

Amendments to HKAS 1
Issued December 2022

Effective for annual periods
beginning on or after 1 January 2024

Amendments to HKAS 1

Non-current Liabilities with Covenants



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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Amendments to HKAS 1 *Presentation of Financial Statements*

Paragraphs 60, 71, 72A, 74 and 139U are amended. Paragraphs 72B and 139W are added. Paragraph 76ZA is added immediately after paragraph 76. New text is underlined and deleted text is struck through. Paragraphs 69 and 75 are not amended but have been included for ease of reference.

Structure and content

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Statement of financial position

...

Current/non-current distinction

- 60** An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position in accordance with paragraphs 66–76B except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity.

...

Current liabilities

- 69** An entity shall classify a liability as current when:
- (a) it expects to settle the liability in its normal operating cycle;
 - (b) it holds the liability primarily for the purpose of trading;
 - (c) the liability is due to be settled within twelve months after the reporting period;
or
 - (d) it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

An entity shall classify all other liabilities as non-current.

...

Held primarily for the purpose of trading (paragraph 69(b)) or due to be settled within twelve months (paragraph 69(c))

- 71 Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting period or held primarily for the purpose of trading. Examples are some financial liabilities that meet the definition of held for trading in HKFRS 9, bank overdrafts, and the current portion of non-current financial liabilities, dividends payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (ie are not part of the working capital used in the entity's normal operating cycle) and are not due for settlement within twelve months after the reporting period are non-current liabilities, subject to paragraphs 72A–75-74 and 75.

...

Right to defer settlement for at least twelve months (paragraph 69(d))

- 72A An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and, as illustrated in paragraphs 72B–75-73–75, must exist at the end of the reporting period. ~~If the right to defer settlement is subject to the entity complying with specified conditions, the right exists at the end of the reporting period only if the entity complies with those conditions at the end of the reporting period. The entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.~~

- 72B An entity's right to defer settlement of a liability arising from a loan arrangement for at least twelve months after the reporting period may be subject to the entity complying with conditions specified in that loan arrangement (hereafter referred to as 'covenants'). For the purposes of applying paragraph 69(d), such covenants:

(a) affect whether that right exists at the end of the reporting period—as illustrated in paragraphs 74–75—if an entity is required to comply with the covenant on or before the end of the reporting period. Such a covenant affects whether the right exists at the end of the reporting period even if compliance with the covenant is assessed only after the reporting period (for example, a covenant based on the entity's financial position at the end of the reporting period but assessed for compliance only after the reporting period).

(b) do not affect whether that right exists at the end of the reporting period if an entity is required to comply with the covenant only after the reporting period (for example, a covenant based on the entity's financial position six months after the end of the reporting period).

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- 74 When an entity breaches a covenant condition of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. An entity classifies the liability as current because, at the end of the reporting period, it does not have the right to defer its settlement for at least twelve months after that date.

- 75 However, an entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.

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76ZA In applying paragraphs 69–75, an entity might classify liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period (see paragraph 72B(b)). In such situations, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, including:

- (a) information about the covenants (including the nature of the covenants and when the entity is required to comply with them) and the carrying amount of related liabilities.
- (b) facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants—for example, the entity having acted during or after the reporting period to avoid or mitigate a potential breach. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants if they were to be assessed for compliance based on the entity’s circumstances at the end of the reporting period.

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Transition and effective date

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139U *Classification of Liabilities as Current or Non-current*, issued in August 2020 amended paragraphs 69, 73, 74 and 76 and added paragraphs 72A, 75A, 76A and 76B. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2024-4 January 2023 retrospectively in accordance with HKAS 8. Earlier application is permitted. If an entity applies those amendments for an earlier period after the issue of *Non-current Liabilities with Covenants* (see paragraph 139W), it shall also apply *Non-current Liabilities with Covenants* for that period. If an entity applies *Classification of Liabilities as Current or Non-current* these amendments for an earlier period, it shall disclose that fact.

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139W *Non-current Liabilities with Covenants*, issued in December 2022, amended paragraphs 60, 71, 72A, 74 and 139U and added paragraphs 72B and 76ZA. An entity shall apply:

- (a) the amendment to paragraph 139U immediately on issue of *Non-current Liabilities with Covenants*.
- (b) all other amendments for annual reporting periods beginning on or after 1 January 2024 retrospectively in accordance with HKAS 8. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall also apply *Classification of Liabilities as Current or Non-current* for that period. If an entity applies *Non-current Liabilities with Covenants* for an earlier period, it shall disclose that fact.

Amendments to the Basis for Conclusions on IAS 1 *Presentation of Financial Statements*

This Basis for Conclusions accompanies, but is not part of, IAS 1.

The heading above paragraph BC48A is amended; new text is underlined. Paragraphs BC48EA–BC48EF and related headings are added after paragraph BC48E. Paragraphs BC105FD–BC105FF and related headings are added after paragraph BC105FC. For ease of reading, paragraphs BC48EA–BC48EF and BC105FD–BC105FF and related headings have not been underlined.

Statement of financial position

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Current liabilities (paragraphs 69–76B)

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Right to defer settlement for at least twelve months (paragraphs 69(d) and 72A–76)—2020 amendments

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Right to defer settlement for at least twelve months (paragraphs 69(d) and 72A–76ZA)—2022 amendments

BC48EA In October 2022, the IASB issued *Non-current Liabilities with Covenants*. The IASB made the amendments to:

- (a) improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement (liabilities with covenants); and
- (b) respond to stakeholders' concerns about the outcomes of applying the amendments in *Classification of Liabilities as Current or Non-current* issued in 2020. In particular, stakeholders said the 2020 amendments:
 - (i) could result in an entity classifying a liability as current even if, at the end of the reporting period (reporting date), the entity has no contractual obligation to settle the liability at that date or within twelve months;
 - (ii) took no account of the design of covenants negotiated to reflect an entity's required financial position or performance at specified dates, such as when a loan arrangement specifies different covenants at different dates to reflect the expected effects of seasonality or the entity's future performance; and

- (iii) were unclear about how an entity would assess, at the reporting date, whether it would have complied with covenants that are not based on an entity's financial position or performance (non-financial covenants) and covenants based on cumulative financial performance or cash flows for a period extending beyond the reporting period (financial performance covenants).

Classification and disclosure of non-current liabilities with covenants

BC48EB The IASB considered stakeholders' concerns, which included new information it had not considered when developing the 2020 amendments. In particular, the IASB considered the usefulness of the information that would result from applying the 2020 amendments in some circumstances. The IASB observed that an entity may be unable to avoid having to repay a liability within twelve months if the entity's right to defer settlement of the liability is subject to compliance with covenants during that period. The entity may be unable to avoid such repayment even if, at the reporting date, the entity has no contractual obligation to settle the liability within that period. Therefore, in such situations, the related liability could be repayable either within or after twelve months, depending on whether the entity complies with those covenants after the reporting date. The 2020 amendments specified one way of reflecting this conditionality within the constraints of a model that classifies liabilities as either current or non-current. However, the IASB concluded that the information provided by such a binary classification model, alone, cannot meet user information needs in such situations. For example, the classification of a liability as current or non-current does not in itself provide information about the potential effects of such conditionality on when the liability is repayable.

BC48EC Having considered the new information, the IASB decided to amend the requirements in IAS 1 on:

- (a) *the classification of liabilities with covenants as current or non-current*—the IASB decided that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. The IASB concluded that amending the requirements in this way would:
 - (i) avoid classification outcomes that might not provide useful information to users of financial statements (for example, for some entities whose business is highly seasonal);
 - (ii) make it unnecessary for the IASB to specify how the 2020 amendments apply to non-financial and financial performance covenants, thereby avoiding adding complexity to the requirements; and
 - (iii) resolve many of the other concerns stakeholders raised.
- (b) *the disclosure of information about non-current liabilities with covenants*—the IASB decided to require an entity to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The IASB concluded that this information would be useful to users of financial statements because it would allow them to understand the nature of the covenants and the risk that a liability classified as non-current could nonetheless be repayable within twelve months.

BC48ED The amendments to the requirements on the classification of liabilities with covenants as current or non-current are linked to the requirements on disclosure about such liabilities. The IASB concluded that the classification requirements would provide useful information when considered together with the requirements to disclose information about non-current liabilities with covenants in the notes. For this reason, the disclosure requirements in paragraph 76ZA apply only to an entity that presents current and non-current liabilities as separate classifications in its statement of financial position. However, the IASB observed that an entity that presents liabilities in order of liquidity might nonetheless disclose similar information about liabilities with covenants when applying the requirements in IFRS 7 on its exposure to liquidity risk.

BC48EE Some respondents to the draft amendments noted that, because non-current liabilities are often subject to covenants, the disclosure requirements could result in entities providing a large volume of detailed information. In these respondents' view, the amendments could result in excessive disclosure, which might obscure material information about covenants. In response to these comments, the IASB observed that:

- (a) in applying the requirements in paragraphs 30A and 31 of IAS 1, an entity would assess what information about covenants is material and determine how to aggregate such information. Accordingly, the entity would not disclose immaterial information about covenants that would reduce the understandability of its financial statements by obscuring material information.
- (b) an entity in need of further guidance when making materiality judgements could refer to the guidance on assessing the materiality of information about covenants in paragraphs 81–83 of IFRS Practice Statement 2 *Making Materiality Judgements*. That guidance explains that:
 - (i) an entity considers both the consequences and the likelihood of a breach occurring when assessing whether information about a covenant is material; and
 - (ii) information about a covenant for which there is only a remote likelihood of a breach occurring is immaterial irrespective of the consequences of that breach.

Other considerations

BC48EF When developing the amendments, the IASB also considered:

- (a) *the presentation of non-current liabilities with covenants*—when it exposed draft amendments for comment, the IASB proposed to require an entity to present non-current liabilities with covenants separately in the statement of financial position. The main reason for this proposal was to avoid users of financial statements being misled by a non-current classification without any indication that the liability could become repayable within twelve months. However, feedback on the draft amendments suggested that users of financial statements would not be misled if the conditionality of non-current liabilities were explained in the notes instead of through separate presentation of these liabilities in the statement of financial position. Therefore, the IASB decided not to finalise the proposal. Instead, in providing information about non-current liabilities with covenants in the notes, an entity is required to disclose the carrying amount of related liabilities.

- (b) *disclosure about expected compliance with covenants*—when it exposed draft amendments for comment, the IASB proposed to require an entity to disclose whether and, if so, how it expected to comply with covenants after the reporting date. Feedback on the draft amendments suggested that the costs of providing this information might outweigh the benefits of providing it. Consequently, the IASB decided instead to require an entity to disclose any facts and circumstances that indicate the entity may have difficulty complying with covenants. The IASB concluded that this information would not be costly to prepare and would be useful to users of financial statements by helping them to understand the risk that non-current liabilities with covenants could become repayable within twelve months.
- (c) *other conditional settlement terms*—when it exposed draft amendments for comment, the IASB proposed to clarify some situations in which an entity would not have a right to defer settlement of a liability. The IASB intended the clarification to avoid the classification requirements in paragraph 72B being applied to liabilities outside the scope of the amendments. However, feedback on the draft amendments suggested that the proposed clarification would fail to achieve that objective. Therefore, the IASB decided instead to specify that the requirements in paragraph 72B apply only to liabilities arising from loan arrangements.

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Transition and effective date

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Non-current Liabilities with Covenants (Amendments to IAS 1)

BC105FD The IASB decided to require entities to apply *Non-current Liabilities with Covenants* (2022 amendments) retrospectively in accordance with IAS 8 because:

- (a) classifying a liability as current or non-current on the same basis in current and prior periods would result in more comparable, and thus more useful, information than the information that would result from not reclassifying comparative amounts; and
- (b) applying the amendments retrospectively is not expected to be onerous for entities.

BC105FE The 2022 amendments changed some of the requirements introduced by the 2020 amendments before those requirements were in effect. Therefore, the IASB deferred the effective date of the 2020 amendments to align it with the effective date of the 2022 amendments. The IASB did so to avoid an entity potentially having to change its assessment of the classification of liabilities twice within a relatively short period.

BC105FF The IASB observed that it would be impractical to apply the 2022 amendments early without also applying the 2020 amendments. Therefore, the IASB decided to allow an entity to apply the 2022 amendments early, but only if the entity also applies the 2020 amendments from the same date.

Amendment to HKFRS Practice Statement 2 *Making Materiality Judgements*

The following amendment is a consequence of the amendments to HKAS 1.

Example P is amended. New text is underlined.

Information about covenants

...

Example P—assessing whether information about covenants is material

Background

An entity has rapidly grown over the past five years and recently suffered some liquidity problems. A long-term loan was granted to the entity in the current reporting period. The loan agreement includes a clause that requires the entity to maintain a ratio of debt to equity below a specified threshold, to be measured at each reporting date (the covenant). According to the loan agreement, the debt-to-equity ratio has to be calculated on the basis of debt and equity figures as presented in the entity's HKFRS financial statements. If the entity breaches the covenant, the entire loan becomes payable on demand. The disclosure of covenant terms in an entity's financial statements is not required by any local laws or regulations.

Application

Paragraph 31 of HKFRS 7 *Financial Instruments: Disclosures* requires an entity to disclose information that enables users of its financial statements to evaluate the nature and extent of risk arising from financial instruments to which the entity is exposed at the end of the reporting period.

Paragraph 76ZA of HKAS 1 requires an entity to disclose, in specified circumstances, information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months after the reporting period.

In the preparation of its financial statements, the entity assesses whether information about the existence of the covenant and its terms is material information, considering both the consequences and the likelihood of a breach occurring.

In these circumstances, the entity concluded that, considering its recent liquidity problem, any acceleration of the long-term loan repayment plan (the consequence of the covenant breach occurring) would affect the entity's financial position and cash flows in a way that could reasonably be expected to influence primary users' decisions.

The entity also considered the likelihood of a breach occurring.

continued...

...continued

Scenario 1—the lender defined the covenant threshold on the basis of the three-year business plan prepared by the entity, adding a 10 per cent tolerance to the forecast figures

In this scenario, even though the entity has historically met its past business plans, it assessed the likelihood of a breach occurring as higher than remote. Therefore, information about the existence of the covenant and its terms was assessed as material and disclosed in the entity's financial statements.

Scenario 2—the lender defined the covenant threshold on the basis of the three-year business plan prepared by the entity, adding a 200 per cent tolerance to the forecast figures

In this scenario, the entity assessed the likelihood of a breach occurring as remote, on the basis of its historical track record of meeting its past business plans and the magnitude of the tolerance included in the covenant threshold. Therefore, although the consequences of the covenant breach would affect the entity's financial position and cash flows in a way that could reasonably be expected to influence primary users' decisions, the entity concluded that information about the existence of the covenant and its terms was not material.

APPENDIX — AMENDMENTS TO HKAS 1 ISSUED IN 2020 AND 2022

This appendix combines the amendments to HKAS 1 Presentation of Financial Statements included in Classification of Liabilities as Current or Non-current, issued in August 2020, and Non-current Liabilities with Covenants, issued in December 2022.

Paragraphs 60, 69, 71, 73, 74 and 76 are amended. Paragraphs 72A, 72B, 75A, 76ZA, 76A, 76B, 139U and 139W are added. Paragraph 139D is deleted. Headings are added before paragraphs 70, 71, 72A and 76A. New text is underlined and deleted text is struck through. Paragraphs 70, 72 and 75 are not amended but have been included for ease of reading.

Structure and content

...

Statement of financial position

...

Current/non-current distinction

- 60 An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position in accordance with paragraphs 66–76B except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity.

...

Current liabilities

- 69 An entity shall classify a liability as current when:
- (a) it expects to settle the liability in its normal operating cycle;
 - (b) it holds the liability primarily for the purpose of trading;
 - (c) the liability is due to be settled within twelve months after the reporting period;
or
 - (d) it does not have the an unconditional right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period ~~(see paragraph 73). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.~~

An entity shall classify all other liabilities as non-current.

Normal operating cycle (paragraph 69(a))

- 70 Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of the working capital used in the entity's normal operating cycle. An entity classifies such operating items as current liabilities even if they are due to be settled more than twelve months after the reporting period. The same normal operating cycle applies to the classification of an entity's assets and liabilities. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

Held primarily for the purpose of trading (paragraph 69(b)) or due to be settled within twelve months (paragraph 69(c))

- 71 Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting period or held primarily for the purpose of trading. Examples are some financial liabilities that meet the definition of held for trading in HKFRS 9, bank overdrafts, and the current portion of non-current financial liabilities, dividends payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (ie are not part of the working capital used in the entity's normal operating cycle) and are not due for settlement within twelve months after the reporting period are non-current liabilities, subject to paragraphs 72A–75-74 and 75.
- 72 An entity classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting period, even if:
- (a) the original term was for a period longer than twelve months, and
 - (b) an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorised for issue.

Right to defer settlement for at least twelve months (paragraph 69(d))

- 72A An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and, as illustrated in paragraphs 72B–75, must exist at the end of the reporting period.
- 72B An entity's right to defer settlement of a liability arising from a loan arrangement for at least twelve months after the reporting period may be subject to the entity complying with conditions specified in that loan arrangement (hereafter referred to as 'covenants'). For the purposes of applying paragraph 69(d), such covenants:
- (a) affect whether that right exists at the end of the reporting period—as illustrated in paragraphs 74–75—if an entity is required to comply with the covenant on or before the end of the reporting period. Such a covenant affects whether the right exists at the end of the reporting period even if compliance with the covenant is assessed only after the reporting period (for example, a covenant based on the entity's financial position at the end of the reporting period but assessed for compliance only after the reporting period).
 - (b) do not affect whether that right exists at the end of the reporting period if an entity is required to comply with the covenant only after the reporting period (for example, a covenant based on the entity's financial position six months after the end of the reporting period).

- 73 ~~If an entity expects, and has the right, at the end of the reporting period discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. If the entity has no such right. However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no arrangement for refinancing), the entity does not consider the potential to refinance the obligation and classifies the obligation as current.~~
- 74 ~~When an entity breaches a covenant provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. An entity classifies the liability as current because, at the end of the reporting period, it does not have the an unconditional right to defer its settlement for at least twelve months after that date.~~
- 75 ~~However, an entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.~~
- 75A Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. If a liability meets the criteria in paragraph 69 for classification as non-current, it is classified as non-current even if management intends or expects the entity to settle the liability within twelve months after the reporting period, or even if the entity settles the liability between the end of the reporting period and the date the financial statements are authorised for issue. However, in either of those circumstances, the entity may need to disclose information about the timing of settlement to enable users of its financial statements to understand the impact of the liability on the entity's financial position (see paragraphs 17(c) and 76(d)).
- 76 ~~If In respect of loans classified as current liabilities, if the following events occur between the end of the reporting period and the date the financial statements are authorised for issue, those events are disclosed as non-adjusting events in accordance with HKAS 10 *Events after the Reporting Period*:~~
- ~~(a) refinancing on a long-term basis of a liability classified as current (see paragraph 72);~~
 - ~~(b) rectification of a breach of a long-term loan arrangement classified as current (see paragraph 74); and~~
 - ~~(c) the granting by the lender of a period of grace to rectify a breach of a long-term loan arrangement classified as current (see paragraph 75); and ending at least twelve months after the reporting period.~~
 - ~~(d) settlement of a liability classified as non-current (see paragraph 75A).~~
- 76ZA In applying paragraphs 69–75, an entity might classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period (see paragraph 72B(b)). In such situations, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, including:
- (a) information about the covenants (including the nature of the covenants and when the entity is required to comply with them) and the carrying amount of related liabilities.

- (b) facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants — for example, the entity having acted during or after the reporting period to avoid or mitigate a potential breach. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants if they were to be assessed for compliance based on the entity’s circumstances at the end of the reporting period.

Settlement (paragraphs 69(a), 69(c) and 69(d))

76A For the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of:

- (a) cash or other economic resources — for example, goods or services; or
- (b) the entity’s own equity instruments, unless paragraph 76B applies.

76B Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments do not affect its classification as current or non-current if, applying HKAS 32 *Financial Instruments: Presentation*, the entity classifies the option as an equity instrument, recognising it separately from the liability as an equity component of a compound financial instrument.

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Transition and effective date

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139D [Deleted]

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139U *Classification of Liabilities as Current or Non-current*, issued in August 2020 amended paragraphs 69, 73, 74 and 76 and added paragraphs 72A, 75A, 76A and 76B. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2024 retrospectively in accordance with HKAS 8. Earlier application is permitted. If an entity applies those amendments for an earlier period after the issue of *Non-current Liabilities with Covenants* (see paragraph 139W), it shall also apply *Non-current Liabilities with Covenants* for that period. If an entity applies *Classification of Liabilities as Current or Non-current* for an earlier period, it shall disclose that fact.

...

139W *Non-current Liabilities with Covenants*, issued in December 2022, amended paragraphs 60, 71, 72A, 74 and 139U and added paragraphs 72B and 76ZA. An entity shall apply:

- (a) the amendment to paragraph 139U immediately on issue of *Non-current Liabilities with Covenants*.
- (b) all other amendments for annual reporting periods beginning on or after 1 January 2024 retrospectively in accordance with HKAS 8. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall also apply *Classification of Liabilities as Current or Non-current* for that period. If an entity applies *Non-current Liabilities with Covenants* for an earlier period, it shall disclose that fact.