The amendments to GRAP 103 Heritage Assets explained

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Assessing whether the definition of a heritage asset is met

Defining a heritage asset

- A **heritage asset** is "an asset that has **cultural significance**, and is held indefinitely for the benefit of present and future generations" – aligned with the National Heritage Resources Act, 1999 and the SAHRA classification.
- It combines three parts: **cultural significance** – aesthetic, architectural, historical, scientific, social, spiritual, linguistic or technological value (e.g. a national monument's architectural and historical value); held **indefinitely** (e.g. preserved, not held for sale); for the **benefit of present and future generations** (e.g. kept open to the public over time).
- **Examples of heritage assets?**
  - **International-origin** items relevant to a South African community or cultural group (e.g. a donated artefact).
  - **Protected land** and natural or environmental items with cultural significance.
  - **Dual-purpose** assets, assessed on how management uses the asset (e.g. a heritage building also used as offices).

Recognition: determining a reliable value

- An item that meets the definition is recognised only if its cost or **fair value can be measured reliably**.
- **If a reliable value can be determined:** the heritage asset is recognised and accounted for under GRAP 103.
- **If no reliable value is available:** the asset is not recognised , and the entity re-assesses annually, on an indicator basis, whether one becomes available.
- ***Worked example:*** an archaeological collection with no reliable value is not recognised, but is re-assessed each reporting date and recognised once a reliable value becomes available.

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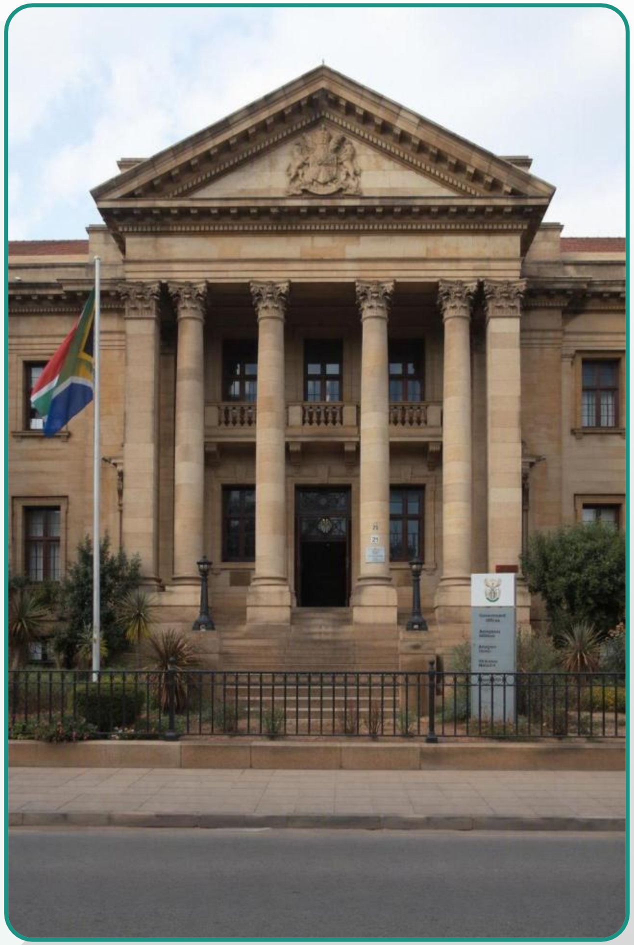
Classification of dual-purpose heritage assets

- **What changed:** previously a heritage asset with an alternative use was accounted for based on its use (e.g. a heritage building used as offices was accounted for under GRAP 17 on *Property, Plant and Equipment*).
- **New basis:** all heritage assets are now accounted for using **GRAP 103**, irrespective of whether they have an alternative use.
- **Presentation:** heritage assets are presented as a **single line item** on the face of the statement of financial position, if material.
- **Measurement:** heritage assets are **no longer depreciated**; instead the entity annually assesses whether an impairment indicator has been triggered.
- **Related items:** property, plant and equipment used with, or that safeguards, a heritage asset is accounted for using the applicable Standard of GRAP.
- **Disclosure & transition:** disclose a material significant alternative use; applied **retrospectively** – on reclassification, prior depreciation is reversed against accumulated surplus or deficit, the asset is reclassified at its cost on initial recognition, and tested for impairment on first application.



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Determining a reliable value and protective rights

- **Peer data:** where an entity has no, or insufficient, entity-specific data, it may value a heritage asset using a **comparable** asset held by another entity – one of similar nature, characteristics and condition.
- **Variability in fair value:** if the range of reasonable fair value estimates is significant and the probabilities cannot be reasonably assessed, **no fair value is determined** and the asset is not recognised.
- **Protective rights:** ethical, legal or statutory obligations restricting a heritage asset's use, disposal, transfer or exchange **do not preclude** determining a fair value, as the asset can still be traded in an active market.
- **New disclosures:** for protective rights, disclose a **description** of the asset, its **carrying value**, and the protective right – whether or not the asset is recognised.
- **On disposal:** disclose the asset disposed, the circumstances permitting disposal, and the **compensation** received and amount recognised.
- **Basis:** the amendments on reliable value and protective rights are applied **prospectively**.

Key amendments

- Reliable value may use a comparable asset
- Protective rights do not preclude fair value
- Disclosures apply whether or not recognised

Applied prospectively

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Re-assessment, aggregation and impairment

- **Re-assessing reliable value:** at each reporting date, assess whether an asset not recognised initially can now be measured reliably – indicators include changes in condition, fair value information becoming available, and changes in market demand.
- **On recognition:** the asset is recognised, the resulting difference is recognised in **surplus or deficit**, with disclosure of the asset, the events leading to a reliable value, and the value recognised.
- **Aggregation:** heritage assets need not be presented or disclosed individually; **individually insignificant** items may be aggregated where this better represents their cultural significance (retrospective).
- **Impairment – external indicators:** significant market-value decline, an absent active market, or adverse long-term technological, legal or policy changes.
- **Impairment – internal indicators:** physical damage or deterioration, or a decision to halt construction before completion.
- **On impairment:** measure the recoverable amount under **GRAP 21** or **GRAP 26**; any loss is recognised in surplus or deficit (re-assessment and impairment amendments applied prospectively).

Annual cycle

Re-assess values

Aggregate items

Test for impairment

Additional guidance and disclosures

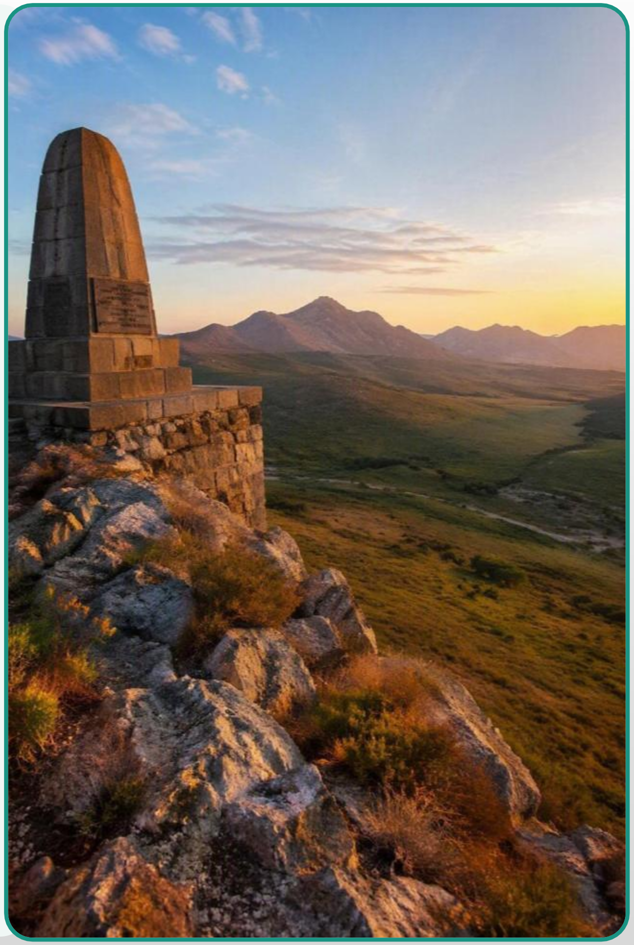
- **Illustrative examples added:** that assets used with a heritage asset are accounted for under the appropriate Standard, an example on variability in fair value estimates; and an example with a list of indicators for the annual re-assessment.

- **Replacing parts:** new guidance on replacing parts of a heritage asset, based on the equivalent guidance in **GRAP 17**.

- **Scope clarifications :** heritage assets include items of international origin relevant to a South African community or cultural group, and protected land (with a reference to the National Environmental Management: Protected Areas Act).

- **New mandatory disclosure:** heritage assets borrowed from, or on loan to, other entities at the reporting date (description, counterparty and period).

- **Encouraged disclosures removed:** age and condition; fair value of assets not recognised on initial recognition; and fair value where the cost model is applied (retrospective).



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Effective date and transitional provisions

- **Effective date:** the **Minister of Finance** has set **1 April 2027** as the effective date – apply the amendments to reporting periods beginning on or after this date.
- **Start preparing now:** identify affected heritage assets, gather reliable values and protective-right details, and plan the retrospective restatement well before the effective date.
- **Applied retrospectively:** the revised definition, the dual-purpose classification, the aggregation of insignificant items, and the removal of encouraged disclosures.
- **Applied prospectively:** determining a reliable value, protective rights, the annual re-assessment, the impairment amendments, and the new borrowed / on-loan mandatory disclosure.
- **Transitional provisions:** sit within GRAP 103 – for a reclassified dual-purpose asset, reverse prior depreciation against accumulated surplus or deficit, reclassify at cost on initial recognition, and test for impairment on first application.

EFFECTIVE DATE

1 April

2027

Applies to reporting periods beginning on or after this date

Start preparing now

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