Anchoring demystified webinar script

Michalis Georgiou - Hi and welcome our webinar. Over the past year we have been looking at ESMA's European Single Electronic Format requirements, ESEF for short, and we have been busy field-testing the rules. My name is Michalis Georgiou and I am a senior manager in PwC's XBRL team and with me today is Charlotte Hoyland, an XBRL manager in our team.

Charlotte Hoyland - As you may know ESEF includes a new requirement called anchoring. We in our team have contributed to guidance published by XBRL International on the implementation of anchoring and this webinar has been created to accompany this guidance.

This webinar will explain what is anchoring, delve into the rules surrounding it and provide an example to put the theory into practice. But first, what is anchoring and what purpose does it serve?

ESEF requires preparers to use a pre-defined taxonomy to mark up the disclosures in their financial statements. Where there are no appropriate tags in the taxonomy, preparers are required to create their own. These will be part of their entity extension taxonomy.

This presents a comparability challenge for the users of the data and this is where anchoring comes in. Anchoring connects these entity specific tags to the ESEF taxonomy. It goes a bit further because it defines whether these extensions are wider or narrower in accounting meaning and scope than the ESEF taxonomy tags they are being anchored to.

Michalis Georgiou - XBRL International guidance on anchoring for ESEF includes this helpful decision tree, which explains how to apply the rules.

The starting point is an extension tag you have created. The first question you need to ask yourself is: "Is this an extension for a subtotal in your primary statement?" Subtotals are explicitly excluded from the anchoring requirement. This is because you are already reporting the components of this subtotal with all the required information and therefore anchoring the subtotal as well would not provide any additional information.

Charlotte Hoyland - Now, for every other extension, you must anchor to the ESEF taxonomy element having the closest wider accounting meaning and/or scope to it. A wider element in accounting meaning and/or scope is an ESEF taxonomy element with a related meaning, which fully encompasses the meaning of the extension.

Michalis Georgiou - The remainder of the decision tree relates to considerations on anchoring to narrower elements. Narrower in accounting meaning and/or scope is an ESEF taxonomy element with a related meaning, which is limited in extent or scope in comparison with the meaning of the extension.

So the first consideration is, does your extension combine two or more ESEF taxonomy elements? If the answer is no, you need to consider whether the extension encompasses any ESEF taxonomy elements which have a narrower accounting meaning and/or scope. If not, no narrower anchoring is needed. If however there is one, you may wish to anchor it to this narrower element, but this is not compulsory.

Going a bit further back, if your extension did combine two or more elements of the ESEF taxonomy, it is then compulsory to anchor to all identified narrower elements, which are significant. Determining what is significant or not will require a degree of judgement. We hope you will find this decision tree a useful tool. Let's now put it into practice.

Charlotte Hoyland - A preparer has decided to create an extension for a disclosure of "Share capital and share premium" in the statement of financial position as this item combines two elements found separately in the ESEF taxonomy. Also note that this adds up to "Capital and reserves attributable to owners of parent" and that for the purposes of this example share capital is roughly £63m and share premium £21m.

Michalis Georgiou - So here is our extension, and the decision tree. Firstly, this is not a subtotal in our primary statement, so anchoring requirements do apply. Looking at the taxonomy tree, we have "Total equity" and "Total equity attributable to owners of parent". The closest wider in our example is the top one and that is what we anchor to.

Moving on to narrower anchoring, this disclosure does combine two elements of the ESEF taxonomy. Before we anchor to these, we need to consider whether either of the two elements is insignificant in value. As share capital is 63m and share premium 21m, neither of them is deemed insignificant so we must anchor to both elements. However, if share capital was £1 and share premium was £84m then we would have anchored only to share premium, as the share capital element would be considered insignificant.

Charlotte Hoyland - The anchoring guidance also provides some additional practical tips when you are considering what is the most appropriate element to anchor to. These include looking at the relevant IFRS standard and ensuring the period type and data type of the element you are anchoring to, match those of your extension.

When selecting your ESEF solution, make sure that it supports anchoring, for example check if the anchoring interface is user friendly and if the tool takes care of the technical aspects of integrating it in your submission package. Anchoring of course is only one of many considerations when selecting the right solution for you.

Michalis Georgiou - This is the link to XBRL International's anchoring guidance and links to other relevant sources. Thank you for watching our webinar and please visit our ESEF website for our contact details and services.