investing and financing activities that do not lead to a change in cash and cash equivalents are not included in the cash flow statement. Such non-cash transactions are, for example, the first-time recognition of a lease contract, the conversion of debt into equity (debt-equity swap) or the transfer of mortgage loans in connection with a sale of real estate. Additionally, pursuant to IAS 7.43, non-cash transactions must be explained in the notes to the financial statements.

8 Accounting policies, changes in accounting estimates and errors (IAS 8)

28 An entity may only change an accounting policy if the change results in the financial statements providing more relevant information (IAS 8.14).

29 When an entity has not applied a new standard that has been issued but is not yet effective, the entity must disclose this information in accordance with IAS 8.30. On the date of the last financial statements before the effective date, the anticipated impact on future financial statements is usually known or can be estimated with a reasonable effort. The anticipated impact must thus be explained in a meaningful way. Moreover, negative confirmations that no impact is expected also provide the addressee with relevant information.

30 Errors in recognition, measurement, presentation or disclosure from previous periods are to be treated in accordance with IAS 8.42 in the form of a retrospective correction (restatement) and to be disclosed (IAS 8.49). Errors in financial reporting are not to be presented as changes in estimates (IAS 8.32) or accounting policies (IAS 8.14). Agreements with or sanctions imposed by SIX Exchange Regulation in connection with breaches of financial reporting rules generally require the restatement and disclosure of an error.

9 Income taxes (IAS 12)

31 Recognising the effects of loss carryforwards as a deferred tax asset is not a matter of choice (IAS 12.34). The period for which future taxable profits are estimated must be based on objective criteria (e.g. statutory expiry dates). Furthermore, the assumptions that are applied must be consistent with the parameters used for other calculations (e.g. impairment tests).

32 The decision not to recognise deferred tax liabilities in connection with shares in subsidiaries, branches and associated companies is not a general clause, but pursuant to IAS 12.39 only permissible if the group can control the timing of the reversal of the temporary differences and such differences will not be reversed in the foreseeable future. The fact that these deferred taxes were not recognised must be disclosed together with the corresponding temporary differences (IAS 12.81(f)).

33 IAS 12.81(c) requires a tax reconciliation between the applicable and the effective tax rate (effective tax expense). The items shown in the reconciliation must be comprehensible and the selected designations self-explanatory. If the applicable tax rate has changed from the previous accounting period, then such fact must also be disclosed separately in the notes, together with an explanation of the reasons for the change (IAS 12.81(d)). If the applicable tax rate represents a weighted average of tax rates in different jurisdictions, then both the effect of changes to tax rates and the impact of changes to the structural composition of results in the different jurisdictions must be explained so that an assessment of the future average tax burden is possible. In a situation in which both profitable and loss-generating group companies exist, the weighted average tax rate may not give a meaningful result as requested by IAS 12.85. It is therefore appropriate either to use the domestic tax rate or to calculate the weighted average tax rate using absolute values.

34 Pursuant to IAS 12.81(e), if the deferred tax asset has not been capitalised, the amounts and date of expiry of loss carryforwards must be disclosed. SIX Exchange Regulation recommends staggering such disclosures in a meaningful way based on expiry dates, as well as the disclosure of tax rates. In this context, it is relevant to the addressee whether the loss carryforward was incurred at a subsidiary with a high tax rate or rather at a holding company with a lower tax rate.

10 Employee benefits (IAS 19)

35 With regard to congruently reinsured post-employment benefit plans, the requirements in IAS 19.46 regarding "insured benefits" must be observed. The recognition and disclosure of such "insured benefits" in the financial statements, in other words the extent to which they are to be treated as defined contribution or defined benefit plans under IAS 19, depends on whether the company retains a legal or constructive obligation to pay benefits out of the plan (e.g. in the case of possibilities for termination on the part of the insurer). To quantify any such obligation, an actuarial assessment must be made and the relevant conclusions must be documented appropriately.

36 According to IAS 19.84, the discount rate is an actuarial assumption that has a material effect. IAS 19.85 explicitly mentions the application of a single weighted average discount rate. If the method changes and various discount rates are applied instead of a single weighted average discount rate, the effects of that change must be disclosed in accordance with IAS 8.

37 According to IAS 19.145(a), a sensitivity analysis must be disclosed for each actuarial assumption that has a significant effect on the amount, timing and uncertainty of future cashflows. The sensitivity analysis shall consider changes in actuarial assumptions that are reasonably possible at the balance sheet date.

11 The effects of changes in foreign exchange rates (IAS 21)

38 Accumulated exchange differences, arising from non-controlling interests in foreign operations, shall be allocated to and recognised as part of the non-controlling interests in the consolidated statement of financial position (IAS 21.41).

39 Goodwill arising on acquisition of a foreign operation shall be treated as an asset of the foreign operation and thus be expressed in the functional currency of the foreign operation, and translated at the applicable closing rate into the presentation currency (IAS 21.47). However, according to IAS 36.83, the relatively low level at which goodwill is allocated here need not be the same as the level at which it is allocated for the purpose of impairment testing.

40 According to IAS 21.52(b) the net exchange differences recognized in other comprehensive income and accumulated in a separate component of equity shall be disclosed.

12 Related party disclosures (IAS 24)

41 Explanations concerning related parties are considered one of the most important types of qualitative information disclosed in the notes. These disclosures must be made in such a way that users of financial statements understand the potential effect of these relationships on the financial statements (IAS 24.18). Among other things, the amount of transactions and outstanding related party balances, including a description of the underlying terms and conditions, such as the interest rate applied on a loan, shall be disclosed (IAS 24.18(b)(i)). Furthermore, transactions with related parties may be described as based on standard market terms ("at arm's length") only if such terms can be substantiated (IAS 24.23).

42 *According to IAS 24.19, disclosures required by IAS 24.18 shall be made separately for each of the following categories: the parent, entities with joint control of, or significant influence over the entity, subsidiaries, associates, joint ventures in which the entity is a joint venturer, key management personnel of the entity or its parent and other related parties. Accordingly, disclosures from different categories may not be combined.*

13 Investments in associates and joint ventures (IAS 28)

43 If an entity holds, directly or indirectly, 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless the entity clearly refutes that presumption. *Conversely, if the entity holds directly or indirectly less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated (IAS 28.5). The existence of significant influence by an entity is usually evidenced by one or more of the indicators listed in IAS 28.6.*

14 Financial instruments: presentation (IAS 32)

44 In order for a financial instrument to arise, an enforceable contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity (IAS 32.11) must exist. Hence, if the analysis of the substance of a contractual arrangement reveals that a contract is not enforceable as of the balance sheet date, no financial instrument exists as of that date.

45 Pursuant to IAS 32.28, the contractual terms of the issuer of a financial instrument must be evaluated to determine whether the instrument contains both a debt and an equity component. Generally, an equity component can be recognised only if there is no contractual obligation to deliver cash or other financial assets. It is appropriate to classify embedded derivatives as equity only if a "fixed-for-fixed" requirement exists, i.e. where the only provision for fulfilling the obligation is a fixed amount of cash for a fixed number of the entity's own equity instruments. In the case of such hybrid financial instruments, the contractual provisions must be analysed carefully and the identified components must be evaluated with regard to their classification.

46 Pursuant to IAS 32.37, the incremental transaction costs directly attributable to a capital increase are to be recognised directly in equity with no impact on the income statement. At the time of an initial public offering (IPO), existing shares are often listed alongside newly issued shares. In such instances, the transaction costs must be plausibly split up in accordance with IAS 32.38. Generally, a proportionate allocation reflecting the ratio of newly issued and existing shares meets this requirement. That portion of the transaction costs attributable to the listing of existing shares must be recognised in the income statement.

47 As a prerequisite for offsetting financial assets with financial liabilities, IAS 32.42 requires a legally enforceable right which grants the reporting company the independent right to settle on a net basis. If such a claim on net settlement cannot be exercised within a certain period of time, the offsetting criteria are not fulfilled and a net presentation is not permitted in this particular time period (IAS 32BC84). In addition, the presentation on a net basis has to reflect the expected future cash flows (IAS 32.43).

48 *IAS 32.33 stipulates that treasury shares acquired must be deducted from equity in the amount of the consideration paid and the amount of treasury shares held is disclosed separately either in the statement of financial position or in the notes in accordance with IAS 1 (IAS 32.34). Accordingly, the cost of the treasury shares does not change as a result of a reduction in the nominal value.*

15 Earnings per share (IAS 33)

49 According to IAS 33.9, an entity shall calculate basic earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity, i.e. excluding profit or loss attributable to non-controlling interests.

50 If negative earnings per share (loss) are reported, no anti-dilutive effect may be taken into account (IAS 33.41). Thus, generally speaking, in the event of a loss, fully diluted earnings per share are equal to basic

earnings per share. Only those options that might potentially lead to a dilution or are "in the money" are included in the calculation of diluted earnings per share (IAS 33.46-47). Convertible debt is anti-dilutive whenever its interest per ordinary share on conversion exceeds basic earnings per share (IAS 33.50).

51 Basic and diluted earnings per share *from continuing and combined operations, respectively,* shall be presented in the statement of comprehensive income (IAS 33.66) or in the separate statement of profit or loss (IAS 33.67A*). IAS 33.68 specifies that if an entity reports a discontinued operation it shall disclose the basic and diluted EPS for the discontinued operation either in the statement of comprehensive income or in the notes.* Furthermore, according to IAS 33.69, these figures shall also be presented even if the amounts are negative (i.e. loss per share).

52 Other forms of earnings per share (e.g. EBIT per share) may be disclosed only in the notes, and not below the statement of comprehensive income (IAS 33.73). The method described in IAS 33 must be applied when calculating the number of shares outstanding (the denominator). If the numerator is not provided in a separate line in the statement of comprehensive income, it must be derived accordingly in the notes.

16 Interim financial reporting (IAS 34)

53 *IAS 1.4 requires paragraphs 15-35 of this standard to be applied to interim financial reporting in accordance with IAS 34. As a result, significant doubts about an entity's ability to continue as a going concern must also be disclosed in the interim financial statements, even if such disclosures were already included in the annual financial statements.*

54 Pursuant to IAS 34.15, the purpose of interim financial reports is to update the information published in the most recent annual financial statements. Care must therefore be taken in the condensed presentation to ensure that the statements include a sufficiently detailed explanation of significant changes (e.g. restructuring, impairments, business combinations). In addition to this general requirement, IAS 34.16A(i)-(j) prescribe that the detailed disclosures under IFRS 3 for business combinations, as well as IFRS 7 and IFRS 13 for fair value measurements, must be provided. It is therefore recommended that the notes are structured accordingly.

55 If disclosures required by IAS 34 are given not in the interim financial statements but in other parts of the same report (e.g. in the "management commentary"), such disclosures must be referenced pursuant to IAS 34.16A.

56 According to IAS 34.20(c), interim financial statements shall include a statement of changes in equity from the beginning of the current financial year to the interim reporting date, with a comparative statement for the comparable reporting period to the interim reporting date of the previous year.

57 IAS 34.28 requires that interim financial statements are based on the same accounting policies that were applied to the annual financial statements. This means that adjustments to fair values must also be made in the interim financial statements if there are changes to the underlying assumptions or estimates.

17 Impairment of assets (IAS 36)

58 Under IAS 36.33(a), when measuring value in use an entity must base its cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the economic conditions. In doing so, neither future expansion investments nor the resulting sales increases may be taken into account (IAS 36.44(b)). The same applies to cost reductions from restructuring measures, to which a company is not yet committed (IAS 36.44(a)).

59 Management must continuously improve the accuracy of cash flow projections on the basis of the knowledge gained from inaccurate forecasts made in the past (IAS 36.34). This is particularly relevant, if the market value has been significantly below the carrying value for a prolonged period of time.

60 According to IAS 36.76, the carrying amount of a cash-generating unit ("CGU") includes only those assets which can be attributed directly or be allocated on a reasonable and consistent basis to that CGU and which will generate future cash inflows that are used to determine the CGU's value in use. Liabilities are only taken into account insofar as determining the CGU requires such. Even if the CGU represents a subsidiary or group of companies, it cannot thus be assumed that their shareholder equity is equal to the carrying amount of the CGU.

61 If, as per IAS 36.84, a part of goodwill acquired in a business combination during the reporting period has not been allocated to a CGU at the balance sheet date, the unallocated amount must be disclosed together with an explanation in accordance with IAS 36.133. If a reallocation of goodwill becomes necessary as a result of a reorganisation, this may constitute an indication of an impairment for those CGUs that the goodwill amount was assigned to previously. Accordingly, an impairment test must be carried out for such CGUs before a reorganisation.

62 For impairment tests relating to goodwill and intangible assets with indefinite useful lives the allocated carrying amounts (IAS 36.134(a)) and, in particular also, the basis of valuation (IAS 36.134(c)) must be disclosed. To this end, the key assumptions and methods that were used to determine the reported values must also be described (IAS 36.134(d(i)/e(i)). With regard to the value in use calculation, the information required by IAS 36.134(d)(iv)/(v) must be disclosed quantitatively. These key assumptions and methods must be disclosed individually for each CGU with a significant amount of goodwill, not as an average figure for all CGUs.

63 If the forecast values differ from past developments or external expectations (e.g. from analysts), the reasons must be properly disclosed (IAS 36.134d(ii)/e(ii)). Where the DCF method is applied, the period of projection, the assumed growth rate beyond the projection period and the discount rate must also be provided. If a projection period greater than five years is used in a value in use calculation, the justification of that longer period shall be explained (IAS 36.134(d)(iii)). In addition, the events and circumstances that led to impairments must be described in the notes (IAS 36.130(a)). In this context the reason for an impairment must be described in a clear and comprehensible manner.

64 For sensitivity analysis (IAS 36.134(f)), the amount by which the recoverable amount exceeds its carrying amount, the value assigned to the key assumptions used as a basis for the impairment test, and the extent to which a change in the key assumption would lead to the recoverable value being just equal to the carrying amount, must be disclosed. If an impairment was recognised in the previous period, a change in a key assumption at a later date could lead to a further impairment, and thus a sensitivity analysis might have to be disclosed.

18 Provisions and contingent liabilities (IAS 37)

65 Pursuant to IAS 37.26, circumstances in which an obligation exists, but for which the corresponding provision cannot be estimated reliably, must be limited to extremely rare cases. It would thus be barely plausible to apply this exception rule to a specific circumstance over several periods or as a general clause for an entire category of provisions.

66 Where the effect of the time value of money is material, the amount of a provision shall be recognised as the present value (IAS 37.45). Contractual or statutory interest rates on arrears are not usually suitable as a discount rate for provisions.

67 According to IAS 37.80, a restructuring provision may include only those direct expenditures which are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. Therefore, wages, salaries and bonuses for employees under notice to leave may not be taken into account to the extent that they relate to services still to be rendered.

68 IAS 37.85 requires that the nature of the obligations, the expected timing of cash outflows, as well as any related uncertainties, must be described in a meaningful way in the notes for each group of provisions. In this regard, the conclusion of a legal dispute described in previous years could represent relevant information. Care must also be taken to distinguish clearly between the disclosures for provisions and those for contingent liabilities.

69 Pursuant to IAS 37.86, for each class of contingent liability where the possibility of an outflow upon settlement is not judged to be remote, an entity must give a description of the nature of the contingent liability, as well as an estimate of its financial effect and uncertainties relating to the amount or timing of any outflow. An additional description of a contingent liability for which the possibility of an outflow upon settlement is remote can lead to misunderstandings.

70 In the event of legal disputes, IAS 37.92 stipulates that the required information may be omitted only in very rare cases. At a minimum the nature of the legal dispute must be indicated, as well as a justification for the non-disclosure. A judicial defeat in a legal dispute must be taken into account when assessing an existing contingent liability, even if there is the possibility of an appeal.

19 Intangible assets (IAS 38)

71 If the criteria of IAS 38.57 are fulfilled, then development costs must be capitalised. To ensure the comparability of companies in the same industry, it is of great relevance to the addressee that the corresponding accounting policies are described in sufficient detail. Furthermore, the total amount of research and development costs recognised as an expense during the reporting period must be disclosed in the notes (IAS 38.126).

72 If an intangible asset is assessed as having an indefinite useful life (e.g. established brands associated with a business combination), the material factors justifying that assessment must, in accordance with IAS 38.122(a), be described in the notes in a comprehensible manner.

73 If the useful life of a class of intangible assets is judged to be finite (e.g. patents), the estimated useful lives or amortisation rates used must be disclosed according to IAS 38.118(a).

20 Investment property (IAS 40)

74 Land held for a currently undetermined future use must be treated in accordance with IAS 40.8(b) as investment property.

75 In cases where significant judgement is needed in order to determine whether a property qualifies as investment property or as another class of property, IAS 40.75(c) requires the disclosure of the criteria developed in making this classification decision.

76 If the cost model is used for an investment property (IAS 40.56), the fair value shall additionally be disclosed in accordance with IAS 40.79(e). If the fair value cannot be reliably determined, the reason for that must be disclosed together with a description of the investment property. In such a case, a range of estimates must also be disclosed, if possible.

21 Share-based payment (IFRS 2)

77 For share-based payment arrangements, the number of shares and their fair values must be presented, among other information, as required by IFRS 2.47. In addition to other information that must be disclosed in the context of the valuation of stock options, the option pricing model and the parameters used for the valuation – specifically the weighted average share price, exercise price, expected volatility, maturity of the option, expected dividend, and risk-free rate – as well as the assumptions regarding the effects of an earlier-than-expected exercise of the options, must be disclosed. Furthermore, the notes must describe the effects of share-based payments on the entity's profit or loss for the period and on its balance sheet (IFRS 2.50).

22 Business combinations (IFRS 3)

78 The question as to the precise date as of which an acquired business must be included in the consolidated group is determined independently of the precise date on which the contract or merger was formally concluded. The date of the effective or actual change of control (acquisition date) must be used for the purpose of initial consolidation (IFRS 3.8-9). In determining when the effective change of control occurred, the principle of "substance over form" must be applied. To ensure that the information required under IFRS is available, an interim balance sheet for the acquired entity must generally be prepared as at the date of the effective change of control.

79 In the event of a business combination, the acquirer might recognise, according to IFRS 3.13, additional assets and liabilities that the acquiree had not previously recognised. These additional assets and liabilities might, for example, be brands or customer relationships. Further examples are listed within IFRS 3IE16-44.

80 In the case of acquisitions, IFRS 3.18 stipulates that the identifiable assets must generally be measured at fair value at the acquisition date. Therefore, a disclosure of the acquired assets in the statement of changes in fixed assets at adjusted, acquired costs (gross presentation) as well as the accumulated depreciations recognised by the acquired entity contradicts the requirements of IFRS 3.18.

81 *For each business combination, the acquirer shall measure at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation at either fair value or the present ownership instruments’ proportionate share in the recognized amounts of the acquiree’s identifiable net assets (IFRS 3.19). The fair values of the acquirer’s interest in the acquiree and the non-controlling interest on a per-share basis might mainly differ because of the inclusion of a control premium in the acquirer’s interest in the acquiree (IFRS 3B45).*

82 *The consideration transferred in a business combination shall be measured at fair value (IFRS 3.37). Regarding the calculation of the consideration transferred, IFRS 3.37-38 provides further guidance.*

83 According to IFRS 3.39, contingent consideration must be recognised at fair value as at the acquisition date. In this connection, a fair value of zero is usually deemed to be unreliable. In addition to the amount recognised, further qualitative and quantitative information must be disclosed according to IFRS 3B64(g).

84 If the allocation of the purchase price to the acquired assets, liabilities and contingent liabilities was determined provisionally under IFRS 3.45, and those values might change within 12 months subsequent to the acquisition, that fact must be disclosed and explained in accordance with IFRS 3B67(a). If no disclosure is made, addressees can expect that the allocated values have been established definitively and that no further adjustment will be made under IFRS 3. If retrospective adjustments to the recognition of the business combination are necessary, yet the entity has disclosed the allocated values as being definitive, those changes must be treated as an error in accordance with IAS 8 (IFRS 3.50).

85 To enable addressees to assess the business combinations, particularly the date of acquisition, the purchase price together with a description of the individual price components, and the profit or loss contribution of the acquired entity must be disclosed separately (IFRS 3.59 and IFRS 3B64 ff.). Individually immaterial business combinations may be presented together, but for every material business combination the information must be presented separately (IFRS 3B67). Furthermore, pro forma information on the revenues and profit or loss of the combined entity must be disclosed for the reporting period as though all business combinations had occurred at the beginning of that period (IFRS 3B64(q)(ii)).

23 Non-current assets held for sale and discontinued operations (IFRS 5)

86 Under IFRS 5.6, non-current assets must be classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. A dilution of a financial interest triggered by a capital increase by a third party or by a partial sale of an investment is only considered to be a sale transaction if control is lost (IFRS 5.8A). Furthermore, the sale must be considered as "highly probable", and generally take place within 12 months (IFRS 5.8). The period required to complete the sale may be extended only if the reasons for the extension are beyond the entity's control (IFRS 5.9). Impairment indicators must be evaluated in particular if the sale is delayed.

87 Immediately before classification as discontinued operations or as a non-current asset held for sale, the carrying amounts of the asset or all the assets and liabilities in the group shall be measured in accordance with the applicable IFRS (IFRS 5.18). If the definition of a discontinued operation is not met, any gain or loss should be included in profit or loss from continuing operations (IFRS 5.37).

88 Results and cash flows from a disposal group may be presented as discontinued operations only if the disposal group to be abandoned meets the criteria of IFRS 5.32 at that time. Pursuant to IFRS 5.35(a), purchase price adjustments in subsequent periods (e.g. from the change to earn-out values) are part of the result from discontinued operations. Changes in the use of assets which result, for example, from a change in business activities or from restructuring do not normally fulfil the criteria for abandonment under IFRS 5.13.

89 According to IFRS 5.38, non-current assets classified as held for sale shall be presented separately from the other current assets. However, they must be shown as current assets and not outside of the general classification between current and non-current assets (see IFRS 5IG12).

24 Financial instruments: disclosures (IFRS 7)

90 Financial instruments are to be analysed with regard to their characteristics and subsequently allocated in a comprehensible way to relevant classes (IFRS 7.6). Financial instruments that do not fall within the scope of IFRS 7 are to be excluded from disclosure in accordance with IFRS 7 (e.g. investments in associates or benefits and obligations relating to employee benefits). It is recommended to present the disclosures required by IFRS 7 in tabular form. It must be possible to reconcile this table with the line items in the balance sheet.

91 The disclosure on the liquidity risks in accordance with IFRS 7.39 includes a maturity analysis of the financial liabilities which outlines the remaining contractual terms to maturity. This includes the undiscounted contractual cash flows, in accordance with IFRS 7B11D. Furthermore, within the description of the management of liquidity risks according to IFRS 7.39(c), the entity’s committed borrowing facilities or credit lines should be considered, if relevant (IFRS 7B11F(a)).

92 If an entity uses credit risk rating grades in the measurement of expected credit losses, the quantitative disclosures about significant credit risk concentrations, according to IFRS 7.35M, are to be provided.

93 IFRS 7.40 requires sensitivity analyses of market risks (currency, interest rate and other price risks) that show how profit or loss and equity might change as the result of changes in the relevant risk variables. In this context, the applied methods and assumptions are to be chosen and disclosed in a manner that enables the addressee to arrive at a realistic assessment of the related risks. Disclosures based on best-case or worst-case scenarios do not fulfil this requirement.

94 Translation differences arising from the difference between the reporting currency of the group and the functional currency of the subsidiary must be excluded from the foreign currency sensitivity analysis (IFRS 7B23).

25 Operating segments (IFRS 8)

95 Pursuant to IFRS 8.28, a reconciliation of segment profit and loss with the profit and loss of the entity as a whole is required. Material reconciling items such as write-downs on intangible assets or financial items must be presented separately. Furthermore, reconciling items must be presented separately and may not be combined with the disclosures for "all other segments" (IFRS 8.16).

96 Information about products and services, information about geographical areas and information about major customers shall also be disclosed by entities that have only one reportable segment (IFRS 8.31 ff.).

97 If the revenue from transactions with a single external customer amounts to at least 10% of the company revenue, IFRS 8.34 requires that this fact be disclosed along with the total revenue of each customer concerned. Furthermore, the identity of the segment(s) reporting this revenue must be disclosed. However, neither the customers' identity nor the amount of revenue per sector with the customers must be declared. There is no competitive harm exemption regarding the disclosures required under IFRS 8 (IFRS 8BC43-45).

26 Financial Instruments (IFRS 9)

98 IFRS 9.5.5.1 requires the recognition of a loss allowance for financial assets based on the expected credit losses (ECL). The measurement of ECL must reflect, inter alia, reasonable and supportable information about future economic conditions (IFRS 9.5.5.17(c)). Therefore, an ECL amounting to zero for financial assets, including trade receivables or contract assets measured according to the simplified approach set forth in IFRS 9.5.5.15, would only in rare cases conceptually be in line with the requirements of IFRS 9.5.5.17(c), as this would imply an assumption about future economic conditions that over the remaining lifetime no defaults would be expected.

99 For a financial asset to qualify for low credit risk exemption according to IFRS 9.5.5.10, the financial asset must fulfil the criteria as required by IFRS 9B5.5.22. It follows that financial assets with an external rating below "investment grade" do not qualify for low credit risk exemption.

100 *IFRS 9.6.2.4 permits the time value of options or forward elements of forward contracts and foreign currency basis spreads to be excluded from the designation of the hedging instrument. The excluded forward elements of forward contracts and foreign currency basis spreads can either remain at fair value through profit or loss, or can be treated as cost of hedging. However, excluded time value of options must be accounted as cost of hedging. On application of the cost of hedging method in accordance with IFRS 9.6.5.15 and IFRS 9.6.5.16, fluctuations in the fair value of the excluded elements are recorded in other comprehensive income instead of affecting profit or loss immediately.*

27 Consolidated financial statements (IFRS 10)

101 *Consolidation of an investee shall begin from the date the investor obtains control of the investee and cease when the investor loses control of the investee (IFRS 10.20). When assessing control, an investor considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has power. Potential voting rights are rights to obtain voting rights of an investee, such as those arising from convertible instruments or options, including forward contracts (IFRS 10B47). Those potential voting rights are considered only if the rights are substantive (see IFRS 10B22-25).*

102 In general, an investment entity may not consolidate the subsidiaries it controls. Instead, it must measure its holdings at fair value through profit or loss (IFRS 10.31). However, subsidiaries which are solely service entities (and are not investment entities simultaneously) are consolidated (IFRS 10.32).

28 Disclosure of interests in other entities (IFRS 12)

103 IFRS 12.1 sets out the general objective of disclosures about interests in other entities. The purpose of disclosures is to enable users of financial statements to evaluate the nature of interests in other entities and the risks associated with those interests and the effect on the financial position, financial performance and cash flows. If the minimum disclosures required by IFRS 12 are not sufficient to meet the disclosure objective, an entity provides any additional disclosures required to achieve this objective (IFRS 12.3).

104 With regard to the consolidated financial statements, the entity must disclose the significant judgements and assumptions, as well as any changes concerning the treatment of equity investments, joint agreements or associates (IFRS 12.7). This applies to situations in which the entity does not have control even though it holds more than half of the voting rights, or controls another entity even though it holds less than half of the voting rights (IFRS 12.9).

105 An investment entity must disclose the significant judgements and assumptions made in determining that it holds the status of an investment entity (IFRS 12.9A).

106 According to IFRS 12.10(a)(i), information about the composition of the group shall be disclosed. In addition, significant changes to the group structure compared with the previous year must be described (IFRS 12.18 and 19).

107 The disclosures about subsidiaries required by IFRS 12.10(a)(ii) shall provide understandable information about the interest of non-controlling interests in the group's activities and cash flows. From a consolidated financial statement perspective, IFRS 12.12 requires various disclosures for each subsidiary with material non-controlling interests. These disclosures also include summarised financial information about subsidiaries (IFRS 12B10), which must also take into account the requirements of IFRS 12.3.

108 An entity shall, according to IFRS 12B14(b), provide a reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture or associate. This reconciliation thus includes the goodwill related to the joint venture or associate.

29 Fair value measurement (IFRS 13)

109 The determination of fair value in accordance with IFRS 13.22 must make use of all the assumptions that market participants would use for the fair value measurement. This includes the counterparty default risk, which requires an assessment and appropriate documentation of this risk at the initial as well as subsequent measurements. The underlying assumptions for the valuation methodology (e.g. discount rates, growth rates for the extrapolation of cash flow projections or volatilities in option pricing models) must be described in accordance with IFRS 13.93(d). The quantitative disclosures of the non-observable input

parameters for level 3 fair values can also be made using ranges and weighted averages. If such input parameters have been developed by an external provider, they are normally expected to be available to the entity and thus must be disclosed.

110 Where a company determines fair value using a valuation technique, maximum use must be made of observable market inputs. According to IFRS 13.61, the method used must be that which is most appropriate for the particular asset or liability.

111 Prices provided by traders, brokers or other services are considered fair values of level 1 only if they are based on current and regularly occurring market transactions between independent third parties (IFRS 13.78). Market transactions in an asset or a liability must therefore occur with sufficient frequency and volume to provide pricing information on an ongoing basis. It is recommended that, for each category of assets and liabilities, the characteristics defining an active market be set out in the accounting policies.

112 If there is no active market for identical assets or liabilities, their fair values must not be classified as level 1. For classification as level 2, the material input factors for the valuation of the assets and liabilities must be observable, otherwise they qualify as level 3 (IFRS 13.84).

113 For every category of assets and liabilities measured or disclosed at fair value, an entity must provide a classification into one of the three levels of the fair value hierarchy in accordance with IFRS 13.93(b). This also applies to assets and liabilities not measured at fair value, but which are subject to a disclosure requirement (IFRS 13.97). In this connection, the fair values and not the carrying amounts of the assets and liabilities must be classified in accordance with the fair value hierarchy. The disclosures regarding the fair value hierarchy must be provided regardless of whether the entity is exposed to volatility from the changes in fair value, or has transferred this risk to a third party.

114 *According to IFRS 13.93(c) an entity shall disclose, inter alia, for assets and liabilities that are measured at fair value on a recurring basis the amounts of any transfers between level 1 and level 2 of the fair value hierarchy and the reasons for those transfers.*

115 For recurring fair value measurements categorised within level 3 of the fair value hierarchy, the amount of the total gains or losses for the period included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period shall be disclosed (IFRS 13.93(e)(i)/(f)).

116 In accordance with IFRS 13.93(h)(ii), a sensitivity analysis based on a possible change of unobservable input parameters must be disclosed for financial instruments which are measured at fair value and categorised as level 3, if such a change would result in a significant change to the fair value. For such, the influences of all contractual specifications (e.g. thresholds, asymmetry in positive/negative changes to the input parameters) must be taken into account.

30 Revenue from contracts with customers (IFRS 15)

117 If the practical expedient according to IFRS 15.121 is not applied, an entity shall disclose the amount of the transaction price allocated to unsatisfied or partially unsatisfied performance obligations, including an explanation when the recognition of related revenue is expected (IFRS 15.120).

Swiss GAAP FER

118 The following references to Swiss GAAP FER are based on the 2023 version of the Accounting and Reporting recommendations. Those shown in red italic script have been updated and relate to findings identified by SIX Exchange Regulation with regard to the review of annual and semi-annual financial statements completed last year.

1 Swiss GAAP FER framework

119 The accounting principles of the framework cover facts and circumstances that are not (yet) regulated in detail in Swiss GAAP FER. The regulations in the individual recommendations precede the framework (Swiss GAAP FER framework/1).

120 Financial statements according to Swiss GAAP FER are based on the assumption that an organisation continues as a going concern for at least 12 months after the balance sheet date (Swiss GAAP FER framework/9). Significant doubts related to the going concern assumption must be described.

121 When assessing errors from prior periods, the guidance on materiality in Swiss GAAP FER framework/29 must be considered. If errors are material in terms of quantity and/or quality, a correction must be made by adjusting the prior year's financial statements (Restatement). According to Swiss GAAP FER framework/30, the effects of the errors must be explained and quantitatively disclosed.

122 Explanations in the annual financial statements must be provided in a manner that is understandable by a reasonably informed addressee. Disclosures must therefore be provided in a way that is clear and easy to comprehend. Spreading information on the same matter across several notes is detrimental to understandability (Swiss GAAP FER framework/32) and should be avoided. Furthermore, grouping information in a way that a material amount is assigned to a category named "other" does not fulfil the clarity requirements of Swiss GAAP FER (Swiss GAAP FER framework/33).

2 Presentation and format (Swiss GAAP FER 3)

123 Pursuant to Swiss GAAP FER 3/6, an entity may present its income statement according to either the nature of expense method or the function of expense method. If the nature of expense method is used, changes in inventory of finished and unfinished goods, as well as unbilled goods and services, must be presented separately according to Swiss GAAP FER 3/7.

124 If the format deviates from the standard (Swiss GAAP FER 3/7 and 3/8), the deviation must be appropriate (Swiss GAAP FER 3/1), e.g. with a differentiated format for real estate entities. The alternative format must also be applied consistently. It is also recommended that any deviations from the standard format be explained in the accounting policies.

125 Non-operating and extraordinary expenses and income must be presented separately from the operating result and explained in the notes (Swiss GAAP FER 3/9). Non-operating activities clearly differ from the operating activities of an entity. According to Swiss GAAP FER 3/21, they include expenses and income from non-operating tangible fixed assets (e.g. real estate). For discontinued operations, Swiss GAAP FER 31/4 requires the disclosure of the net sales from goods and services and the operating result. Therefore, the involved operations relate to the operating activities and do not qualify as non-operating even after the announcement of discontinuation.

126 Discounts and rebates granted are reductions in net sales and are not considered expense items according to Swiss GAAP FER 3/18.

127 In order to qualify as extraordinary, expenses and income in the context of ordinary operations need to arise extremely rarely and must not have been predictable according to Swiss GAAP FER 3/22. These requirements need to be assessed on a case-by-case basis in relation to the reporting entity. For the criterion "extremely rare", the period since the last comparable event can be assessed as an indication of fulfilment of the criterion. The criterion “not predictable” refers factually to the triggering event and not to the time of the booking entry. A low probability of occurrence of the triggering event (e.g. less than 50%) or the fact that an event was not budgeted does not necessarily mean that the event was "not predictable". Furthermore, a decision taken by the entity can qualify as “not predictable” only in rare circumstances, where a recognisable causality between a non-predictable external event and the decision, that causes the extraordinary recognition of expenses/income, exists. It is important that the period between the external event and the decision is not unreasonably long in relation to the nature of the event.

3 Cash flow statement (Swiss GAAP FER 4)

128 According to Swiss GAAP FER 4/4, the cash fund comprises cash on hand and demand deposits with banks and other financial institutions. The fund also includes cash equivalents, which represent short-term, highly liquid investments that can be converted into cash at any time and which are subject to an insignificant risk of changes in value. For example, WIR balances and vouchers do not meet this definition.

129 *The cash flow statement represents the inflows and outflows for a defined fund, e.g. cash, during a reporting period (Swiss GAAP FER 4/7). Gains and losses from exchange rate movements on the cash fund are not cash flows. Accordingly, they are not presented as such, but are reported as a reconciliation item between the opening fund balance plus the net cash flows for the period and the closing fund balance.*

130 If the cash flow from operating activities is determined according to the indirect method, the classification requirements of Swiss GAAP FER 4/10 must be considered. Cash flows from investing activities comprise, among others, additions and disposals of financial assets (Swiss GAAP FER 4/11). This also includes short-term financial assets, which do not fulfill the definition of cash and cash equivalents. Non liquidity-related investing and financing activities are not to be recognized in the cash flow statement according to Swiss GAAP FER 4/6. However, they are to be explained in the notes.

4 Intangible assets (Swiss GAAP FER 10)

131 Intangible assets recognised in the balance sheet must be amortised over their estimated future useful life. If the useful life cannot be clearly determined, amortisation is generally carried out over a period of five years, in justified cases over a maximum of 20 years (Swiss GAAP FER 10/8). The use of very short useful lives or immediate amortisation with sole reference to the principle of prudence fundamentally contradicts the requirements of Swiss GAAP FER 10/8.

132 *According to Swiss GAAP FER 10/9, the estimated useful life and the method of amortisation of intangible assets must be disclosed in the notes.*

5 Income taxes (Swiss GAAP FER 11)

133 According to Swiss GAAP FER 11/3 and Swiss GAAP FER 11/10, current and deferred income tax expenses must be disclosed in the annual financial statements. Deferred tax assets are to be classified as financial assets with a separate disclosure in the notes or as a separate item in the balance sheet under non-current assets (Swiss GAAP FER 11/9 in connection with Swiss GAAP FER 3/3).

134 Pursuant to Swiss GAAP FER 11/11, the potential deferred income tax assets arising from unused tax loss carryforwards must be disclosed. This disclosure is also required if tax loss carryforwards are not capitalised as deferred income tax assets in accordance with Swiss GAAP FER 11/23.

6 Leases (Swiss GAAP FER 13)

135 For operating leases that cannot be terminated within one year, at least the total amount of the future lease payments and their maturity pattern must be disclosed (Swiss GAAP FER 13/5 in connection with 13/11).

7 Related party transactions (Swiss GAAP FER 15)

136 Swiss GAAP FER 15/3 requires that all significant transactions and resulting receivables from or payables to related parties shall be disclosed. For these transactions, a description, the volume and the conditions relevant for the assessment of the transactions are to be disclosed (Swiss GAAP FER 15/11). Transactions subject to this disclosure requirements include also guarantees granted (Swiss GAAP FER 15/9).

8 Pension benefit obligations (Swiss GAAP FER 16)

137 According to Swiss GAAP FER 16/3b, an organization has to assess whether an economical benefit or obligation exists from a pension obligation. The difference to the respective value of the prior period is recognised as personnel expense in the result of the period. According to Swiss GAAP FER 16/4, only interest income or expense from employer contribution reserves can be allocated to the financial result.

138 Swiss GAAP FER 16/5 requires the disclosure of various information on pension obligations in tabular form. It is recommended to use the example included in the appendix to Swiss GAAP FER 16 for this disclosure. When allocating pension institutions into those without surplus/deficit, with surplus and with deficit, the rules and definitions specified in Swiss GAAP FER 16/11 and in the glossary to Swiss GAAP FER 16 are to be applied. It is also important to ensure that the information on the economical part of the organization, the change in the economical part, the contributions concerning the period and on the pension benefit expenses is complete and plausible. In this respect explanations, for instance in the form of footnotes as illustrated in the example of Swiss GAAP FER 16, may be helpful.

9 Inventories (Swiss GAAP FER 17)

139 Inventories represent goods held for sale in the ordinary course of business (Swiss GAAP FER 17/1). Therefore, they must be classified as current assets (Swiss GAAP FER 17/7). Development property determined for sale must thus be classified as inventory and valued at the lower of acquisition or production cost and fair value less cost to sell (Swiss GAAP FER 17/3).

140 The disclosures of the inventories include the valuation principles and methods applied as well as a breakdown of the of the carrying amount into the most important categories (Swiss GAAP FER 17/6). This breakdown is based on the inventory categories which are relevant for the company's business activities and the relevant industry sector practices (Swiss GAAP FER 17/28).

141 In the case of acquisitions, the inventory stocks valued at actual values in the purchase price allocation under Swiss GAAP FER 30/14 represent the acquisition costs of the inventories of the target company in the meaning of Swiss GAAP FER 17/4. As such, these costs are recognised as part of the raw material expenses/changes in inventories of finished and unfinished goods at the time of sale. Write downs of

inventories must also be recognised under raw material expenses/changes in inventories of finished and unfinished goods, in accordance with Swiss GAAP FER 17/27.

10 Tangible fixed assets (Swiss GAAP FER 18)

142 Tangible fixed assets held exclusively for investment purposes (e.g. rented-out residential buildings) should, subsequent to initial recognition, be measured at their current value or acquisition/production cost less accumulated depreciation (Swiss GAAP FER 18/14). A uniform valuation basis must be applied in all cases (Swiss GAAP FER 2/3). Measuring certain assets at current value and other assets on the basis of their historical cost is not permitted. Should the valuation be made at current value, a valuation method as described in Swiss GAAP FER 18/14 must be used. The valuation must be updated at least once a year.

143 The statement of changes in tangible fixed assets is to be disclosed in a table format (Swiss GAAP FER 18/15). Swiss GAAP FER 18/16 also describes the details to be disclosed in the cost, accumulated depreciation and net carrying amount categories respectively.

11 Impairment (Swiss GAAP FER 20)

144 At each balance sheet date, a potential impairment of assets must be checked on the basis of indicators. In particular, the non-exhaustive list of indicators according to Swiss GAAP FER 20/22 shall be taken into account. If indicators for impairment exist, the recoverable amount must be determined (Swiss GAAP FER 20/2).

145 According to Swiss GAAP FER 20/23, the future cash flows used in the determination of the value in use need to be based on reliable and probable assumptions. If there is a range in the determination of future cash flows, either in terms of amount or timing, the possible alternatives are to be considered according to their probability. These specific requirements for the determination of the value in use take precedence over the principle of prudence as per the framework. Furthermore, the specific risks can be reflected either in the expected future cash flows or in the discount rate.

12 Long-term contracts (Swiss GAAP FER 22)

146 In connection with long-term contracts, Swiss GAAP FER 22/5 requires that allowances need to be recognised for losses that become apparent. Provisions are only to be recognised when the necessary allowances are higher than the amount capitalised for the respective project.

147 According to Swiss GAAP FER 22/7, the principles for recognition, measurement and disclosure of long-term contracts in the financial statements are generally to be applied individually to each long-term contract. A group of contracts should only be treated as a single contract if several contracts are in close connection and therefore they are to be regarded as a single package (Swiss GAAP FER 22/27).

148 Swiss GAAP FER 22/8 requires the disclosure of certain information and values in the notes if these are not evident from the balance sheet or the income statement. These include, in particular, the amount recognised in the period as revenue from long-term contracts due to POCM, as well as specific balance sheet items from long-term contracts.

13 Provisions (Swiss GAAP FER 23)

149 The initial recognition, changes and the reversal of provisions must be recognised in the same area of the income statement (Swiss GAAP FER 23/9). Thus, the initial recognition of a provision within the ordinary result and a subsequent reversal underneath the ordinary result are not permissible.

150 Pursuant to Swiss GAAP FER 23/10, other provisions must be disclosed separately. These other provisions must be further broken down if additional material categories (e.g. warranty provisions) exist.

151 A decision by the body responsible for decisions, for example the board of directors, can only cause a factual obligation according to Swiss GAAP FER 23/14 if a legitimate expectation of third parties that the obligation will be fulfilled arises or has already arisen.

14 Equity and transactions with shareholders (Swiss GAAP FER 24)

152 Minimum disclosure requirements for the changes in equity are described in Swiss GAAP FER 24/7. In this connection, a distinction is made between capital reserves (including share premium) and retained earnings. Furthermore, changes in equity arising from capital increases/reductions must be presented separately for the various components of equity (Swiss GAAP FER 24/28).

15 Consolidated financial statements (Swiss GAAP FER 30[2])

153 The minority shareholders' share of profit/loss is not an expense or income item, but a share of the Group's profit/loss and must be reported separately in accordance with Swiss GAAP FER 30/11.

154 At the time control is obtained, the acquired assets and liabilities are to be valued at current values (Swiss GAAP FER 30/14).

155 Goodwill acquired from acquisitions can either be capitalized or offset against equity (Swiss GAAP FER 30/14-20). The method set out in the accounting principles must be applied consistently for subsidiaries, joint ventures and associates (Swiss GAAP FER 30/68).

156 When offsetting goodwill or negative goodwill against equity, all effects of theoretical capitalization and recognition as a liability with scheduled amortization or reversal on the balance sheet and income statement during the assumed useful life must be presented in the notes for the reporting year and the previous year (acquisition value, accumulated impairments, residual value, amortization or reversals, impairments, additions, disposals, foreign currency translation differences) (Swiss GAAP FER 30/43). Accordingly, goodwill offset against equity must also be tested for impairment in accordance with the requirements of Swiss GAAP FER 20 if there are indications of impairment and the events and circumstances must be explained in the event of impairment (Swiss GAAP FER 20/20).

157 If the share of capital of an organization included in the scope of consolidation differs from the share of voting rights, both the share of capital and the differing share of voting rights must be disclosed in accordance with Swiss GAAP FER 30/39.

158 If control of a significant organization exists despite the existence of less than half of the voting rights in accordance with Swiss GAAP FER 30/51, it is advisable to disclose the reasons for the control in the interests of better comprehensibility. This applies analogously to significant influence in the case of associated companies (Swiss GAAP FER 30/55).

[2] In the case of findings from prior years that are still relevant, references and wording have been adapted to the revised Swiss GAAP FER 30

16 Additional recommendations for listed companies (Swiss GAAP FER 31)

159 In connection with the disclosures and explanations required by Swiss GAAP FER 31/2 regarding the first-time adoption of Swiss GAAP FER, other material adjustments made in the course of the first-time adoption have to be explained. To be distinguished from this are deviations from consistency due to the correction of errors in accordance with Swiss GAAP FER framework/30.

160 According to Swiss GAAP FER 31/13 remuneration in equity instruments or derivatives thereon, including cash settled instruments qualify as share based payment, as defined in Swiss GAAP FER 31/3. Share based payments shall be recorded in the result of the period as expenses. Advantages granted or benefits on share subscriptions that are only available for members of the board of directors, executive management members and/or employees qualify also as share based payments in accordance with Swiss GAAP FER 31/3 and 31/13.

161 For discontinued operations, Swiss GAAP FER 31/4 requires at least the disclosure of the net sales from goods and services and the operating result. In order to be transparent about the effects of discontinued operations, a separate column for discontinued operations could be presented in the statement of profit or loss.

162 The calculation method for both the non-diluted and diluted earnings per ownership right must be disclosed in the notes according to Swiss GAAP FER 31/5. The calculation must be made on the basis of the average time-weighted number of outstanding ownership rights, i.e. deducting own shares. If the non-diluted and diluted earnings per ownership right are adjusted retrospectively due to a capital increase or reduction, it is recommended that this fact be disclosed. Furthermore, the non-diluted and the diluted earnings per ownership right must be presented below the income statement.

163 The impact of changes in tax loss carryforwards on income taxes (e.g. from the use of tax loss carryforwards) must be quantified and explained in accordance with Swiss GAAP FER 31/6.

164 Swiss GAAP FER 31/7 requires the disclosure of the terms and conditions of financial liabilities such as the currency, the duration and the interest rate. Furthermore, non-cash financing activities must be explained according to Swiss GAAP FER 4/6. These circumstances could, for example, include the adjustment of durations of financial liabilities.

165 The recognition method of financial liabilities which encompass elements of both equity as well as liability, must be disclosed according to Swiss GAAP FER 31/7. The applied method must satisfy the guidelines of the Swiss GAAP FER framework. In this regard, the definitions of liabilities, shareholder equity and expenses shall be taken into account. Provided that a contractual payment obligation (e.g. interest payments, repayments of notional amount) exists, the instrument cannot be classified as equity only.

166 Should an entity not disclose segment results as required by Swiss GAAP FER 31/8, the reasons must be disclosed accordingly and must be explained specifically to the situation of that entity.

167 Regarding the (condensed) changes in equity, Swiss GAAP FER 31/10 requires the corresponding prior period to be used as the comparative reporting period.

168 With regard to interim reporting, Swiss GAAP FER 31/12 requires that disclosures should enable the reader to form a well-founded opinion on the development of the activities and the course of business of the organisation during the reporting period. In this connection, changes in accounting policies and the resulting material effects must be disclosed. Furthermore, factors that had a significant impact on the financial positions, the cash flows and the results of operations of the organisation during the reporting period must be disclosed.

169 Interim reports must be designated as such in accordance with Swiss GAAP FER 31/12. An interim report may only be designated as fully compliant with the entire Swiss GAAP FER, if this is indeed the case.