



Australian financial reporting guide

Financial reporting periods ending on
or after 30 June 2017

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1 Introduction

Welcome to the June 2017 edition of our *Australian financial reporting guide*

We've developed this *Guide* to 'bring it all together' so that you can so that you can understand reporting requirements, ensure compliance and develop your own reporting in line with best practice.

Although there are only a limited number of amendments and new Standards applicable for the current reporting period, we recommend entities use this time to consider the impact to their financial statements of the major changes that are coming which also have significant disclosure consequences.

Although the major new standards on revenue, financial instruments and leases are not applicable for some time, there is increasing interest from regulators and others as to the likely impacts of these standards on entities, particularly those with public accountability.

With the transitional period for the major new standards on revenue, financial instruments and leases imminent, it is important entities be transparent about their implementation progress, disclosing all known information to investors and other users of the financial reports.

In light of the recommendations coming out of the International Accounting Standard Board's disclosure initiative, in particular, around only disclosing material information and tailoring the structure of the notes, we also encourage entities to assess whether the existing disclosures in their financial statements tell the right story and are as clear and relevant as they could be.

We've introduced a new approach to this year's editions of our model financial reports, with this *Guide* providing a roadmap to financial reporting requirements and linking to the various editions of the model financial reports.

We have also moved our models to be based on a December year end, which aligns with the application date of the majority of the forthcoming new and revised standards, providing companies more time to prepare for these changes. Therefore, entities will need to use this guide in conjunction with the December 2016 edition of the model financial statements.



"Now is the perfect time to think about whether the financial statements provide the most relevant picture to stakeholders before the next big wave of changes hit"

Alison White
National Leader
Accounting Technical

2 About this guide

This financial reporting guide is designed to allow you to understand and efficiently meet your financial reporting obligations

2.1 How to use this guide

This guide is designed to be used in conjunction with the Deloitte model financial statements. Set out below is a summary of how to use this guide



Step 1. Categorise the entity

Australian financial reporting requirements are driven by the type of the entity. This *guide* is predominantly focused on entities reporting under the *Corporations Act 2001*, which defines various categories of entities, their reporting requirements and their reporting deadlines. More guidance is available in **Section 3 Types and classifications of entities**.



Step 2. Understand the reporting mandate

In addition to the core requirements of the *Corporations Act 2001*, some entities have additional reporting considerations arising under other mandates such as constitution requirements, agreements or funding arrangements. More information is available in **Section 4 Reporting mandate**.



Step 3. Determine which type of financial statements should be prepared

Australia's reporting framework relies on two core considerations:

- The reporting entity concept which primarily determines whether an entity prepares general purpose financial statements or special purpose financial statements
- The differential reporting framework arising under Australian Accounting Standards, which introduces different types of general purpose financial reports

More information can be found in **Section 5 The Australian differential reporting framework**.



Step 4: Understand the key requirements for financial statements

The layout and composition of the financial statements and notes are governed by various factors, including the *Corporations Act 2001*, Accounting Standards and other regulations. More information can be found in **Section 6 Preparation of annual financial reports**.



Step 5. Other financial reporting considerations

Having prepared the key financial report, entities may need to consider other reporting obligations including continuous disclosure, half-year reporting, concise financial reports and relevant financial reporting. More information on these topics is in **Section 7 Other financial reporting considerations**.



Step 6. Ensure any new and changed requirements are considered

Financial reporting requirements change rapidly, from minor and major amendments to core accounting requirements to regulatory changes, other legislative changes and global trends which should be considered. More information can be found in **Section 8 What's new in financial reporting?**



Step 7. Access the relevant model financial statements

Based on the analysis performed, obtain the relevant model financial statements. Guidance on choosing the version of the model financial statements to use can be found in **Section 9 Using the illustrative financial statements**.

Requirements and illustrative disclosures in this guide which are **not** applicable to 'Tier 2' general purpose financial statements have been shaded in grey.

2.2 Purpose

We have developed this *Australian financial reporting guide* (guide) to assist you meet the general financial reporting requirements applying to the majority of entities reporting under the *Corporations Act 2001*. It is developed to be used in conjunction with our model financial reports i.e.:

- *Deloitte International GAAP Holdings model financial statements for the year ended 31 December 2016* (Deloitte model financial statements),
- *Model half-year report - Half-years ending on or after 31 December 2016*
- *Model special purpose annual - Reporting periods ending on or after 31 December 2016*.

2.3 Effective date

This guide includes reporting obligations and illustrative disclosures that are effective for financial years and half-years ending on 30 June 2017.

2.4 Abbreviations

The following abbreviations are used in this guide:

Abbreviation	Description
AASB	Australian Accounting Standards Board
Accounting Standards	Australian Accounting Standards issued by the Australian Accounting Standards Board
ASA	Australian Auditing Standard issued by the Auditing and Assurance Standards Board
ASIC	Australian Securities & Investments Commission
ASIC-CO/ ASIC-CI	Australian Securities and Investments Commission Class Order/Corporations Instrument issued pursuant to s.341(1) of the <i>Corporations Act 2001</i>
ASIC-RG	Australian Securities and Investments Commission Regulatory Guide
ASX	Australian Securities Exchange
ASX-LR	Australian Securities Exchange Limited Listing Rule
ASX-GN	Australian Securities Exchange Limited Guidance Note
Corporations Act	The <i>Corporations Act 2001</i>
Deloitte model half-year report	<i>Deloitte Model half-year report - Half-years ending on or 31 December 2016</i>
Deloitte model IFRS financial statements	<i>Deloitte International GAAP Holdings Limited model financial statements for the year ended 31 December 2016</i>
Deloitte model MIS report	<i>Deloitte Model managed investment scheme annual report for the year ending 30 June 2016</i>
Deloitte model financial reports	Collectively: <ul style="list-style-type: none"> • <i>Deloitte International GAAP Holdings Limited model financial statements for the year ended 31 December 2016</i> • <i>Deloitte Model special purpose annual report - Reporting periods ending on or 31 December 2016</i> • <i>Deloitte Model half-year report - Half-years ending on or 31 December 2016</i> • <i>Deloitte Model managed investment scheme annual report for the year ending 30 June 2016</i> • <i>Deloitte Illustrative AASB 1056 Financial Report for Superannuation Entities for the financial year ended 30 June 2017</i>

Abbreviation	Description
Deloitte model SPFS	Deloitte <i>Model special purpose annual report - Reporting periods ending on or 31 December 2016</i>
GPFS	General purpose financial statements
IASB	International Accounting Standards Board
IFRS/s	International Financial Reporting Standard/s
Int	Interpretation issued by the Australian Accounting Standards Board
s.	Section of the <i>Corporations Act 2001</i>
SPFS	Special purpose financial statements
RDR	Reduced Disclosure Requirements
Reg	Regulation of the <i>Corporations Regulations 2001</i>

3 Types and classifications of entities

The different types and classifications of entities defined in and governed by the Corporations Act influences for example whether or not the entity is required to prepare a financial report under the Corporations Act and if so whether or not it has to be audited and lodged with ASIC.

This section provides a high-level overview of the following types and classifications of entities:

Topic
3.1 Companies
3.2 Registered scheme
3.3 Not-for-profit entities
3.4 Other types of entities
3.4.1 Disclosing entities
3.4.3 Stapled entities
3.4.4 Australian Financial Services Licence (AFSL) holders

3.1 Companies

3.1.1 Types of companies

The following types of companies can be registered under the Corporations Act (s.112(1)):

Type of company	Public companies*	Proprietary companies
Limited by shares A company formed on the principle of having the liability of its members limited to the amount (if any) unpaid on the shares respectively held by them (s.9).	✓	✓
Limited by guarantee A company formed on the principle of having the liability of its members limited to the amounts that the members undertake to contribute to the property of the company if it is wound up (s.9).	✓	-
Unlimited with share capital A company whose members have no limit placed on their liability (s.9) and which is incorporated with a share capital.	✓	✓
No liability company A company may only register as a no liability company if: <ul style="list-style-type: none"> The company has a share capital The company's constitution states that its sole objects are mining purposes (as defined in s.9 of the Corporations Act) The company has no contractual right under its constitution to recover calls made on its shares from a shareholder who fails to pay them constitution state (s.112(2)). 	✓	-

* A public company is a company other than a proprietary company and can be listed or unlisted.

3.1.2 Proprietary companies

Companies registered under the Corporations Act as proprietary companies must:

- Be limited by shares or an unlimited company with share capital, which means that companies limited by guarantee and no liability companies cannot be proprietary companies
- Not have more than 50 non-employee shareholders
- Except in limited circumstances, not do anything that would require disclosure to investors under Chapter 6D of the Corporations Act, i.e. the fundraising provisions of the Act.

The Corporations Act classifies a proprietary company as either a large proprietary company or a small proprietary. A proprietary company is a large proprietary company or a small proprietary for a financial year if it satisfies at least 2 of the conditions noted for *Large* or *Small* below respectively:

Condition	Value – Large	Value - Small
Consolidated revenue for the financial year of the company and the entities it controls (if any)	<=\$25 million	>\$25 million
Value of the consolidated gross assets at the end of the financial year of the company and the entities it controls	<=\$12.5 million	>\$12.5 million
Number of employees of the company and the entities it controls at the end of the financial year	<=50	>50

The definition of a large proprietary company and small proprietary company in s.45A(3) and s.45A(2) respectively of the Corporations Act notes that the amounts specified in these definitions may be varied by the Regulations. At the time of printing no specified amounts have been varied by the Regulations.

Section 45A of the Corporations Act requires that when counting employees, part-time employees be taken into account as an appropriate fraction of a full-time equivalent. Consolidated revenue and the value of consolidated gross assets are calculated in accordance with the accounting treatment specified by Accounting Standards in force at the relevant time (even if the standards do not otherwise apply to the company).



See sections 4.1.3 and 4.1.4 for a discussion on the reporting mandate for proprietary companies.

3.1.3 Small companies limited by guarantee

In terms of s.45B a company is a small company limited by guarantee in a particular financial year if:

- It is a company limited by guarantee for the whole of the financial year
- It is not a deductible gift recipient at any time during the financial year
- Either:
 - where the company is not required by the accounting standards to be included in consolidated financial statements – the revenue of the company for the financial year is less than \$250,000, or
 - where the company is required by the accounting standards to be included in consolidated financial statements – the consolidated revenue of the consolidated entity for the financial year is less than \$250,000
- It is not one of the following:
 - a Commonwealth company for the purposes of the *Commonwealth Authorities and Companies Act 1997*
 - a subsidiary of a Commonwealth company for the purposes of that Act
 - a subsidiary of a Commonwealth authority for the purposes of that Act
- It has not been a transferring financial institution of a State or Territory within the meaning of clause 1 of Schedule 4 to this Act (i.e. Corporations Act)
- It is not a company that is permitted to use the expression building society, credit society or credit union under section 66 of the Banking Act 1959 at any time during the financial year.

Section 45B(2) of the Corporations Act notes that the amounts specified in (1)(c)(i) and (ii) above (ie. s.45(1)) may be varied by the Regulations. At the time of printing no specified amounts have been varied by the Regulations.

Section 45B of the Corporations Act requires that revenue and consolidated revenue are to be calculated in accordance with Accounting Standards in force at the relevant time (even if the standards do not otherwise apply to the company).

3.1.4 Foreign company

In general a foreign company is an entity that is incorporated outside Australia except for a sole corporation or unincorporated body formed outside Australia.

A foreign company that carries on business in Australia is required to be registered under the Corporations Act.



See section 7.4 for a discussion on the reporting requirements for foreign companies.

3.2 Registered scheme

A registered scheme is defined in the Corporations Act as a managed investment scheme that is registered under section 601EB of the Corporations Act. A managed investment scheme must be registered under the Corporations Act if (s. 601ED):

- It has more than 20 members, or
- It was promoted by a person, or an associate of a person, who was, when the scheme was promoted, in the business of promoting managed investment schemes, or
- ASIC has determined (and given written notice to each of the operators of the schemes) that a number of managed investment schemes are closely related and that each of them has to be registered at any time when the total number of members of all of the schemes exceeds 20.

3.3 Not-for-profit entities

Not-for-profit organisations are organisations that do not operate for the profit, personal gain or other benefit of particular people. Not-for-profit organisations fall within two broad categories for tax purposes namely charities and other types of not-for-profit organisations. Charities must be registered with the Australian Charities and Not-for-profits Commission (ACNC) to access charity tax concessions¹.

3.4 Other types of entities

3.4.1 Disclosing entities

Section 111AC of the Corporations Act defines a disclosing entity as a corporation that issues *enhanced disclosure securities*.

Enhanced disclosure securities (referred to as 'ED securities' in the Corporations Act) include:

- Securities of a body or undertaking that are included in the official list of a prescribed financial market, i.e. Asia Pacific Exchange Limited, ASX Limited, Chi-X Australia Pty Ltd, National Stock Exchange of Australia Limited, SIM Venture Securities Exchange Ltd, but excluding certain Crown entities and exempt foreign entities (s.111AE, Reg 1.0.02A, Reg 1.2A.01)
- Securities, except for debentures and managed investment products, held by more than 100 persons issued pursuant to a disclosure document under Chapter 6D of the Corporations Act (i.e. the fundraising provisions of the Act) (s.111AF)
- Managed investment products held by 100 or more persons issued pursuant to product disclosure statements under Chapter 7 of the Corporations Act and others issued under certain recognised offers (s.111AFA)
- Securities issued as consideration for an acquisition under an off-market takeover bid or compromise or arrangement (s.111AG).

¹ This guide does not deal with specific industries and types of entities and therefore does not include any further specific discussion on additional reporting requirements for not-for-profit organisations.

Disclosing entities include:

- Listed entities and listed registered schemes
- Entities and registered schemes which raise funds pursuant to a prospectus
- Entities and registered schemes which offer securities other than debentures as consideration for an acquisition of shares in a target company under a takeover scheme
- Entities whose securities are issued under a compromise or scheme of arrangement.

The following entities are exempt from the disclosing entity provisions of the Corporations Act:

- A public authority of a State or Territory or an instrumentality or agency of the Crown in right of a State or Territory
- A public authority of the Commonwealth or an instrumentality or agency of the Crown in right of the Commonwealth, the relevant traded debt securities of which are guaranteed by the Government of the Commonwealth.

The Regulations may also exempt particular entities from some or all of the disclosing entity provisions of the Corporations Act. The Regulations currently exempt certain foreign companies issuing securities under foreign scrip offers (Reg 1.2A.02) and foreign companies issuing securities under employee share schemes (Reg 1.2A.03). ASIC also has the power to exempt entities from the disclosing entity provisions of the Corporations Act.



See section 4.1.1 for a discussion on the reporting mandate for disclosing entities.

3.4.2 Crowd-sourced funded entities

The Corporations Act was amended in March 2017 by the *Corporations Amendment (Crowd-sourced Funding) Act 2017* in order to permit small unlisted entities to make offers of securities using crowd-sourced funding.

In order to take advantage of the crowd-sourced funding requirements, the entity must be an 'eligible CSF company', the following conditions must be met (s.738H):

- The entity must be a public company limited by shares and have its principle place of business in Australia
- A majority of the company's directors (excluding alternate directors) must ordinarily reside in Australia
- Neither the company, nor any related party of the company, is a listed corporation or has a substantial purpose of investing in securities or interests in other entities or schemes.

In addition, the company must meet an assets and turnover test, as follows:

Condition	Value
Value of consolidated gross assets of the company and all its related parties ²	<i>Less than \$25 million*</i>
Consolidated annual revenue of the company and all of its related parties	<i>Less than \$25 million*</i>

* The Corporations Regulations may prescribe a different amount

Entities eligible to raise funds are subject to an annual limit of \$5 million in funds raised using crowd-sourced funding and comply with the various requirements of the newly introduced Part 6D.3A of the Corporations Act.



Entities taking advantage of the crowd-sourced funding provisions of the Corporations Act are also eligible to adopt the temporary corporate governance concessions available to these entities. More information about the concessions can be found in section 4.1.9.

² A related party for these purposes is a related body corporate of the company (i.e. a holding company or subsidiary of the entity, or subsidiary of the holding company of the entity), or any entity controlled by a person who controls the company or an associate of that person (s.738G(3)).

3.4.3 Stapled entities

A stapled entity is an entity whose securities are stapled to the securities of another entity by means of a contractual arrangement. The stapled securities cannot be traded or transferred independently and are quoted at a single price. Therefore, all owners of the one entity are also owners of the other entity and the financial performance of an investment in a stapled security is dependent on the financial performance of all the entities whose securities are stapled.

Australia permits business entities to issue stapled securities and this structure has been used in Australia by e.g. REITS (real estate investment trusts) and infrastructure funds.

3.4.4 Australian Financial Services Licence (AFSL) holders

Entities/a person conducting a financial services business in Australia must have an Australian financial services licence³. ASIC is the regulatory of the financial service industry.

Under section 766A of the Corporations Act a person provides a *financial service* if they:

- (a) Provide *financial product advice* (as defined in s.766B)
- (b) *Deal* in a financial product (as defined in s.766C)
- (c) *Make a market* for a financial product (as defined in s.766D)
- (d) Operate a registered scheme
- (e) Provide a *custodial or depository service* (as defined in s.766E)
- (f) Engage in conduct of a kind prescribed by regulations made for the purposes of s.766A(1)(f).

³ This guide does not deal with specific industries and types of entities and therefore does not include any further discussion on Australian Financial Services Licence (AFSL) holders.

4 Reporting mandate

The main reporting mandate for companies arises under the Corporations Act and ASX Listing Rules and depends on how the entity is classified

Roadmap to this section

Topic	What is covered	Who does it apply to?
4.1 Corporations Act	When entities governed by the Corporations Act are required to prepare, have audited and lodge financial reports under Part 2M.3 of the Act	All entities captured by the Corporations Act, which includes those incorporated under the Act, and others entities, such as registered foreign companies
4.2 ASIC	Information about how ASIC modifies the operation of financial reporting and allied requirements of the Corporations Act	All entities which are subject to the Corporations Act, depending on each entity's circumstances
4.3 ASX	The additional financial reporting obligations arising under the ASX Listing Rules and how they interact with the Corporations Act	Entities that have securities listed on the ASX

4.1 Corporations Act

Part 2M.3 *Financial Reporting* of the Corporations Act sets out the requirements for financial reporting which includes requirements relating to:

- Preparing annual financial reports and directors' reports (discussed in section 4.1.2 below)
- Auditing the annual financial report (discussed in section 4.1.6 below)
- Lodging the annual report with ASIC (discussed in section 4.1.11 below)
- Preparing, auditing and lodging half year reports and directors' reports with ASIC (discussed in section 7.2).

Once an entity has determined whether or not it is required to prepare a financial report and directors' report under the Corporations Act it can then determine the type of report required to be prepared under the Accounting Standards (discussed in section 5).

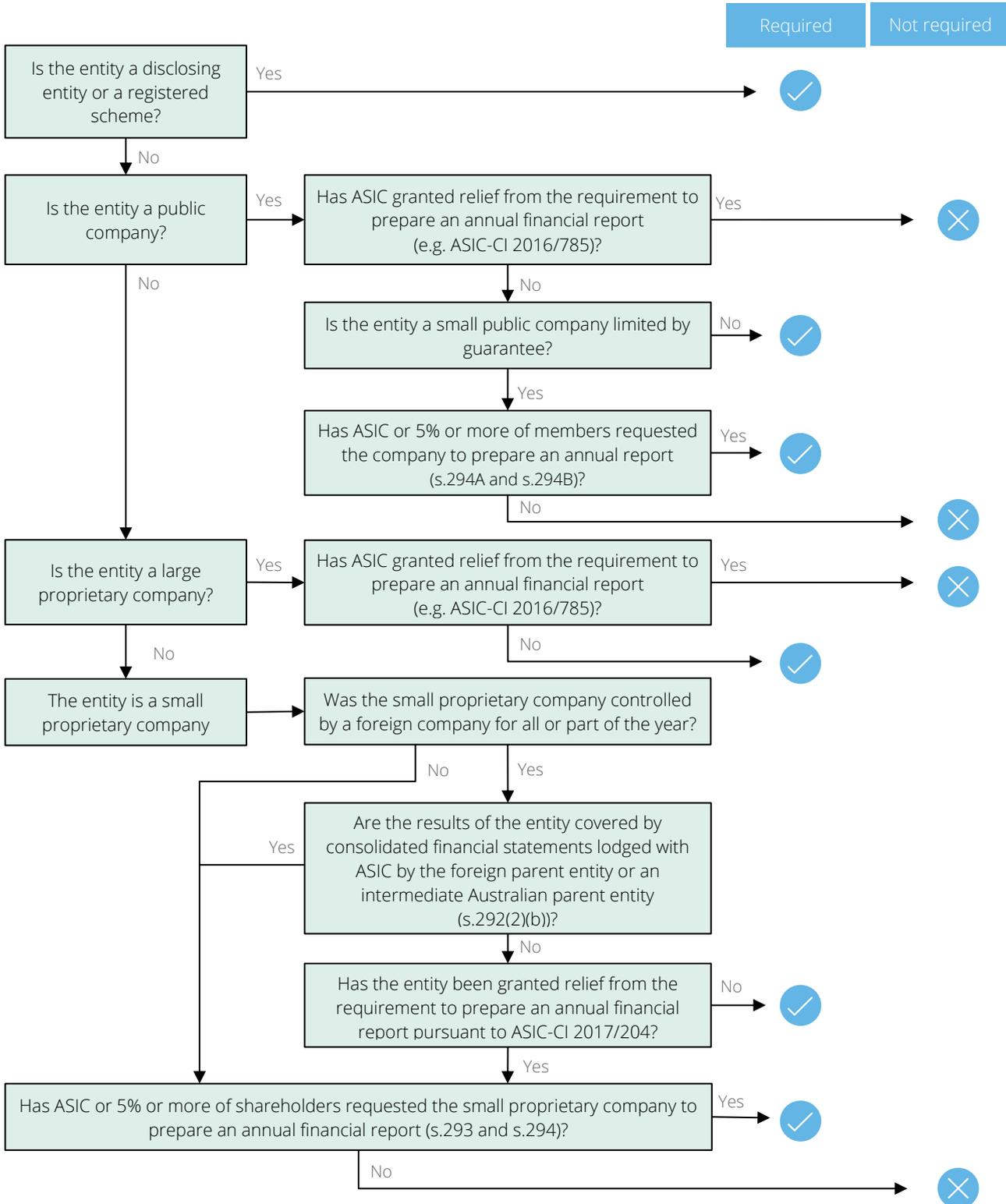
4.1.1 Disclosing entities

Disclosing entities (as defined in section 3.4.1) are required to apply with the 'disclosing entity provisions' of the Corporations Act, which include:

- Expanded financial reporting requirements under Chapter 2M of the Corporations Act, including:
 - The preparation of a remuneration report (see section 6.1.3)
 - The requirement to prepare and lodge a half-year financial report (see section 7.2)
- The continuous disclosure obligations arising under s.675 and s.676 (see section 7.1)

4.1.2 Preparation of an annual report

Although all entities are required to keep financial records (under s.285(1) of the Corporations Act), not all entities are required to prepare annual financial reports and directors' reports. The following flowchart assists in determining whether an entity is required to prepare an annual report under Part 2M.3 of the Corporations Act.



4.1.3 Large proprietary companies

Large proprietary companies (as defined in section 3.1.2 above) are generally required to prepare a financial report in accordance with Part 2M.3 of the Corporations Act and to have the financial report audited.

However, ASIC has issued a number of instruments which amend these requirements in some cases, including:

- Relief for certain large proprietary companies that were not audited for a financial year ending during 1993, or in any later financial year, from the audit requirements of the Corporations Act provided certain conditions are satisfied (see section 4.1.6 and 4.1.7)
- Large proprietary companies that are able to avail themselves of the 'grandfather clause' and are relieved from the requirement to lodge a financial report with ASIC, i.e. large proprietary companies that were classified as 'exempt proprietary companies' as at 30 June 1994 and continue to meet the definition of 'exempt proprietary company' at all times subsequent to 30 June 1994 are, provided certain conditions are met (see section 4.1.11 and 4.1.12)

4.1.4 Small proprietary companies

Preparation of financial reports

A small proprietary company (as defined in section 3.1.2) is not required to prepare a financial report under Part 2M.3 of the Corporations Act unless:

- It was controlled by a foreign company for all or part of the year and it is not consolidated for that period in financial statements for that year lodged with ASIC by a registered foreign company or a company, registered scheme or disclosing entity (subject to the application of *ASIC Corporations (Foreign-Controlled Company Reports) Instrument 2017/204* discussed below)
- If 5% or more of the shareholders request that a financial report be prepared, a directors' report need not be prepared and the financial report need not be prepared in accordance with Accounting Standards if the shareholders' request specifies that a directors' report is not required and that Accounting Standards need not be complied with. In addition, the financial report need only be audited if the shareholders' request asks for the financial report to be audited
- If ASIC requests that a financial report be prepared, the financial report is to be prepared in accordance with the request, i.e. the request may or may not require that the financial report be prepared in accordance with Accounting Standards or be subject to audit.

Financial report preparation relief for foreign controlled small proprietary companies

When a company is a foreign controlled small proprietary company that is not part of a 'large group', it may qualify for relief from preparing a financial report under *ASIC Corporations (Foreign-Controlled Company Reports) Instrument 2017/204*. This instrument replaces ASIC Class Order 98/98 and is effective from 24 March 2017⁴.

A 'group' is a 'large group' when, on a combined basis, the 'group' satisfies at least 2 of the following conditions for the financial year of the company in question (i.e. small proprietary company):

Condition	Value
Combined revenue of the group for the relevant financial year	\$25 million or greater
Combined value of the gross assets of the group at the end of the relevant financial year	\$12.5 million or greater
Number of employees of the group (part time employees being counted as an appropriate fraction of a full-time equivalent) at the end of the financial year	50 or more

The full definition of a large group in the class order notes that the amounts specified may be varied to any other amount prescribed for the purposes of paragraph 45A(2) of the Corporations Act.

⁴ See section 4.2.2 for a discussion of *ASIC Corporations (Foreign-Controlled Company Reports) Instrument 2017/204* and ASIC Class Order 98/98

Where 'group' is defined to comprise:

- (a) The entity in question
- (b) Any other entity which controlled the entity at any time during, or at the end of, the financial year and which was registered or formed in Australia or carries on business in Australia
- (c) Any other entity which is controlled at any time, or at the end of, the financial year by a foreign company which at the same time controls the entity and which is incorporated or formed in Australia and carries on business in Australia during that part of the financial year when it is controlled by the same foreign company as controls the entity
- (d) Any entity which is controlled at any time during, or at the end of, the financial year by the entity
- (e) Any entity which is controlled by any entity in (c) during that part of the financial year when the corresponding entity is controlled by the same foreign company that controls the entity.

Combining financial statements is a process similar to consolidation except that it only includes the entities which fall within the definition of 'group'.

In order to qualify for relief, all of the following conditions must be met:

- (a) The company is not part of a 'large group' controlled by a foreign company (see above)
- (b) The directors of the company have resolved no earlier than 3 months before the start of the relevant financial year that the relief should apply
- (c) The company relied upon the relief in the immediately previous financial year, or the entity has lodged Form 384 during the period ending 3 months before the commencement of the financial year and ending 4 months after the end of the relevant financial year, or the company has previously relied on the relief but could not rely on the relief because ASIC notified the company it could not rely on the relief in the instrument for a particular financial year
- (d) The relief was not taken advantage of in a prior period and the company lodged an annual financial report for that period or the company stopped relying on the relief and lodged a Form 394 during a period commencing months before the commencement of the financial year and ending 4 months after the end of the financial year
- (e) ASIC has not notified the company that it may not rely on the relief in the instrument, or has notified the company that it may not rely on the relief in the instrument but has subsequently revoked or varied the notice so that it does not cover the relevant financial year.

Preparation of financial reports - small company limited by guarantee

A small company limited by guarantee (as defined in section 3.1.3) is not required to prepare a financial report under Part 2M.3 of the Corporations Act unless:

- (a) 5% or more of the members request that a financial report be prepared, or
- (b) ASIC requests that a financial report be prepared.

If 5% or more of the members request that a financial report be prepared, a directors' report need not be prepared and the financial report need not be prepared in accordance with Accounting Standards if the members' request specifies that a directors' report is not required and that Accounting Standards need not be complied with. In addition, the financial report need only be audited or reviewed if the members' request asks for the financial report to be audited or reviewed.

If ASIC requests that a financial report be prepared, the financial report is to be prepared in accordance with the request, i.e. the request may or may not require that the financial report be prepared in accordance with Accounting Standards or be subject to audit.



See sections 4.1.6, 4.1.9 and 4.1.11 for a further discussion on the reporting mandate for small proprietary companies.

4.1.5 Wholly-owned subsidiaries

Directors' report

Wholly-owned subsidiaries of companies incorporated in Australia that are public companies need not include the following information required by s.300(10) in the directors' report:

- Each director's qualifications, experience and special responsibilities
- The number of meetings of the board of directors held during the year and each director's attendance at those meetings
- The number of meetings of each board committee held during the year and each director's attendance at those meetings
- The qualifications and experience of each person who is a company secretary of the company as at the end of the year.

For the purposes of applying these requirements, 'wholly owned subsidiary' is defined in s.9 to mean a body corporate none of whose members is a person other than:

- (a) The first-mentioned body, or
- (b) A nominee of the first-mentioned body, or
- (c) A subsidiary of the first-mentioned body, being a subsidiary none of whose members is a person other than:
 - (i) The first-mentioned body, or
 - (ii) A nominee of the first-mentioned body, or
 - (iii) A nominee of such a subsidiary.

Financial report preparation, lodgement and audit relief

ASIC Corporations (Wholly owned Companies) Instrument 2016/785 (issued 28 September 2016) exempts certain wholly-owned subsidiaries from the following requirements:

- Prepare a financial report and directors' report
- Have the financial report audited
- Distribute the financial report, directors' report and auditors' report to members
- Lay the reports before an annual general meeting
- Lodge the reports with ASIC
- In certain cases, appoint an auditor.

The relief granted by the instrument applies in relation to financial years ending on or after 1 January 2017. Prior to this date, relief was granted under ASIC Class Order 98/1418⁵.

The relief is only available where:

- (a) The company is a public company, large proprietary company or a small proprietary company to which s.292(2)(b) applies (i.e. a foreign controlled small proprietary company)
- (b) The company is not a disclosing entity, a borrower in relation to debentures (or a guarantor of such a borrower), or a financial services licensee
- (c) The company has a holding company at the end of the relevant financial year, the relevant financial year and the financial year of the holding company ended on the same date, and the holding entity is not a small proprietary company
- (d) If the entity has not relied on the relief in the instrument in a prior period (or relied on the equivalent relief in ASIC Class Order 98/1418), or the holding entity of the company was not the same for the relevant financial year and the preceding financial year, that it has lodged Form 389 with ASIC in the required format and within the relevant time
- (e) The company has undertaken the initial procedures in applying for relief before the end of the first financial year in which the company has taken advantage of the relief under the instrument or a previous order
- (f) The directors of the company have considered the advantages and disadvantages of the company remaining a party to the deed of cross guarantee and taking advantage of the relief afforded by the instrument and made a resolution to remain a party to the deed of gross guarantee or seek to revoke the deed
- (g) The company remained a wholly-owned entity of the holding entity at all times from the end of the financial year until the relevant documents are lodged with ASIC in respect of the financial year, or otherwise became a member

⁵ Refer to 4.2.2 for more information on *ASIC Corporations (Wholly owned Companies) Instrument 2016/785* and Class Order 98/1418 *Wholly-owned entities*.

of another deed of cross guarantee or have no reason to believe at the relevant time to company may not be able to obtain relief under the instrument in respect of its next financial year

- (h) Except in relation to a deed of cross guarantee lodged with ASIC before 1 July 2004 – a company holds office as trustee under the deed of cross guarantee and if the person holding office as trustee under the deed of cross guarantee is a group entity within the meaning of that deed, another person that is a company holds office as alternative trustee under that deed
- (i) Where the deed of cross guarantee was lodged with ASIC before 1 July 2004 – the deed was approved by ASIC for the purposes of a previous order
- (j) The deed of cross guarantee (and any relevant assumption deed) has been lodged with ASIC before the end of the relevant financial year and where that lodgement occurred on or after 1 July 2004, an original of a certificate relating to that deed has also been lodged with ASIC (by a lawyer as to the preparation, execution and enforceability of the deed)
- (k) Each member of the ‘closed group’ other than the holding entity is a company incorporated in Australia, or a body incorporated in Australia, the United Kingdom, New Zealand, Singapore or Hong Kong and the requirements for any foreign entities being a party to the deed of cross guarantee have been met
- (l) At the end of the relevant financial year, no party to the deed of cross guarantee was a body that is regulated by the Australian Prudential Regulation Authority (APRA)
- (m) Neither the company nor the holding entity have terminated, repudiated or attempted to repudiate or terminate or agreed to any variation of the deed of cross guarantee except by the permitted methods in the instrument
- (n) The holding entity has prepared consolidated financial statements together with notes for the relevant financial year in accordance with the instrument (which depends on whether the holding entity is an Australian company or a registered foreign company), those consolidated financial statements include adequate provision in relation to the liabilities of any parties to the deed of cross guarantee which are not consolidated
- (o) The notes the consolidated financial statements include:
 - A short statement of the nature of the deed of cross guarantee
 - Lists the parties to the deed of cross guarantee as the end of the relevant financial year (separately identifying the members of the ‘closed group’ and the other members of the ‘extended closed group’)
 - Details of parties to the deed of cross guarantee added, removed or subject to a notice of disposal
 - Details of any entities at the end of the immediately preceding financial year but which were ineligible for relief in respect of the relevant financial year
 - Where the consolidated financial statements cover entities which are not members of the closed group, additional consolidation information in respect of the consolidation of the entities that are members of the closed group
 - Where the consolidated financial statements cover entities which are not parties to the deed of cross guarantee, additional consolidation information in respect of the consolidation of the entities that are parties to the deed of cross guarantee
 - Where there are parties to the deed of cross guarantee which are not controlled by the holding entity, additional consolidation information in respect of those parties, either individually or in aggregate
- (p) The director’s declaration (and certain other documents) of the holding entity for the relevant financial year includes a statement as to whether there are reasonable grounds to believe that the members of the extended closed group will be able to meet any liabilities to which they are, or may become, subject because of the deed of cross guarantee
- (q) If the holding entity’s financial report is required to be audited, the auditor of the holding company is satisfied that the stipulated conditions of the instrument have been complied with
- (r) The company has complied with the conditions (see below) and certain continuing conditions of ASIC Class Order 98/1418 as continued in force by the instrument.

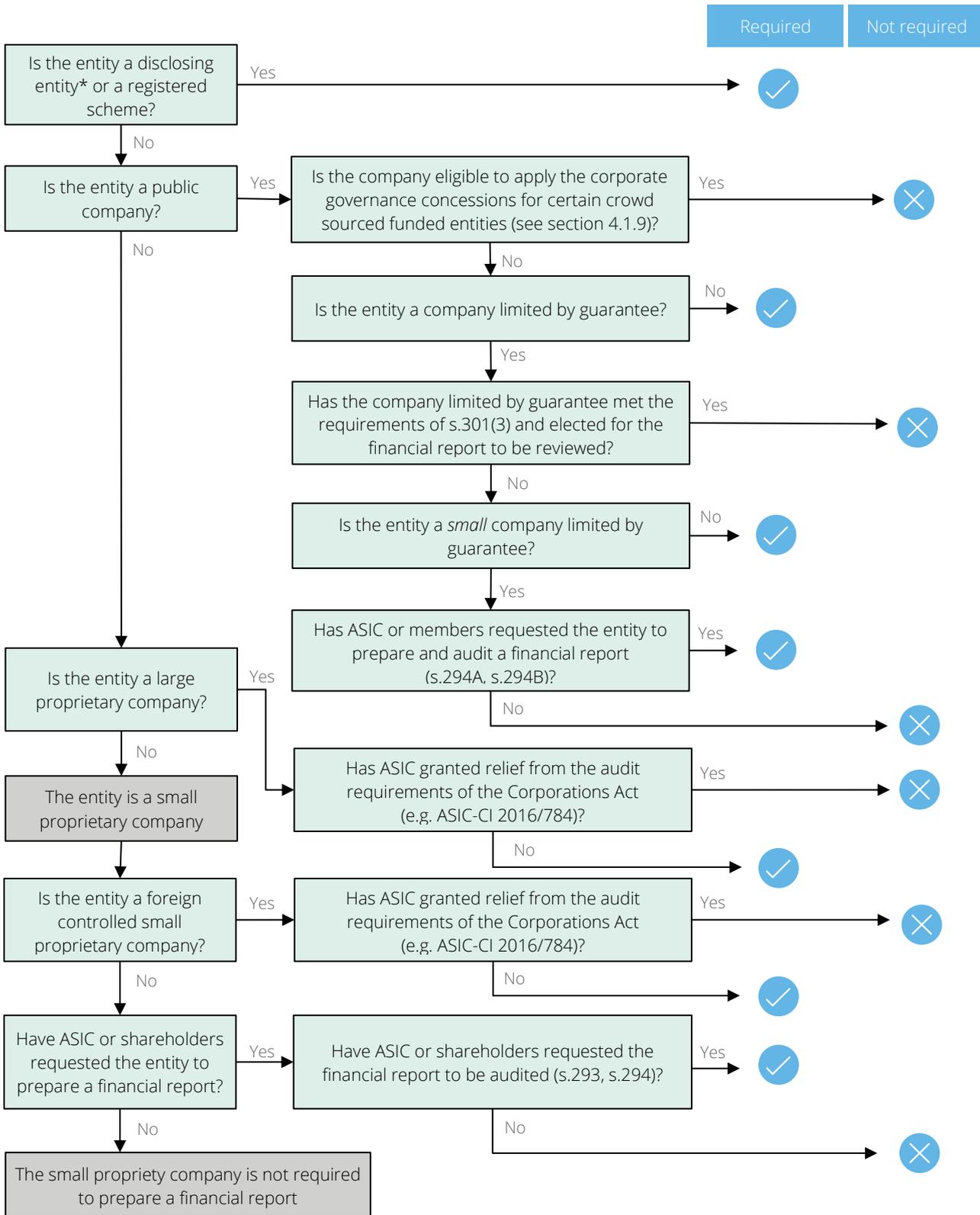
The main conditions of the instrument are:

- (a) Where a company ceases to rely on relief of the instrument and does not lodge an annual financial report prepared under Chapter 2M of the Corporations Act, that it lodges with ASIC a notice using Form 399
- (b) Where a company relies on the relief available under the instrument and ceases to be a wholly-owned entity of the holding company, the company must prepare a financial report and directors report for the financial year and lodge those documents with ASIC unless certain conditions are met

In some cases, ASIC may give notice to a company that may not rely on the relief available under the instrument, or may not rely on that relief for the relevant financial year.

4.1.6 Audit of the annual financial report

Having determined that an entity is required to prepare an annual report under Part 2M.3 of the Corporations Act, the following flowchart assists in determining whether the annual financial report is required to be audited under Part 2M.3 of the Corporations Act.



- * Effective for financial years beginning on or after 28 June 2007, if the directors' report for the financial year includes a remuneration report (required for listed disclosing entities that are companies only), the auditor must also report to members on whether the auditor is of the opinion that the remuneration report complies with s.300A of the Corporations Act.

4.1.7 Audit relief for large proprietary companies

ASIC Corporations (Audit Relief) Instrument 2016/784 (dated 28 September 2016) relieves large proprietary companies that were not audited for a financial year ending during 1993, or in any later financial year, from the audit requirements of the Corporations Act provided certain conditions are satisfied.

The relief does not apply to large proprietary companies that are:

- Large 'grandfathered' proprietary companies under the former s.319(4) of the Corporations Law
- Disclosing entities (see *Disclosing entities* on page 11)
- Borrowers in relation to debentures
- Guarantors of borrowers in relation to debentures
- A financial services licensee.

The Corporations Instrument applies in relation to a financial year that ends on or after 1 January 2017 and replaces ASIC Class Order 98/1417. The relief in ASIC Class Order 98/1417 continues to apply despite its repeal in relation to a financial year ending before 1 January 2017⁶.

To qualify for audit relief the following conditions must be satisfied in relation to the company's financial report for a financial year (the 'relevant financial year'):

- (a) During the period of three months before the commencement of relevant financial year and ending four months after the end of the relevant financial year, all of the directors and all of the members must pass a unanimous resolution that an audit is not required and formal notification of the resolution must be lodged with ASIC (using Form 382) unless the company relied on the relief available under the Corporations Instrument or Class Order 98/1417 in respect of the financial year immediately preceding the relevant financial year. Before passing the members' resolution, the members must have been provided, either in the notice of meeting or in material accompanying a circular resolution, with a statement by the directors stating whether, in their opinion, the cost of having the financial statements audited outweighs the expected benefits of the audit and setting out their reasons for that opinion, before so resolving
- (b) Written notice that an audit is required has not been received from a director, members who control 5% or more of the votes that might be cast at a general meeting of the company or any person who is owed approved subordinated debt by the company (subject to certain conditions in each case)
- (c) The directors' declaration for each financial year which ended on or after 1 July 1998 (up to and including the relevant financial year) must include an unqualified statement that there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable (or for certain previous financial years, that the company would be able to pay its debts as and when they fell due)
- (d) The company must have procedures which enable all the directors to assess whether the company is able to pay its debts as and when they become due and payable
- (e) Management accounts (incorporating an income statement, statement of changes in equity, balance sheet and cash flow statement) must be prepared on at least a quarterly basis within one month after the end of the relevant quarter
- (f) The directors have resolved, at the end of each quarter and at the time the resolution is made, that total liabilities do not exceed 70% of total tangible assets and that the company was able to pay all its debts as and when they become due and payable. Where consolidated management accounts are prepared, total liabilities do not exceed 70% of total consolidated tangible assets
- (g) If the company is a party to any deed of cross guarantee under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, the directors have resolved each quarter that the total consolidated liabilities did not exceed 70% of the total consolidated tangible assets in respect of either the closed group or extended closed group (as defined in that ASIC-CI 2016/785)

⁶ Refer to section 4.2.2 for further information on Class Order 98/1417 and *ASIC Corporations (Audit Relief) Instrument 2016/784*.

- (h) The directors have resolved, at the end of the relevant financial year and at the time the resolution is made, total liabilities do not exceed 70% of total tangible. If relevant, total consolidated liabilities also do not exceed 70% of total consolidated tangible assets for the company and its controlled entities, and where the company is a party to any deed of cross guarantee under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, that total consolidated liabilities did not exceed 70% of the total consolidated tangible assets in respect of either the closed group or extended closed group
- (i) The company, and consolidated entity where consolidated financial statements are required under the Corporations Act, must have made a profit from ordinary activities after related income tax expense for the relevant financial year or the financial year preceding the relevant financial year
- (j) The year end financial statements must be prepared by a prescribed accountant (who may be an employee of the company) in accordance with APES 315 *Compilation of Financial Information* and must be accompanied by a compilation report prepared in accordance with APES 315.

In addition, the company must comply with the following requirements:

- (a) Where a shareholder or person who is owed approved subordinated debt requests a copy of the management accounts or a directors' resolution regarding the above items, the company must make these available to the requesting party in accordance with the requirements of the instrument
- (b) The financial report and the directors' report for the relevant financial year and the immediately preceding financial year must substantially comply with Chapter 2M of the Corporations Act
- (c) The company must lodge its financial report and directors' report for the relevant financial year and the immediately preceding financial year with ASIC in accordance with the requirements of the Corporations Act
- (d) The directors' report must include a statement that the financial report has not been audited, in reliance on *ASIC Corporations (Audit Relief) Instrument 2016/784*, and that the requirements of the instrument have been complied with
- (e) A registered company auditor to whom the Company has granted access to any of the books of the Company has not indicated to the Company, any of its directors or other officers that, if the financial report of the Company for the relevant financial year were audited in accordance with Division 3 of Part 2M.3 of the Act, the auditor's report may contain a modified opinion within the meaning of paragraph 5(b) of Auditing Standard ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*, and there are no material disagreements or unresolved issues as between the company and any such auditor in relation to accounting treatments or amounts that may appear in the financial report of the company for the Relevant Financial Year
- (f) If the relief is not applied for the financial year immediately following a financial year which the relief was applied, a notice that the company has ceased to apply the relief must be lodged with ASIC (using Form 396).



Refer to sections 4.1.2, 4.1.3 and 4.1.11 for a further discussion on the reporting mandate for large proprietary companies.

4.1.8 Audit relief for certain companies limited by guarantee

Under s.301(3), a company limited by guarantee may have its financial report for a financial year reviewed, rather than audited, if:

- (a) The company is not one of the following:
 - (i) A Commonwealth company for the purposes of the *Public Governance, Performance and Accountability Act 2013*⁷
 - (ii) A subsidiary of a Commonwealth company for the purposes of that Act
 - (iii) A subsidiary of a Commonwealth authority for the purposes of that Act
- (b) One of the following is true:
 - (i) The company is not required by the accounting standards to be included in consolidated financial statements and the revenue of the company for the financial year is less than \$1 million
 - (ii) The company is required by the accounting standards to be included in consolidated financial statements and the consolidated revenue of the consolidated entity for the financial year is less than \$1 million.

⁷ A Commonwealth company is a Corporations Act company that the Commonwealth controls, where control has the meaning defined in the *Public Governance, Performance and Accountability Act 2013*. It does not include subsidiaries of a Commonwealth company, a corporate Commonwealth entity or Future Fund Board of Guardians.

4.1.9 Audit relief for foreign controlled small proprietary companies

ASIC Corporations (Audit Relief) Instrument 2016/784 relieves foreign controlled small proprietary companies that were not audited for a financial year ending during 1993, or in any later financial year, from the audit requirements of the Corporations Act provided certain conditions are satisfied. The conditions for audit relief are the same as those prescribed for large proprietary companies, as outlined in section 4.1.7 above.

4.1.10 Concessions available for certain public companies undertaking crowd-sourced funding

The Corporations Act contains a number of corporate governance concessions which are available to certain crowd-sourced funding entities, and are designed to reduce the barriers to entities adopting the public company structure in order to raise crowd-sourced funding⁸.

These corporate governance concessions are only available to companies that register as, or convert to, a public company after the commencement of the crowd-sourced funding regime under the Corporations Act (see section 3.4.2). This is to ensure that public companies subject to the public company requirements at the time of the commencement of the crowd-sourced funding regime under the act do not reduce their reporting or governance standards.

Eligibility for relief

In order to be eligible for the corporate governance concessions, a company must be covered by s.738ZI.

A company is covered by s.738ZI if:

- (a) The company was registered as a public company limited by shares or was converted from a proprietary company to a public company limited by shares
- (b) The application made in relation to the company's registration or conversion stated that the company will be covered by s.738ZI or when the company's registration is altered to reflect its conversion and that the company intends to a crowd-sourced funding offer after its registration or conversion
- (c) The company is an eligible 'CSF company' at that time (see section 3.4.2)
- (d) The time is within five years after the company's registration as or conversion to a public company limited by shares
- (e) If the time is at or after the end of a financial year that ends later than 12 months after the company's registration as or conversion to a public company limited by shares, that the company has completed a crowd-sourced funding offer at the time
- (f) The company has been continually covered by the section at all times since its registration or conversion
- (g) The company has not made any offers of securities for issue or sale that need disclosure to investors under Part 6D.2 of the Corporations Act (i.e. the normal fundraising provisions of the act involving the issue of a prospectus or similar document).

In essence, the corporate governance concessions apply only to public companies that are registered as or convert to a public company limited by shares that state they are intending to take advantage of the crowd-sourced funding provisions of the Corporations Act. The relief available is then only available if a crowd-sourced funding offer is made within a short period of time, and the relief then only applies for a period of five years after which the normal requirements for public companies apply.

Audit relief

Under s.301(5), a company need not have its financial report for a financial year audited if:

- (a) The company is covered under s.738ZI at the end of the financial year, i.e. is a public company eligible for limited governance requirements under the crowd-sourced funding part of the Corporations Act (as noted above)
- (b) As at the end of the financial year, the company has raised less from \$1 million from all crowd-sourced funding offers it has made at any time.

Similarly, a public company that is covered by s.738ZI just after it is registered as a public company is not required to appoint an auditor (s.327A(1A)). If a public company stops being covered by s.738ZI or raises more than \$1 million using crowd-sourced funding, it must appoint an auditor (s.328C, s.328D) and the above relief is not available.

⁸ The concessions were enacted by the *Corporations Amendment (Crowd-sourced Funding) Act 2017* which received Royal Assent on 28 March 2017. The concessions come into effect on a date set by Proclamation, or otherwise six months after the date of Royal Assent.

A company that takes advantage of the audit relief is not required to include a copy of the auditor's independence declaration in its directors' report (s.298(1AC) and s.298(1AD)).

Modified reporting to members

A company that satisfies the general eligibility criteria to claim the concessions (as noted above) at the end of the financial year only needs to provide its annual reports via a website and does not need to notify shareholders of alternative ways of receiving the reports (s.314(1AF)). Similar concessions apply to concise financial reports (s.314(2A)).

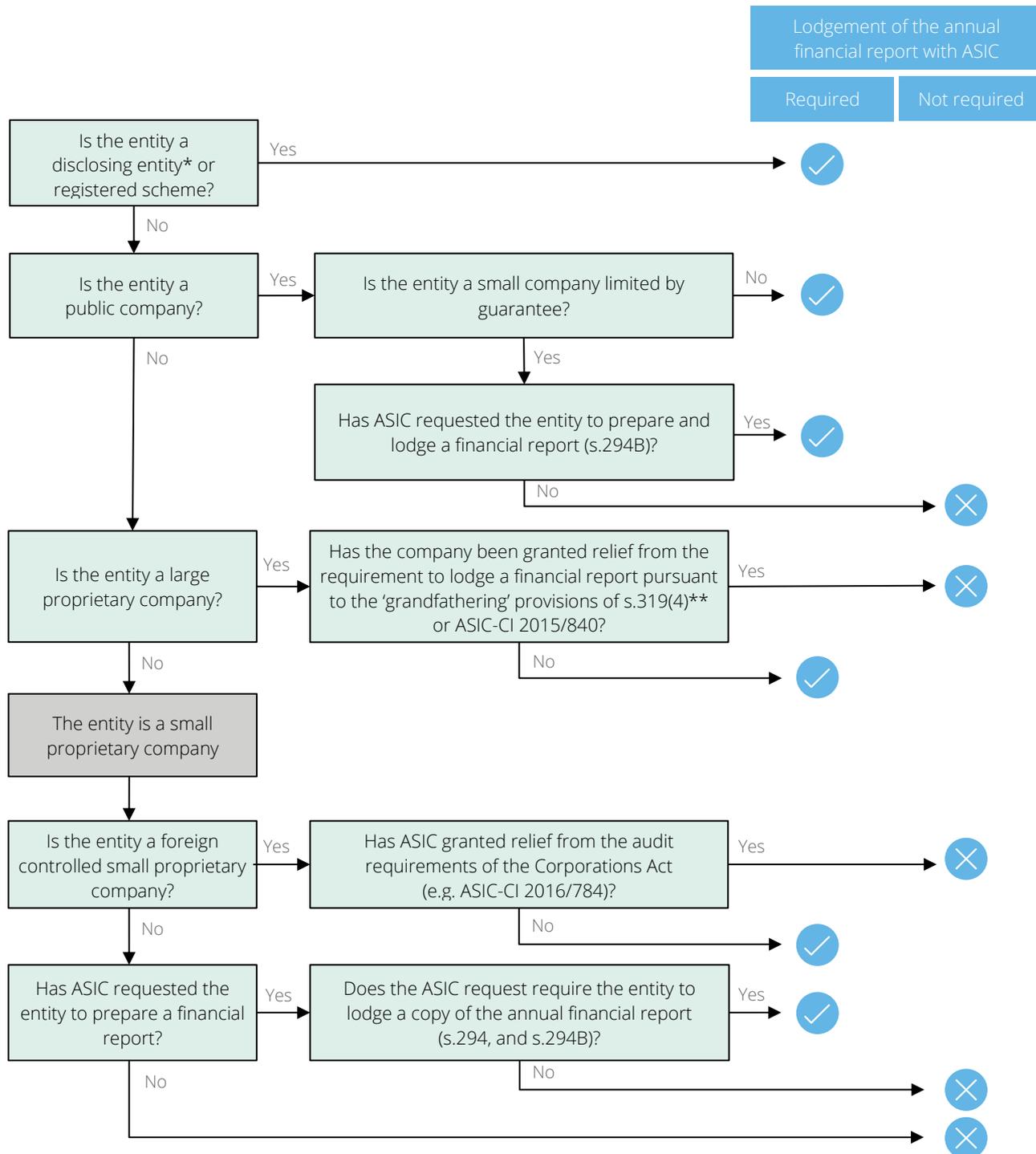
Relief from holding an annual general meeting (AGM)

If the financial year end for a public company is within 18 months of the date of registration, or conversion, the company does not need to hold an AGM if it satisfies the requirements to claim the concessions at the end of the financial year (s.250N(5)).

For all subsequent financial years, the company does not need to hold an AGM if it satisfies the requirements to claim the public company concessions at the end of that financial year. (s.250N(6)).

4.1.11 Lodgement of the annual financial report with ASIC

Having determined that an entity is required to prepare an annual report under Part 2M.3 of the Corporations Act, the following flowchart assists in determining whether the annual report is required to be lodged with ASIC.



* Listed disclosing entities are able to take advantage of ASIC Corporations (Electronic Lodgment of Financial Reports) Instrument 2016/181 (see page 27)

** In accordance with Corporations (Electronic Lodgment of Financial Reports) Instrument 2016/181, listed companies or registered schemes are relieved from the requirement to lodge a copy of their financial report, directors' report and auditor's report for the financial year (including any concise financial report) and half-year with ASIC where those reports have already been electronically lodged with the ASX, National Stock Exchange of Australia, SIM Venture Securities Exchange Limited or Sydney Stock Exchange Limited

4.1.12 Lodgement relief for certain large proprietary companies

In accordance with the former s.319(4) of the Corporations Law, which continues to apply in accordance with s.1408(6) of the Corporations Act, (i.e. the 'grandfather clause'), large proprietary companies that were classified as 'exempt proprietary companies' as at 30 June 1994 and continue to meet the definition of 'exempt proprietary company' at all times subsequent to 30 June 1994 are relieved from the requirement to lodge a financial report with ASIC, provided:

- The company was an exempt proprietary company on 30 June 1994
- The company continues to meet the definition of 'exempt proprietary company' (as in force at 30 June 1994) at all times since 30 June 1994
- The company was a large proprietary company at the end of the first financial year after 9 December 1995
- The company's financial statements for the financial year ending during 1993 and each later financial year have been audited before the deadline
- Within 4 months after the end of the first financial year after 9 December 1995, the company lodged with ASIC a notice that the company has applied for the lodgement relief granted by s.319(4).

ASIC Corporations (Exempt Proprietary Companies) Instrument 2015/840 (dated 18 September 2015), provides similar lodgement relief to large proprietary companies in which an ownership interest is held by a foreign company, provided the ownership interest does not constitute control and certain other conditions are satisfied. To take advantage of this relief, the directors of the large proprietary company must have lodged with ASIC, within 4 months after the end of the first financial year that ended after 24 April 1997, notification of their intention to adopt Class Order 98/99⁹.



Refer to sections 4.1.3 and 4.1.7 for a further discussion on the reporting mandate for large proprietary companies.

4.1.13 Summary of requirements by type of entity

The following table summarises the information in this section:

Type of entity	Financial report required?	Audit of financial report required?	Lodgement of financial report with ASIC required?
Disclosing entities	Yes	Yes	Yes (unless lodged with the ASX)
Registered schemes	Yes	Yes	Yes (unless lodged with the ASX)
Public companies:			
• Public companies granted relief from the requirement to prepare a financial report (e.g. ASIC-CI 2016/785)	No	-	-
• Small company limited by guarantee subject to ASIC or member request (s.294A and s.294B)	Yes	Only if requested by ASIC or the shareholders	Only if requested by ASIC
• Other small companies limited by guarantee	No	-	-
• Public companies limited by guarantee meeting the requirements of s.301(3) which have elected for the financial report to be reviewed	Yes	Review rather than audit	Yes

⁹ Corporations Instrument 2015/840 is the current instrument in force. Class Order 98/99 was revoked by Class Order 05/638, and Class Order 05/638 was revoked by Corporations Instrument 2015/840.

Type of entity	Financial report required?	Audit of financial report required?	Lodgement of financial report with ASIC required?
Public companies (continued):			
<ul style="list-style-type: none"> Public companies covered under section 738ZI at the end of the financial year, i.e. a public company eligible for limited governance requirements under the crowd-sourced funding part of the Corporations Act¹⁰ 	Yes	Only where the company has raised more than \$1 million from all crowd-sourced funding offers it has made	Yes
<ul style="list-style-type: none"> All other public companies 	Yes	Yes	Yes
Large proprietary companies:			
<ul style="list-style-type: none"> Large proprietary companies granted relief from the requirement to prepare a financial report (e.g. ASIC-CI 2016/785) 	No	-	-
<ul style="list-style-type: none"> Large proprietary companies that are 'grandfathered' under s.319(4) or ASIC-CI 2015/840 	Yes	Yes	No
<ul style="list-style-type: none"> All other large proprietary companies 	Yes	Yes	Yes
Small proprietary companies:			
<ul style="list-style-type: none"> Small proprietary companies controlled by foreign company where the entity has been granted relief (e.g. ASIC- CI 2016/784) 	No	-	-
<ul style="list-style-type: none"> Other small proprietary companies controlled by foreign companies 	Yes	Yes	Yes
<ul style="list-style-type: none"> Small proprietary companies where ASIC or shareholders have requested the preparation of a financial report 	Yes	Only if requested by ASIC or the shareholders	Only if requested by ASIC
<ul style="list-style-type: none"> All other small proprietary companies 	No	-	-

4.1.14 Reporting deadlines

Section 319 of the Corporations Act requires a disclosing entity or registered scheme to lodge their annual financial report (i.e. financial report, directors' report and auditor's report) within three months after the end of the financial year. All other companies must lodge their annual financial reports within four months after the end of the financial year. However, companies that have the benefit of the grandfathering in the relevant Part 10.1 (Transition from the old corporations legislation) do not have to lodge.

Entities listed on the ASX will also need to consider the reporting deadlines under the ASX Listing Rules.



See section 6.6 for a summary of the reporting deadlines under both the Corporations Act and ASX Listing rules.

¹⁰ Only available to companies that register as, or convert to, a public company after the commencement of the crowd-sourced funding regime under the Corporations Act and meet the other requirements for related corporate governance concessions (see section 4.1.9).

4.2 ASIC

4.2.1 How ASIC is involved in financial reporting

ASIC is Australia's regulator of Australian companies, markets, financial services and professionals who provide advice in investments, superannuation, insurance, deposit taking and credit. ASIC does not mandate the reporting requirements of an entity. However, it is responsible for regulating compliance with the financial reporting (and auditing) requirements for entities subject to the Corporations Act.

4.2.2 Class orders and Corporations Instruments

ASIC issues class orders/corporations instruments to:

- Provide exemptions to provisions of Acts administered by ASIC e.g. the Corporations Act
- Modify or clarify provisions of Acts
- Make declarations about a person(s) subject to provision.

The following significant and relevant class orders/corporations instruments related to financial reporting have been released by ASIC:

Release number	Issue date	Subject
Class orders:		
98/98	10/07/98	<p><i>Small proprietary companies which are controlled by a foreign company but which are not part of a large group</i></p> <p>Relieves foreign controlled small proprietary companies from the requirement to prepare, audit and lodge a financial report in circumstances where a financial report is not lodged by the foreign parent entity or intermediate Australian parent entity, provided certain conditions are satisfied. This Class Order has been amended by ASIC Class Order 07/822 to reduce the ongoing administrative obligations of eligible companies relying on the relief to lodge forms with ASIC every year.</p> <p>ASIC Class Order 98/98 has been replaced by <i>ASIC Corporations (Foreign-Controlled Company Reports) Instrument 2017/204</i> (issued on 23 March 2017) which applies from 24 March 2017.</p>
98/1417	13/08/98	<p><i>Audit relief for proprietary companies</i></p> <p>Relieves large proprietary companies and foreign controlled small proprietary companies from the audit requirements of the Corporations Act, provided certain conditions are satisfied. This Class Order has been amended by ASIC Class Order 10/545 to reduce the ongoing administration burden of eligible companies relying on the relief to lodge forms with ASIC every year.</p> <p>ASIC Class Order 98/1417 has been replaced by <i>ASIC Corporations (Audit Relief) Instrument 2016/784</i> (issued on 28 September 2016), which applies to financial years ending on or after 1 January 2017.</p>
98/1418	13/08/98	<p><i>Wholly-owned entities</i></p> <p>Relieves wholly-owned subsidiaries from the requirement to prepare a financial report and to have that financial report audited, provided certain conditions are satisfied.</p> <p>ASIC Class Order 98/1418 has been replaced by <i>ASIC Corporations (Audit Relief) Instrument 2016/785</i> (issued on 28 September 2016) which applies to financial years ending on or after 1 January 2017 (it is therefore not applicable for annual reporting periods ending on (or before) 31 December 2016).</p>

Release number	Issue date	Subject
02/1432	24/12/02	<p>Registered foreign companies – financial reporting requirements</p> <p>Relieves registered foreign companies from the requirement to lodge financial statements with ASIC, provided certain conditions are satisfied.</p> <p>ASIC Class Order 02/1432 has been replaced by <i>ASIC Corporations (Foreign-Controlled Company Reports) Instrument 2017/204</i> (issued on 23 March 2017), which applies to calendar years commencing on or after 1 January 2017.</p>
10/654	26/07/10	<p>Inclusion of parent entity financial statements in financial reports</p> <p>Allows companies, registered schemes and disclosing entities that present consolidated financial statements to include parent entity financial statements as part of their financial report under Chapter 2M of the Corporations Act. This class order overcomes some unintended consequences resulting from the <i>Corporations Amendment (Corporate Reporting Reform) Act 2010</i>.</p>
Corporations Instruments:		
2015/838	18/09/15	<p>ASIC Corporations (Stapled Group Reports) Instrument 2015/838</p> <p>Permits issuers of stapled securities to include their financial statements and the consolidated or combined financial statements of the stapled group in adjacent columns in one financial report, provided certain conditions are satisfied. Replaces ASIC Class Order 05/642 and commences on 1 October 2015.</p>
2015/839	18/09/15	<p>ASIC Corporations (Related Scheme Reports) Instrument 2015/839</p> <p>Permits registered schemes with a common responsible entity (or related responsible entities) to include their financial statements in adjacent columns in a single financial report, provided certain conditions are satisfied. Replaces ASIC Class Order 06/441 and commences on 1 October 2015.</p>
2015/840	18/09/15	<p>ASIC Corporations (Exempt Proprietary Companies) Instrument 2015/840</p> <p>Relieves large proprietary companies in which an ownership (but not a controlling interest) is held by a foreign company or which have an authorised trustee company as a non-beneficial member from the requirement to lodge a financial report, directors' report and auditors' report with ASIC, provided certain conditions are satisfied. Replaces ASIC Class Order 05/638 and commences on 1 October 2015.</p>
2015/841	18/09/15	<p>ASIC Corporations (Non-Reporting Entities) Instrument 2015/841</p> <p>Allows non-reporting entities to take advantage of concessions or other modifications of the recognition and measurement requirements of accounting standards that are available to reporting entities, provided that the financial report complies with all recognition and measurement requirements as if it were a reporting entity. Replaces ASIC Class Order 05/639 and commences on 1 October 2015.</p>
2015/842	18/09/15	<p>ASIC Corporations (Post Balance Date Reporting) Instrument 2015/842</p> <p>Permits the presentation of a statement of financial position (and where applicable a consolidated statement of financial position) in the notes to the financial statements explaining the financial effect of material acquisitions and disposals of entities and businesses after the balance date. Replaces ASIC Class Order 05/644 and commences on 1 October 2015.</p>

Release number	Issue date	Subject
2016/181	24/03/16	<p>ASIC Corporations (Electronic Lodgment of Financial Reports) Instrument 2016/181</p> <p>Relieves listed companies or registered schemes from the requirement to lodge a copy of their financial report, directors' report and auditors' report for the financial year (including any concise financial report) and half-year with ASIC where those reports have already been electronically lodged with the ASX, National Stock Exchange of Australia, SIM Venture Securities Exchange Limited and Sydney Stock Exchange Limited. Replaces ASIC Class Order 98/104. In terms of the transitional provisions of the instrument ASIC Class Order 98/104 continued to apply until the earlier of 1 October 2016 or when ASX Limited is appointed as agent for ASIC for the purposes of Part 2 of ASIC-CI 2016/181.</p>
2016/186	24/03/16	<p>ASIC Corporations (Foreign Licensees and ADIs) Instrument 2016/186</p> <p>Relieves certain foreign licensees from the requirement under Division 6 of Part 7.8 of the Corporations Act to prepare and lodge audited financial statements and keep certain financial records in relation to its financial services business. Replaces ASIC Class Order 06/68 and commences on 1 April 2016.</p>
2016/187	15/08/16	<p>ASIC Corporations (Uncontactable Members) Instrument 2016/187</p> <p>Relieves public companies, registered schemes and disclosing entities from the requirement to send a full or concise financial report to shareholders where the entity cannot establish the address of a shareholder, provided certain conditions are satisfied.</p> <p>This instrument replaces Class Order 98/101 from 26 August 2016 and was remade without any without substantive changes</p>
2016/188	15/08/16	<p>ASIC Corporations (Directors' Report Relief) Instrument 2016/188</p> <p>Allows companies (including companies limited by guarantee), registered schemes and disclosing entities to transfer certain information otherwise required to be disclosed in the directors' report to a document attached to the financial report and directors' report or to the financial report.</p> <p>This instrument replaces Class Order 98/2395 from 26 August 2016 and was remade without any without substantive changes. However, it includes a minor amendment whereby companies limited by guarantee can now take advantage of this relief with regards to the information to be included in a directors' report as required by s.300B of the Corps Act. This relief for companies limited by guarantee was not included in ASIC-CO 98/2395.</p>
2016/189	15/08/16	<p>ASIC Corporations (Synchronisation of Financial Years) Instrument 2016/189</p> <p>Permits foreign controlled companies, registered schemes and disclosing entities to synchronise their financial year (annual or half-year) with that of their ultimate foreign parent entity where the foreign parent is required by law to synchronise the financial years of subsidiaries, provided certain conditions are satisfied.</p> <p>This instrument replaces Class Order 98/96 from 26 August 2016. It was remade without any without substantive changes. However, it includes a minor amendment whereby guidance for half years (which was not included in Class Order 98/96) is now included.</p>

Release number	Issue date	Subject
2016/190	15/08/16	<p>ASIC Corporations (Disclosing Entities) Instrument 2016/190</p> <p>Relieves entities from the disclosing entity requirements of Chapter 2M of the Corporations Act where the entity ceases to be a disclosing entity before their deadline and the directors resolve that there are no reasons to believe that the entity may become a disclosing entity before the end of the next financial year. Furthermore it relieves a disclosing entity from the requirement to prepare and lodge a half-year financial report and directors' report during the first financial year of the entity, where that first financial year lasts for 8 months or less, provided certain conditions are satisfied.</p> <p>This instrument replaces Class Order 98/2016 and Class Order 08/15 from 26 August 2016. It was remade without any without substantive changes.</p>
2016/191	24/03/16	<p>ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191</p> <p>Permits rounding off in the directors' report and financial report where total assets exceed \$10 million, \$1,000 million and \$10,000 million. Replaces ASIC Class Order 98/100 and applies to financial years ending or a half year on or after 30 June 2016. See section 6.4.2 below for a discussion on rounding off of amounts.</p>
2016/784	28/09/16	<p>ASIC Corporations (Audit Relief) Instrument 2016/784</p> <p>This instrument relieves large proprietary companies and foreign controlled small proprietary companies from the audit requirements of the Corporations Act, provided certain conditions are satisfied.</p> <p>This instrument replaces Class Order 98/1418 and applies to financial years ending on or after 1 January 2017.</p> <p>See section 4.1.6 for a discussion of this instrument.</p>
2016/785	28/09/16 13/12/16	<p>ASIC Corporations (Wholly owned Companies) Instrument 2016/785 and ASIC Corporations (Amendment) Instrument 2016/1211</p> <p>It continues to relieve wholly owned companies from the need to prepare financial reports and have them audited, provided they enter into a deed of cross-guarantee with their holding company and other wholly owned companies. However, if a group wishes to join a company to a deed of cross-guarantee executed before the commencement of ASIC-CI 2016/785, the existing deed will need to be replaced or revised and re-executed so it complies with PF 24 (Pro Forma 24 Deed of cross guarantee). As a general rule, the new instrument will not affect any entities currently relying on the relief. However, bodies regulated by APRA are no longer permitted to be a party to the deed of cross guarantee and will have to be removed, if necessary.</p> <p>This instrument replaces ASIC Class Order 98/1418 and applies to financial years ending on or after 1 January 2017. See section 4.1.5 above for a discussion of this instrument.</p>

Release number	Issue date	Subject
2017/204	23/3/17	<p>ASIC Corporations (Foreign-Controlled Company Reports) Instrument 2017/204¹¹</p> <p>Relieves foreign controlled small proprietary companies from the requirement to prepare, audit and lodge a financial report in circumstances where a financial report is not lodged by the foreign parent entity or intermediate Australian parent entity, provided certain conditions are satisfied. This places foreign-controlled small proprietary companies on a par with other Australian small proprietary companies. This part of the instrument replaces ASIC Class Order 98/98 and applies from its date of commencement (24 March 2017). See section Small proprietary companies for a discussion of this part of the instrument.</p> <p>The instrument also relieves a registered foreign company with characteristics similar to a small Australian proprietary company from the requirements of section 601CK which requires the lodgement of financial statements by registered foreign companies (see section 7.4.2). This incorporates the relief previously available in ASIC Class Order 02/1432 <i>Registered foreign companies: financial reporting requirements</i>. This part of the instrument applies to calendar years commencing on or after 1 January 2017.</p>

Class Order 98/106 *Financial reports of superannuation funds, approved deposit funds and pooled superannuation trusts* and Class Order 99/1225 *Financial reporting requirements for benefit fund friendly societies* were repealed on 29 September 2016 as they are no longer necessary or useful.

4.2.3 Entity specific relief

A company may apply to ASIC under s.340 for accounting and audit relief. [ASIC Regulatory Guide 43](#) indicates ASIC's interpretation of the preconditions which need to be satisfied in order to obtain relief.

4.3 ASX

4.3.1 Who is the ASX?

The ASX is Australia's primary securities exchange operated by Australian Securities Exchange Ltd. The Corporations Act includes special rules/requirements for listed companies and schemes for example:

- s.300(11)-(12): Specific information to be included in the Annual Directors' report of listed companies
- s.300A: Disclosure of key management personnel remuneration to be provided by listed companies



See section 10 *Illustrative disclosures -> Directors' report for an illustrative example of a Directors' report which includes a remuneration report.*

4.3.2 ASX Listing Rules

In addition to the requirements of the Corporations Act, entities with securities listed on the ASX must also comply with the periodic reporting requirements of the [ASX Listing Rules](#) contained in Chapter 4 *Periodic Disclosure* of the ASX Listing Rules. Furthermore, mining and oil and gas production and exploration entities are required to comply with the ASX Listing Rules contained in Chapter 5 *Additional reporting on mining and oil and gas production and exploration activities*.

The ASX Listing Rules govern inter alia the admission of entities to list securities on the ASX, the disclosure requirements and some aspects of a listed entity's conduct. The Listing Rules are enforceable against a listed entity and their associates under s.793C and s.1101B of the Corporations Act.

¹¹ As at the date of publication of this guide, this instrument is subject to a Senate motion to disallow, which has not been debated or decided. If the Senate disallows the instrument, it will cease to have effect. The motion expires on 15 August 2017.

Under chapters 4 and 5 of the ASX Listing Rules, the following additional ASX reporting requirements arise:

Requirement	Summary
General requirements	
Preliminary final report (Listing Rule 43A-4.3B)	Following the end of the financial year of an entity, the entity (in the case of a trust, the responsible entity) must give ASX the information required by Appendix 4E, unless the entity is a mining exploration entity or oil and gas exploration entity (see section 6.5.1)
Copy of annual reporting documents (Listing Rule 4.5)	The entity must also give the ASX a copy of the documents lodged with ASIC under s.319 of the Corporations Act if it is a disclosing entity, or otherwise provide the information lodged under s.601CK of the Corporations Act
Copy of annual report (Listing Rule 4.7)	The entity must give the ASX a copy of the annual report, and any concise report, given to shareholders under s.314 of the Corporations Act, or for entities not established in Australia, a copy of the annual report provided to its shareholders under the law of the place of its establishment
Additional information (Listing Rule 4.10)	The annual report given to the ASX must include additional information that is prescribed by Listing Rule 4.10, including a corporate governance statement, information about the entity's securities and their distribution, details of substantial shareholders and other items (see the example Other ASX information on page 201 for details)
Half-year report (Listing Rule 4.2A)	The entity must provide the ASX with a copy of the documents that a disclosing entity must lodge with ASIC under s.320 of the Corporations Act, or if the entity is not established in Australia, a half-year report that is required in its home jurisdiction (where such a report is not prepared, the entity is required to prepare an equivalent half-year report)
Appendix 4D (Listing Rule 4.2A)	The entity must provide the ASX the information required by Appendix 4D, unless the entity is a mining exploration entity or oil and gas exploration entity.
Requirements applying in specific circumstances	
Additional disclosures on change of balance date (Listing Rule 4.4A)	An, other than a mining exploration entity or oil and gas exploration entity, which changes its annual reporting date such that its next annual accounts cover a period longer than 12 months, must provide the information required by Appendix 4F for the initial 12 month period
Quarterly disclosure (Listing Rule 4.7B)	Entities admitted to the official list under Listing Rule 1.3.2(b) ¹² (or where that rule is applied in certain circumstances) are required to give the ASX the information required by Appendix 4C on a quarterly basis
Disclosures where securities are the main asset (Listing Rule 4.8)	If a listed entity's main asset are securities in an unlisted entity, the listed entity is required to give the ASX the latest accounts of the unlisted entity, together with any auditor's report or statement, when it gives the ASX its annual report
Securities and loans to unlisted entities (Listing Rule 4.9)	If a listed entity has investments in unlisted entities, or loans or advances to an unlisted entity as part of its assets, the listed entity must give the ASX the latest accounts of the unlisted entity if the ASX asks
Net tangible asset backing for investment entities (Listing Rule 4.12)	An investment entity ¹³ is required to disclose its net asset backing of its quoted securities on a monthly basis, within 14 days of the end of each month

¹² Listing Rule 1.3.2(b) applies on admission to the official list where half or more of the entity's total tangible assets (after raising any funds) are cash or in a form readily convertible to cash, and the entity has commitments consistent with its business objectives to spend at least half of its cash and assets in a form readily convertible to cash.

¹³ An investment entity is an entity which, in ASX's opinion, is an entity to which both of the following apply: (1) Its activities or the principal part of its activities consist of investing (directly or through a child entity) in listed or unlisted securities or derivatives and (2) Its objectives do not include exercising control over or managing any entity, or the business of any entity, in which it invests.

Requirement	Summary
Mining and oil and gas production and exploration entities	
Quarterly reporting (Listing Rules 5.1-5.5)	Mining and oil and gas producing and exploration entities are required to provide the ASX with a quarterly report outlining their activities for the quarter. The nature of the information to be provided depends upon whether the entity is a mining or oil and gas entity, and whether the entity is a producing or exploration entity. In addition, mining and oil and gas exploration entities are required to give the ASX the information required in Appendix 5B
Reporting on mining activities (Listing Rules 5.6-5.24)	These requirements relate to the reporting of exploration results, mineral resources, ore reserves, historical and foreign estimates and production targets by mining entities. There are specific requirements that must be included in a mining entity's annual report, including details of mining tenements (for exploration entities) and a mineral resources and ore reserves statement (for mining entities)
Reporting on oil and gas activities (Listing Rules 5.25-5.44)	Provides details of how information from oil and gas activities is to be prepared and given to the ASX. There are specific requirements that must be included in an oil and gas entity's annual report, including details of petroleum tenements (for exploration entities) and a reserves statement and reconciliation of petroleum reserves holdings against that from the previous year (for oil and gas entities)



See section 6.5 for a discussion on the annual reporting requirements of the ASX Listing Rules for listed entities.

4.3.3 Reporting deadlines

Chapter 4 *Periodic Disclosure* of ASX Listing Rules sets out reporting deadlines for entities and registered schemes listed on the ASX. See section 6.6 for a summary of the reporting deadlines under both the Corporations Act and ASX Listing Rules.

4.3.4 Continuous disclosure

See section 7.1 for a discussion on an entity's continuous disclosure obligations under inter alia [ASX Listing Rule 3 Continuous disclosure](#).

4.3.5 Illustrative disclosures



See section 10 *Illustrative disclosures > ASX disclosures for disclosures required by the ASX Listing Rules for listed entities*.

4.3.6 Other exchanges

In addition to the ASX, other exchanges in Australia include the following:

Stock exchange	Comment
National Stock Exchange of Australia (NSX)	NSX is a stock exchange in that caters specifically for the listing of small to medium enterprises. It is owned by NSX Limited which is listed on ASX. Entities listed on the NSX are required to comply with the NSX listing rules which prescribe the requirements for obtaining and maintaining a listing of securities on the NSX.
Chi-X-Australia	Chi-X Australia is a stock exchange and derivatives market operator licensed and regulated by ASIC. It provides an alternate to trading on the ASX and potential for lower costs. Chi-X Australia is owned by Chi X Global, which also operates Chi-X Canada and Chi-X Japan. Entities listed on Chi-X Australia are required to comply with the Chi-X Australia operating rules and procedures.

Stock exchange	Comment
SIM Venture Securities Exchange Limited (SIM VSE)	SIM VSE is an Australian market licensed equity market which provides specialised capital market services for clean-tech and green-tech companies. It is a joint venture between Financial and Energy Exchange Limited (FEX) and the National Stock Exchange of Australia Limited (NSX). Entities listed on the SIM VSE are required to comply with the listing rules.
Sydney Stock Exchange Limited (SSX)	SSX is a securities exchange in Australia that provides opportunities for growth oriented companies to raise the capital for expansion from a range of domestic and international investors, especially from the Asia-Pacific region. In accordance with the requirements of the Corporations Act, entities listed on the SSX are required to comply with the SSX operating rules.



The NSX listing rules are available at www.nsx.com.au

The Chi-X Australia operating rules and procedures are available at www.chi-x.com.au

The SIM VSE listing rules are available at simvse.com.au

The SSX operating rules are available at www.apx.com.au

5 The Australian differential reporting framework

Once an entity has determined whether or not it is required to prepare an annual report under the Corporations Act (or any other regulatory requirements) it can then determine which financial reporting requirements to apply under the Accounting Standards.

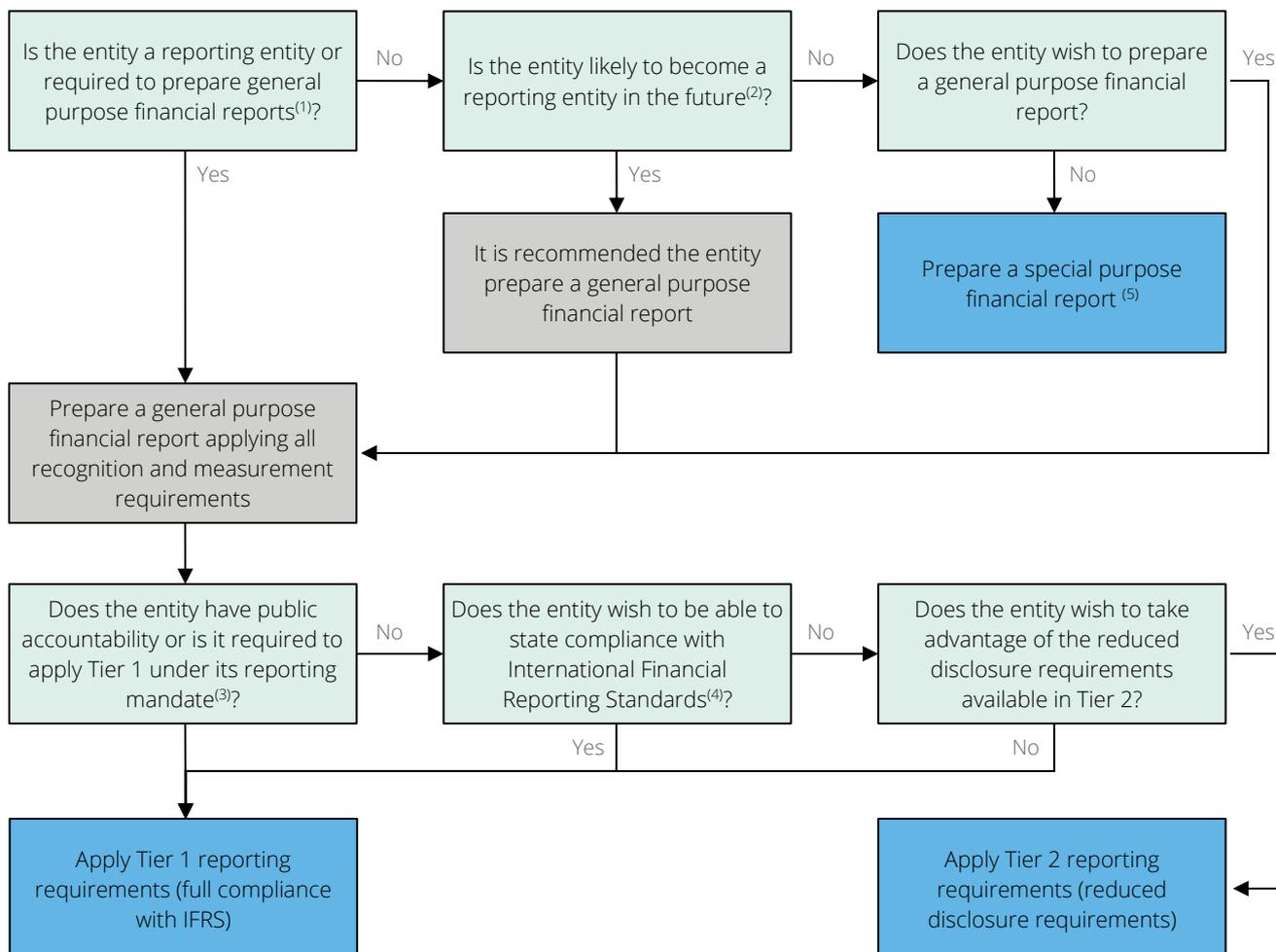
Roadmap to this section

Topic	What is covered	Who does it apply to?
5.1 Overview	An overview of determining which financial reporting requirements apply.	All entities
5.2 The reporting entity concept	A discussion on the reporting entity concept and how to identify a reporting entities.	All entities
5.3 General purpose financial statements	An overview of GPFS and the two Tier reporting requirements	Entities that prepare GPFS
5.3.3 Reduced disclosure requirements	An overview of the disclosure requirements of general purpose Tier 2 (RDR) financial reports.	Entities that prepare general purpose Tier 2 (RDR) financial reports.
5.4 Transitioning between reporting frameworks	The transition requirements when moving between Tiers and from SPFS to GPFS.	Entities moving to a different Tier of reporting or from SPFS to GPFS.
5.5 Special purpose financial statements	The reporting requirements of SPFS.	Entities preparing SPFS.

5.1 Overview

In determining which financial reporting requirements to apply an entity will need to consider the reporting entity concept as defined in SAC 1 *Definition of the Reporting Entity* (SAC 1) and in addition for-profit entities in the private sector will have to consider whether or not they have public accountability as defined in AASB 1053 *Application of Tiers of Australian Accounting Standards*.

Below is a decision chart for determining which financial reporting requirements apply, which is supplemented by the discussions in the sections that follow.



Key

- (1) The reporting entity concept is discussed in section 5.2 below.
- (2) For example, if the entity is considering listing its securities in an initial public offering (IPO), reverse takeover or similar transaction. Where an entity is already in the process of issuing debt or equity securities in a public market, it meets the definition of public accountability and will mandatorily fall into Tier 1 reporting. See section 5.3.1 below for a discussion on the tier reporting requirements.
- (3) Public accountability concept is discussed in section 5.3.2.
- (4) Only for-profit private sector entities are able to make an unreserved statement of compliance with IFRS under AASB 101 *Presentation of Financial Statements* and only where the Tier 1 recognition, measurement, presentation and disclosure requirements have been fully applied.
- (5) See section 5.5 below for a discussion on special purpose financial statements.

5.2 The reporting entity concept

A 'reporting entity' is defined in AASB 101 as "an entity in respect of which it is reasonable to expect the existence of users dependent on general purpose financial reports for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries".

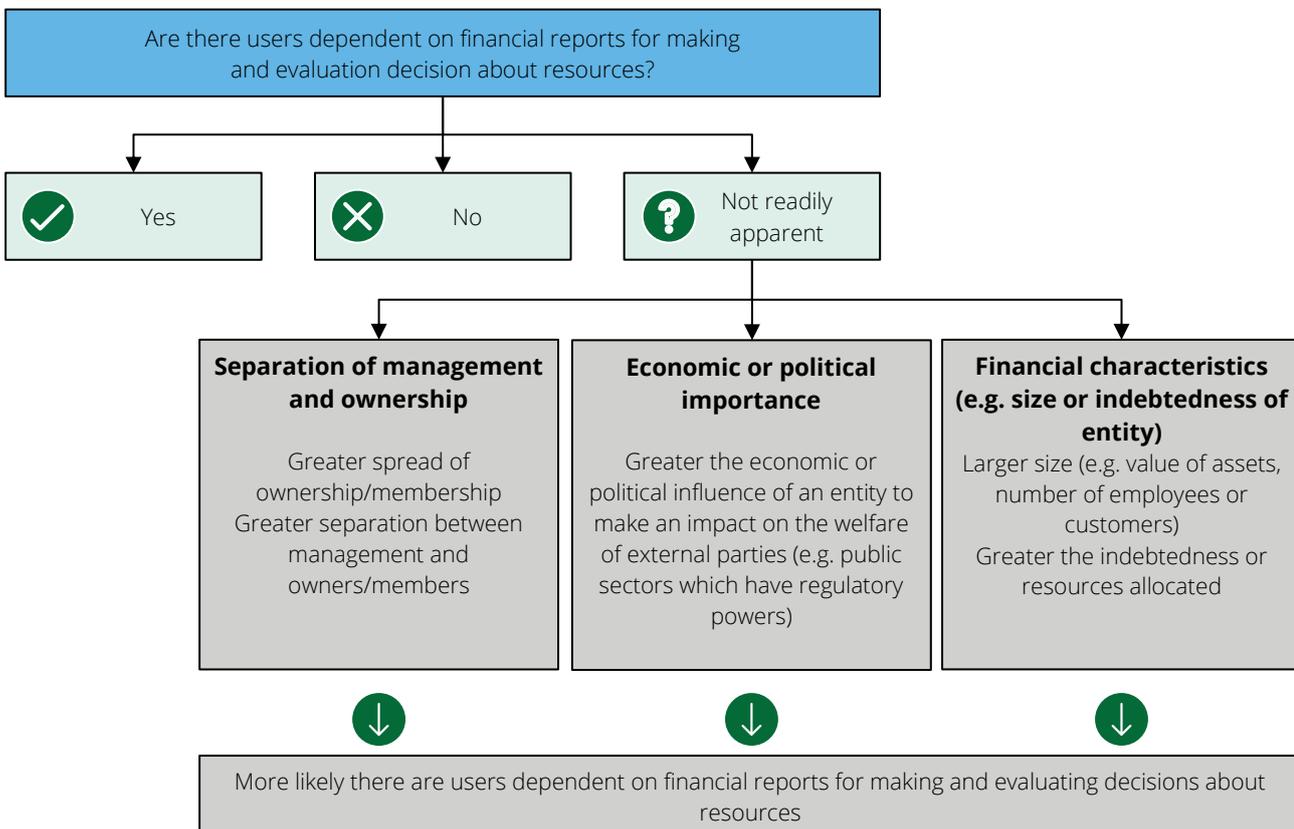
The reporting entity concept was adopted by the Australian accounting profession in June 1992 in an attempt to reduce the reporting requirements imposed on certain entities by the application of Accounting Standards. Under this concept, 'reporting entities' are required to prepare a financial report in compliance with all Accounting Standards and Interpretations, referred to as GPFSS.

'Non-reporting entities', have the option to prepare SPFSs in compliance with those Accounting Standards and Interpretations considered necessary to enable the financial reports to meet the special purpose needs of the users (see section 5.5 below).

5.2.1 Identification of reporting entities

Below is a diagram illustrating the factors to consider in determining whether or not an entity is a reporting entity. This is discussed in further detail below.

Figure 1



In many instances it will be apparent whether or not there are users who are dependent on the general purpose financial reports of an entity for making and evaluating resource allocation decisions. However, for entities where it is not apparent whether such dependent users exists, the primary factors set out in paragraphs 20 to 22 of SAC 1 should be considered to determine whether or not an entity is a reporting entity. These three factors are listed in Figure 1 above. (SAC 1.19).

5.3 General purpose financial statements

GPFS are defined in AASB 101 *Presentation of Financial Statements* as “those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs”.

5.3.1 Tiers of general purpose financial statements

AASB 1053 *Application of Tiers of Australian Accounting Standards* sets out how different categories of entities preparing general purpose financial statements apply the two Tiers of GPFS:

- **Tier 1:** *Australian Accounting Standards* – incorporates IFRSs issued by the IASB and includes requirements that are specific to Australian entities. Most for-profit entities applying Tier 1 Australian Accounting Standards make an unreserved statement of compliance with IFRS in the notes to the financial statements. Entities reporting under the Corporations Act are also required to include reference to the statement of compliance in the directors’ declaration
- **Tier 2:** *Australian Accounting Standards – Reduced Disclosure Requirements* – comprises of recognition and measurement requirements of Tier 1 but substantially reduced disclosure requirements. In addition, all presentation requirements are applied, with the exception of the requirement in some circumstances to present a third statement of financial position. An entity applying Tier 2 may elect to comply with additional Tier 1 requirements. Tier 2 financial reports include a statement of compliance with ‘Australian Accounting Standards – Reduced Disclosure Requirements’ rather than IFRS.

AASB 1053 outlines the categories of entities that are required to apply each tier. For-profit private sector entities that have public accountability and Australian Government, State, Territory and Local governments are required to comply with Tier 1 requirements. Other reporting entities can chose to comply with Tier 1 or Tier 2 reporting requirements.

The application of Tier 1 and Tier 2 reporting, by entity sector, is set out in the following table:

Entity sector	Tier 1	Tier 2 (Reduced Disclosure Requirements)
For-profit private sector entities	Publicly accountable entities (including specific examples)	Non-publicly accountable entities
Not-for-profit private sector entities	Choice of applying Tier 1 or Tier 2 requirements	
Public sector entities	Australian Government, State, Territory and Local Governments, and General Government Sectors (GGSs) of Australian Government, State and Territory Governments (subject to AASB 1049)	All other public sector entities

In some cases, the entity’s reporting mandate may require the entity to apply Tier 1. Additionally, entities that may be expected to be required to prepare Tier 1 reports in the future, e.g. expected to list on the ASX or issue securities, may wish to elect to apply Tier 1 requirements even though they are not explicitly required to do so.

5.3.2 Public accountability

In relation to for-profit private sector entities, the key determinant of which reporting tier is to be applied depends on the public accountability concept. Other than a minor scope amendment to restrict its application to for-profit entities, the AASB has taken the definition of ‘public accountability’ from the IASB’s *IFRS for Small and Medium-Sized Entities (IFRS for SMEs)*. ‘Public accountability’ is defined as “accountability to those existing and potential resource providers and others external to the entity who make economic decisions but are not in a position to demand reports tailored to meet their particular information needs”.

The definition deems a for-profit private sector entity to have public accountability in the following circumstances.

Definition inclusion	Examples
The entity's debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market*	Entities listed (debt or equity) on the Australian Securities Exchange (ASX), National Stock Exchange of Australia (NSX) or Bendigo Stock Exchange (BSX) or any global stock exchange Entities with American Depository Receipts (ADRs) on issue Entities listed on the Alternative Investment Market (AIM) of the London Stock Exchange
The entity holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses	Banks, credit unions, building societies, insurance companies, securities brokers/dealers, mutual funds and investment banks

* A domestic or foreign stock exchange or an over-the-counter market, including local and regional markets

In addition to the definition, AASB 1053 specifies a number of entities that are deemed to have public accountability:

- Disclosing entities, even if their debt or equity instruments are not traded in a public market or are not in the process of being issued for trading in a public market
- Co-operatives that issue debentures
- Registered managed investment schemes
- Superannuation plans regulated by the Australian Prudential Regulation Authority (APRA) other than Small APRA Funds as defined by APRA Superannuation Circular No. III.E.1 Regulation of Small APRA Funds, December 2000
- Authorised deposit-taking institutions (ADIs).

5.3.3 Reduced disclosure requirements

The AASB's approach to determining the RDR has to date been largely guided by the IASB's approach in developing the disclosure requirements for the *IFRS for SMEs*.

The AASB has utilised the following principles in determining the Tier 2 disclosures:

- When Tier 2 recognition and measurement requirements are the same as those under *IFRS for SMEs* – disclosures being omitted by the IASB in developing the disclosure requirements for the *IFRS for SMEs* are also excluded from the RDR
- When Tier 2 recognition and measurement requirements are not the same as those under *IFRS for SMEs* – the 'user need' and 'cost benefit' principles applied by the IASB in developing its IFRS for SMEs are utilised in determining the RDR.

Unlike the IASB which has introduced IFRSs and *IFRSs for SMEs*, there is only one 'suite' of standards in Australia for application by both Tier 1 and Tier 2 entities. AASB 1057 *Application of Australian Accounting Standards* specifies the types of entities and financial statements to which the Accounting Standards apply. When necessary, each Accounting Standard sets out disclosure requirements from which Tier 2 entities are exempt by shading the exempted requirements and adding special 'RDR' paragraphs.

Whilst there are numerous exceptions, the table below broadly summarises the disclosure matters generally retained and those omitted from the RDR.

Disclosure items generally retained	Disclosure items generally omitted
<ul style="list-style-type: none"> • Format and layout of the primary financial statements • Descriptions of accounting policies and methods • Key amounts included in the financial statements, e.g. impairment and reversals, breakdown of revenue, discontinuing operations, fair value adjustments, gains and losses • Movement schedules, e.g. share-based payments, property, plant and equipment, intangible assets, goodwill, and investment property 	<ul style="list-style-type: none"> • Detailed narrative disclosure, e.g. nature and extent of risks arising from financial instruments under AASB 7, standards on issue but not yet effective • Detailed information on how amounts have been measured, e.g. share-based payments, fair values • Supplementary information about key transactions, balances and events, e.g. financial information about associates/joint ventures, alternate presentation of

Disclosure items generally retained	Disclosure items generally omitted
<ul style="list-style-type: none"> • Reconciliations of key transactions and balances, e.g. business combination breakdowns, income tax expense and deferred tax balances • Significant uncertainties and judgements • Information about the entity and its related parties (but not necessarily details of transactions and balances). 	<ul style="list-style-type: none"> • profit or loss information, impairment, defined benefit plan liabilities • Many additional Australian disclosures, e.g. audit fees, franking credits, capital commitments • Most disclosures required by Interpretations.

5.3.4 Possible developments

As part of a joint project with the New Zealand Accounting Standards Board (NZASB), the AASB is currently considering adopting a new approach to the identification and presentation of Tier 2 disclosures.

The AASB issued ED 277 *Reduced Disclosure Requirements for Tier 2 Entities* on 31 January 2017, which proposes:

- A new set of principles to be used in determining the level of Tier 2 disclosures that are necessary for meeting user needs. The principles would be expressed in a policy statement that includes an RDR decision-making framework together with operational guidance based on 'user needs' and 'cost benefit' principles
- A new approach to presenting in the Australian Accounting Standards the Tier 2 disclosures. Each Australian Accounting Standard and Interpretation that contains disclosure requirements would have an appendix that contains the Tier 2 disclosures for that pronouncement. This would replace the current approach of shading those disclosures that are not applicable to Tier 2 (RDR) entities.

The exposure draft also sets out the proposed disclosures applying to Tier 2 (RDR) entities. Entities would continue to be able to selectively provide disclosures applying to Tier 1 entities if they wish.

Comments on the exposure draft closed on 26 May 2017 and if the proposals are finalised, the new approach is proposed to become operative from 1 January 2019. The full text of the exposure draft is available at www.aasb.gov.au.

5.4 Transitioning between reporting frameworks

5.4.1 Background

From 2005, all Australian entities preparing and lodging financial statements under the Corporations Act, and many other entities, were effectively required to follow at least the recognition and measurement requirements of IFRS. The creation of the RDR then created the need for transitional arrangements and the determination of the application of AASB 1 *First-time Adoption of Australian Accounting Standards*.

AASB 1 links its application to an entity making an unreserved statement of compliance with Accounting Standards or International Financial Reporting Standards. IFRS 1 *First-time Adoption of International Financial Reporting Standards* only mentions the entity making an unreserved statement of compliance with IFRSs as IFRSs do not generally have differing requirements for particular categories of entities.

As a result, Accounting Standards require a for-profit private sector entity moving to Tier 1 reporting (i.e. based on full IFRS with all disclosures) to apply AASB 1 on transition (or the AASB 1 option for retrospective application of Australian Accounting Standards in accordance with AASB 108 *Accounting Policies, Changes in Estimates and Errors* where Tier 1 or IFRSs have been previously applied) in order to claim compliance with IFRS, notwithstanding that the entity's previous reports, prepared as special purpose financial statements or Tier 2/RDR reports, were fully compliant with the recognition and measurement requirements of IFRS. As a result, the AASB's transitional requirements need to be considered in light of the requirements of IFRS to ensure for-profit entities adopting the Tier 1 requirements can make an unreserved statement of compliance with IFRS.

With the need for IFRS compliance in mind, the transitional requirements are necessarily complex.

5.4.2 Transition scenarios

The table below summarises the transitional provisions arising under AASB 1053 when moving between various reporting frameworks.

Source	Reporting framework applied in the most recent previous financial statements	Extent of application of recognition and measurement requirements in the most recent previous financial statements ¹	Statement of compliance in the most recent previous financial statements	Applicable transition requirement in the current period
Transition to Tier 1 reporting requirements:				
AASB 1053.18	SPFS	Recognition and measurement requirements of Accounting Standards applied or not applied	N/A	Apply all the requirements of AASB 1
AASB 1053.21	Tier 2 reporting requirements	All recognition and measurement requirements of Accounting Standards applied	N/A	<ul style="list-style-type: none"> Apply AASB 1, if claiming compliance with IFRSs Do not apply AASB 1, if a not-for-profit entity not claiming compliance with IFRSs
Transition to Tier 2 reporting requirements:				
AASB 1053.18A(a)	SPFS	Recognition and measurement requirements of Accounting Standards not applied or selectively applied	N/A	<ul style="list-style-type: none"> Apply all requirements of AASB 1, or Apply Tier 2 requirements retrospectively in accordance with AASB 108
AASB 1053.18A(b)	SPFS	All recognition and measurement requirements of Accounting Standards applied	N/A	Do not apply AASB 1 and continue to apply the recognition and measurement requirements
Resumption of Tier 1 reporting requirements:				
AASB 1053.19	Tier 2 reporting requirements or SPFS	All recognition and measurement requirements of Accounting Standards applied / Recognition and measurement requirements of Accounting Standards not applied or selectively applied	Did not contain an explicit and unreserved statement of compliance with Tier 2 reporting requirements	<ul style="list-style-type: none"> Apply all requirements of AASB 1, or Apply Tier 1 requirements retrospectively in accordance with AASB 108²

Source	Reporting framework applied in the most recent previous financial statements	Extent of application of recognition and measurement requirements in the most recent previous financial statements ¹	Statement of compliance in the most recent previous financial statements	Applicable transition requirement in the current period
Resumption of Tier 2 reporting requirements:				
AASB 1053.19B(d)	SPFS	Did not apply all recognition and measurement requirements of Accounting Standards	Did not contain an explicit and unreserved statement of compliance with Tier 2 reporting requirements	<ul style="list-style-type: none"> Apply all requirements of AASB 1, or Apply Tier 2 requirements retrospectively in accordance with AASB 108
AASB 1053.19B(e)	Tier 1 or SPFS	Applying all recognition and measurement requirements of Accounting Standards	Did not contain an explicit and unreserved statement of compliance with Tier 2 reporting requirements	Shall not apply AASB 1 or the AASB 1 option for retrospective application in accordance with AASB 108

Key

- 1 Most recent previous reporting period refers to the period immediately before an entity transitioned to the relevant Tiers of reporting requirement in the current year
- 2 An entity that is to claim IFRS compliance on resuming Tier 1 reporting requirements under paragraph 19, cannot use the AASB 1 option for retrospective application of Accounting Standards in accordance with AASB 108 if it was not previously IFRS compliant
- 3 The entity shall disclose the reason it stopped applying Tier 2 reporting requirements and the reason it is resuming the application of Tier 2 reporting requirements.

5.5 Special purpose financial statements

SPFS are financial statements which are other than GFPS. SPFS can be prepared under the Corporations Act in instances where an entity is required to prepare financial statements under the Corporations Act. Alternatively SPFS may be prepared for non-Corporations Act purposes. SPFS may also be prepared for purposes other than reporting financial performance and financial position (e.g. a banking covenant compliance report) and may or may not comply, or partially comply, with recognition and measurement, presentation and disclosure requirements of Australian Accounting Standards. SPFS are required to be identified as such and state which Accounting Standard requirements have not been applied.

SPFSs prepared for lodgement under the Corporations Act for a financial year must include:

- Financial statements as required by the accounting standards for the period. These comprise a statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows
- Notes to the financial statements, as required by the Corporations Regulations 2001 and Accounting Standards
- A directors' declaration.

Paragraph 6.1 of Miscellaneous Professional Statement APES 205 *Conformity with Accounting Standards*, indicates that members of the Australian accounting bodies who are involved in, or are responsible for, the preparation, presentation, audit, review or compilation of an entity's SPFS (except where the SPFS will be used solely for internal purposes) are to take all reasonable steps to ensure that the SPFS and any associated audit report, review report or compilation report clearly identifies:

- That the financial statements are SPFS
- The purpose for which the SPFS have been prepared
- The significant accounting policies adopted in the preparation and presentation of the SPFS.

5.5.1 Minimum compliance requirements

The following Accounting Standards and Interpretations apply to all entities required to prepare a financial report in accordance with Part 2M.3 of the Corporations Act, irrespective of whether they are reporting entities or not:

- AASB 101 *Presentation of Financial Statements*
- AASB 107 *Statement of Cash Flows*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 1048 *Interpretation of Standards*
- AASB 1053 *Application of Tiers of Australian Accounting Standards*
- AASB 1054 *Australian Additional Disclosures*
- AASB 1057 *Application of Australian Accounting Standards*.

5.5.2 What impact do the minimum compliance requirements have on disclosures?

The minimum compliance requirements mean that disclosures that are required in the above noted accounting standards have to be included in the financial statements.

For any other Accounting Standards, only the recognition and measurement requirements apply, but the disclosure requirements are not mandatory. Many non-reporting entities include disclosures that are not otherwise required because the information is considered to be useful or is necessary to provide a true and fair view (see section 6.4.1).

For example, this means that a company with property, plant and equipment must recognise and measure it in accordance with AASB 116 *Property, Plant and Equipment*, but are not required to include a reconciliation of the movements in property, plant and equipment during the year in the notes in the financial statements. However, an accounting policy for property, plant and equipment must be disclosed (if material) because AASB 108 requires the disclosure of that policy.

5.5.3 Recognition and measurement requirements

In ASIC Regulatory Guide 85 *Reporting requirements for non-reporting entities* (July 2005), ASIC notes that the Accounting Standards provide a framework for determining a consistent definition of 'financial position' and 'profit or loss'. Without such a framework the figures in financial statements would lose their meaning. Financial statements prepared under the Corporations Act must be prepared within the framework of Accounting Standards to ensure that the following requirements of the Corporations Act are met:

- The financial statements give a true and fair view (s.297)
- The financial statements do not contain false or misleading information (s.1308).

Therefore the recognition and measurement requirements of all Accounting Standards and Interpretations must be applied in order to determine profit or loss and financial position. The recognition and measurement requirements of Accounting Standards and Interpretations include requirements relating to depreciation of non-current assets, impairment of goodwill, accounting for income tax, lease accounting, measurement of inventories, recognition and measurement of liabilities for employee benefits, recognition and measurement of financial instruments, and recognition and measurement of provisions. In addition, those Accounting Standards and Interpretations which deal with the classification of items must be applied, for example the provisions of AASB 132 *Financial Instruments: Presentation* concerning the classification of financial instruments as debt or equity.

ASIC has also issued *ASIC Corporations (Non-Reporting Entities) Instrument 2015/841* (dated 18 September 2015) to ensure that non-reporting entities will be able to take advantage of concessions or other modifications of the recognition and measurement requirements of Accounting Standards that are available for reporting entities, such as concessions available under AASB 1 *First-time Adoption of Australian Accounting Standards* and transitional provisions or other concessions available under a non-mandatory Accounting Standard. This relief is available provided that the non-reporting entity takes all reasonable steps to ensure that the relevant report complies with all recognition and measurement requirements as if it were a reporting entity.

6 Preparation of annual financial reports

Entities preparing annual financial reports under the Corporations Act will need to consider the requirements of the Corporations Act, Accounting Standards and the ASX.

Roadmap to this section

Topic	What is covered	Who does it apply to?
6.1 Basic requirements for annual financial reports under the Corporations Act	The Corporations Act requirements for the contents of an annual report, including the financial report, directors' report (including the remuneration report for listed entities), the auditor's independence declaration and the audit report.	Entities reporting under the Corporations Act
6.2 Primary financial statements	The presentation requirements of the primary financial statements i.e.: <ul style="list-style-type: none"> • The statement of financial position • The statement(s) of profit or loss and other comprehensive income • The statement of changes in equity • The statement of cash flows 	Entities reporting under the Corporations Act and/or preparing reports in accordance with Accounting Standards
6.3 Australian specific accounting standard requirements	Additional disclosures which are specific to entities reporting under the Accounting Standards such as tax consolidation accounting, accounting for goods and services tax and specific disclosures required by AASB 1054 <i>Australian Additional Disclosures</i> .	Entities reporting under the Corporations Act and/or preparing reports in accordance with Accounting Standards
6.4 Other Australian specific considerations	Considerations specific to entities reporting in Australia such as: <ul style="list-style-type: none"> • Disclosure of additional information to give a true and fair view • Rounding off of amounts under ASIC-CI 2016/191 • Disclosure of parent entity information • Reporting for entities that have entered into a deed of cross guarantee 	Entities reporting under the Corporations Act
6.5 ASX Listing Rule requirements	An overview of the requirements of the ASX Listing Rules applicable to entities with securities listed on the ASX.	Entities listed on the ASX
6.6 Reporting deadlines	Reporting deadlines for entities reporting under the Corporations Act and entities listed on the ASX	Entities reporting under the Corporations Act or listed on the ASX

6.1 Basic requirements for annual financial reports under the Corporations Act

6.1.1 Financial report

In terms of Part 2M.3 of the Corporations Act the financial report for a financial year consists of:

- (a) The financial statements for the year
- (b) The notes to the financial statements
- (c) The directors' declaration about the statements and notes¹⁴ (s.295(1)).

The financial statements for the year are the financial statements in relation to the company, registered scheme or disclosing entity required by the accounting standards (i.e. the Accounting Standards) unless the accounting standards require the company, registered scheme or disclosing entity to prepare consolidated financial statements (s.295(2)).

6.1.2 Directors' report

A company, registered scheme or disclosing entity must prepare a directors' report for each financial year (s.298(1)).

6.1.3 Remuneration report

Section 300A of the Corporations Act requires certain information to be disclosed about the remuneration of key management personnel for all listed disclosing entities that are companies. The information is required to be included in the directors' report under the heading '*Remuneration report*'.

6.1.4 Auditor's independence declaration

An auditor who conducts an audit or review of the financial report for a financial year (or half year) must give the directors of the company, registered scheme or disclosing entity a written declaration stating his/her compliance with the independence requirements (s.307C).

The financial report must include a copy of the auditor's independence declaration (s.298(1AA)). However, this does not apply to:

- Companies eligible for the corporate governance concessions available to certain crowd-sourced funded public companies where an auditor has not been appointed or an audit has not been conducted (see section 4.1.9) (s.298(1AC))
- Companies limited by guarantee, which must instead include a copy of the auditor's declaration under section 307C in relation to the audit or review for the financial year (s.298(1AB)).

6.1.5 Audit report

Furthermore, the auditor who audits the financial report for a financial year must give a report to the members of the entity a written opinion on the entity's financial statements.



Chapter 2M.3 of the Corporations Act is available at www.legislation.gov.au



An illustrative example of a directors' report (which includes the remuneration report) is available on page 129



An illustrative example of a directors' declaration is available on page 161

¹⁴ s.295(4) and (5) sets out the requirements for the directors' declaration

6.2 Primary financial statements

6.2.1 Format and presentation of the financial statements

AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Estimates and Errors* sets out the general requirements for the primary financial statements. Some of the key requirements are summarised in the table below:

Source	Requirement
	<p>General disclosures</p> <p>Minimum general requirements relating to the format of the financial statements are included in AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> and have been implicitly applied in the model financial statements. These include:</p>
AASB 101.49	(a) An entity shall clearly identify the financial statements and distinguish them from other information in the same published document
AASB 101.36	(b) An entity shall present a complete set of financial statements (including comparative information) at least annually
AASB 101.36	(c) When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:
	(d) The reason for using a longer or shorter period
	(e) The fact that amounts presented in the financial statements are not entirely comparable
AASB 101.51	(f) An entity shall clearly identify each financial statement and the notes
AASB 101.51	(g) An entity shall display the following information prominently, and repeat it when necessary for the information presented to be understandable:
AASB 101.51(a)	(h) The name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period (for example, to give a proper understanding, the change of name may be disclosed on the cover of the annual report and repeated in the directors' report, the directors' declaration, auditor's independence declaration, independent auditor's report and on the face of the financial statements)
AASB 101.51(b)	(i) Whether the financial statements are of the individual entity or a group of entities
AASB 101.51(c)	(j) The date of the end of the reporting period or the period covered by the set of financial statements or notes
AASB 101.51(d)	(k) The presentation currency, as defined in AASB 121 <i>The Effects of Changes in Foreign Exchange Rates</i>
AASB 101.51(e)	(l) The level of rounding used in presenting amounts in the financial statements
AASB101.45	(m) An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless:
AASB 101.45(a)	(n) It is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in AASB 108, or
AASB 101.45(b)	(o) An Accounting Standard requires a change in presentation.

Source	Requirement
	<p>Specific disclosures</p> <p>Where the following is not disclosed elsewhere in information published with the financial statements, the information shall be disclosed in the financial statements:</p>
AASB 101.138(a)	(a) The domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office)
	(b) For a listed entity, this information would normally be disclosed in additional securities exchange information. However, non-listed entities will need to ensure that this information is specifically included in the financial statements. These disclosure requirements are illustrated in note 1 to the model financial statements.
AASB 101.138(b)	(c) A description of the nature of the entity's operations and its principal activities
	(d) Complying with the Corporations Act directors' report requirements, in relation to principal activities, will ensure compliance with these requirements. This disclosure requirement is illustrated in the directors' report on page 129.
AASB 101.138(c)	(e) The name of the parent and the ultimate parent of the group
AASB 101.138(d)	(f) If it is a limited life entity, information regarding the length of its life.
	<p>Complete set of financial statements</p> <p>A complete set of financial statements comprises:</p>
AASB 101.10(a)-(ea)	(a) A statement of financial position as at the end of the period
	(b) A statement of profit or loss and other comprehensive income for the period
	(c) A statement of changes in equity for the period
	(d) A statement of cash flows for the period
	(e) Notes, comprising significant accounting policies and other explanatory information
	(f) Comparative information in respect of the preceding period as specified in paragraphs 38 and 38A of AASB 101 (see Comparative information on page 46)
AASB 101.10(f)	(g) A statement of financial position as at the beginning of the preceding period when an entity applies an accounting police retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A-40D of AASB 101
	<p>Notes to the financial statements</p> <p>The notes shall:</p>
AASB 101.112	(a) Present information about the basis of preparation of the financial statements and the specific accounting policies used
	(b) Disclose the information required by Accounting Standards that is not presented elsewhere in the financial statements
	(c) Provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.
AASB 101.113	An entity shall, as far as practicable, present notes in a systematic manner. In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial statements. An entity shall cross-reference each item in the statements of financial position and in the statement(s) of profit or loss and other comprehensive income, and in the statements of changes in equity and of cash flows to any related information in the notes.
AASB 101.114	Examples of systematic ordering or grouping of the notes include:
	(a) Giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about particular operating activities

Source	Requirement
	<ul style="list-style-type: none"> (b) Grouping together information about items measured similarly such as assets measured at fair value, or (c) Following the order of the line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position, such as: (d) Statement of compliance with IFRSs (see paragraph 16) (e) Significant accounting policies applied (see paragraph 117) (f) Supporting information for items presented in the statements of financial position and in the statement(s) of profit or loss and other comprehensive income, and in the statements of changes in equity and of cash flows, in the order in which each statement and each line item is presented (g) Other disclosures, including: (h) Contingent liabilities (see AASB 137 Provisions, Contingent Liabilities and Contingent Assets) and unrecognised contractual commitments (i) Non-financial disclosures, e.g. the entity's financial risk management objectives and policies (see AASB 7 Financial Instruments: Disclosures).
AASB 101.29	<p>Materiality</p> <p>An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.</p>
AASB 101.31	<p>Some Accounting Standards specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an Accounting Standard if the information resulting from that disclosure is not material. This is the case even if the Accounting Standard contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in Accounting Standards are insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.</p>
AASB 101.38	<p>Comparative information</p> <p>Except when Accounting Standards permit or require otherwise, an entity shall present comparative information in respect of the previous period for all amounts reported in the current period's financial statements.</p>
AASB 101.38A	<p>An entity shall present, as a minimum, two statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity, and related notes.</p>
AASB 101.38B	<p>An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.</p>
AASB 101.38C	<p>An entity may present comparative information in addition to the minimum comparative financial statements required by Accounting Standards, as long as that information is prepared in accordance with Accounting Standards.</p>
AASB101.41	<p>Reclassification of financial information</p> <p>When the entity changes the presentation or classification of items in its financial statements, the entity shall reclassify comparative amounts unless reclassification is impracticable. When the entity reclassifies comparative amounts, the entity shall disclose:</p> <ul style="list-style-type: none"> (a) The nature of the reclassification (b) The amount of each item or class of items that is reclassified (c) The reason for the reclassification.

Source	Requirement
AASB 101.42(a)	When it is impracticable to reclassify comparative amounts, an entity shall disclose:
AASB 101.42(b)	<ul style="list-style-type: none"> (a) The reason for not reclassifying the amounts (b) The nature of the adjustments that would have been made if the amounts had been reclassified.
	Errors made in prior periods
AASB 108.42	Material prior period errors shall be retrospectively corrected in the first financial statements authorised for issue after their discovery by: <ul style="list-style-type: none"> (a) Restating the comparative amounts for the prior period(s) presented in which the error occurred, or (b) If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.
AASB 108.43	However, to the extent that it is impracticable to determine either:
AASB 108.44	<ul style="list-style-type: none"> (a) The period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period), or
AASB 108.45	<ul style="list-style-type: none"> (b) The cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.
AASB 108.46	The correction of a prior period error is excluded from profit or loss for the period in which the error is discovered. Any information presented about prior periods, including any historical summaries of financial data, is restated as far back as is practicable.
	Change in accounting estimates
AASB 108.36	The effect of a change in an accounting estimate shall be recognised prospectively by including it in profit or loss in: <ul style="list-style-type: none"> (a) The period of the change, if the change affects that period only, or (b) The period of the change and future periods, if the change affects both.
AASB 108.37	To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.
	True and fair override
AASB 101.15	Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of Accounting Standards, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.
AASB 101.19	In the extremely rare circumstances in which management concludes that compliance with a requirement in an Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the Framework, the entity shall depart from that requirement in the manner set out in AASB 101.20 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.
AASB 101.Aus19.1	In relation to AASB 101.19 above, the following shall not depart from a requirement in an Accounting Standard: <ul style="list-style-type: none"> (a) Entities required to prepare financial reports under Part 2M.3 of the Corporations Act

Source	Requirement
AASB 101.23	<p>(b) Private and public sector not-for-profit entities (c) Entities applying Australian Accounting Standards – Reduced Disclosure Requirements.</p> <p>In the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the Framework, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:</p> <p>(a) The title of the Australian Accounting Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the Framework (b) For each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.</p>
AASB 101.55A	<p>Subtotals When an entity presents subtotals, those subtotals should:</p> <p>(a) Be comprised of line items made up of amounts recognised and measured in accordance with Accounting Standards (b) Be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable (c) Be consistent from period to period (d) Not be displayed with more prominence than the subtotals and totals required in Accounting Standards.</p> <p>Consolidated entity vs. group The provisions of the Corporations Act use the term ‘consolidated entity’, rather than ‘group’, to refer to the parent entity and the subsidiaries included in the consolidated financial statements. Therefore, where consolidated financial statements are prepared under the Corporations Act, the directors’ report, directors’ declaration, auditor’s independence declaration and independent auditor’s report shall adopt the term ‘consolidated entity’. However, as Accounting Standard use the term ‘group’ to refer to the parent entity and its subsidiaries, it would be equally acceptable for the financial statements and the notes thereto to adopt the term ‘group’, as has been illustrated in the model financial statements.</p>

6.2.2 Consolidated statement of profit or loss and other comprehensive income

Guidance on the presentation of the consolidated statement of profit or loss and other comprehensive income is set out below. This guidance may be used as a supplement to the consolidated statement of profit or loss and other comprehensive income included in the Deloitte model IFRS financial statements.



Refer to the Deloitte model IFRS financial statements available at www.deloitte.com/au/models for an illustrative disclosure of the consolidated statement of profit or loss and other comprehensive income.

Source	Requirement
AASB 101.10A	<p>One statement vs. two statements AASB 101 permits an entity to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.</p> <p>Whichever presentation approach is adopted, the distinction is retained between items recognised in profit or loss and items recognised in other comprehensive income. Under both</p>

Source	Requirement
	<p>approaches, profit or loss, total other comprehensive income, as well as comprehensive income for the period (being the total of profit or loss and other comprehensive income) should be presented. Under the two-statement approach, the separate statement of profit or loss ends at 'profit for the year', and this 'profit for the year' is then the starting point for the statement of profit or loss and other comprehensive income, which is required to be presented immediately following the statement of profit or loss. In addition, the analysis of 'profit for the year' between the amount attributable to the owners of the parent entity and the amount attributable to non-controlling interests is presented as part of the separate statement of profit or loss.</p>
AASB 101.81A	<p>Presentation of the statement</p> <p>The statement of profit or loss and other comprehensive income (statement of comprehensive income) shall present, in addition to the profit or loss and other comprehensive income sections:</p> <ul style="list-style-type: none"> (a) Profit or loss (b) Total other comprehensive income (c) Comprehensive income for the period, being the total of profit or loss and other comprehensive income. <p>If an entity presents a separate statement of profit or loss it does not present the profit or loss section in the statement presenting comprehensive income.</p>
AASB 101.81B	<p>An entity shall present the following items, in addition to the profit or loss and other comprehensive income sections, as allocation of profit or loss and other comprehensive income for the period:</p> <ul style="list-style-type: none"> (a) Profit or loss for the period attributable to: (b) Non-controlling interests (c) Owners of the parent (d) Comprehensive income for the period attributable to: (e) Non-controlling interests (f) Owners of the parent. <p>If an entity presents profit or loss in a separate statement it shall present (a) in that statement.</p>
AASB 101.82	<p>Specified line items</p> <p>In addition to items required by other Australian Accounting Standards, the profit or loss section or the statement of profit or loss shall include line items that present the following amounts for the period:</p> <ul style="list-style-type: none"> (a) Revenue (b) Finance costs (c) Share of the profit or loss of associates and joint ventures accounted for using the equity method (d) Tax expense (e) A single amount for the total of discontinued operations (see AASB 5 Non-current Assets Held for Sale and Discontinued Operations).
AASB 101.82A	<p>Other comprehensive income: items that may or may not be reclassified</p> <p>Irrespective of whether the one-statement or the two-statement approach is followed, the other comprehensive income disclosures must present line items for the amounts for the period of:</p> <ul style="list-style-type: none"> (a) The items of other comprehensive income (excluding amounts in (b)), classified by nature and grouped into those that, in accordance with other Accounting Standards: (b) Will not be reclassified subsequently to profit or loss (c) Will be reclassified subsequently to profit or loss when specific conditions are met.

Source	Requirement
	<p>(d) The share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that, in accordance with other Accounting Standards:</p> <p>(e) Will not be reclassified subsequently to profit or loss</p> <p>(f) Will be reclassified subsequently to profit or loss when specific conditions are met.</p>
AASB 101.88	<p>All items of income and expense recognised in a period are to be included in profit or loss unless another Accounting Standard requires otherwise. Other Accounting Standards require some gains and losses (for example, revaluation increases and decreases, particular foreign exchange differences, gains or losses on remeasuring available-for-sale financial assets, and related amounts of current tax and deferred tax) to be recognised outside of profit or loss.</p> <p>Examples of items of income and expense recognised directly in equity not illustrated in the Deloitte model IFRS financial statements include</p> <ul style="list-style-type: none"> • Gains/losses on a hedge of the net investment in foreign operation • Transfers to profit or loss impairment of available-for-sale financial assets • Transfer to profit or loss on sale of available-for-sale financial assets
	<p>Presentation of expenses by nature or function</p>
AASB 101.99, 100	<p>An entity shall present, in the statement(s) presenting profit or loss and other comprehensive income, or in the notes, an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant. Sub-classifications of expenses by nature or function have been illustrated in the example on the face of the statement(s) presenting profit or loss and other comprehensive income respectively as is encouraged by the Accounting Standard.</p>
AASB 101.105	<p>The choice between the function of expense method and the nature of expense method depends on historical and industry factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the level of sales or production of the entity. Because each method of presentation has merit for different types of entities, management is required to select the most relevant and reliable presentation.</p>
AASB 101.29, 30, 30A	<p>Regardless of whether expenses are classified by nature or by function, each material class is separately disclosed. Unclassified expenses that are immaterial both individually and in aggregate may be combined and presented as a single line item. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.</p>
	<p>Offsetting</p>
AASB 101.32	<p>An entity shall not offset income and expenses, unless required or permitted by an Australian Accounting Standard.</p>
AASB 101.34	<p>An entity undertakes, in the course of its ordinary activities, transactions that do not generate revenue but are incidental to the main revenue-generating activities. An entity presents the results of such transactions, when this presentation reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction. For example:</p> <p>(a) An entity presents gains and losses on the disposal of non-current assets, including investments and operating assets, by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses</p> <p>(b) An entity may net expenditure related to a provision that is recognised in accordance with AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) against the related reimbursement.</p>

Source	Requirement
AASB101.35	An entity presents on a net basis gains and losses arising from a group of similar transactions, for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading. However, an entity presents such gains and losses separately if they are material.
AASB101.97	<p>Disclosure of specific revenues and expenses</p> <p>When items of income and expense are material, an entity shall disclose their nature and amount separately either in the statement(s) presenting profit or loss and other comprehensive income or in the notes.</p>
AASB 101.85, 85B	<p>Disclosure of additional information</p> <p>An entity shall present additional line items, headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income, when such presentation is relevant to an understanding of the entity's financial performance, and reconcile any subtotals with the totals or subtotals required in Australian accounting Standards.</p>
AASB 101.87	<p>Prohibition on extraordinary items</p> <p>An entity shall not present any items of income or expense as extraordinary items, in the statement(s) presenting profit or loss and other comprehensive income, or in the notes.</p>

6.2.3 Presentation of the statement of financial position

Current and non-current assets, and current and non-current liabilities, are generally presented as separate classifications in the statement of financial position. This is subject to an exception when a presentation based on liquidity provides information that is reliable and is more relevant. When this exception applies an entity shall present all assets and liabilities in order of liquidity. (AASB 101.60). With the exception of this guidance, the Accounting Standards do not prescribe the order or format in which an entity presents items in its statement of financial position (AASB 101.60).

The order in which an entity presents items in its statement of financial position does not change the substance in the statement of financial position. Furthermore, a standard approach is not adopted globally. Entities in Australia and continental Europe for example present items in a decreasing order of liquidity while entities in North America generally presents items in an increasing order of liquidity. Furthermore, entities in Australia present liability items before capital and reserves where some countries presents capital and reserves before liability items.



An illustrative example of the statement of financial position reflecting a common presentation in Australia available on page 162. This illustrative example replaces the illustrative example in the Deloitte model IFRS financial statements.

Source	Requirement
AASB 101.10(f), 40A	<p>Third statement of financial position</p> <p>AASB 101.40A requires an entity to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) if:</p> <ol style="list-style-type: none"> it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the third statement of financial position.
AASB 101.40C	<p>Other than disclosures of certain specified information as required by AASB 101.41-44 and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, the related notes to the third statement of financial position are not required to be disclosed.</p> <p>In the illustrative disclosures (see page 162), despite the fact that the application of the amendments to Accounting Standards has not resulted in any retrospective restatement or</p>

Source	Requirement
	<p>reclassification of items in the Group's consolidated financial statements (see note 2 of the Illustrative disclosures -> Notes to the financial statements included in this guide), a third statement of financial position has been presented for illustrative purposes only.</p>
AASB 101.60, 61	<p>Current/non-current vs. liquidity presentation</p> <p>All assets and all liabilities shall be classified and presented as either current or non-current unless they are presented in order of their liquidity. The term 'current' is defined for:</p>
AASB 101.66	<p>(a) Assets, as an asset that is:</p> <ul style="list-style-type: none"> (i) expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle (ii) Held primarily for the purpose of being traded (iii) Expected to be realised within 12 months after the reporting period, or (iv) Cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period
AASB 101.69	<p>(b) Liabilities, as a liability that:</p> <ul style="list-style-type: none"> (i) Is expected to be settled in the entity's normal operating cycle (ii) Is held primarily for the purpose of being traded (iii) Is due to be settled within 12 months after the reporting period, or (iv) The entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. 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.
AASB 101.60	<p>A liquidity basis shall only be presented where a liquidity presentation provides information that is reliable and more relevant than the current/non-current presentation. The liquidity basis of presentation is not illustrated in these model financial statements.</p>
AASB 101.68	<p>Operating cycle</p> <p>A company's operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Once an entity defines their operating cycle it affects the classification and presentation of assets and liabilities as either current or non-current.</p>
AASB1 01.68, 70	<p>When an entity's normal operating cycle is not clearly identifiable, its duration is assumed to be 12 months.</p>
AASB 101.66, 69	<p>However, where there is a single clearly identifiable operating cycle that extends over a period greater than 12 months, the longer period shall be used as the basis for identifying as:</p> <ul style="list-style-type: none"> (a) Current assets, those assets expected to be realised in, or intended for sale or consumption in, the entity's normal operating cycle (b) Current liabilities, those liabilities expected to be settled in the entity's normal operating cycle.
AASB 101.68, 70	<p>Current assets will include inventories and trade receivables that are sold, consumed or realised as part of the normal operating cycle and current liabilities will include those liabilities that form part of the working capital used in a normal operating cycle of the entity, for example trade payables and accruals for employee benefits expense. This is the case even when they are not expected to be realised/settled within 12 months of the reporting period.</p>

Source	Requirement
AASB 101.72	<p>Refinancing liabilities</p> <p>Where current and non-current liabilities are presented separately, financial liabilities shall be categorised as current when they are due to be settled within 12 months of the reporting period, even if:</p> <ul style="list-style-type: none"> (a) The original term was for a period longer than 12 months (b) An agreement to refinance, or to reschedule payments, on a long term basis is completed after the reporting period and before the financial report is authorised for issue.
AASB 101.73	<p>However, if an entity expects, and has the discretion, to refinance or roll over an obligation for at least 12 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. However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no agreement to refinance), the potential to refinance is not considered and the obligation is classified as current.</p>
AASB 101.74	<p>Breach of loan covenants</p> <p>When an entity breaches a 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 has 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 an unconditional right to defer its settlement for at least twelve months after that date.</p>
AASB 101.75	<p>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 12 months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.</p>
AASB 101.32	<p>Offsetting</p> <p>An entity shall not offset assets and liabilities, unless required or permitted by an Accounting Standard, for example, AASB 132 <i>Financial Instruments: Disclosure and Presentation</i>.</p>
AASB 112.71	<p>Income taxes</p> <p>An entity shall offset current tax assets and current tax liabilities if, and only if, the entity:</p> <ul style="list-style-type: none"> (a) Has a legally enforceable right to set-off the recognised amounts (b) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.
AASB 112.74	<p>An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:</p> <ul style="list-style-type: none"> (a) The entity has a legally enforceable right to set-off current tax assets against current tax liabilities, and (b) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: <ul style="list-style-type: none"> (c) The same taxable entity, or (d) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Source	Requirement
AASB 5.40	<p>Presentation of a non-current asset or disposal group classified as held for sale</p> <p>An entity shall not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the statements of financial position for prior periods to reflect the classification in the statements of financial position for the latest period presented.</p>

6.2.4 Consolidated statement of changes in equity

Guidance on the presentation of the consolidated statement of changes in equity is set out below. This guidance may be used as a supplement to the consolidated statement of changes in equity included the Deloitte model IFRS financial statements.



Refer to the Deloitte model IFRS financial statements available at www.deloitte.com/au/models for an illustrative disclosure of the consolidated statement of changes in equity.

Source	Requirement
AASB 101.106	<p>Requirements for a statement of changes in equity</p> <p>An entity shall present a statement of changes in equity as required by paragraph 10. The statement of changes in equity includes the following information:</p> <ul style="list-style-type: none"> (a) Total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests (b) For each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108 Accounting Policies, Changes in Estimates and Errors (c) [deleted by the IASB] (d) For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from: <ul style="list-style-type: none"> (e) Profit or loss (f) Other comprehensive income (g) Transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.
AASB 101.106A	<p>For each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item (see paragraph 106(d)(ii)).</p>
AASB 101.107, IAS1.BC75 RDR: See AASB 101.107	<p>An entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to owners during the period, and the related amount of dividends per share*. (Note that presentation of dividend disclosures in the statement(s) of profit or loss and other comprehensive income is not permitted.)</p> <p>*Note that the per share amounts are not required to be disclosed by entities preparing Tier 2 (RDR) financial reports</p>
AASB 101.109	<p>Changes in an entity's equity between the beginning and the end of the reporting period reflect the increase or decrease in its net assets during the period. Except for changes resulting from transactions with owners in their capacity as owners (such as equity contributions, reacquisitions of the entity's own equity instruments and dividends) and transaction costs directly related to such transactions, the overall change in equity during a period represents the total amount of income and expense, including gains and losses, generated by the entity's activities during that period.</p>

6.2.5 Consolidated statement of cash flows

Guidance on the presentation of the consolidated statement of cash flows is set out below. This guidance may be used as a supplement to the consolidated statement of cash flows included the Deloitte model IFRS financial statements.



Refer to the Deloitte model IFRS financial statements available at www.deloitte.com/au/models for an illustrative disclosure of the consolidated statement of cash flows.

Source	Requirement
AASB 107.14	<p>Operating activities</p> <p>Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the entity. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss. Examples of cash flows from operating activities are:</p> <ul style="list-style-type: none"> (a) Cash receipts from the sale of goods and the rendering of services (b) Cash receipts from royalties, fees, commissions and other revenue (c) Cash payments to suppliers for goods and services (d) Cash payments to and on behalf of employees (e) Cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits (f) Cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities (g) Cash receipts and payments from contracts held for dealing or trading purposes. <p>Some transactions, such as the sale of an item of plant, may give rise to a gain or loss that is included in recognised profit or loss. The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale as described in paragraph 68A of AASB 116 <i>Property, Plant and Equipment</i> are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.</p>
AASB 107.18	Entities shall report cash flows from operations using the direct method or indirect method.
AASB 107.19	Entities are encouraged to report cash flows from operating activities using the direct method.
AASB 1054.16	When an entity uses the direct method to present its statement of cash flows, the financial statements shall provide a reconciliation of the net cash flow from operating activities to profit (loss).
AASB 107.16	<p>Investing activities</p> <p>The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. Examples of cash flows arising from investing activities are:</p> <ul style="list-style-type: none"> (a) Cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment (b) Cash receipts from sales of property, plant and equipment, intangibles and other long-term assets (c) Cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes) (d) Cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes)

Source	Requirement
	<ul style="list-style-type: none"> (e) Cash advances and loans made to other parties (other than advances and loans made by a financial institution) (f) Cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution) (g) Cash payments for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities (h) Cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities. <p>When a contract is accounted for as a hedge of an identifiable position, the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged.</p>
AASB 107.17	<p>Financing activities</p> <p>The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity. Examples of cash flows arising from financing activities are:</p> <ul style="list-style-type: none"> (a) Cash proceeds from issuing shares or other equity instruments (b) Cash payments to owners to acquire or redeem the entity's shares (c) Cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings (d) Cash repayments of amounts borrowed (e) Cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.
AASB 107.31	<p>Interest and dividends</p> <p>Cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing or financing activities.</p>
AASB 107.32	<p>The total amount of interest paid during a period is disclosed in the cash flow statement whether it has been recognised as an expense in profit or loss or capitalised in accordance with AASB 123 <i>Borrowing Costs</i>.</p>
AASB 107.33	<p>Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash flows for other entities. Interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of net profit or loss. Alternatively, interest paid and interest and dividends received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.</p>
AASB 107.34	<p>Dividends paid may be classified as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, dividends paid may be classified as a component of cash flows from operating activities in order to assist users to determine the ability of an entity to pay dividends out of operating cash flows.</p>
AASB 107.35	<p>Taxes on income</p> <p>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.</p>

Source	Requirement
AASB 107.37	<p>Investments in subsidiaries, associates and joint ventures</p> <p>When accounting for an investment in an associate or a subsidiary accounted for by use of the equity or cost method, an investor restricts its reporting in the cash flow statement to the cash flows between itself and the investee, for example, to dividends and advances.</p>
AASB 107.38	<p>An entity that reports its interest in an associate or a joint venture using the equity method includes in its statement of cash flows the cash flows in respect of its investments in the associate or joint venture, and distributions and other payments or receipts between it and the associate or joint venture.</p>
AASB 107.43	<p>Non-cash transactions</p> <p>Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a cash flow statement. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.</p>

6.3 Australian specific accounting standard requirements

6.3.1 Overview of differences between the Accounting Standards and IFRSs

Accounting Standards require additional disclosures which are specific to entities reporting under the Accounting Standards, i.e. in addition to those required by IFRSs. These requirements (which are listed below) are discussed in this section and illustrative disclosures are provided in the Illustrative disclosure section of this guide.

Australian additional disclosures discussed in this section:

- Tax consolidation accounting (discussed in section 6.3.2)
- Interpretation 1031 *Accounting for the Goods and Services Tax (GST)* (discussed in section 6.3.3)
- AASB 1054 *Australian Additional Disclosures* (discussed in section 6.3.4)
- Australian specific disclosures (discussed in section 6.3.5).

6.3.2 Tax consolidation accounting

Tax consolidation is a system adopted by a number of countries including Australia that treats a group of entities as a single entity for tax purposes. The aim of the system is to reduce administrative costs for government tax departments and compliance costs for tax payers.

Tax accounting methodology in the consolidated financial statements of entities is clear under AASB 112 *Income Taxes*. AASB 112 requires that in consolidated financial statements, temporary differences are determined by comparing the carrying amounts of assets and liabilities in the consolidated financial statements with the appropriate tax base, determined by reference to the consolidated tax return (AASB 112.11). However, AASB 112 provides no guidance on if, and if so how, tax accounting should be undertaken in the separate financial statements of the various members of a tax consolidated group. As a result the AASB issued Interpretation 1052 *Tax Consolidation Accounting* (Int 1052) with the primary objective of providing guidance on how tax consolidation should be treated in the separate financial statements of the members of a tax-consolidated group.

Allocation of tax consolidation amounts

Int 1052 requires the current and deferred taxes arising in a tax-consolidated group to be allocated to the members of the group when they issue separate financial statements (Int 1052.8).

Acceptable allocation methods include (Int 1052.9):

- A 'stand alone taxpayer' approach for each entity, as if it continued to be a taxable entity in its own right
- A 'separate taxpayer within group' approach for each entity, on the basis that the entity is subject to tax as part of the tax-consolidated group. This method requires adjustments for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the level of the group
- A 'group allocation' approach, under which the current and deferred tax amounts for the tax-consolidated group are allocated among each entity in the group (subject to certain limitations).

Int 1052 provides little guidance on how the 'group allocation' method should be implemented. However, it does specifically note that the following 'group allocation' methods would not be considered 'acceptable methods' for the calculation of current and deferred taxes by members of the tax-consolidated group (Int 1052.10, 39):

- A method that allocates only current tax liabilities to an entity in the group that has taxable temporary differences
- A method that allocated deferred taxes to an entity in the group using a method that is fundamentally different from the temporary difference approach required by AASB 112
- A method that allocates no current or deferred tax expense to an entity in the group that has taxable income because the tax-consolidated group has no current or deferred income tax expense
- A method that only allocates current taxes to entities in the group that have accounting profits, with no allocation to entities that have accounting losses
- A method that allocated current taxes to entities in the group on an arbitrary basis, for example on the basis of sales revenue, total assets, net assets or operating profits without adjustment for material items that are not assessable or deductible for tax purposes.

The following table outlines how the various methods are applied:

Area	Stand-alone taxpayer method	Separate taxpayer within group method	Group allocation method
Current tax allocation	Separate calculation	Separate calculation	Allocation of consolidated current tax payable
Deferred tax allocation	Separate calculation	Separate calculation	Allocation of consolidated deferred tax amounts
Treatment of transactions within the group	Considered a transaction with an external party and tax accounted in the same manner as if the transaction were with a party external to the group	Adjusted for when tax accounting so that no tax consequences from the transaction are recognised, i.e. treated as non-taxable	Effectively the same as the separate taxpayer within group method because these transactions have already been eliminated in the consolidated tax calculation
Carrying amounts used in the measurement of deferred taxes	Carrying amounts in the separate financial statements of each entity	Carrying amounts in the separate financial statements of each entity or the consolidated carrying amounts if considered more appropriate	Deferred taxes are measured in the consolidated financial statements by reference to the consolidated carrying amounts and tax values applying under tax consolidation and then allocated to each entity in a rational and systematic manner
Tax bases used in the measurement of deferred taxes	By reference to the tax values applying under tax consolidation (reset or otherwise)	By reference to the tax values applying under tax consolidation (reset or otherwise)	See above
Recognition of deferred tax assets	Consider the ability of the entity itself to meet the recognition requirements, based on its own expected future tax position	Consider within the context of the entire tax-consolidated group	Consider within the context of the entire tax-consolidated group

Accounting by the head entity

Int 1052 requires that the head entity in a tax-consolidated group recognises, in addition to the tax effects of its own transactions, events and balances (Int 1052.12):

- The current tax liability (or asset) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the subsidiaries in the group
- Assets and liabilities (if any) arising for the head entity under a tax funding arrangement as amounts received from or payable to other entities in the group
- Any difference between the net amounts recognised are treated as a contribution by (or distribution to) equity participants between the head entity and its subsidiaries.

Accounting by members of the tax-consolidated group

The following specific tax-consolidation adjustments are required in the separate financial statements of each member of the tax-consolidated group (Int 1052.11):

- Current tax liabilities (or assets) recognised for the period by the subsidiary are accounted for as immediately assumed by the head entity
- Deferred tax assets arising from unused tax losses and unused tax credits recognised for the period by the subsidiary are accounted for as immediately assumed by the head entity
- Assets and liabilities (if any) arising for the subsidiary under a tax funding arrangement are recognised as amounts receivable or payable to other entities in the group
- Any difference between the net tax amounts derecognised and the tax-funding arrangement amount recognised is recognised as a contribution by equity participants or a distribution between the subsidiary and the head entity.

Where a subsidiary in a tax-consolidated group is not a direct subsidiary of the head entity, any contributions by (or distribution to) equity participants arising are accounted for as contributions or distributions through the interposed parents (Int 1052.14).

Effects of tax-consolidation accounting

The effects of the specific tax consolidation adjustments required under Int 1052 are as follows:

- Each entity in the tax-consolidated group recognises its allocated share of the consolidated deferred tax balances and income tax expense (both current and deferred) – thereby showing its true ‘cost of doing business’
- The head entity recognises the group’s aggregate current tax liability and the benefit of any tax losses and tax credits in the tax-consolidated group – as the head entity has the primary obligation for tax and also keeps the benefit of any tax losses and any relevant tax loss credits/offsets under the tax consolidation legislation
- Where amounts payable under any tax-funding arrangement that is in place within the group does not mirror these requirements, the net difference is treated as a contribution from (or distribution to) equity participants – this represents a ‘non-arm’s length transaction’ between related entities, which would only occur due to the ownership interests between those entities.

‘Multiple entry consolidated’ (MEC) groups

Int 1052 notes that it applies to ‘multiple entry consolidated’ (MEC) groups in the same way as ‘traditional’ tax-consolidated groups (Int 1052.23).

A MEC group is one where various Australian entities are controlled 100% by a foreign, non-resident parent. All the subsidiaries of the foreign parent together form a tax-consolidated group and one of the Australian entities are designated as the head entity. Unlike for a ‘normal’ tax-consolidated group, the ultimate holding company in the wholly-owned group is therefore not automatically considered to be the head entity.

The accounting concepts and approach for MEC groups are the same as for other tax-consolidated groups. However, a number of additional issues can arise due to the lack of one Australian ultimate parent entity being identified as the ‘head entity’.

Disclosure considerations

Int 1052 requires a number of disclosures to be made in the financial statements, including the relevance of tax-consolidation to the entity, the method use to allocate current and deferred taxes to members of the group, the nature of any tax funding agreements and details of equity contributions and distributions arising as a result of adopting the accounting required by the Interpretation.

For entities applying Tier 2 (RDR), the disclosures are not mandatory, but if disclosures are made, they should be in accordance with the Interpretation.

Where separate financial statements are prepared for an entity that is a member of a tax-consolidated group, the disclosure requirements should be followed to the extent that they are relevant.

In consolidated financial statements without parent entity columns, the following disclosures are relevant:

- In the context of the parent entity disclosures required in the notes to the financial statements by the Corporations Regulations (see section 6.4.3)
- In complying with the requirement of the Interpretation to name the head entity of the tax-consolidated group, and to explain which entities are members of the tax-consolidated group (usually included in the note to the financial statements where the members of the accounting group are detailed).

Impact of tax consolidation on deferred taxes associated with investments

When preparing the consolidated financial statements the group would need to consider the requirements of Int 1052 (paragraph 54) in respect of unrecognised taxable temporary differences (AASB 112.81(e) and 81(f)) associated with investments in subsidiaries, branches and associates and interests in joint arrangements¹⁵. The below discussion in respect thereof is relevant for note 10.7 of the Deloitte model IFRS financial statements.

Under the tax law, the taxable profit made by a tax-consolidated group in relation to an entity leaving the group depends on a range of factors, including the tax values and/or carrying values of the assets and liabilities of the leaving entities, which vary in line with the transactions and events recognised in each entity. The taxable profit or loss ultimately made on any disposal of the investments within the tax-consolidated group will therefore depend upon when each entity leaves the tax-consolidated group and the assets and liabilities that the leaving entity holds at that time.

The amounts (if any) disclosed in the tables in note 10.7 of the Deloitte model IFRS financial statements will depend on the view taken by the entity in relation to the deferred tax consequences of investments within tax-consolidated groups and other factors.

There are three main views as to how deferred taxes should be calculated in relation to investments within tax-consolidated groups:

'End of time' view

Under this view, it is assumed that all entities in the tax-consolidated group will eventually leave the group at some point in the future. This would then require an annual computation of the so-called 'exit ACA' calculation in order for the temporary difference associated with the investment to be determined.

There are then two further views as to how this notional 'exit ACA' calculation should be performed:

- Determining the entity's expectations as to when the entity will leave the tax-consolidated group and forecasting what the tax base might be at that point in time, even though there may be no current intention to dispose of the investment
- Performing the calculation based on information available at the reporting date as if the entity were to be disposed at the reporting date.

It would be practically difficult to 'forecast' the likely tax base of an investment within a tax-consolidated group. This is due to the way in which the 'exit ACA' calculation is dependent upon the tax values of the entity's assets and liabilities, thereby changing every time a tax value changes, e.g. tax depreciation, purchase of a new asset, etc.

The alternative approach of calculating the tax base of the investment as the aggregate tax bases available at each reporting date, ignoring the expected method of realisation, i.e. presume it will be sold at reporting date. Some

¹⁵ This disclosure requirement does not apply to entities applying RDR (Tier 2) in their financial reports.

commentators argue that this approach is not consistent with the concept of measuring deferred taxes taking the entity's expectations into account, but at least it would be more easily applied.

The 'end of time' view is conceptually equivalent to the requirement to recognise a deferred tax liability on revalued land even though the entity may have no intention to dispose of the land in the foreseeable future. It also is consistent with the approach taken to other investments outside tax-consolidated groups.

'Change in tax status' view

Under this view, an entity leaving a tax-consolidated group would be considered a voluntary change in tax status, i.e. the entity no longer is taxed as part of the tax-consolidated group, but is taxed either as a stand-alone taxpayer, or alternatively as part of another tax-consolidated group (with different reset tax values).

Using this approach would result in no deferred tax being recognised until such time as an entity leaves the tax-consolidated group. Whilst the entity was a member of the group, the investment would be considered to have no tax consequences because all transactions and balances between entities in the tax-consolidated group are ignored for tax purposes.

This approach would be consistent with the option of treating the pre-implementation effects of tax consolidation as a change in tax status.

'Foreseeable future' view

Under this view, any temporary differences (and so deferred taxes) arising from investments within the tax-consolidated group would only be calculated in the event that the entity expects that an investment is expected to leave the group in the foreseeable future.

This then would permit a more realistic temporary difference to be calculated and subsequently recognised as a deferred tax balance (automatically for deferred tax liabilities, but subject to the 'probable' criterion for deferred tax assets).

Although a pragmatic approach, there is limited support for this approach under AASB 112 as the 'foreseeable future' criterion is applied to the recognition requirement for deferred taxes associated with investments, not the measurement of the temporary difference arising.

Because the Group has no current intention to dispose of these investments, a deferred tax liability has not been recognised in relation to investments within the tax-consolidated group. Furthermore, temporary differences that might arise on disposal of the entities in the tax-consolidated group cannot be reliably measured because of the inherent uncertainties surrounding the nature of any future disposal that might occur.

However, in some cases, management of the entity may believe that certain non-taxable transactions could be put in place within the tax-consolidated group before any disposal that could reduce any taxable amount that might arise to nil. In situations where there is no current intention to dispose of investments and because of the existence of these tax planning opportunities, the directors believe the minimum amount of any temporary difference arising would be nil.



See notes 19 and 51A in section 10 Illustrative disclosures for illustrative disclosures of the requirements of Int 1052.

6.3.3 Interpretation 1031 Accounting for the Goods and Services Tax (GST)

Interpretation 1031 *Accounting for the Goods and Services Tax (GST)* (Int 1031) clarifies how GST should be recognised in the financial statements but does not require specific disclosures. Int 1031 requires the following:

Source	Requirement
Int 1031.6	Revenues, expenses and assets shall be recognised net of the amount of goods and services tax (GST), except where paragraphs 7 and 8 apply.
Int 1031.7	The amount of GST incurred by a purchaser that is not recoverable from the taxation authority shall be recognised as part of the cost of acquisition of an asset or as part of an item of expense.
Int 1031.8	Receivables and payables shall be stated with the amount of GST included.
Int 1031.9	The net amount of GST recoverable from, or payable to, the taxation authority shall be included as part of receivables or payables in the statement of financial position.
Int 1031.10	Cash flows shall be included in the statement of cash flows on a gross basis, subject to paragraph 11 and to AASB 107 Statement of Cash Flows.
Int 1031.11	The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority shall be classified as operating cash flows.



See note 3.29 and note 25 in section 10 *Illustrative disclosures for illustrative disclosures which addresses the consensus in Int 1031.*

6.3.4 AASB 1054 Australian Additional Disclosures

AASB 1054 *Australian Additional Disclosures* (AASB 1054) sets out Australian-specific disclosure requirements that are in addition to the disclosure requirements in IFRS. The standard is applicable to:

- Entities that are required to prepare financial reports under the Corporations Act
- General purpose financial statements of reporting entities
- Financial statements that are, or are held out to be general purpose financial statements.

Compliance with AASB 1054 is not needed for compliance with IFRSs, but must be complied with in order to make a statement of compliance with Accounting Standards.

Below is an overview of the disclosures required AASB 1054:

Disclosure	Requirements
Compliance with Accounting Standards	An entity whose financial statements comply with Accounting Standards or Accounting Standards – Reduced Disclosure Requirements shall make an explicit and unreserved statement of such compliance in the notes.
Reporting framework	Disclose the basis under which the financial statements are prepared and whether the financial statements are prepared for a for-profit or not-for-profit entity.
GPFS or SPFS	Disclose in the notes whether the financial statement are GPFS or SPFS.
Audit fees*	Disclose audit fees separately for the audit or review of financial statements and all other services (including the nature of the services) performed during the reporting period.
Imputation credits*	Disclose the amount of imputation credits available for use in subsequent reporting periods. The disclosures shall be made separately in respect of New Zealand and Australian imputation credits.
Reconciliation of net operating cash flow to profit (loss)*	When an entity uses the direct method to present its statement of cash flows, the financial statements shall provide a reconciliation of the net cash flow from operating activities to profit (loss).

* This requirement does not apply to Tier 2 (RDR) financial reports



See section 10 *Illustrative disclosures for illustrative disclosures required by AASB 1054.*

6.3.5 Australian specific disclosures

In 2005 when Australia moved to Accounting Standards based on IFRS, the AASB included Australian-specific paragraphs (labelled as 'Aus' paragraphs), including application paragraphs, which were added to the IFRS text. These application paragraphs identified the entities and financial reports to which each Standard applied. Other minor amendments were also made to the IFRS text, e.g. Australian terminology and punctuation.

At its May 2015 meeting, the AASB decided to revise Accounting Standards that incorporate IFRS to further minimise Australian-specific wording. The AASB reissued most of Accounting Standards that incorporate IFRS in July and August 2015 in order to make editorial changes. The new principal versions do not include Australian application paragraphs, which were previously included in each Accounting Standard. Instead these Australian application paragraphs are included in an Australian-specific Accounting Standard, AASB 1057 *Application of Australian Accounting Standards*. In doing so, the application requirements were not amended.

As a result of these changes, the number of 'Aus' paragraphs included in Accounting Standards have been substantially reduced. The remaining 'Aus' paragraphs deal with limited additional information, including:

- Specific requirements that apply to particular differential reporting frameworks, e.g. requirements that apply only to not-for-profit entities or entities applying RDR (see section 5.3.3)
- Limited amendments to the requirements to IFRS without affecting a for-profit private sector entity's ability to make an unreserved statement of compliance with IFRS¹⁶, e.g.:
 - A prohibition on many entities from making a departure from the requirements of Accounting Standards that is contemplated in AASB 101 *Presentation of Financial Statements*
 - Requiring an ultimate Australian parent to present consolidated financial statements that consolidate its investments in subsidiaries in accordance with AASB 10 *Consolidated Financial Statements* when either the parent or the group is a reporting entity or both the parent and the group are reporting entities (unless the entity is an investment entity)
 - Specific paragraphs added to AASB 6 *Exploration for and Evaluation of Mineral Resources*, requiring an entity to adopt an 'area of interest' method for the recognition and measurement of exploration and evaluation assets recognised
 - Requiring most general insurance and life insurance contracts to be accounted for in accordance with Australian-specific standards (AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*) rather than AASB 4 *Insurance Contracts*
- In limited cases, the inclusion of additional disclosures that are not included in AASB 1054, e.g.:
 - Including in AASB 124 *Related Party Disclosures* a requirement for additional disclosures about parent entities that are not incorporated in Australia
 - Additional Australian disclosures included in AASB 1023 and AASB 1038.

Each Accounting Standard (where relevant) includes additional materials in respect of RDR (see section 5.3.3) and an appendix of any text deleted from IFRS when making the standard.



See note 43 of section 10 *Illustrative disclosures for an example of the 'Aus' requirements for AASB 124 Related Party Disclosures (see page 190) which is an additional disclosure to those set out in note 43 of the Deloitte model IFRS financial statements available at www.deloitte.com/au/models. (See note 43 of the Deloitte model IFRS financial statements for the remainder of the related party transaction disclosures).*

¹⁶ In addition, the impacts of Australian-specific Interpretations also have a similar impact, by effectively require Australian entities to account for transactions and events in a particular manner without impacting compliance, e.g. Interpretation 1003 *Australian Petroleum Resource Rent Tax* (requires Australian Petroleum Resource Rent Tax (PRRT) to be accounted for an in income tax), Interpretation 1052 *Tax Consolidation Accounting* (setting accounting requirements within tax-consolidated groups formed in Australia). Some Australia-specific Interpretations also introduce a number of additional disclosures that are in addition to those required by IFRS.

6.4 Other Australian specific considerations

6.4.1 True and fair view

Financial statements and notes thereto prepared to satisfy the reporting requirements of the Corporations Act must comply with Accounting Standards and the *Corporations Regulations 2001*, even if compliance does not result in a true and fair view. Section 295(3) of the Corporations Act requires directors to provide additional information and explanations when compliance with Accounting Standards and the *Corporations Regulations 2001* would not give a true and fair view. This additional information and explanation should be given by way of a note to the financial statements.

6.4.2 Rounding off of amounts (ASIC-CI 2016/191)

General

Where total assets of the company, registered scheme, disclosing entity or financial services licensee exceed:

Amount	Rounding permitted
\$10 million (\$10,000,000)	Rounding off to the nearest thousand dollars is permitted. Each page must clearly indicate where this has been done.
\$1,000 million (\$1,000,000,000)	Rounding off to the nearest hundred thousand dollars is permitted. Each page must clearly indicate where this has been done. These amounts should be presented in the form of a whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars, with a clear indication that the amounts are presented in millions of dollars.
\$10,000 million (10,000,000,000)	Rounding off to the nearest million dollars is permitted. Each page must clearly indicate where this has been done.

However, rounding is not allowed where rounding could adversely affect decisions about the allocation of scarce resources made by users of the financial report or the discharge of accountability by management or the directors.

The relevant financial report or report must state that the company is of a kind referred to in the Corporations Instrument and that amounts in the directors' report and the financial report have been rounded in accordance with the Corporations Instrument.

Amounts rounded down to zero may be indicated by 'nil' or the equivalent thereof. In addition, an item that is rounded down to nil in the financial report for the current and comparative accounting periods may be omitted completely.

Special rules

When rounding amounts pursuant to ASIC-CI 2016/191 it is important to remember that:

- Where an entity rounds amounts to the nearest \$100,000 or \$1,000,000, the following items must be rounded only to the nearest \$1,000
- Where a company rounds to the nearest \$1,000, the following items must be presented in whole dollars (i.e. the following items cannot be rounded).

The items include:

- Details, values and aggregates required to be disclosed in the directors' report under s.300(1)(g), s.300(8), s.300(9), s.300(11B), s.300(11C), s.300(13)(a), s.300A(1)(c) and s.300A(1)(e) of the Corporations Act¹⁷
- Amounts disclosed under AASB 2 *Share-based Payment* (AASB 2) paragraph 50, such as share-based payment expenses and the amount of liabilities arising from share-based payment transactions
- Remuneration of auditors disclosed under AASB 1054 *Additional Australian Disclosures* paragraph 10
- Compensation to key management personnel disclosed under AASB 124 *Related Party Disclosures* paragraph 17
- Transactions between related parties disclosed under AASB 124 *Related Party Disclosures* paragraphs 18 and 19.

¹⁷ Information required by Regulation 2M.3.03 is considered to be caught by the references to s.300A above.

The amounts included in the following notes/lines which are rounded in the Deloitte model IFRS financial statements should be presented in whole dollars in terms of ASIC-CI 2016/191. We have not represented these disclosures in the illustrative disclosures of this guide.

Source	Note and line item/s
	13.5 Employee benefits expense
	Amounts required to be disclosed under AASB 2.50, i.e. line items:
IFRS 2.50	Share-based payments (see note 42.1)
IFRS 2.51(a)	Equity-settled share-based payments
IFRS 2.51(a)	Cash-settled share-based payments
	37. Trade and other payables
	Amounts required to be disclosed under AASB 2.50, i.e. line item:
IFRS 2.51(b)	Cash-settled share-based payments
	43.1 Trading transactions
	43.5 Other related party transactions
AASB 124.18,19	Transactions between related parties required to be disclosed under AASB 124 paragraphs 18 and 19 i.e. all line items in note 43.1 and note 43.5.
	43.2 Loans to related parties
	43.3 Loans from related parties
AASB 124.18	Transactions between related parties required to be disclosed under AASB 124 paragraphs 18 and 19 i.e. all line items in note 43.2 and note 43.3 which relate to AASB 124.18.
	43.4 Compensation of key management personnel
AASB 124.17 RDR: See AASB 124.17	Compensation of key management personnel required to be disclosed under AASB 124.17 i.e. all line items in note 43.3.

EPS and option disclosures

In addition:

- Earnings per share may be rounded to one tenth of one cent (disclosed in accordance with AASB 133 *Earnings per Share* paragraphs 66 and 69)
- Information disclosed in accordance with AASB 2 *Share-based Payment* paragraphs 44 and 46 and s.300(6)(c), s.300(7)(d) and s.300(7)(e) of the Corporations Act about the prices for shares and options may be rounded to one cent.

Rounding by lower amounts

Where considered appropriate, and provided certain conditions are satisfied, amounts may be rounded off to a lesser extent than that detailed above. For example, a company with total assets exceeding \$10,000 million may wish to round to the nearest \$1,000 or \$100,000 even though it is permitted to round to the nearest \$1 million.

6.4.3 Parent entity information

An amendment to the Corporations Act in June 2010 removed the requirement for entities to include parent entity columns in their general purpose consolidated financial statements. Instead, information about the parent entity as required by Regulation 2M.3.01 *Disclosures required by notes to consolidated financial statements—annual financial reports* (Corporations Act s.295) must be disclosed in the notes to the consolidated financial statements. (Regulation 2M.3.01 defines a parent entity as a company, registered scheme or disclosing entity that is required by the Accounting Standards to prepare financial statements in relation to a consolidated entity.)



See note 51A (starting on page 195) of section 10 *Illustrative disclosures for an illustrative disclosure of the parent entity note.*

6.4.4 Deed of cross guarantee

As discussed under section 4.1.5, *ASIC Corporations (Wholly owned Companies) Instrument 2016/785*¹⁸ relieves wholly-owned subsidiaries from the requirement to prepare a financial report and to have the financial report audited, where they enter into a deed of cross guarantee with their parent entity and certain other conditions are satisfied. Under a deed of cross guarantee the parties guarantee the debts of each other in certain circumstances. One of the main conditions of the class order is that the parent entity prepares consolidated financial statements which includes financial information of the parties to the deed.



See note 51A (starting on page 195) of section 10 *Illustrative disclosures for disclosures that illustrate the requirements of ASIC Corporations (Wholly owned Companies) Instrument 2016/785 in respect of the consolidated financial statements.*

6.5 ASX Listing Rule requirements

6.5.1 Requirements for the Appendix 4E

As noted in section 4.3.2, listed entities are required to provide an Appendix 4E preliminary final report to the ASX for each annual reporting period.

The information included in the Appendix 4E and the financial reports upon which it is based must use the same accounting policies. The information must comply with all relevant accounting standards, which may be accounting standards other than Australian Accounting Standards where the entity is a foreign entity.

The requirements to prepare and lodge an Appendix 4E do not apply to mining exploration entities or oil and gas exploration entities.

If an entity becomes aware of any circumstances which are likely to materially affect the results or other information contained in the preliminary final report given to ASX, it must immediately give ASX an explanation of the circumstances and the effects the circumstances are expected to have on the entity's current or future financial performance or financial position (ASX Listing Rule 4.3D).

The following information must be included in the Appendix 4E:

Source	Requirement
ASX Appendix 4E, Item 1	<p>Details of the reporting period</p> <p>Details of the reporting period and the previous corresponding period.</p>
ASX Appendix 4E, Item 2	<p>Results for announcement to the market</p> <p>Key information in relation to the following, identified as "Results for announcement to the market" must be disclosed:</p> <p>(a) The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.</p>

¹⁸ *ASIC Corporations (Wholly owned Companies) Instrument 2016/785* (issued on 28 September 2016) replaced Class Order 98/1418 and applies to financial years ending on or after 1 January 2017. Both instruments contains substantially the same conditions and disclosure requirements in the financial statements.

Source	Requirement
ASX Appendix 4E, Items 3-6	<p>(b) The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.</p> <p>(c) The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members.</p> <p>(d) The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.</p> <p>(e) The record date for determining entitlements to the dividends (if any).</p> <p>(f) A brief explanation of any of the figures in (a)-(d) necessary to enable the figures to be understood.</p> <p>The information required above must be placed at the beginning of the report. The other information may be presented in whatever way is most convenient, e.g. combined with the body of the report, combined with notes to the accounts, or set out separately.</p>
ASX Appendix 4E, Item 6	<p>Financial statements</p> <p>The preliminary final report must include:</p> <p>(a) A statement of comprehensive income together with notes to the statement, prepared in compliance with AASB 101 Presentation of Financial Statements or the equivalent foreign accounting standard</p> <p>(b) A statement of financial position together with notes to the statement. The statement of financial position may be condensed but must report as line items each significant class of asset, liability, and equity element with appropriate sub-totals</p> <p>(c) A statement of cash flows together with notes to the statement. The statement of cash flows may be condensed but must report as line items each significant form of cash flow and comply with the disclosure requirements of AASB 107 Statement of Cash Flows, or for foreign entities, the equivalent foreign accounting standard</p> <p>(d) A statement of retained earnings, or a statement of changes in equity, showing movements</p>
ASX Appendix 4E, Item 10	<p>Information about dividends and net tangible assets</p> <p>The preliminary final report must include:</p> <p>(a) Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution</p> <p>(b) Net tangible assets per security with the comparative figure for the previous corresponding period</p>
ASX Appendix 4E, Item 11	<p>Entities over which control has been gained or lost</p> <p>Details of entities over which control has been gained or lost during the period, including the following:</p> <p>(a) The name of the entity</p> <p>(b) The date of the gain or loss of control</p> <p>(c) Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period</p> <p>Details of associates and joint ventures</p> <p>Details of associates and joint venture entities, including the following:</p> <p>(a) The name of the associate or joint venture entity.</p> <p>(b) Details of the reporting entity's percentage holding in each of these entities.</p> <p>(c) Where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.</p>

Source	Requirement
ASX Appendix 4E, Item 12	<p>Other information</p> <p>The report must include any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.</p>
ASX Appendix 4E, Item 13	<p>Foreign entities</p> <p>For foreign entities, the report must state which set of accounting standards is used in compiling the report.</p>
ASX Appendix 4E, Item 14	<p>Commentary</p> <p>The report must contain a commentary on the results for the period. The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of the entity's activities and results, which would include but not be limited to discussion of the following:</p> <ul style="list-style-type: none"> (a) The earnings per security and the nature of any dilution aspects. (b) Returns to shareholders including distributions and buy backs. (c) Significant features of operating performance. (d) The results of segments that are significant to an understanding of the business as a whole. (e) A discussion of trends in performance. (f) Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified
ASX Appendix 4E, Items 15-17	<p>Audit information</p> <p>The report must include:</p> <ul style="list-style-type: none"> (a) A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed (b) If the accounts have not yet been audited and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph (c) If the accounts have been audited and contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph

6.5.2 ASX Corporate Governance Principles and Recommendations

Corporate governance is a system of rules, practices, policies and processes by which a company is directed and controlled. It aims at balancing the interests of a company's stakeholders and furthermore, good corporate governance promotes investor confidence. The ASX Corporate Governance Principles and Recommendations ('Principles and Recommendations') set out recommended corporate governance practices for entities listed on the ASX.

The Principles and Recommendations are not mandatory. As a result if a listed entity considers that a recommended principles/recommendation is not appropriate for the entity to adopt, it is entitled not to adopt it. However, the entity must explain why it has not adopted the principle/recommendation – seen as the “if not, why not” approach.

Unlisted entities are not required to report against the Principles and Recommendations however, may choose to adopt the Principles and Recommendations.

The ASX corporate governance considerations applicable to listed entities are set out below:

Source	Requirement
ASX-LR 4.10.3	<p>Australian Securities Exchange Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the best practice recommendations of the ASX Corporate Governance Council during the reporting period. This disclosure is required either in the annual report or the annual report should include a link to the company's corporate governance statement on the company's website. Where a recommendation has not been followed for any part of the reporting period, the corporate governance statement must separately identify that recommendation and the period during which it was not followed and the entity must justify the reason for the non-compliance and what (if any) alternative governance practices it has adopted.</p> <p>The corporate governance statement must also:</p> <ul style="list-style-type: none"> • Specify the date at which it is current (must be entity's balance sheet date or a later date specified by the entity) • State that it has been approved by the board of the entity or the board of the responsibility entity of a trust.
ASX-GN 9	<p>Recommendations</p> <p>The ASX Corporate Governance Council issued a third edition of the 'Corporate Governance Principles and Recommendations' in March 2014. The latest version is applicable to annual reporting periods commencing on or after 1 July 2014.</p> <p>To assist companies in complying with the guidelines, the ASX has issued Guidance Note 9 'Disclosure of Corporate Governance Practices', most recently amended to reflect amendments made by the ASX Corporate Governance Council in December 2016.</p> <p>It is important that listed entities refer to the complete document when preparing their reports as they provide comprehensive and invaluable guidance in relation to implementation of the Principles and Recommendations. The recommendations of the ASX Corporate Governance Council, including corporate governance practices and suggested disclosures, are set out below. The recommendations are differentiated between the eight core principles that the ASX Corporate Governance Council believes underlie good corporate governance. Entities must disclose any instances of non-compliance with these recommendations.</p> <p>Principle 1 – Lay solid foundations for management and oversight</p> <p>1.1 A listed entity should disclose:</p> <ol style="list-style-type: none"> (a) The respective roles and responsibilities of its boards and management (b) Those matters expressly reserved to the board and those delegated to management. <p>1.2 A listed entity should:</p> <ol style="list-style-type: none"> (a) Undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a director (b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. <p>1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p> <p>1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p> <p>1.5 A listed entity should:</p> <ol style="list-style-type: none"> (a) Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them (b) Disclose that policy or a summary of it (c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:

Source	Requirement
	<ol style="list-style-type: none"> 1. The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes), or 2. If the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.
1.6	<p>A listed entity should:</p> <ol style="list-style-type: none"> (a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors (b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.
1.7	<p>A listed entity should:</p> <ol style="list-style-type: none"> (a) Have and disclose a process for periodically evaluating the performance of its senior executives (b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.
	<p>Principle 2 - Structure the board to add value</p>
2.1	<p>The board of a listed entity should:</p> <ol style="list-style-type: none"> (a) Have a nomination committee which: <ol style="list-style-type: none"> 1. Has at least three members, a majority of whom are independent directors, and 2. Is chaired by an independent director and disclose 3. The charter or the committee 4. The members of the committee 5. As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or (b) If it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>
2.3	<p>A listed entity should disclose:</p> <ol style="list-style-type: none"> (a) The names of the directors considered by the board to be independent directors (b) If a director has an interest, position, association or relationship such as: <ul style="list-style-type: none"> - Employment in an executive capacity with the entity or any of its child entities that ceased less than three years prior to serving on the board - Being a partner, director or senior employee of a provider of material professional services to the entity or any of its child entities within the last three years - A material business relationship (e.g. being a supplier or customer) with the entity or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship within the last three years - Being a substantial security holder of the entity or an officer of, or otherwise associated with, a substantial security holder of the entity - A material contractual relationship with the entity or its child entities other than as a director - Having close family ties with any person who has such interest, position, association or relationship as described above, or - Employed as a director of the entity for such a period that the independence to the entity have been compromised,

Source	Requirement
	<p>However the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion</p> <p>(c) The length of service of each director.</p> <p>2.4 A majority of the board of a listed entity should be independent directors.</p> <p>2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p> <p>2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>
	<p>Principle 3 - Promote ethical and responsible decision making</p> <p>3.1 A listed entity should:</p> <p>(a) Have a code of conduct for its directors, senior executives and employees</p> <p>(b) Disclose that code or a summary of it.</p>
	<p>Principle 4 - Safeguard integrity in financial reporting</p> <p>4.1 The board of a listed entity should:</p> <p>(a) Have an audit committee which:</p> <ol style="list-style-type: none"> 1. Has at least three members, all of whom are non-executive directors and a majority of whom are independent directors, and 2. Is chaired by an independent director, who is not the chair of the board and disclose: 3. The charter of the committee 4. The relevant qualifications and experience of the members of the committee 5. In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or <p>(b) If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> <p>4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively</p> <p>4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>
	<p>Principle 5 - Make timely and balanced disclosures</p> <p>5.1 A listed entity should:</p> <p>(a) Have a written policy for complying with its continuous disclosure obligations under the ASX Listing Rules</p> <p>(b) Disclose that policy or a summary of it.</p>
	<p>Principle 6 - Respect the rights of shareholders</p> <p>6.1 A listed entity should provide information about itself and its governance to investors via its website</p> <p>6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors</p>

Source	Requirement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.
	Principle 7 - Recognise and manage risk
7.1	The board of a listed entity should: <ul style="list-style-type: none"> (a) Have a committee or committees to oversee risk, each of which: <ol style="list-style-type: none"> 1. Has at least three members, a majority of whom are independent directors 2. Is chaired by an independent director and disclose: <ol style="list-style-type: none"> 3. The charter of the committee 4. The members of the committee 5. As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or (b) If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.
7.2	The board or a committee of the board should: <ul style="list-style-type: none"> (a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound (b) Disclose, in relation to each reporting period, whether such a review has taken place.
7.3	A listed entity should disclose: <ul style="list-style-type: none"> (a) If it has an internal audit function, how the function is structured and what role it performs, or (b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.
	Principle 8 - Remunerate fairly and responsibly
8.1	The board of a listed entity should: <ul style="list-style-type: none"> (a) Have a remuneration committee which: <ol style="list-style-type: none"> 1. Has at least three members, a majority of whom are independent directors, and 2. Is chaired by an independent director and disclose: <ol style="list-style-type: none"> 3. The charter of the committee 4. The members of the committee 5. As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or (b) If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.
8.3	A listed entity which has an equity-based remuneration scheme should:

Source

Requirement

- (a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme
- (b) Disclose that policy or a summary of it.

Externally managed listed entities

The current version of the Corporate Governance Principles and Recommendations includes additional guidance on the application of the recommendations to externally managed listed entities. In addition, certain recommendations do not apply to externally managed entities.

The following recommendations are those which do not apply:

1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 2.1, 2.2, 2.4, 2.5, and 2.6.

The entity may simply state that these recommendations are “not applicable” in its corporate governance statement.

For the following recommendations the normal requirements do not apply, but in lieu of these requirements alternative recommendations apply:

1.1, 8.1, 8.2 and 8.3.

The recommendations and alternative recommendations listed below, apply to externally managed listed entities with specific guidance on application:

- Alternative recommendation 1.1 – disclosure should be made of the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity, and the role and responsibility of the board of the responsible entity for overseeing those arrangements
- Recommendation 2.3 – disclosure in relation to the responsible entity in its corporate capacity. Independence should be assessed and disclosed in relation to the responsible entity, rather than the listed entity
- Recommendation 3.1 – disclosure in relation to the responsible entity in its corporate capacity
- Recommendation 4.1 – disclosures should be made in relation to the specific processes and facilities the responsible entity has put in place to perform its role as the manager of the listed entity. If the entity is a listed trust with a compliance committee, the board of the responsible entity may instead of establishing a separate audit or risk committee, adapt the role of the compliance committee to cover the responsibilities that would ordinarily be undertaken by the audit committee
- Recommendation 4.2 – disclosures should be made in relation to the specific processes and facilities the responsible entity has put in place to perform its role as the manager of the listed entity
- Recommendation 5.1 – disclosure should be made in relation to the listed entity being managed by the responsible entity
- Recommendation 6.1 – disclosures should be made in relation to the specific processes and facilities the responsible entity has put in place to perform its role as the manager of the listed entity
- Recommendation 6.2 – disclosures should be made in relation to the specific processes and facilities the responsible entity has put in place to perform its role as the manager of the listed entity
- Recommendation 6.4 – disclosure should be made in relation to the listed entity being managed by the responsible entity
- Recommendation 7.1 – disclosures should be made in relation to the specific processes and facilities the responsible entity has put in place to perform its role as the manager of the listed entity. If the entity is a listed trust with a compliance committee, the board of the responsible entity may, instead of establishing a separate audit or risk committee, adapt the role of the compliance committee to cover the responsibilities that would ordinarily be

Source	Requirement
ASX-GN 9	<p>undertaken by the risk committee. If it does so, it should make the disclosures mentioned in recommendations 4.1(a) and 7.1(a) in relation to the compliance of the committee</p> <ul style="list-style-type: none"> • Recommendation 7.2 – disclosures should be made in relation to the specific processes and facilities the responsible entity has put in place to perform its role as the manager of the listed entity • Recommendation 7.3 – disclosures should be made in relation to the specific processes and facilities the responsible entity has put in place to perform its role as the manager of the listed entity • Recommendation 7.4 – disclosures should be made in relation to the listed entity being managed by the responsible entity • Alternative recommendation 8.1, 8.2 and 8.3 – disclosure should be made of the terms governing the remuneration of the manager. <p>The recommendations listed below, may apply to externally managed listed entities with specific guidance on application:</p> <ul style="list-style-type: none"> • Recommendation 4.3 – only applicable if the externally managed listed entity holds an AGM • Recommendations 6.3 – only applicable if the externally managed listed entity has periodic meetings of security holders. <p>Information to be made publicly available</p> <p>The ASX expects as a result of following the recommendations of the ASX Corporate Governance Council, an entity will have articulated and disclosed:</p> <ul style="list-style-type: none"> • The respective roles and responsibilities of the board and management, including those matters expressly reserved to the board and those delegated to management (Recommendation 1.1) • Its process for periodically evaluating the performance of the board, its committees, individual directors, and senior executives (Recommendation 1.6 and 1.7) • Whether performance evaluations of its board and senior executives were undertaken in the reporting period in accordance with the disclosed processes (Recommendation 1.6 and 1.7) • A board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership (Recommendation 2.2) • Which of its directors are considered to be independent (Recommendation 2.3) • Its code of conduct (Recommendation 3.1) • Its continuous disclosure compliance policy (Recommendation 5.1) • Its policy and processes to facilitate and encourage participation at meetings of security holders (Recommendation 6.3) • If it has an internal audit function, how the function is structured and what role it performs or, if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes (Recommendation 7.3) • Whether, it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks (Recommendation 7.4) • Its policy on diversity, the measurable gender diversity targets that the board or a committee of the board has set, and its performance against those targets (Recommendation 1.5) • Its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives (Recommendation 8.2) • If it has an equity-based remuneration scheme, its policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme (Recommendation 8.3). <p>It is also expected that an entity will have established an audit committee, risk committee or committees, nomination committee and remuneration committee and disclosed their charters, membership and the attendance records of members at committee meetings, or else have</p>

Source	Requirement
	disclosed the alternatives arrangements the board has put in place to perform the responsibilities normally undertaken by such committees.
	An entity which does not follow all of the Council's recommendations will need to identify in its corporate governance statement each recommendation it does not follow and state its reasons for not allowing the recommendation and what (if any) alternative governance practices it has adopted in lieu of the recommendation.

6.6 Reporting deadlines

6.6.1 Summary of reporting deadlines

The following table summarises the reporting deadlines under the Corporations Act and ASX Listing Rules (where relevant).

Source	Requirement	Listed disclosing entity	Non-listed disclosing entity	Public company	Large proprietary company	Foreign controlled small proprietary company	Registered scheme
Annual financial reporting							
ASX 4.3A, ASX 4.3B	Lodgement of Appendix 4E with the ASX	As soon as available (and no later than 2 months after the year end) ¹⁹	n/a	n/a	n/a	n/a	n/a
ASX 4.5, ASX 4.5.1	Lodgement of the Corporations Act financial report and concise report with the ASX	As soon as available (and no later than 3 months after the year end)	n/a	n/a	n/a	n/a	n/a
ASX 4.7.1, ASX 4.7.2	Lodgement of the Corporations Act annual report and concise report with the ASX	First day sent to the members (and the earlier of 21 days before the next AGM or 4 months after the end of the financial year (s.315)) ²⁰	n/a	n/a	n/a	n/a	n/a
ASX 4.7.3, ASX 4.7.4	Lodgement of the Appendix 4G with the ASX (and Corporate governance statement (to the extent not included in the annual report))	Same time as annual report distributed to the members	n/a	n/a	n/a	n/a	n/a

¹⁹ Mining exploration entities or oil and gas exploration entities are not required to provide the information set out in the Appendix 4E.

²⁰ If the entity is not established in Australia but required by the law of the place of its establishment to prepare an annual report and provide it to the members this must be given to the ASX at the same time as distributed to the members (ASX 4.7.2).

Source	Requirement	Listed disclosing entity	Non-listed disclosing entity	Public company	Large proprietary company	Foreign controlled small proprietary company	Registered scheme
s.314 s.315	Sending of financial report to members	Earlier of 21 days before the next AGM or 4 months after the end of the financial year	Earlier of 21 days before the next AGM or 4 months after the end of the financial year	Earlier of 21 days before the next AGM or 4 months after the end of the financial year	Within 4 months after the end of the financial year	Within 4 months after the end of the financial year	Within 3 months after the end of the financial year
s.319	Lodgement of the Corporations Act annual report and concise report with ASIC ^{21, 22}	n/a (ASIC-CI 2016/181)	Within 3 months after the year end	Within 4 months after the year end	Within 4 months after the year end	Within 4 months after the year end	Within 3 months after the year end
Annual general meetings							
s.250N	Hold the AGM	Within 5 months after the year end (if a public company)	Within 5 months after the year end (if a public company)	Within 5 months after the year end (unless exempted), ²³	n/a	n/a	n/a

6.6.2 Where deadlines fall on a weekend or public holiday

Where a deadline under the Corporations Act falls on a Saturday, Sunday or public holiday, section 36(2) of the *Acts Interpretations Act 1901* permits the deadline to be met on the next day that is not a Saturday, Sunday or public holiday.

However, where a deadline arises under the ASX Listing Rules and that deadline falls on a Saturday, Sunday or public holiday, ASX Listing Rule 19.5 requires the deadline to be met by the preceding business day.

²¹ An entity need not give the ASX the annual report if it comprises only the documents already given to the ASX under ASX Listing Rule 4.5. The entity must tell the ASX if this is the case.

²² If the entity is not established in Australia, the annual report must be given to the ASX by the earlier of (a) the first day the entity sends the documents to security holders under the law of the place of its establishment or (b) the last day for the documents to be given to security holders under that law (see ASX Listing Rule 4.7.2).

²³ A wholly-owned public company (i.e. a public company with one member) is not required to hold an AGM under s.250N(4). Similarly, under s.250N(5) and s.250N(6), certain companies eligible for limited governance requirements under s.738ZI (i.e. certain entities raising funds under crowd-sourced funding arrangements, see section 3.4.2) are not required to hold an AGM. This latter concession is only available to companies that register as, or convert to, a public company after the commencement of the crowd-sourced funding regime under the Corporations Act (see section 4.1.9).

6.6.3 Dates applicable for 30 June 2017 reports

The following table summarises the reporting deadlines for annual reporting periods ending 30 June 2017. Note: These reporting deadlines will be applicable to the majority of entities; however care should be taken to ensure that the dates noted below are the appropriate dates for the entity in question.

Requirement	Listed disclosing entity	Non-listed disclosing entity	Public company	Large proprietary company	Foreign controlled small proprietary company	Registered scheme
Annual reporting period ending 30 June 2017²⁴:						
Lodgement of Appendix 4E with the ASX	31 August 2017	n/a	n/a	n/a	n/a	n/a
Lodgement of the Corporations Act annual report and concise report with the ASX	29 September 2017 ²⁵	n/a	n/a	n/a	n/a	n/a
Lodgement of the Corporations Act annual financial report and concise report with ASIC	n/a ²⁶	3 October 2017 ²⁷	31 October 2017	31 October 2017 ²⁸	31 October 2017	3 October 2017



The ASX 2017 company reporting dates calendar (for December 2016 and June 2017 balance sheet dates) is available at: www.asx.com.au.

6.6.4 Special considerations in relation to other small proprietary companies and small companies limited by guarantee

With the exception of certain foreign controlled small proprietary companies (see section 4.1.4), small proprietary companies, and small companies limited by guarantee, are not required to prepare an annual financial report under Part 2M.3 of the Corporations Act, unless requested to do so by either:

- ASIC, or
- A direction given by shareholders with at least 5% of the votes of the company.

ASIC request

In the event that a small proprietary company (not otherwise required to prepare and lodge an annual financial report under Part 2M.3 of the Corporations Act), or small company limited by guarantee, is requested by ASIC to prepare and lodge an annual financial report, the deadline for lodgement with ASIC is the date specified in the request (s.294, s.294B).

Shareholders' request

In the event that a small proprietary company (not otherwise required to prepare an annual financial report under Part 2M.3 of the Corporations Act) or a small company limited by guarantee is requested by 5% or more of the shareholders to prepare and distribute an annual financial report, the deadline for the distribution is the later of (s.315(2), s.316A(4)):

- Two months after the date on which the request is made, and
- Four months after the end of the financial year.

²⁴ Refer to section 6.6.1 for the requirements of ASX Listing Rule 4.7.1 – 4.7.4 (applicable to listed entities).

²⁵ 30 September 2017 falls on a Saturday, and the ASX reporting dates calendar therefore shows the deadline as Friday 29 September 2017 (see section 6.6.2).

²⁶ Consider ASIC-CI 2016/181 (see section 4.2.2).

²⁷ As 30 September 2017 falls on a Saturday, the *Acts Interpretations Act 1901* permits the deadline to be met on the next day that is not a Saturday, Sunday or public holiday (see section 6.6.2). Monday 2 October 2017 is a public holiday in New South Wales, Queensland, the Australian Capital Territory and South Australia.

²⁸ Consider ASIC-CI 2015/840 (see section 4.2.2).

Where a small proprietary company or small company limited by guarantee is required to prepare an annual financial report in accordance with a shareholders' request, a directors' report need not be prepared and that financial report is not required to be made out in accordance with Accounting Standards where the shareholders' request specifies that a directors' report is not required to be prepared and that Accounting Standards need not be complied with.

In addition, the annual financial report is only required to be audited where the shareholders' request asks for an audit to be performed (s.293(3), s.294A(3)).

6.6.5 Signing the annual financial report and half-year financial report

The directors' report and directors' declaration must be prepared and signed off in time to comply with the lodgement and distribution deadlines of the Corporations Act (as detailed above).

The directors' report and directors' declaration (made out in accordance with a directors' resolution) need only be signed by one director, for example, the chairman of the board. The board of directors can however choose to have more than one director sign the directors' report or directors' declaration.

6.6.6 Notice of members' meetings

In relation to proprietary companies and unlisted public companies, 21 days notice must be given for all members' meetings (unless a longer notice period is specified in the company's constitution). However, the Corporations Act makes provision for the members to agree to a shorter notice period, other than notice periods for members' meetings in which a resolution will be moved to appoint or remove directors, or remove the auditor of the company.

In relation to listed companies, 28 days notice must be given for all members' meetings, unless a longer notice period is specified in the company's constitution.

7 Other financial reporting considerations

In addition to the core reporting requirements of Part 2M.3 of the Corporations Act, entities also need to consider a number of other requirements and recommendations when reporting their financial performance and position

Roadmap to this section

Topic	What is covered	Who does it apply to?
7.1 Continuous disclosure	An overview of continuous disclosure obligations required by the ASX and Corporations Act.	Disclosing entities
7.2 Half-year reports	Half year reporting requirements disclosing entities	Disclosing entities
7.3 Concise reports	An overview of the requirements of the Corporations Act which permit an entity to prepare a concise report in addition to their full financial report	Companies, registered schemes and disclosing entities that elect to prepare a concise report
7.4 Foreign companies	An overview of the Corporations Act and ASX Listing Rule reporting requirements for foreign companies.	Foreign companies registered in Australia
7.5 Relevant financial reporting	An overview of the relevant financial reporting techniques which can be applied to ensure that users of financial statements are provided with relevant and reliable information that is useful. This section also includes an illustrative example of a disclosure after applying the techniques of relevant financial reporting.	All entities

7.1 Continuous disclosure

Chapter 6CA of the Corporations Act sets out an entity's continuous disclosure obligations which is dependent on the type of entity.

7.1.1 Listed disclosing entities bound by disclosure requirements in market listing rules

Listed disclosing entities bound by disclosure requirements in market listing rules (such as the ASX) are subject to continuous disclosure obligations under s.674 of the Corporations Act. In terms of s.674 the entity must notify the market operator (e.g. the ASX) about events or matters as they arise if the information:

- Is not generally available
- Is information that could have a material effect on the price or value of an entity's securities.

7.1.2 Continuous disclosure obligations arising under the ASX Listing Rules

[ASX Listing Rule 3 Continuous disclosure](#) sets out the continuous disclosure requirements that an entity listed on the ASX must comply with. In terms of listing rule 3.1 a listed entity must immediately inform the ASX of information that is expected to have a material effect on the price or value of the entity's securities, once the entity becomes aware of the information.

The following are examples of the type of information that could require disclosure under listing rule 3.1:

- A transaction that will lead to a significant change in the nature or scale of the entity's activities
- A material mineral or hydro-carbon discovery
- A material acquisition or disposal
- The granting or withdrawal of a material licence
- The entry into, variation or termination of a material agreement
- Becoming a plaintiff or defendant in a material law suit
- The fact that the entity's earnings will be materially different from market expectations
- The appointment of a liquidator, administrator or receiver
- The commission of an event of default under, or other event entitling a financier to terminate, a material financing facility
- Under subscriptions or over subscriptions to an issue of securities (a proposed issue of securities is separately notifiable to the ASX under listing rule 3.10.3)
- Giving or receiving a notice of intention to make a takeover
- Any rating applied by a rating agency to an entity or its securities and any change to such a rating.

Listing rule 3.1 however, does not apply to information under the following conditions:

1. One of the following applies to the information:
 - It would be a breach of a law to disclose the information
 - The information concerns an incomplete proposal or negotiation
 - The information comprises matters of supposition or is insufficiently definite to warrant disclosure
 - The information is generated for the internal management purposes of the entity
 - The information is a trade secret
2. The ASX agree that the information is confidential
3. A reasonable person would not expect the information to be disclosed.

[Guidance note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B](#) provides more detailed information to help listed entities understand and comply with their continuous disclosure obligations.

7.1.3 Unlisted disclosing entities and other disclosing entities not subject to Corporations Act s.674

Unlisted disclosing entities (and other disclosing entities not subject to s.674 of the Corporations Act) are subject to continuous disclosure obligations under s.675 of the Corporations Act. Section 675 requires these entities to make material information (i.e. information that would, if available, have a material effect on the price or value of the entities securities) available to ASIC as soon as practicable after becoming aware of it.

ASIC Regulatory Guide 198 *Unlisted disclosing entities: Continuous disclosure obligations* provides guidance on how unlisted disclosing entities should comply with their continuous disclosure obligations under the Corporations Act. Under this Regulatory Guide, ASIC permits unlisted entity to effectively satisfy their continuous disclosure obligations under s.675 by making the information available on the entity's website, rather than lodging the information with ASIC. In order to take advantage of this alternative, unlisted disclosing entities must:

- Be satisfied that most of its investors are likely to look for information of this kind on its website
- Notify existing and new investors that it makes disclosure available in this way
- Disclose any material information on its website in a timely fashion in accordance with the good practice guidance in the Regulatory Guide.

7.2 Half-year reports

7.2.1 Corporations Act requirements

Under s.302 disclosing entities must:

- Prepare a financial report and directors' report for each half year end
- Have the financial report audited or reviewed
- Obtain an auditor's report
- Lodge the half year report, directors' report and audit report with ASIC (except for listed entities that have lodged with ASX who are relieved from the requirement in terms of *ASIC Corporations (Electronic Lodgment of Financial Reports) Instrument 2016/181*).

Furthermore, under s.304 half year reports must comply with Accounting Standards and regulations and therefore must be prepared in accordance with AASB 134 *Interim Financial Reporting*.

Entities preparing Tier 2 (RDR) are exempt from some of the disclosure requirements set out in AASB 134. The Accounting Standard sets out disclosure requirements from which Tier 2 entities are exempt by shading the exempted requirements and adding special 'RDR' paragraphs. These disclosures include the presentation of a third statement of financial position, segmental disclosures, disclosure of compliance with Accounting Standards, disclosures relating to seasonal information and disclosures required by AASB 3 *Business Combinations*. If an entity applying RDR chooses to present these disclosures, they must be prepared in accordance with the relevant Accounting Standards.

7.2.2 ASX requirements for listed disclosing entities

Disclosing entities listed on the ASX are required to comply with additional ASX reporting requirements in half-year reports.

Under Chapter 4 *Periodic Disclosure* of the ASX Listing Rules the following information must be included in the Appendix 4D:

Source	Requirement
ASX-LR 4.2A.3	ASX listed entities (other than mining exploration entities and oil and gas exploration entities) must provide the following information to the ASX under ASX Listing Rule 4.2A.3:
ASX Appendix 4D, Item 2	<p>Results for announcement to the market</p> <p>(a) Key information in relation to the following. This information must be identified as 'Results for announcement to the market' and placed at the beginning of the report:</p> <ol style="list-style-type: none"> The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends The record date for determining entitlements to the dividends (if any) A brief explanation of any of the figures in (i) to (iv) necessary to enable the figures to be understood
ASX Appendix 4D, Item 1	<p>General information</p> <p>(b) Details of the reporting period and the previous corresponding period</p>
ASX Appendix 4D, Item 3	<p>(c) Net tangible assets per security with the comparative figure for the previous corresponding period</p>

Source	Requirement
ASX Appendix 4D, Item 4	<p>Investments</p> <p>(d) Details of entities over which control has been gained or lost during the period, including the following:</p> <ul style="list-style-type: none"> (i) Name of the entity (ii) The date of the gain or loss of control (iii) Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period <p>(e) Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities and – where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period</p>
ASX Appendix 4D, Item 5	<p>Distributions</p> <p>(f) Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable, and (if known) the amount per security of foreign sourced dividend or distribution</p>
ASX Appendix 4D, Item 6	<p>(g) Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan</p>
ASX Appendix 4D, Item 9	<p>Audit information</p> <p>(h) For all entities, if the accounts contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph. The audit report or review report must be provided as part of the report to the ASX.</p>
ASX Appendix 4D, Item 8	<p>Additional information for foreign entities</p> <p>(i) For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Financial Reporting Standards)</p> <p>Presentation of information</p> <p>Other than the information identified as 'Results for announcement to the market' (point (a) below), the information may be presented in whatever way is the most clear and helpful to users, e.g. combined with the body of the report, combined with notes to the accounts, or set out separately.</p>

See section 9.4 *Using the Deloitte model half-year report.*

7.2.3 Reporting deadlines

The following table summarises the reporting deadlines for half-year reports under the Corporations Act and ASX Listing Rules (where relevant).

Source	Requirement	Listed disclosing entity	Non-listed disclosing entity
ASX 4.2A, ASX 4.2A.3, ASX 4.2B	Lodgement of Appendix 4D with the ASX	As soon as available (no later than when half-year reports are lodged with ASIC, and no later than 2 months after the half-year end) ²⁹	n/a
ASX 4.2A, ASX 4.2A.1, ASX 4.2B	Lodgement of the Corporations Act half-year report with the ASX	As soon as available (no later than when half-year reports are lodged with ASIC, and no later than 2 months after the half-year end) ³⁰	n/a
s.320	Lodgement of the Corporations Act half-year report with ASIC	n/a (ASIC-CI 2016/181)	Within 75 days after the half-year end

The following table summarises the reporting deadlines for half-year reporting periods ending 30 June 2017. Note: These reporting deadlines will be applicable to the majority of entities; however care should be taken to ensure that the dates noted below are the appropriate dates for the entity in question.

Requirement	Listed disclosing entity	Non-listed disclosing entity
Lodgement of Appendix 4D with the ASX	31 August 2017	n/a
Lodgement of the Corporations Act half-year report with the ASX	31 August 2017 13 September 2017 ³¹	n/a
Lodgement of the Corporations Act half-year report with ASIC	n/a	13 September 2017

7.3 Concise reports

7.3.1 Concise reporting concept

In accordance with s.314(1) a company, registered scheme or disclosing entity (excluding companies limited by guarantee) may elect to provide its members with a concise report instead of a full financial report. However, in accordance with s.316 a member may request company, registered scheme or disclosing entity to send the full financial report, directors' report and auditor's report instead of the concise report³².

Concise reports were originally introduced with the aim of reducing costs in relation to annual reports. Concise reports aim to provide members with information relevant to evaluating the performance and prospects of the business, without giving them fully detailed accounting disclosures.

The requirements of the Corporations Act relating to concise financial reports are based on the view that a concise financial report can provide members with information relevant to evaluating the business, without giving them fully detailed accounting disclosures. For some members, the provision of less detailed information is expected to be sufficient to meet member's needs for an understanding of the financial performance, financial position and financing and investing activities of the company, registered scheme or disclosing entity. The minimum content required in a concise report is intended to provide sufficient information to permit members to identify if and when they consider it would be useful to obtain more comprehensive and detailed information by requesting a copy of the full financial report.

²⁹ Mining exploration entities or oil and gas exploration entities are not required to provide the information set out in the Appendix 4D

³⁰ The deadline for lodgement of the half-year report for mining exploration entities or oil and gas exploration entities is 75 days after the end of the accounting period.

³¹ Explorers only

³² Certain concessions are available for eligible public companies using crowd-sourced funding (see section 4.1.9)

7.3.2 Contents of a concise report

Under s.314(2) a concise report for a financial year consists of:

- A concise financial report prepared in accordance with 'accounting standards made for the purpose of s.314(2), which in terms of AASB 1039 *Concise Financial Reports* (AASB 1039) includes:
 - A statement of profit or loss and comprehensive income for the annual reporting period which in terms of AASB 101.10A may be presented as either:
 - A single statement with the profit or loss section presented first followed directly by the other comprehensive income, or
 - In two separate but consecutive statements.
 - A statement of financial position as at the end of the annual reporting period
 - A statement of cash flows for the annual reporting period
 - A statement of changes in equity for the annual reporting period
 - Certain specific note disclosure.
- The directors' report
- An audit report
- A copy of any qualification and of any statements included in the emphasis of matter section of the auditor's report on the financial report
- A statement that the report is a concise financial report and a full financial report and auditor's report will be sent to any member free of charge on request.

The Corporations Act does not require the concise financial report to include a directors' declaration. However, to be consistent with the preparation of the full financial report the preparation of a directors' declaration is encouraged.

7.3.3 Requirements for the contents of the concise reports

The financial statements and specific disclosures required in a concise financial report must be derived from the financial report of the entity. Any other information included in a concise financial report must be consistent with the financial report of the entity. Where an entity is the parent of a group, AASB 1039 applies to the consolidated financial statements of the entity and the notes to those statements, and does not require that parent financial information be provided.

The directors' report in the concise financial report must be the same as that in the financial report, except that references to notes in the financial statements are omitted. However, where information required by s.298(1)(c) (auditors' independence declaration), s.299(1A) (information to give a true and fair view), s.299 (general information about operations and activities) or s.299A (information about the entity's operations, financial position, business strategies and future prospects) has been transferred out of the directors' report into a document forming part of the annual report in accordance with ASIC-CI 2016/188, the concise report must include the documents that contain this information. Also, the page references in the directors' report must be updated as necessary.

7.3.4 AASB 1039

The purpose of AASB 1039 is to specify the minimum content of a concise report (which is set out in section 7.3.2).

Where there are particular features of the operations and activities of the entity that are significant, the entity may need to provide additional information in the concise financial report if it is likely that the concise financial report would be misleading without such disclosures. Similarly, members benefit from industry-specific disclosures, for example, disclosure of additional information by mining companies in relation to exploration and evaluation expenditure and decommissioning costs, and by banks and other financial institutions in relation to doubtful debts.

The content required in a concise financial report shall be derived from the financial report of the entity. Any other information included in a concise financial report shall be consistent with the financial report of the entity. This means that the accounting policies relating to recognition and measurement applied in the preparation of a concise financial report to be the same as those adopted in the preparation of the financial report (AASB 1039 paragraphs 12 and 13).

Although AASB 1039 prescribes the minimum information to be disclosed in a concise financial report it does not prescribe the format in which the information is to be presented. The format for the presentation of information in a concise financial report is developed having regard to the particular circumstances of the entity and the presentation of relevant, reliable, understandable and comparable information about the entity's financial performance, financial position and financing and investing activities. Entities are encouraged to develop a format that best meets the information needs of their members (AASB 1039.14).

See AASB 1039 for the detailed requirements.

7.4 Foreign companies

7.4.1 Requirements for registration

In general, foreign companies are not permitted to carry on business in Australia unless they are registered (s.601CD). A company becomes registered by lodging Form 402 *Application for registration as a foreign company* with ASIC, together with the prescribed supporting documents. Registered companies are given an Australian Registered Body Number (ARBN) and must always have a local agent in Australia.

7.4.2 Corporations Act reporting requirements

General requirements

Under s.601CK, registered foreign companies are required, at least once in every calendar year, lodge with ASIC a copy of its:

- Balance sheet made up to the end of its last financial year
- Cash flow statement for its last financial year
- Profit and loss statement for its last financial year.

The documents are to be provided in such form and containing such particulars and including copies of such documents as the company is required to prepare under the laws applying in its place of origin. The documents must be accompanied by a statement in writing that the copies are true copies of the documents so required, which is met by using Form 405 *Statement to verify financial statements of a foreign company*.

If ASIC believes the documents do not sufficiently disclose a registered foreign company's financial position, it has the discretion to require a foreign company to lodge additional documents, which may be required to be audited (s.601CK(3)).

Where documents are not prepared

Where a registered foreign company is not required by the law of its place of incorporation to prepare a balance sheet, cash flow statement or profit or loss statement, the registered foreign company is required to prepare those documents as if the company were a public company incorporated under the Corporations Act (s.601CK(5)-(6)).

Relief for certain entities

Registered foreign companies are not required to lodge financial reports with ASIC if all conditions of ASIC Class Order 02/1432 are met (see section 4.2.2).

In summary terms, in order to be eligible for relief, the entity must:

- Be subject to similar requirements to those applying to proprietary companies (see section 3.1.2), such as the restriction on the number of shareholders and fundraising
- Not be required to prepare financial statements under the law of its jurisdiction
- Not be considered 'large' of a member of a 'large group' (by reference to revenue, asset and employees)
- Not be a disclosing entity or be involved in a debenture as borrower or guarantor
- Be covered in consolidated financial statements that lodged with ASIC.

Specific relief for New Zealand entities

s.601CDA(a) permits the regulations to prescribe particular countries for which the foreign company requirements of the Corporations Act, insofar as they apply to the requirement to lodge documents or copies of documents, do not apply. Corporations Regulation 5B.2.05 *Prescribed countries (Act s 601CDA(a))* currently lists New Zealand as the only prescribed country for these purposes.

Accordingly, a New Zealand company that carries on business in Australia is not required to lodge information or a copy of a document with ASIC under s.601CK if the company has given the information or a copy of the document to an authority equivalent to ASIC in New Zealand.

7.4.3 Foreign companies listed on the ASX

The ASX Listing Rules permit foreign companies to list on the ASX. One of the requirements for such entities to be listed is that the entity is a registered foreign company carrying on business in Australia under the Corporations Act.

In some cases, a foreign company may list on the ASX as an 'ASX Foreign Exempt Listing' where the entity is listed on a foreign exchange, is subject to listing rules (or their equivalent) in its home exchange, and meets various other conditions. Entities that are listed on the ASX as a 'ASX Foreign Exempt Listing' are not required to comply with the periodic reporting requirements of the ASX Listing Rules (see section 4.3.2). Instead, such entities are required to immediately provide to the ASX all the information that it provides to its home exchange and also make an annual statement that it continues to meet the listing rules of its home exchange (ASX Listing Rules 1.11-1.15).

Other foreign entities are required to comply with the ASX Listing Rules as appropriate, including the periodic reporting requirements under Chapter 4 of the ASX Listing Rules (see section 4.3.2). These rules include modifications to the requirements such as:

- Permitting entities to utilise accounting standards other than those applying in Australia when preparing financial information, so long as those accounting standards are acceptable to the ASX
- Requiring the lodgement of annual reporting documents the entity lodges under s.601CK of the Corporations Act in lieu of financial reports under Part 2M.3 of the Corporations Act
- Requiring the lodgement of half-year reporting documents the entity lodges under the law in its home jurisdiction rather than those required by the Corporations Act³³.

³³ However, where the entity is not required to prepare half-year reports, it is required to prepare such reports

7.5 Relevant financial reporting

7.5.1 The purpose of financial reporting

There is a widely held perception amongst both preparers and users that financial reports are less relevant than they could be. Over the years, the piecemeal addition of new disclosure requirements combined with the use of technical jargon and/or boilerplate language has, in many cases, led to financial statements that are unwieldy, lacking in coherency and therefore difficult to understand.

Recently, there has been a push by both Australian and international regulators and standard setters towards encouraging meaningful communication rather than just compliance in financial reporting. For instance, ASIC has stated they encourage efforts to communicate information more clearly in financial reports and will not pursue immaterial disclosures that may add unnecessary clutter to financial reports.

The purpose of 'relevant financial reporting' is to improve financial statement disclosure, thereby enabling the directors to tell their 'story' in a more effective manner and to ensure that users are provided with relevant and reliable information that is useful. With this as the focus, there is a range of ways to make financial statements more relevant from 'quick wins' to a 'complete over-haul'.

7.5.2 Impact of the IASB disclosure initiative

The IASB's disclosure initiative project is implementing improvements to Accounting Standards to assist entities in making more relevant disclosure in their financial reports.

The amendments made to AASB 101 *Presentation of Financial Statements* by AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* provide clarification regarding the disclosure requirements in AASB 101, including narrow-focus amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements.

The amendments provide additional guidance and clarification on the application of materiality to financial statements, aggregation, disaggregation and sub-totals in the primary financial statements and the ordering and grouping of the notes to the financial statements (for more information, see our summary of AASB 2015-2 on page 108)

For example, paragraph 114 of AASB 101 provides the following examples of systematic ordering or grouping of the notes:

- Giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about particular operating activities
- Grouping together information about items measured similarly such as assets measured at fair value
- Following the order of the line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position.

Entities should exercise judgement when considering how to apply the disclosure initiative amendments to AASB 101 in order to provide relevant information to users and to enhance the understandability and comparability of its financial statements, taking into account regulatory requirements where appropriate.

7.5.3 Techniques that entities can use

Examples of techniques that can be applied to create relevant financial reporting are shrink, structure and sharpen:

Shrink

- Remove 'boiler-plate' accounting policy narrative that is not applicable to the client. Do not disclose accounting policies that might only become relevant in the future
- Only discuss accounting standards that have been issued, but that are not yet effective, where these are material to the entity
- Tailor disclosures about significant judgements and estimates to only include those items that have a material impact on the financial statements
- Remove immaterial note disclosures (for example, disclosure of prepayments and disclosure of insignificant defined benefit schemes)
- Apply materiality assessments to financial instrument disclosures and other disclosures
- Make use of cross-referencing to avoid repetition within the financial report
- Make reductions through the creative use of tables, graphs, graphics and font.

Structure

- Reorder disclosures in order of importance with the most relevant information presented first. For example, notes relating to performance presented first, with notes relating to less material items presented last
- Group related notes together. For example:
 - Performance notes (segment report, revenue and expenses, taxation and working capital)
 - Group structure notes (business acquisitions, subsidiaries, deed of cross guarantee and parent entity information)
- Include accounting policy narrative within the note to which it relates. For example, include the property, plant and equipment accounting policy within the property, plant and equipment note
- Improve structure through the creative use of tables, graphs, graphics and font
- Include details of significant estimates and judgements within the note to which they relate.

Sharpen

- Tailor disclosures to describe the actual circumstances of the company
- Avoid the use of generic 'boiler plate' language
- Replace accounting jargon and technical language with plain English. For example, use short sentences, full terms instead of abbreviations, simple language and active voice in written narrative
- Improve the design through creative use of tables, graphs, graphics, colour and font.

The key message of relevant financial reporting is to ensure that the disclosures are relevant to the entity's specific circumstances. Each entity is different and the key disclosures will accordingly be different for every entity.

The example disclosures on the following pages are intended as an example of the techniques used in preparing relevant financial reports. Certain disclosures have been reduced or removed as they are not considered material or relevant in the context of the entity's circumstances. However, other entities may find the example disclosures do not represent the best way to present their particular circumstances and instead develop their own disclosures using the techniques illustrated, rather than focusing on the disclosures as a 'boilerplate' for how to produce relevant financial reports.

7.5.4 Illustrative disclosure

Applying the techniques to create relevant financial reporting, below is an illustrative disclosure of note 15 - *Property, plant and equipment* presented in the Deloitte model IFRS financial statements which is suitable as a **guide** only. Each entity shall consider its respective circumstances and amend the disclosures as necessary. We recommend that you compare the below illustrative disclosure with the illustrative disclosure in note 15 of the Deloitte model IFRS financial statements to view the differences between the two illustrative disclosures.

Note 15 includes line items for which a nil amount is shown, to illustrate items that, although not applicable to International GAAP Holdings Limited, are commonly encountered in practice. These line items, reflecting a nil value are not required to be disclosed and have not been included in the below illustrative disclosure.

Source **International GAAP Holdings Limited**
Assets and liabilities used in operations

...
Note 15. Property, plant and equipment

Applying the techniques to create relevant financial reporting, the group has **structured** its financial statements by grouping the notes into the below categories. The property, plant and equipment note is included in the 'Assets and liabilities used for operations' category':

- Financial performance
- Assets and liabilities used for operations
- Capital structure and risk management
- Other

AASB 116.73(a)
AASB 116.73(d),(e)
AASB 116.74 (b)
RDR: See
AASB 116.73(e)

	Freehold land at revalued amount \$'000	Buildings at revalued amount \$'000	Plant and equipment at cost \$'000	Equipment under finance lease at cost \$'000	Total \$'000
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Year ended 30 June 2016

1 July 2015:

AASB 116.73(d)	Gross carrying amount	15,610	12,659	152,107	630	181,006
AASB 116.73(d)	Accumulated depreciation and impairment loss	-	(1,551)	(21,865)	(378)	(23,785)
AASB 13.93(e)	Carrying amount	15,610	11,108	130,242	252	157,212

AASB 116.RDR73.1	Additions	-	1,008	10,854	40	11,902
	Disposals	-	-	22,688	-	22,688
	Depreciation	-	-947	-14,408	-130	15,485
	Effect of foreign currency exchange differences	-560	-	-160	-	-400
	Others [describe]	-	-	-	-	-
AASB 13.93(e)	Balance at 30 June 2016	15,050	11,169	104,160	162	130,541

Source

International GAAP Holdings Limited
Note 15. Property, plant and equipment (continued)

AASB 116.73(a)
 AASB 116.73(d),(e)
 AASB 116.74 (b)
 RDR: See
 AASB 116.73(e)

	Freehold land at revalued amount \$'000	Buildings at revalued amount \$'000	Plant and equip- ment at cost \$'000	Equip- ment under finance lease at cost \$'000	Total \$'000
Year ended 30 June 2017					
1 July 2016:					
AASB 116.73(d)	15,050	13,667	135,375	670	164,762
AASB 116.73(d)	-	-2,498	-31,215	-508	-34,221
AASB 13.93(e)	15,050	11,169	104,160	162	130,550
	-	-	21,473	-	21,473
	-1,439	-1,094	-8,799	-124	-11,546
	-400	-	-	-	-400
	-	-	-5,662	-	-5,662
	-	-	512	-	512
	-1,260	-1,204	-15,740	-	-18,204
	1,608	35	-	-	1,643
	-	-774	-12,834	-10	-13,618
AASB 136.126(a)	-	-	-1,204	-	-1,204
AASB 136.73(e)(viii)	309	-	1,281	-	1,590
AASB 13.93(e)	-	-	-	-	-
	13,868	8,132	83,187	28	105,215
Balance at 30 June 2017:					
	13,868	11,147	116,168	46	141,229
	-	-3,015	-32,981	-18	-36,014

AASB 116.73(a),(b) Land and buildings are measured at fair value less any accumulated depreciation and impairment losses. All other items of property, plant and equipment are measured at cost, less any recognised impairment loss.

AASB 116.73(c) The following useful lives are used in the calculation of depreciation:

Buildings	20 – 30 years
Plant and equipment	5 -15 years
Equipment under finance lease	5 years

The Group has summarised the reconciliation of property, plant and equipment by reconciling the carrying amounts of property, plant and equipment at the beginning and end of the period (as opposed to reconciling both the gross carrying amount and accumulated depreciation and impairment).

Source

**International GAAP Holdings Limited
Note 15. Property, plant and equipment (continued)**

AASB 16 *Property, Plant and Equipment* does not specifically require a reconciliation of both the gross carrying amount and accumulated depreciation and impairment. The disclosure requirements include the following:

AASB 116.73(d)

- The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period

AASB 116.73(e)
RDR: See AASB 116.73(e)

- A reconciliation of the carrying amount at the beginning and end of the period showing the movements during the period (set out in AASB 16.73(d)).

The Group has **changed the structure** of its financial statements by including accounting policies in the relevant subsection of the property, plant and equipment note. Furthermore, the Group has **shrunk** the property, plant and equipment accounting policy by disclosing only key accounting policies and not including details of accounting policies where there is no accounting policy choice under Accounting Standards. As an alternate the Group could include all key accounting policies in a separate sub-section in the property, plant and equipment note.

15.1 Freehold land and buildings

AASB 116.73(a),(b), 77(a), (b)
AASB 13.91(a), 93(d), 93(h)(i)

Freehold land and buildings are measured at fair value at the end of each financial year such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Qualified independent valuers Messrs R & P Trent were engaged in the current and prior year to perform the valuations.

Land valuations are based on the comparisons with transactions of similar property and are a 'Level 2' fair value measurement. The fair value of buildings are estimated based on adjusted estimated replacement costs and are a 'Level 3' fair value measurement. These valuation methods are significantly impacted by market prices for land and by changes in construction costs and notional depreciation factors for buildings.

AASB 116.74(a)

See notes 32 and 38 for information on property, plant and equipment pledged as security.

The group has **shrunk** its property, plant and equipment note by making use of cross-referencing to avoid repetition within the financial report and focusing the disclosures on those that are considered most material and relevant to the entity's circumstances. In addition, information about the fair value hierarchy has been incorporated into the narrative, as this valuation approach applies to both land and buildings and to each of those classes in their entirety and so the amounts are evident from the reconciliation amount above.

However, in doing this it is important that the relevant disclosures required by AASB 116 are disclosed where they are material or relevant to the entity's specific circumstances (e.g. information about the original cost of property, plant and equipment measured on the fair value basis, detailed information about significant inputs and other factors affecting the fair value of property, plant and equipment, the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities, or other requirements).

The Deloitte model IFRS financial statements indicate that "There were no transfers between Level 1 and Level 2 during the year." (AASB 13.93(c)). AASB 13 *Fair Value Measurement* does not specifically require (or recommend) a statement to be disclosed where there have been no transfers of amounts between Level 1 and Level 2 of the fair value hierarchy. Therefore the group has **shrunk** its financial statements by removing this disclosure.

Source

**International GAAP Holdings Limited
Note 15. Property, plant and equipment (continued)**

15.2 Impairment losses recognised in the year

AASB 136.130(a) to (g)

During the year, as the result of the unexpected poor performance of a manufacturing plant, the Group carried out a review of the recoverable amount of that manufacturing plant and the related equipment. These assets are used in the Group's electronic equipment reportable segment. The review led to the manufacturing plant and the related equipment being written down to its recoverable amount of CU15 million at 30 June 2017 which was determined on the basis of their value in use. This resulted in the recognition of an impairment loss of CU1.09 million. The discount rate used in measuring value in use was 9% per annum. No impairment assessment was performed in 2016 as there was no indication of impairment.

AASB 136.131

Additional impairment losses recognised in respect of property, plant and equipment in the year amounted to CU0.114 million. These losses are attributable to greater than anticipated wear and tear. Those assets have been impaired in full and they belonged to the Group's electronic equipment reportable segment.

AASB 136.126(a)

The impairment losses have been included in profit or loss in the (other expenses/cost of sales] line item.

The group has **shrunk** the impairment disclosure by including, what it considers to be material information.

As an alternate, the group could **change the structure** its property, plant and equipment note by including information about the impairment of property, plant and equipment in a separate note which discloses the required information about the impairment of goodwill and all non-financial assets.

AASB 101.125, 129

15.3 Key estimates

During the current year, the directors determined that the useful lives of certain items of equipment should be shortened, due to developments in technology.

The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to increase the depreciation expense in the current financial year and for the next 3 years, by the following amounts:

Year ending	
30 June	\$'000s
2017	879
2018	607
2019	144
2020	102

The Group has **changed the structure** of its financial statements by including key sources of estimation uncertainty in the relevant note.

As an alternate the key judgements and estimations could be incorporated in the relevant sub-section of the property, plant and equipment note (as opposed to in a separate sub-section of the property, plant and equipment note).

8 What's new in financial reporting?

This section provides a high level overview of the key financial reporting considerations for financial reporting periods ending on 30 June 2017.

Roadmap to this section

Topic	What is covered
8.1 Overview	A high level summary of key financial reporting topics to be considered at 30 June 2017
8.2 Summary of changes	An easy to follow summary of the key changes and other considerations for financial reporting at 30 June 2017
8.3 Summary of new and amended pronouncements	An overview table of all new accounting pronouncements that are mandatory for 30 June 2017
8.4 Australian specific considerations	A brief summary of key changes and other considerations arising in Australia due to law and regulatory changes and developments
8.5 Other developments	Information about other developments that may impact financial reporting
8.6 Details of new and revised financial reporting pronouncements	More detailed summaries of key new pronouncements, legislation and regulatory developments, with links to in-depth information

The information in this section was prepared as of 31 May 2017. We regularly update this publication and the latest edition can be found at www.deloitte.com/au/models.

As occurs so often with changes to accounting standards and financial reporting requirements, some of the new or revised pronouncements and other information noted in this section may have a substantial impact on particular entities. Therefore, it is important that the information is carefully reviewed for any potential impacts or opportunities.

8.1 Overview

Accounting Standards require an entity to disclose any known or reasonably estimable information about the possible impact that the application of Accounting Standards on issue which have not been applied, including a discussion of the impact that initial application will have on the entity's financial statements. With the new Accounting Standards on revenue, financial instruments and leases introducing significant changes in the future, entities need to ensure that they comply with these requirements.

All entities will be required to consider the amendments to AASB 101 *Presentation of Financial Statements*, which forms part of the IASB's disclosure initiative, and encourages entities to apply professional judgement in determining what information to disclose and how to structure their financial report. The amendments to AASB 101 include improvements in the following areas:

- Materiality
- Disaggregation and subtotals
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments
- Notes structure.

8.2 Summary of changes

The key changes for entities preparing full-year and half-year reports at 30 June 2017 include:

What's changed?	Who is affected?	What needs to be considered?
Disclosure considerations		
The implementation date for the new standards on revenue, financial instruments and leases are approaching	Virtually all entities will be affected by the new Standards	The level of disclosures made in the financial report to comply with Accounting Standard and regulatory requirements need to be carefully considered (see page 101)
As part of the ongoing push for simplification and clarity in reporting, the IASB's disclosure initiative has introduced some changes to the guidance on how disclosures are presented	All entities can take advantage of the new guidance	The new guidance outlines a shift in emphasis to material disclosure and flexibility in presentation. For instance, disclosures are not required to be made if they are not material, even if they are described as specific requirements or minimum requirements, and there is more flexibility in the presentation and ordering of the primary financial statements. This aligns with the push for relevant financial reporting (see section 7.4)
How the share of other comprehensive income of associates and joint ventures is disclosed has been clarified	Entities that have equity accounted investments in associates and joint ventures	The amount of other comprehensive income related to associates and joint ventures needs to be shown as a single aggregated amount in each part of the other comprehensive income section of the statement of profit or loss and other comprehensive income (see for example the treatment adopted in the statement of profit or loss and other comprehensive income in the model financial reports)
ASIC has reissued numerous Class Orders as Corporations Instruments affecting financial reports	Entities that take advantage of ASIC relief	The new instruments need to be referred to in the financial report, e.g. the disclosure of rounding of amounts in the financial report need to make reference to the new instrument (see section 6.4.2 and the example on page 141), and entities obtaining relief for wholly-owned entities should refer to the replacement ASIC-CI (see section 4.1.5 and the example on page 185). Details of the new instruments can be found in section 8.6.10
New audit report requirements require audit reports to include a discussion of key audit matters	Generally only applies to audits of general purpose financial reports of listed entities (does not apply to half-year reports unless they are subject to audit)	Management's disclosures in the financial report need to be consistent with the auditor's disclosures (see page 98 and the summary of the requirements on page 159)
Some ASX reporting requirements have been amended	Mining and oil and gas exploration entities and those entities required to provide quarterly reports to the ASX using Appendix 4C to the ASX Listing Rules	The requirements and disclosures included in Appendix 4C and Appendix 5B to the ASX Listing Rules have been updated. Entities required to provide quarterly reports to the ASX using those appendices should ensure they utilise the right version when preparing their quarterly reports (see section 8.4.3).

What's changed?	Who is affected?	What needs to be considered?
Underlying accounting changes		
Accounting for changes in interests in joint operations has been clarified	Entities obtaining control of interests previously accounted for as joint operations	The Accounting Standards have been clarified to require the previous interest in a joint operation to be measured at fair value at the date control is obtained, which can give rise to a gain or loss on acquisition. This treats these transactions as 'step acquisitions' (see the summary of AASB 2014-3 on page 106)
'Bearer plants', e.g. grape vines, fruit trees, are now required to be accounted for as property, plant and equipment	Entities involved in agriculture that have bearer plants	Changing the accounting for these items from a fair value based measure to property, plant and equipment can have significant impacts (see the summary of AASB 2014-6 on page 106)
Methods of depreciating and amortising property, plant and equipment and intangible assets have been clarified	Entities adopting a revenue-based method of depreciation or amortisation	A revenue-based method of depreciation cannot be adopted for property, plant and equipment, and a rebuttable presumption exists that it is not appropriate for intangible assets. Affected entities may need to revise their depreciation or amortisation policies (see the summary of AASB 2014-4 on page 106)
Entities are now permitted, in separate financial statements, to account for investments in subsidiaries, joint ventures and associates using the equity method	Entities preparing separate financial statements that also have subsidiaries, joint ventures and/or associates	In some cases, it may be beneficial to account for these investments using the equity method, particularly where the separate financial statements are being prepared for targeted regulatory or other uses (see the summary of AASB 2014-9 on page 107)
Other new accounting standards applying to particular entities	Investment entities, superannuation entities, not-for-profit public sector entities and first-time adopters of Australian Accounting Standards	Whilst these changes vary widely in their impact and are in some cases minor, these affected entities should ensure they understand the new requirements (see the detailed summaries starting on page 103)
Additional considerations in half-year reports		
Recognition of deferred taxes has been clarified	Entities that have investments in fixed-rate debt instruments and similar instruments with deductible temporary differences, and other entities assessing whether recovery of deferred tax assets is probable	The Accounting Standards have been clarified to explain that reductions in the carrying amount of a fixed-rate debt gives rise to a deductible temporary difference regardless of how the entity expects to recover the asset. In addition, the assessment of taxable profits against which a deductible temporary difference can be utilised must reference the specific type of income (e.g. capital or revenue account) against which it can be utilised, and those taxable profits can include an expectation of the recovery of assets for greater than their carrying amounts. (See the summary of AASB 2016-1 on page 109)

What's changed?	Who is affected?	What needs to be considered?
New disclosure requirements for the notes to the statement of cash flows	All Tier 1 entities preparing statements of cash flows in annual reports	Although not applicable to half-year reports or entities preparing Tier 2 (RDR) financial reports, some entities may choose to provide the additional information to enable users to evaluate changes in liabilities arising from financing activities (see the summary of AASB 2016-2 on page 109 and the illustrative disclosure on page 193)

Other considerations

The Australian Federal Government is in the process of introducing new tax rates and law for various companies	Entities with turnover of less than \$50 million may benefit from phased-in reduced income tax rates. In addition, the government has indicated an intention to reduce the rate further for all companies	The impacts of reduced tax rates will need to be considered when undertaking current and deferred tax accounting once the enabling legislation has been 'substantively enacted', which for entities with relevant turnover less than \$50 million, has already occurred (see section 8.4.4)
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The above table is a high-level summary and each entity will be affected differently. Accordingly, financial report preparers' should address their own specific circumstances when preparing their financial reports and also ensure they fully consider all the requirements on the following pages.

8.3 Summary of new and amended pronouncements

The table below summarises the amended reporting requirements that must be applied for the first time for financial years ending 30 June 2017 and half-years ending 30 June 2017:

Date issued	Pronouncement	Effective for annual reporting periods beginning on or after
Applicable to annual reports only³⁴		
June 2014	AASB 14 <i>Regulatory Deferral Accounts</i> , AASB 2014-1 <i>Amendments to Australian Accounting Standards (Part D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts)</i>	1 January 2016 <i>(first time adopters only)</i>
July 2015 November 2015	AASB 1057 <i>Application of Australian Accounting Standards</i> and AASB 2015-9 <i>Amendments to Australian Accounting Standards – Scope and Application Paragraphs</i>	1 January 2016
August 2014	AASB 2014-3 <i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
August 2014	AASB 2014-4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
December 2014	AASB 2014-6 <i>Amendments to Australian Accounting Standards – Agriculture: Bearer Plants</i>	1 January 2016
December 2014	AASB 2014-9 <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i>	1 January 2016

³⁴ Entities preparing half-year reports at 30 June 2017 have already applied these standards in financial reports for the year ended 31 December 2016.

Date issued	Pronouncement	Effective for annual reporting periods beginning on or after
January 2015	AASB 2015-1 <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i>	1 January 2016
January 2015	AASB 2015-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i>	1 January 2016
January 2015	AASB 2015-5 <i>Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Applicable to annual reports and half-year reports		
June 2014	AASB 1056 <i>Superannuation Entities</i>	1 July 2016
March 2015	AASB 2015-6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Non-for-Profit Public Sector Entities</i>	1 July 2016
July 2015	AASB 2015-7 <i>Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities</i>	1 July 2016
Applicable to half-year reports only		
February 2016	AASB 2016-1 <i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
March 2016	AASB 2016-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	1 January 2017
June 2016	AASB 2016-4 <i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	1 January 2017
December 2016	AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	1 January 2017 ³⁵
February 2017	AASB 2017-2 <i>Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016</i>	1 January 2017

A summary of the requirements of each of the above pronouncements can be found in the 'Details of new and revised financial reporting pronouncements' section beginning on page 101.

³⁵ Although AASB 2016-7 applies to annual reporting periods beginning on or after 1 January 2017, the Amending Standard has the effect of deferring the application of AASB 15 *Revenue from Contracts with Customers* by not-for-profit entities to annual reporting periods beginning on or after 1 January 2019 instead of 1 January 2018 (as applies to for-profit entities).

8.4 Australian specific considerations

Some of the Australian-specific and other related factors that need to be considered in the current reporting season:

8.4.1 ASIC Legislative Instruments

ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 replaced ASIC Class Order 98/100, and from 30 June 2016 references in any rounding commentary should be to *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* (see for example the 'Rounding off of amounts' section included in the illustrative directors' report on page 141).

ASIC remade the following Corporations Instruments that affect financial reporting:

- *ASIC Corporations (Uncontactable Members) Instrument 2016/187* (replaces Class Order 98/101)
- *ASIC Corporations (Directors' Report Relief) Instrument 2016/188* (replaces Class Order 98/2395)
- *ASIC Corporations (Synchronisation of Financial Years) Instrument 2016/189* (replaces Class Order 98/96)
- *ASIC Corporations (Disclosing Entities) Instrument 2016/190* (replaces Class Orders 98/2016 and 08/15)
- *ASIC Corporations (Audit Relief) Instrument 2016/784* (replaces Class Order 98/1417)
- *ASIC Corporations (Wholly owned Companies) Instrument 2016/785* (replaces Class Order 98/1418)

Further details of these Corporations Instruments are provided in section 4.2.2.

8.4.2 Revised Auditor Reporting Standards

The Australian Auditing and Assurance Standards Board (AUASB) has issued several new and revised Auditing Standards, operative for financial reporting periods ending on or after 15 December 2016.

ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* will require key audit matters, that is, those matters that, in the auditor's professional judgement, require significant auditor attention in performing the audit, to be disclosed in the auditor's report for listed entities. Consideration should be given to the adequacy of the disclosures provided in the financial statements relating to the key audit matters identified in the auditor's report. In particular, key areas of significant estimates and judgements highlighted in the accounts or noted as key audit matters should reflect symmetry of purpose.

A summary of the key requirements of ASA 701 is included on page 159.

8.4.3 ASX Listing Rules and related guidance amendments

Updated quarterly reporting for some ASX listed entities

The ASX has amended the disclosures required in quarterly reports given to the ASX using:

- Appendix 4C, which applies in accordance with Listing Rule 4.7B to entities admitted to the official list on the basis of commitments under Listing Rule 1.3.2(b)³⁶ (or where that rule is applied in other limited circumstances)
- Appendix 5B, which applies to mining and oil and gas exploration entities in accordance with Listing Rule 5.5.

The changes to the Appendices seek to address inconsistencies between them, align them more closely with Accounting Standards and also to enhance the format of the two Appendices to make them more user friendly, both from the point of view of issuers and investors. This includes adopting a new numbering system for the different sections of the Appendices and changing the order of some of those sections.

The new requirements came into effect from 1 September 2016 and apply to quarterly reports given to the ASX in accordance with the above requirements from 30 September 2016.

Updated Guidance Notes on corporate governance practices and continuous disclosure

Following a consultation process, the ASX released a suite of amendments to the ASX Listing Rules and associated Guidance Notes in December 2016. As part of this process, the following Guidance Notes that are relevant to financial reporting were amended:

- GN 8 *Disclosure of Corporate Governance Practices* – amendments to clarify the role of ASX Appendix 4G and to address some emerging issues around director skill matrices and sustainability disclosures
- GN 9 *Continuous Disclosure* – includes minor updates to the sections on price query and aware letters.

³⁶ Listing Rule 1.3.2(b) applies on admission to the official list where half or more of the entity's total tangible assets (after raising any funds) are cash or in a form readily convertible to cash, and the entity has commitments consistent with its business objectives to spend at least half of its cash and assets in a form readily convertible to cash.

8.4.4 Impacts of tax changes on current and deferred tax accounting

In May 2017, the House of Representatives confirmed amendments made by the Senate to the *Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016*, thereby enacting a phased-in reduction in the tax rate for companies with a relevant turnover of less than \$50 million.

As a result of these changes, the following tax rates will apply to affected companies:

Financial year	Eligible company turnover threshold	Tax rate
2015-16	\$2 million	28.5%
2016-17	\$10 million	27.5%
2017-18	\$25 million	27.5%
2018-19 to 2023-24	\$50 million	27.5%
2024-25	\$50 million	27.0%
2025-26	\$50 million	26.0%
2026-27 and thereafter	\$50 million	25.0%

The tax rate for other companies currently remains at 30%.

As a result of these changes, the new tax rates will need to be taken into account when conducting current and deferred tax accounting. Because the tax rate is being phased-in, this requires affected entities to make an assessment of when temporary differences are likely to reverse, so that the appropriate tax rate can be applied. For entities which are likely to be at the margin of the turnover threshold, an assessment of whether the threshold will be met or not will also have to be taken into account.

The impact of the reduction in tax rate will generally be recognised in profit or loss as part of income tax expense, unless the deferred tax relates to an item which is recognised outside of profit or loss. For example, the impact of a reduction in a deferred tax liability associated with an item of property, plant and equipment measured on the revaluation basis under AASB 116 *Property, Plant and Equipment* will be recognised in the asset revaluation reserve to the extent that deferred tax liability has been recognised in that reserve.

Furthermore, as part of the 2017-2018 federal budget, the Federal Government confirmed its intention to implement a phased-in reduction in the corporate tax rate from 30% to 25% for all companies over a number of years. At the date of publication, these plans have not been substantively enacted and do not appear to have majority support in the Senate. However, should these changes be enacted prior to 30 June 2017, a similar adjustment to deferred taxes will need to be made by all affected entities.

8.4.5 Tax Laws Amendment (Combating Multinational Tax Avoidance) Act 2015

Certain significant global entities, (broadly, members of an accounting group that has global income of more than A\$1 billion), that do not lodge general purpose financial statements (GPFS) with ASIC are required to lodge GPFS with the Australian Taxation Office (ATO) on or before the due date for lodgment of a relevant entity's income tax return. The ATO must provide a copy of the GPFS to ASIC. This measure applies for income years commencing on or after 1 July 2016.

There are a number of interpretational issues with this legislation that are yet to be resolved.

To this end, the ATO released a discussion paper on 15 August 2016 inviting stakeholders to provide feedback on a number of technical issues as well as the ATO's proposed arrangements for administering the GPFS measure. Submissions in respect of this discussion paper closed on 30 September 2016. The ATO has issued a compendium of issues identified from the submissions made, and this includes the ATO's preliminary observations on the issues. Comments on the compendium are due by 6 January 2017. Following this round of consultation the ATO will issue final guidance.

Where an entity meets the significant global entity criteria, it should monitor the ATO's consultation process and consider the impact that the measure will have on their financial reporting obligations.

8.4.6 Tax Transparency Code

On 3 May 2016, the Government released the Board of Taxation's final report containing recommendations for Australia's voluntary Tax Transparency Code (the Code). The Code is directed at large and medium businesses and provides a framework for such businesses to disclose more information to stakeholders about their tax affairs.

The Code is pitched at two distinct levels, recommending a greater level of disclosure for large businesses and a lesser one for medium businesses. In order to increase tax transparency in Australia, the Board recommended a set of principles and 'minimum standards' around certain key areas for increased disclosures, including the group's global effective tax rate (ETR) and the Australian ETR.

The Board has proposed the Code be adopted by business in respect of financial years that end after the Government released the final report. This means businesses with a 30 June year-end are encouraged to adopt the code in respect of the financial year ending 30 June 2016 and later years.

Organisations have the choice of complying with the Code by providing additional disclosures in their Australian general purpose financial statements, publish such information in a 'taxes paid report' or some other document. The Board is also encouraging organisations to commit to the Code by becoming a signatory to the Board's register. To do this: contact the Board of Taxation at taxboard.gov.au/contact/.

The AASB is also developing non-mandatory guidance which may form an appendix to the Code, which is expected to be issued in draft form in the first half of 2017.

8.4.7 Relevant financial reporting

There is a widely held perception amongst both preparers and users that financial reports are less relevant than they could be. Over the years, the piecemeal addition of new disclosure requirements combined with the use of technical jargon and/or boilerplate language has, in many cases, led to financial statements that are unwieldy, lacking in coherency and therefore difficult to understand.

Recently, there has been a push by both Australian and international regulators and standard setters towards encouraging meaningful communication rather than just compliance in financial reporting.

The purpose of 'relevant financial reporting' is to improve financial statement disclosure, thereby enabling the directors to tell their 'story' in a more effective manner and to ensure that users are provided with relevant and reliable information that is useful. With this as the focus, there is a range of ways to make financial statements more relevant from 'quick wins' to a 'complete over-haul'.

Examples of techniques that can be applied to create relevant financial reporting are detailed in section 7.4.

8.5 Other developments

8.5.1 Climate-related financial disclosures

In December 2015, at the request of the G20, the Financial Stability Board established an industry-led task force on climate-related financial disclosures that would help "financial market participants understand their climate-related risks". This request followed the Paris Agreement of December 2015, which committed nearly 200 governments to strengthen the global response to the threat of climate change.

In December 2016, the task force published a proposed set of voluntary recommendations, compatible with current market disclosure requirements, which aim to provide investors, lenders and insurance underwriters with consistent climate-related financial disclosures that are useful in understanding material climate-related risks.

The "widely adoptable" recommendations are intended to encourage market-led, industry-focused initiatives within the financial reporting envelope, and address governance, strategy, risk management, and metrics and targets. They are applicable to all organisations, with emphasis on the financial sector, including insurance companies.

The recommended disclosures focus on climate-related risks (including physical and transitional risks) and opportunities (including better resource efficiency), and related financial impacts on cash flows, assets and liabilities, net income and other metrics. They will result in more quantitative financial disclosures and, in particular, reporting metrics about the actual or possible financial impact of climate-related risks. Financial statement items may also be affected directly.

Comments on the recommendations closed on 12 February 2017. More information about the recommendations can be found in our [IFRS in Focus newsletter](#).

8.6 Details of new and revised financial reporting pronouncements

The tables and other information in this section outline the new and revised pronouncements and other requirements that are to be applied for the first time at 30 June 2017, or which may be early adopted at that date.

Important note

At the date of this publication, a number of key proposals of both the International Accounting Standards Board (IASB) and Australian Accounting Standards Board (AASB) are subject to finalisation and approval. As these proposals are finalised, early adoption may be attractive to some entities. Stay up-to-date with developments in this important area at www.deloitte.com/au/accountingtechnical.

8.6.1 Overall considerations

Impacts of adopting new and revised pronouncements

Applying new and revised pronouncements for the first time can result in direct changes in recognition, measurement, presentation and disclosure requirements. In addition, there can be consequential impacts on financial reports through the transitional provisions of the pronouncement and the existing requirements of other Accounting Standards.

The table below outlines some of the areas where these consequential impacts should be considered:

Area	Consideration
Updates to accounting policies	The terminology and substance of disclosed accounting policies may need to be updated to reflect new recognition, measurement and other requirements
Impact of transitional provisions	AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> contains a general requirement that changes in accounting policies are retrospectively applied, but this does not apply to the extent an individual pronouncement has specific transitional provisions
Disclosures about changes in accounting policies	Where an entity changes its accounting policy as a result of the initial application of an Accounting Standard and it has an effect on the current period or any prior period, AASB 108 requires the disclosure of a number of matters, e.g. the title of the Standard, the nature of the change in accounting policy, a description of the transitional provisions, and the amount of the adjustment for each financial statement line item affected
Third statement of financial position	AASB 101 <i>Presentation of Financial Statements</i> requires the presentation of a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements in a number of situations, including if an entity applies an accounting policy retrospectively and the retrospective application has a material effect on the information in the statement of financial position at the beginning of the preceding period
Earnings per share (EPS)	Where applicable to the entity, AASB 133 <i>Earnings Per Share</i> requires basic and diluted EPS to be adjusted for the impacts of adjustments result from changes in accounting policies accounted for retrospectively and AASB 108 requires the disclosure of the amount of any such adjustments.

Note: The above requirements apply fully in Tier 1 financial reports. Some of these requirements are not applicable in Tier 2 (RDR) financial reports. Details of which requirements apply can be found in section 6.2.

Disclosing information about pronouncements not yet adopted

The disclosure requirements required in relation to new and revised accounting pronouncements need to be carefully considered where they have not yet been adopted.

AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to disclose any known or reasonably estimable information about the possible impact that the application of Accounting Standards on issue which have not been applied, including a discussion of the impact that initial application will have on the entity's financial statements. This requirement does not apply to entities applying Tier 2 (RDR) reporting requirements.

In December 2016, ASIC issued press release 16-442MR *Companies need to respond to major new accounting standards*. In ASIC's view, the impact of the new standards on revenue, financial instruments and leases on reported results could be "even more significant than was the case with the adoption of IFRS". ASIC points out various matters that should be considered in any implementation plans for the new standards, including required system changes, business impacts, impacts on compliance with financial requirements, disclosures required in financial reports prior to the effective dates of the standards, possible continuous disclosure obligation, and the impact on fundraising or other transaction documents.

An attachment to the media release provides more guidance on these topics, and notes that listed entities should provide adequate information to the market on the company's preparedness and the possible financial impact in accordance with any continuous disclosure obligations. The full media release is available at www.asic.gov.au.

The guidance from ASIC is consistent with the views of other regulators. For example:

- The International Organization of Securities Commissions (IOSCO), of which ASIC is a member, has published a *Statement on Implementation of New Accounting Standards* related to revenue, financial instruments, and leases. The statement emphasises the need for transparent issuer disclosures relevant to assessing the possible impacts of adopting the new standards and providing investors with timely and decision-useful information. IOSCO believes the level of an issuer's disclosures should increase with the progress in its implementation of the new standards, which will occur as their effective dates approach. Furthermore, the qualitative and quantitative disclosures must be timely, issuer-specific, and sufficiently robust and detailed. The full statement is available at www.iosco.org
- The European Securities and Markets Authority (ESMA), while not directly applicable in an Australian context, has issued specific guidance and anticipates that issuers provide progressively more entity-specific qualitative and quantitative information about the application of the new standards. ESMA expects that, for most issuers, the impacts (or the magnitude of its impacts) of the initial application will be known or reasonably estimable as the effective dates approach. The full ESMA guidance is available at www.esma.europa.eu.

On 31 May 2017, ASIC released its focus areas for 30 June 2017 financial reports (see section 8.6.10), ASIC notes that 30 June 2017 coincides with the start of the comparative period for the new standards on revenue and financial instruments (subject to transitional arrangements) which "may well mean quantification of the impacts".

With the new Accounting Standards on leases, revenue and financial instruments introducing significant changes in the future, entities need to ensure that they comply with the requirements of AASB 108 and respond to regulatory expectations.



Illustrative examples of the disclosures can be found in Note 2 included in the Illustrative disclosure section of this guide (starting on page 172).

Early adoption

Where early adoption is being contemplated, it is important to address any necessary procedural requirements, e.g. for entities reporting under the *Corporations Act 2001*, appropriate director's resolutions for early adoption must be made under s.334 (5). Disclosure in the financial statements must also be addressed.

8.6.2 New and revised Standards

New or revised requirement

When effective Applicability at 30 June 2017

AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2014-1 Amendments to Australian Accounting Standards (Part E – Financial Instruments), AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

The final version of AASB 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. The Standard carries over the existing derecognition requirements from AASB 139 but all other areas of AASB 139 have been revised.

Applies on a modified retrospective basis to annual periods beginning on or after 1 January 2018[^]

Optional[^]

AASB 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments not held for trading can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss
- The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.

The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit and loss – in these cases, the portion of the change in fair value related to changes in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss, unless it creates a mismatch in profit or loss.

A new impairment model based on expected credit losses will apply to debt instruments measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and written loan commitments and financial guarantee contracts. The loan loss allowance will be for either 12-month expected losses or lifetime expected losses. The latter applies if credit risk has increased significantly since initial recognition of the financial instrument.

A new hedge accounting model has been put in place that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. However, some transition options exist that allow entities to essentially retain AASB 139 hedge accounting.

[^] Note: this publication assumes that an entity will apply the final and complete version of AASB 9 in full on date of initial application, rather than adopting AASB 9 in a piecemeal fashion. Earlier versions of AASB 9 (and related amending Standards) can no longer be adopted (an entity is only able to apply earlier versions instead of applying the final version of AASB 9 if, and only if, its initial application date was before 1 February 2015).

More information: [IFRS in Focus newsletter, summary of IFRS 9](#)

New or revised requirement	When effective	Applicability at 30 June 2017
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<p>AASB 14 Regulatory Deferral Accounts, AASB 2014-1 Amendments to Australian Accounting Standards (Part D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts)</p> <p>Permits an entity to continue to account for regulatory deferral account balances in its financial statements in accordance with its previous GAAP when it adopts Australian Accounting Standards.</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2016</p>	<p>Mandatory (for first-time adopters in annual reports only)</p>
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AASB 2014-1 Part D makes consequential amendments arising from issuance of AASB 14.

Note: An entity that is not a first-time adopter of Australian Accounting Standards will not apply AASB 14.

More information: [IFRS in Focus newsletter, summary of IFRS 14](#)

<p>AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15</p> <p>AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i>, Interpretation 13 <i>Customer Loyalty Programmes</i>, Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, Interpretation 18 <i>Transfers of Assets from Customers</i>, and Interpretation 131 <i>Revenue-Barter Transactions Involving Advertising Services</i>.</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2018 (1 January 2019 for not-for-profit entities)</p>	<p>Optional</p>
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The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

More information: [IFRS in Focus newsletter, summary of IFRS 15](#)

<p>AASB 16 Leases</p> <p>AASB 16 will replace AASB 117 <i>Leases</i>, Interpretation 4 <i>Determining whether an Arrangement contains a Lease</i>, Interpretation 115 <i>Operating Leases – Incentives</i> and Interpretation 127 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>. The Standard will provide a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2019</p>	<p>Optional</p>
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The new Standard introduces three main changes:

- Enhanced guidance on identifying whether a contract contains a lease
- A new leases accounting model for lessees that require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets
- Enhanced disclosures.

Lessor accounting will not significantly change.

More information: [Heads Up newsletter](#), [IFRS in Focus newsletter, summary of IFRS 16](#)

8.6.3 New or revised domestic Standards

New or revised requirement	When effective Applicability at 30 June 2017	
<p>AASB 1056 Superannuation Entities Replaces AAS 25 <i>Financial Reporting by Superannuation Plans</i> and updates the requirements applying to superannuation entities in light of recent significant developments in the industry and the adoption of IFRS in Australia.</p> <p>Applies to large superannuation entities regulated by the Australian Prudential Regulation Authority (APRA) and to public sector superannuation entities.</p> <p><i>Note: AASB 1056 does not apply to Self-Managed Super Funds (SMSFs) or small APRA funds.</i></p>	<p>Applies to annual reporting periods beginning on or after 1 July 2016</p>	<p>Mandatory</p>
<p>AASB 1057 Application of Australian Accounting Standards, AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs These Standards effectively move Australian specific application paragraphs from each Standard into a combined Standard. The Standards have no impact on the application of individual standards.</p>	<p>Applies to annual reporting periods beginning on or after 1 January 2016</p>	<p>Mandatory <i>(already adopted in the prior annual report for half year reporters)</i></p>
<p>AASB 1058 Income of Not-for-Profit Entities, AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities Clarifies the income recognition requirements applying to not-for-profit entities in conjunction with AASB 15 <i>Revenue from Contracts with Customers</i>. Establishes principles applying to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives and the receipt of volunteer services.</p> <p>The standards also amend the application date of AASB 15 for not-for-profit entities to annual reporting periods beginning on or after 1 January 2019 instead of 1 January 2018 and add Australian implementation guidance for not-for-profit entities to AASB 9 <i>Financial Instruments</i> and AASB 15.</p>	<p>Applies to annual reporting periods beginning on or after 1 January 2019 (AASB 2016-7 applies to annual reporting periods beginning on or after 1 January 2017)</p>	<p>Optional</p>

8.6.4 New Amending Standards

The table below lists the Amending Standards that do not relate to the pronouncements listed in other tables.

New or revised requirement	When effective	Applicability at 30 June 2017
<p>AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions if Interests in Joint Operations</p> <p>Amends AASB 11 <i>Joint Arrangements</i> to provide guidance on the accounting for acquisitions of interests in a joint operation where the operation constitutes a business.</p> <p>The amendments apply where an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business (as defined in AASB 3 <i>Business Combinations</i>) and requires the entity to apply all of the principles on business combinations accounting to the extent of its share, subject to certain conditions. The disclosures required by AASB 3 are also required to be made.</p> <p>More information: IFRS in Focus newsletter</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2016</p>	<p>Mandatory (<i>already adopted in the prior annual report for half year reporters</i>)</p>
<p>AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</p> <p>Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated.</p> <p>The amendments to AASB 116 explain that a depreciation method applied to property, plant and equipment that is based on revenue that is generated by an activity that includes the use of the asset is not appropriate.</p> <p>The amendments to AASB 138 introduce a rebuttable presumption that an amortisation method for an intangible asset that is based on the revenue generated by the activity that includes the use of the intangible asset is inappropriate, and provides guidance when the rebuttable presumption can be overcome.</p> <p>More information: IFRS in Focus newsletter</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2016</p>	<p>Mandatory (<i>already adopted in the prior annual report for half year reporters</i>)</p>
<p>AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants</p> <p>Requires biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with AASB 116 <i>Property, Plant, and Equipment</i>. Bearer plants were previously accounted for in accordance with the requirements of AASB 141 <i>Agriculture</i>. However, agricultural produce growing on bearer plants continues to be accounted for as a biological asset.</p> <p>Bearer plants are living plants that are used in the production or supply of agricultural produce, are expected to bear produce for more than one period and which have a remote likelihood of being sold as agricultural produce (except for incidental scrap sales).</p> <p>More information: IFRS in Focus newsletter</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2016</p>	<p>Mandatory (<i>already adopted in the prior annual report for half year reporters</i>)</p>

New or revised requirement	When effective Applicability at 30 June 2017	
<p>AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</p> <p>Amends AASB 127 <i>Separate Financial Statements</i>, to allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:</p> <ul style="list-style-type: none"> • At cost • In accordance with AASB 9 <i>Financial Instruments</i> (or, if AASB 9 is not applied, AASB 139 <i>Financial Instruments: Recognition and Measurement</i>), or • A newly introduced option of using the equity method as described in AASB 128 <i>Investments in Associates and Joint Ventures</i>. <p>The accounting policy option must be applied for each category of investment.</p> <p>More information: IFRS in Focus newsletter</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2016</p>	<p>Mandatory (<i>already adopted in the prior annual report for half year reporters</i>)</p>
<p>AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128</p> <p>Addresses a conflict between the requirements of AASB 128 <i>Investments in Associates and Joint Ventures</i> and AASB 10 <i>Consolidated Financial Statements</i> and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognised depends on whether the assets sold or contributed constitute a business.</p> <p>More information: IFRS in Focus newsletter</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2018</p>	<p>Optional</p>
<p>AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</p> <p>Amends a number of pronouncements as a result of the IASB's 2012-2014 annual improvements cycle.</p> <p>Key amendments include:</p> <ul style="list-style-type: none"> • AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> – clarifies that when an entity reclassifies an asset (or disposal group) directly from held for sale to held for distribution to owners (or vice versa), such a reclassification is not treated as a change to a plan of sale (or distribution to owners) • AASB 7 <i>Financial Instruments: Disclosures</i> – provides additional application guidance on the concept of continuing involvement for the purposes of disclosures required by the standard, and removes the requirement to provide disclosures relating to offsetting financial assets and financial liabilities in interim financial reports • AASB 119 <i>Employee Benefits</i> – clarifies discount rate to adopt in a regional market sharing the same currency (for example, the Eurozone) by requiring that the depth of the market for high quality corporate bonds should be assessed at a currency rather than country level • AASB 134 <i>Interim Financial Reporting</i> – clarifies that certain information required by the Standard can be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. <p>More information: IFRS in Focus newsletter</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2016</p>	<p>Mandatory (<i>already adopted in the prior annual report for half year reporters</i>)</p>

New or revised requirement

When effective **Applicability at 30 June 2017**

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

Amends AASB 101 *Presentation of Financial Statements* to provide clarification regarding the disclosure requirements in AASB 101, including narrow-focus amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements.

Applicable to annual reporting periods beginning on or after 1 January 2016

Mandatory (*already adopted in the prior annual report for half year reporters*)

The amendments provide additional guidance in the following areas:

- **Materiality.** The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information (2) materiality considerations apply to the all parts of the financial statements and (3) even when a standard requires a specific disclosure, materiality considerations still apply, i.e. a specific disclosure is not required to be included in the financial report if it is not material to the entity
- **Statement of financial position and statement of profit or loss and other comprehensive income.** The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of other comprehensive income (OCI) of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss
- **Notes.** The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes rather than being presented in the order previously included in AASB 101.

More information: [IFRS in Focus newsletter](#)

AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

Amends AASB 10 *Consolidated Financial Statements*, AASB 12 *Disclosures of Interests in Other Entities* and AASB 128 *Investments in Associates and Joint Ventures*, to:

- Confirm that the exemption from preparing consolidated financial statements set out in AASB 10.4(a) is available to a parent entity that is a subsidiary of an investment entity
- Clarify the applicability of AASB 12 to the financial statements of an investment entity
- Introduce relief in AASB 128 to permit a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

Applicable to annual reporting periods beginning on or after 1 January 2016

Mandatory (*already adopted in the prior annual report for half year reporters*)

More information: [IFRS in Focus newsletter](#)

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Non-for-Profit Public Sector Entities

Extends the scope of AASB 124 to not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities.

Applicable to annual reporting periods beginning on or after 1 July 2016

Mandatory

New or revised requirement

When effective **Applicability at 30 June 2017**

AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities

Amends AASB 13 *Fair Value Measurement* to relieve not-for-profit public sector entities from certain disclosures applying to assets within the scope of AASB 16 *Property, Plant and Equipment* that are held primarily for their current service potential rather than to generate future net cash inflows.

The relief is temporary pending the outcome of related AASB projects.

Applicable to annual reporting periods beginning on or after 1 July 2016

Mandatory

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses

Amends AASB 112 *Income Taxes* to clarify:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use
- The carrying amount of an asset does not limit the estimation of probable future taxable profits
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Applicable to annual reporting periods beginning on or after 1 January 2017

Optional
(for annual reports)

Mandatory
(for half-year reports)

More information: [IFRS in Focus newsletter](#)

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

Amends AASB 107 *Statement of Cash Flows* to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Applicable to annual reporting periods beginning on or after 1 January 2017

Optional
(for annual reports)

Mandatory
(for half-year reports)

More information: [IFRS in Focus newsletter](#)

AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

Amends AASB 136 *Impairment of Assets* to:

- Remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities
- Clarify that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*.

Applicable to annual reporting periods beginning on or after 1 January 2017

Optional
(for annual reports)

Mandatory
(for half-year reports)

New or revised requirement	When effective Applicability at 30 June 2017	
<p>AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions</p> <p>The amendments clarify the following:</p> <p>In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.</p> <p>Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.</p> <p>A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:</p> <ul style="list-style-type: none"> • The original liability is derecognised • The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date • Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately. <p>More information: IFRS in Focus newsletter</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2018</p>	<p>Optional</p>
<p>AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts</p> <p>The amendments address concerns about the different effective dates of AASB 9 and the forthcoming new insurance contracts standard. For an insurer that meets certain criteria, this Standard provides a temporary exemption that permits, but does not require, the insurer to apply AASB 139 <i>Financial Instruments: Recognition and Measurement</i> rather than AASB 9 for annual periods beginning before 1 January 2021.</p> <p>The amendments are expected to have very limited application in Australia as they do not apply to insurance contracts subject to AASB 1023 <i>General Insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i>.</p> <p>More information: IFRS in Focus newsletter</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2018</p>	<p>Optional</p>

New or revised requirement

When effective **Applicability at 30 June 2017**

AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

Makes amendments to the following Accounting Standards:

- AASB 140 *Investment Property* to clarify when an entity transfers property under construction or development previously classified as inventory to or from investment property, which are made when there is evidence of a change in use. The amendments clarify the principle that a change in use would involve:
 - An assessment of whether a property meets, or has ceased to meet, the definition of an investment property
 - Supporting evidence that a change in use has occurred (a change of management's intentions for the use of property in isolation does not provide evidence of a change in use)
- AASB 1 *First-time Adoption of International Financial Reporting Standards*, to:
 - Remove the short-term exemptions first-time adopters in relation to disclosures about financial statements, employee benefits and investment entities (paragraphs E3-E7) as they are no longer applicable as they relate to reporting periods that have now passed
 - Add exemptions arising from Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- AASB 128 *Investments in Associates and Joint Ventures*, to:
 - Clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition
 - Allow entities that are not investment entities to elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method.

Applicable to annual periods beginning on or after 1 January 2018
(1 January 2019 for not-for-profit entities)

Optional
(*amendments to AASB 1 cannot be applied early*)

More information: [IFRS in Focus newsletter](#)

AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016

Amends AASB 12 *Disclosure of Interests in Other Entities*, to clarify the interaction of AASB 12 with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* to explain that disclosures under AASB 12 are required for interests in entities classified as held for sale or discontinued operations in accordance with AASB 5.

Applicable to annual periods beginning on or after 1 January 2017

Optional
(*for annual reports*)

Mandatory
(*for half-year reports*)

More information: [IFRS in Focus newsletter](#)

8.6.5 New and revised Interpretations

New or revised requirement	When effective	Applicability to 30 June 2017
<p>Interpretation 22 Foreign Currency Transactions and Advance Consideration Clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use when recognising the receipt or payment of advance consideration in a foreign currency.</p> <p>The Interpretation requires an entity to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) as the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receive of advance consideration.</p> <p>More information: IFRS in Focus newsletter, summary of IFRIC 22</p>	<p>Effective for annual periods beginning on or after 1 January 2018 (1 January 2019 for not-for-profit entities)</p>	<p>Optional</p>

8.6.6 Pronouncements issued by the IASB/IFRIC where an equivalent pronouncement has not been issued by the AASB

New or revised requirement	When effective	Applicability to 30 June 2017
<p>IFRS 17 Insurance Contracts IFRS 17 measures insurance contracts either under the general model or a simplified version of this called the 'premium allocation approach'. The general model is defined such that at initial recognition an entity measures a group of contracts at the total of (a) the amount of fulfilment cash flows, which comprise probability-weighted estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks associated with those future cash flows and a risk adjustment for non-financial risk; and (b) the contractual service margin.</p> <p>On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future services and the contractual service margin of the group at that date. The liability for incurred claims is measured as the fulfilment cash flows related to past services allocated to the group at that date.</p> <p>An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the premium allocation approach on the condition that, at initial recognition, the entity reasonably expects that doing so would produce a reasonable approximation of the general model, or the coverage period of each contract in the group is one year or less.</p> <p>More information: IFRS in Focus newsletter, summary of IFRS 17</p>	<p>Effective for annual reporting periods beginning on or after 1 January 2021</p>	<p>Optional (once an equivalent pronouncement is issued by the AASB)</p>

8.6.7 IFRS Interpretations Committee agenda decisions

Along with its activity developing formal interpretations of IFRSs and proposing that the IASB make amendments to Standards, the IFRS Interpretations Committee regularly publishes summaries of issues that it has decided not to add to its agenda, often accompanied by a discussion of the accounting issue submitted.

Whilst the commentary included in an agenda decision is not formally part of IFRSs, it is an important source of guidance that should be carefully considered when selecting a suitable accounting policy. In many jurisdictions there is an expectation from regulators that agenda decisions will be considered, with the European Securities and Markets Authority (ESMA), for example, publicly stating an expectation to this effect.

Since the beginning of 2016, the following agenda decisions have been published by the Committee:

Month finalised	Standards and topic
January 2016	<p>IFRS 5 <i>Non-Current Assets Held for Sale and Discontinued Operations</i> – To what extent can an impairment loss be allocated to non-current assets within a disposal group?</p> <p>IFRS 5 <i>Non-Current Assets Held for Sale and Discontinued Operations</i> – How to present intragroup transactions between continuing and discontinued operations</p> <p>IFRS 5 <i>Non-Current Assets Held for Sale and Discontinued Operations</i> – Other various IFRS 5-related issues</p> <p>IFRS 9 <i>Financial Instruments</i> – Transition issues relating to hedging</p> <p>IFRS 11 <i>Joint Arrangements</i> – Remeasurement of previously held interests</p> <p>IAS 12 <i>Income Taxes</i> – Recognition of deferred taxes for the effect of exchange rate changes</p> <p>IAS 39 <i>Financial Instruments: Recognition and Measurement</i> – Separation of an embedded floor from a floating rate host contract in a negative interest rate environment</p> <p>More information: January 2016 IFRIC Update</p>
March 2016	<p>IFRS 9 <i>Financial Instruments</i> – Determining hedge effectiveness for net investment hedges</p> <p>IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> – Variable payments for asset purchases</p> <p>IAS 32 <i>Financial Instruments: Presentation</i> – Classification of liability for a prepaid card in the issuer's financial statements</p> <p>IAS 32 <i>Financial Instruments: Presentation</i> – Offsetting and cash-pooling arrangements</p> <p>More information: March 2016 IFRIC Update</p>
May 2016	<p>IFRS 9 <i>Financial Instruments</i> and IAS 39 <i>Financial Instruments: Recognition and Measurement</i> – Derecognition of modified financial assets</p> <p>IAS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i> – Accounting for repayable cash receipts</p> <p>IAS 36 <i>Impairment of Assets</i> – Recoverable amount and carrying amount of a cash-generating unit</p> <p>More information: May 2016 IFRIC Update</p>
July 2016	<p>IFRS 11 <i>Joint Arrangements</i> and IFRS 10 <i>Consolidated Financial Statements</i> – Accounting for loss of control transactions</p> <p>IFRIC 12 <i>Service Concession Arrangements</i> – Payments made by an operator to a grantor in a service concession arrangement</p> <p>More information: July 2016 IFRIC Update</p>
September 2016	<p>IFRIC 12 <i>Service Concession Arrangements</i> – Service concession arrangements with leased infrastructure</p> <p>More information: September 2016 IFRIC Update</p>
November 2016	<p>IAS 12 <i>Income Taxes</i> – Expected manner of recovery of intangible assets with indefinite useful lives</p> <p>IAS 32 <i>Financial Instruments: Presentation</i> – Written put options over non-controlling interests to be settled by a variable number of the parent's shares</p> <p>More information: November 2016 IFRIC Update</p>
March 2017	<p>IFRS 10 <i>Consolidated Financial Statements</i> – Investment entities and subsidiaries</p> <p>IAS 12 <i>Income Taxes</i> – Deferred taxes when acquiring a single-asset entity that is not a business</p> <p>IAS 28 <i>Investments in Associates and Joint Ventures</i> – Fund manager's assessment of significant influence</p> <p>Commodity loans</p> <p>More information: March 2017 IFRIC Update</p>

8.6.8 AASB agenda decisions

Similar to the IFRS Interpretations Committee, some issues that are raised for consideration by the AASB are either not added to the agenda or else are removed from the agenda when it is decided that an Interpretation will not be issued. For such issues, the AASB normally provides its reasons for rejecting the issue in agenda decisions (sometimes called rejection statements).

Since the beginning of 2016, the following agenda decisions have been published by the AASB:

Month finalised	Standards and topic
April 2017	AASB 124 <i>Related Party Disclosures</i> – Materiality of key management personnel related party transactions of non-for-profit public sector entities More information: Text of agenda decision

8.6.9 Corporations Act 2001 developments

Development	When effective
Corporations Amendment (Remuneration Disclosures) Regulation 2016 Makes minor editorial amendments to the prescribed details in relation to equity instruments transactions and balances involving key management personnel required under s.300A(1)(c) of the <i>Corporations Act 2001</i> .	16 April 2016
Corporations Amendment (Crowd-sourced Funding) Act 2017 Introduces new fund raising requirements for certain public companies that permit funds to be raised using crowd-sourced funding (see section 3.4.2) and includes temporary corporate governance concessions for affected entities (see section 4.1.9).	28 March 2017

8.6.10 ASIC

ASIC Corporations Instruments

ASIC remade the following instruments that affect financial reporting:

- ASIC-CI 2016/784 *ASIC Corporations (Audit Relief) Instrument 2016/784*
- ASIC-CI 2016/785 *ASIC Corporations (Wholly owned Companies) Instrument 2016/785* and ASIC-CI 2016/1211 *ASIC Corporations (Amendment) Instrument 2016/1211*
- ASIC-CI 2016/187 *ASIC Corporations (Uncontactable Members) Instrument 2016/187*
- ASIC-CI 2016/188 *ASIC Corporations (Directors' Report Relief) Instrument 2016/188*
- ASIC-CI 2016/189 *ASIC Corporations (Synchronisation of Financial Years) Instrument 2016/189*
- ASIC-CI 2016/190 *ASIC Corporations (Disclosing Entities) Instrument 2016/190*
- ASIC-CI 2017/204 *ASIC Corporations (Foreign-Controlled Company Reports) Instrument 2017/204*



[See section 4.2.2 for a discussion on the above instruments.](#)

ASIC focus areas for financial reporting

On 31 May 2017, ASIC released its focus areas for June 2017 financial reports. Consistent with prior periods, ASIC is focused on the quality of financial reporting and disclosures that provide useful and meaningful information for investors and other users. ASIC continues to encourage preparers of financial reports to focus on the appropriateness of key accounting policy choices that can significantly affect reported results and for the need for meaningful disclosures around the impacts of new standards. ASIC also emphasises the importance of evaluating the need to impair goodwill and other assets, and using realistic assumptions when testing the value of these assets.

In addition, ASIC reminds directors and management of their roles in financial reporting, including the need for directors to seek explanation and advice supporting chosen accounting treatments and, where appropriate, challenge the accounting estimates and treatments applied in the financial report. With the new enhanced audit reports being applicable for June year ends for the first time (see section 8.4.2), ASIC also reminds directors and preparers that key

audit matters raised in enhanced audit reports should be consistent with information disclosed in the financial report and operating and financial review.

Key areas of focus for this financial season include:

- Asset values – considering the need to impair goodwill, inventories and other assets, especially for companies in extractive industries and mining support services, as well as assets that may be affected by digital disruption
- Accounting policy choices – consideration of revenue recognition, expense deferral policies, off-balance sheet arrangements, tax accounting, and inventory pricing and rebates
- Material disclosures – including estimates and accounting policy judgements and the impact of the new revenue, financial instruments and leasing standards (see additional information in section 8.6.1).

The full text of the ASIC focus areas can be found in ASIC media release 17-162MR *ASIC calls on preparers to focus on the quality of financial report information*, which is available at www.asic.gov.au.

Results from prior ASIC reviews

In June 2016, the ASIC announced the results from a review of 31 December 2015 financial reports that covered 100 listed and other public interest entities. ASIC noted that preparers of financial reports should ensure they provide high quality, useful and meaningful information. Based on its findings, ASIC has made inquiries of entities in areas such as:

- Impairment and other assets values
- Revenue recognition
- Tax accounting
- Amortisation of intangible assets
- Consolidation accounting.

The full text of the findings can be found in ASIC media release 16-428MR *ASIC calls on directors to apply realism and clarity to financial reports*, which is available at www.asic.gov.au.

9 Using the illustrative financial statements

Deloitte Touche Tohmatsu has designed various model financial reports which can be used as a guide to assist the majority of entities meet their general financial reporting requirements.

Roadmap to this section

Topic	What is covered	Who does it apply to?
9.1 Summary of Deloitte model financial reports	Outline of all the model financial reports designed by Deloitte Touche Tohmatsu	All entities preparing financial reports in Australia
9.2 Using the Deloitte model IFRS financial statements for Tier 1 entities	Guidance on how to use the global model financial statements designed for entities preparing Tier 1 GPFS	Entities preparing Tier 1 GPFS
9.3 Using the Deloitte model IFRS financial statements for Tier 2 entities (RDR)	Guidance on how to use the global model financial statements for entities preparing Tier 2 GPFS	Entities preparing Tier 2 GPFS
9.4 Using the Deloitte model half-year report	Guidance on how to use the Deloitte model half-year report	Listed entities, disclosing entities and any other entities that voluntarily prepare half-year financial reports
9.5 Using the Deloitte model SPFS	Guidance on how to use the Deloitte model SPFS	Entities preparing SPFS
9.6 Other model financial statements	Guidance on how to use the Deloitte model MIS and superannuation fund report	Schemes and superannuation funds

9.1 Summary of Deloitte model financial reports

The following Deloitte model financial reports and guide have been designed by Deloitte Touche Tohmatsu. (Refer to the section noted in the below table for a further discussion on the respective model financial reports):

Model financial report	Overview	Section to refer to for further discussion
International GAAP Holdings Limited Model financial statements for the year ended 31 December 2016	IFRS consolidated model financial statements of International GAAP Holdings Limited which illustrate the presentation and disclosure requirements of IFRSs for the year ended 31 December 2016 by an entity that is not a first-time adopter of IFRSs.	9.2 and 9.3

Model financial report	Overview	Section to refer to for further discussion
Model half-year report Half-years ending on or after 31 December 2016	Model financial report of GAAP Holdings (Australia) Interim Limited which is a listed for-profit disclosing entity that is not a first-time adopter of Accounting Standards. This model financial half-year report illustrates the presentation of a set of condensed financial statements, as envisaged by AASB 134 <i>Interim Financial Reporting</i> paragraph 8 for the half-year ending 31 December 2016 by an entity that is not a first time adopter of the Accounting Standards.	9.4
Model special purpose report Special purpose report for the year ended 31 December 2016	Model financial report of International GAAP Holdings Limited which illustrate the presentation and disclosure requirements of Accounting Standards for the year ended 31 December 2016 by an entity that: <ul style="list-style-type: none"> • Prepares SPFS under the Corporations Act • Is not a first-time adopter of the Accounting Standards. 	9.5
Model managed investment scheme annual report for the year ending 30 June 2016	Model managed investment scheme annual report which illustrates the presentation and disclosure requirements of Accounting Standards for the year ended 30 June 2016 by scheme that is not a first-time adopter of the Accounting Standards.	9.6
Illustrative AASB 1056 financial report for superannuation entities for the financial year ending 30 June 2017	Designed to comply with Accounting Standard AASB 1056 <i>Superannuation Entities</i> , which was issued in June 2014.	9.6



The model financial statements and guide referred to in the above table are available www.deloitte.com/au/models

9.2 Using the Deloitte model IFRS financial statements for Tier 1 entities

9.2.1 Purpose

The Deloitte model IFRS financial statements illustrate the presentation and disclosure requirements of IFRSs for the year ended 31 December 2016 by an entity that is not a first-time adopter of IFRSs. They comprise consolidated financial statements which illustrate the impact of the application of IFRSs that are mandatorily effective for the annual period beginning on 1 January 2016.

The Deloitte model IFRS financial statements however, do not illustrate the presentation and disclosure requirements specific to annual reports prepared in Australia. Therefore this guide has been designed by Deloitte Touche Tohmatsu Australia to assist users with the preparation of annual reports in Australia in accordance with:

- Provisions of the *Corporations Act 2001*
- Accounting Standards and Interpretations issued by the Australian Accounting Standards Board
- Other requirements and guidelines current as at the date of issue, including ASX Listing Rules, ASIC Class Orders/Corporations Instruments, Regulatory Guides and Media Releases.

9.2.2 How to use the Deloitte model financial statements and the guide

Entities preparing Tier 1 GPFS should refer to:

- 1 **The following in section 2 of the Deloitte model IFRS financial statements:**
 - Consolidated statement of profit or loss and other comprehensive income
 - Consolidated statement of changes in equity
 - Consolidated statement of cash flows
 - Notes to the consolidated financial statements.
- 2 **The illustrative disclosures** in section 10 *Illustrative disclosures* .
- 3 **ASX disclosures** in the in section 10 *Illustrative disclosures* if the entity is listed,

9.2.3 Composition of a Tier 1 financial report

The table below outlines the composition of a Tier 1 financial report prepared under the *Corporations Act 2001*. The table lists the relevant information from both the global model financial statements and those additional requirements included in section 10 *Illustrative disclosures* of this guide (these additional requirements are noted in the first column in *italics*).

Component	Considerations
Corporations Act requirements	
<i>Directors' report</i>	Entities preparing financial reports under the Corporations Act must provide a directors' report. Listed entities must also include a Remuneration report as part of the directors' report. An example of a directors' report is available in section 10 <i>Illustrative disclosures</i> of this Guide
<i>Auditor's independence declaration</i>	Entities preparing financial reports under the Corporations Act must include the auditor's independence declaration (see section 6.1.4). An example of an auditor's independence declaration is available in section 10 <i>Illustrative disclosures</i> of this Guide
<i>Independent auditor's report</i>	Entities preparing financial reports under the Corporations Act must include an independent auditor's report. More information about the independent auditor's report is available in section 10 <i>Illustrative disclosures</i> of this Guide
<i>Directors' declaration</i>	Entities preparing financial reports under the Corporations Act must include a directors' declaration. An example of an directors' declaration is available in section 10 <i>Illustrative disclosures</i> of this Guide
Primary financial statements	
Consolidated statement of profit or loss and other comprehensive income [Alt 1]	Additional guidance on the compilation of the statement can be found in section 6.2.2
Consolidated statement of profit or loss [Alt 2]	
Consolidated statement of profit or loss and other comprehensive income [Alt 2]	
Consolidated statement of financial position	Australian entities commonly present the order of the statement of financial position differently to entities preparing financial statement in other countries. See the example Consolidated statement of financial position in section 10 <i>Illustrative disclosures</i> of this Guide (see page 162). Where the version in the Guide is adopted, the ordering of the notes should be reconsidered. Additional guidance on the compilation of the statement can be found in section 6.2.3

Component	Considerations
Primary financial statements (continued)	
Consolidated statement of changes in equity	Additional guidance on the compilation of the statement can be found in section 6.2.4
Consolidated statement of cash flows [Alt 1]	Australian entities commonly adopt the direct method of presentation of the statement of cash flows and in this case are additionally required to provide a reconciliation of the net cash flows from operating activities to profit or loss. An illustrative disclosure is included in Note 46.1 of section 10 <i>Illustrative disclosures</i> of this guide. Additional guidance on the compilation of the statement can be found in section 6.2.5.
Consolidated statement of cash flows [Alt 2]	
Notes to the consolidated financial statements	
1 General information	Additional information is required in relation to compliance with Australian Accounting Standards. See Note 1.1 of section 10 <i>Illustrative disclosures</i> of this Guide
2 Application of new and revised International Financial Reporting Standards	An updated and Australian-specific version of this note is available in Note 2 section 10 <i>Illustrative disclosures</i> of this Guide
3 Significant accounting policies	Australian entities may wish to include an additional accounting policy in respect of goods and services tax (GST). See illustrative Note 3 in section 10 <i>Illustrative disclosures</i> of this Guide
4 Critical accounting judgements and key sources of estimation uncertainty	No additional considerations for this note.
5 Revenue	No additional considerations for this note.
6 Segment information	No additional considerations for this note.
7 Investment income	No additional considerations for this note.
8 Other gains and losses	No additional considerations for this note.
9 Finance costs	No additional considerations for this note.
10 Income taxes relating to continuing operations	No additional considerations for this note. However, entities with tax-consolidated groups may need to provide additional information. See the illustrative Note 19 in the <i>Illustrative disclosures</i> section of this Guide.
11 Discontinued operations	No additional considerations for this note.
12 Assets classified as held for sale	No additional considerations for this note.
13 Profit for the year from continuing operations	Specific considerations apply in relation to rounding under <i>ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191</i> for certain share-based payment information. Details can be found in section 6.4.2
14 Earnings per share	Specific considerations apply in relation to rounding under <i>ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191</i> for earnings per share information. Details can be found in section 6.4.2 of this Guide
15 Property, plant and equipment	No additional considerations for this note.
16 Investment property	No additional considerations for this note.
17 Goodwill	No additional considerations for this note.
18 Other intangible assets	No additional considerations for this note.

Component	Considerations
Notes to the consolidated financial statements (continued)	
19 Subsidiaries	Entities applying ASIC Class Order 98/1418, <i>ASIC Corporations (Wholly owned Companies) Instrument 2016/785</i> , or with tax-consolidated groups may need to provide additional information. See the illustrative Note 19 in the Illustrative disclosures section of this Guide.
20 Associates	No additional considerations for this note.
20A Joint ventures	No additional considerations for this note.
21 Joint operations	No additional considerations for this note.
22 Other financial assets	No additional considerations for this note.
23 Other assets	No additional considerations for this note.
24 Inventories	No additional considerations for this note.
25 Trade and other receivables	Where material, entities may wish to include a separate line item setting out the amount of goods and services tax recoverable. For more information, see section 6.3.3
26 Finance lease receivables	No additional considerations for this note.
27 Amounts due from (to) customers under construction contracts	No additional considerations for this note.
28 Issued capital	No additional considerations for this note.
29 Reserves (net of income tax)	No additional considerations for this note.
30 Retained earnings and dividends on equity instruments	Australian entities are required to provide information about imputation credits (franking credits). See the example in Note 30 of section 10 <i>Illustrative disclosures</i> of this Guide
31 Non-controlling interests	No additional considerations for this note.
32 Borrowings	No additional considerations for this note.
33 Convertible notes	No additional considerations for this note.
34 Other financial liabilities	No additional considerations for this note.
35 Provisions	No additional considerations for this note.
36 Other liabilities	No additional considerations for this note.
37 Trade and other payables	Specific considerations apply in relation to rounding under <i>ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191</i> for certain share-based payment information. Details can be found in section 6.4.2. Where material, entities may wish to include a separate line item setting out the amount of goods and services tax recoverable. For more information, see section 6.3.3.
38 Obligations under finance leases	No additional considerations for this note.
39 Retirement benefit plans	No additional considerations for this note.
40 Financial instruments	No additional considerations for this note.
41 Deferred revenue	No additional considerations for this note.
42 Share-based payments	No additional considerations for this note.

Component	Considerations
Notes to the consolidated financial statements (continued)	
43 Related party transactions	Additional information is required for Australian entities in relation to parent entities. Example disclosures are included in Note 43 of section 10 <i>Illustrative disclosures</i> of this Guide. In addition, the specific considerations apply in relation to rounding under <i>ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191</i> for certain related party information, including remuneration of key management personnel. Details can be found in section 6.4.2.
44 Business combinations	No additional considerations for this note.
45 Disposal of a subsidiary	No additional considerations for this note.
46 Cash and cash equivalents	Australian entities commonly adopt the direct method of presentation of the statement of cash flows and in this case are additionally required to provide a reconciliation of the net cash flows from operating activities to profit or loss. An illustrative disclosure is included in Note 46.1 of section 10 <i>Illustrative disclosures</i> of this guide. Additional guidance on the compilation of the statement can be found in section 6.2.5.
47 Non-cash transactions	No additional considerations for this note.
48 Operating lease arrangements	No additional considerations for this note.
49 Commitments for expenditure	No additional considerations for this note.
50 Contingent liabilities and contingent assets	No additional considerations for this note.
50A <i>Remuneration of auditors</i>	This Australian specific disclosure is required for entities applying Tier 1. Note 53 is available in section 10 <i>Illustrative disclosures</i> of this Guide
51 Events after the reporting period	No additional considerations for this note.
51A <i>Parent entity information</i>	This additional note is required where consolidated financial reports are prepared under the Corporations Act. Note 54 is available in section 10 <i>Illustrative disclosures</i> of this Guide
52 Approval of financial statements	No additional considerations for this note.
Other	
<i>ASX Corporate Governance Statement</i>	Entities listed on the ASX are required to disclose the extent to which they have complied with the best practice recommendations of the ASX Corporate Governance Council during the reporting period. More information about these requirements can be found in section 6.5.2
<i>ASX disclosures</i>	Entities listed on the ASX are required to provide additional information in their annual reports. Illustrative disclosures can be found in section 10 <i>Illustrative disclosures</i> of this Guide

9.3 Using the Deloitte model IFRS financial statements for Tier 2 entities (RDR)

The guidance provided under 9.2 above (for entities preparing Tier 1 GFPS) is also applicable to entities preparing Tier 2 financial reports. However, as discussed under section 5.3.3 above entities preparing Tier 2 GFPS are exempt from some of the disclosure requirements set out in the Accounting Standards. The Accounting Standards sets out disclosure requirements from which Tier 2 entities are exempt by shading the exempted requirements and adding special 'RDR' paragraphs.

The illustrative disclosures in this guide which are **not** applicable to Tier 2 GPFS have been shaded in grey.

9.4 Using the Deloitte model half-year report

9.4.1 Purpose

The Deloitte model half-year report has been developed by Deloitte Touche Tohmatsu to assist users with the preparation of half-year reports for a consolidated entity in accordance with:

- Provisions of the *Corporations Act 2001*
- Australian Accounting Standard AASB 134 *Interim Financial Reporting*
- Other requirements and guidelines current as at the date of issue, including ASX Listing Rules and ASIC Class Orders/Corporations Instruments, Regulatory Guides and Media Releases.

Where appropriate, the Deloitte model half-year report also adopts the classification criteria and other guidance contained in AASB 101 *Presentation of Financial Statements*. It comprises consolidated financial statements which illustrate the impact of the application of Accounting Standards that are mandatorily effective for the half year ending 31 December 2016. It illustrates the presentation and disclosure requirements of Accounting Standards for the half-year ended 31 December 2016 by an entity that is not a first-time adopter of the Accounting Standards.

This guide provides additional guidance on the reporting obligations for entities preparing half-year reports.

9.4.2 How to use the Deloitte model half-year report and guide

Entities preparing half-year reports should refer to:

1

The **Deloitte model half-year report** which comprises:

- The big picture issues for December 2016?
- Details of new and revised financial reporting pronouncements
- Relevant financial reporting
- Online resources
- Model half-year report

2

The following sections of this guide for additional information:

- 4.1.1 Disclosing entities
- 6.5 ASX Listing Rule requirements
- 6.6 Reporting deadlines.
- 7.2 Half-year reports



The Deloitte model half-year report is available at www.deloitte.com/au/models

9.5 Using the Deloitte model SPFS

9.5.1 Purpose

The Deloitte model SPFS has been developed by Deloitte Touche Tohmatsu to assist users with the preparation of SPFS for an entity in accordance with:

- Provisions of the *Corporations Act 2001*
- Accounting Standards and Interpretations issued by the Australian Accounting Standards Board
- Other requirements and guidelines current as at the date of issue, including ASIC Class Orders/Corporations Instruments, Regulatory Guides and Media Releases.

Where appropriate, the Deloitte model SPFS also adopts the classification criteria and other guidance contained in AASB 101 *Presentation of Financial Statements*. It comprises financial statements which illustrate the impact of the application of Accounting Standards that are mandatorily effective for the half year ending 31 December 2016. It illustrates the presentation and disclosure requirements of Accounting Standards for the year ended 31 December 2016 by an entity that is not a first-time adopter of the Accounting Standards.

This guide provides additional guidance on the reporting obligations for entities preparing SPFS.

9.5.2 How to use the Deloitte model SPFS and guide

Entities preparing SPFS under the Corporations Act should refer to:

- 1 The **Deloitte model SPFS** which comprises Model SPFS.
- 2 The following sections of this guide for additional information:
 - 4.1.2 Preparation of an annual report
 - 4.1.6 Audit of the annual financial report
 - 4.1.11 Lodgement of the annual financial report with ASIC
 - 5 The Australian differential reporting framework
 - 6.6 Reporting deadlines
 - 7.5 Relevant financial reporting
 - 8 What's new in financial reporting?

 The Deloitte model SPFS are available on at <http://www.deloitte.com/au/models>

9.6 Other model financial statements

9.6.1 Deloitte model MIS report

The Deloitte model MIS report has been developed by Deloitte Touche Tohmatsu to assist users with the preparation of annual reports for a scheme in accordance with:

- Provisions of the *Corporations Act 2001*
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (except as noted in the publication)
- Other requirements and guidelines current as at the date of issue, ASIC Class Orders/Corporations Instruments, Regulatory Guides and Media Releases.

The Deloitte model MIS report comprises financial statements which illustrate the impact of the application of Accounting Standards that are mandatorily effective for the half year ending 31 December 2016. It illustrates the presentation and disclosure requirements of Accounting Standards for the half-year ended 31 December 2016 by a scheme that is not a first-time adopter of the Accounting Standards.

Schemes preparing annual reports should refer to Deloitte model MIS report. There is no additional information in this guide that schemes preparing annual reports should refer to.

 The Deloitte model MIS report is available at www.iasplus.com

9.6.2 Deloitte illustrative AASB 1056 financial report for superannuation entities

The Deloitte illustrative AASB 1056 financial report for superannuation entities has been developed by Deloitte Touche Tohmatsu to assist users with the preparation of annual reports for a superannuation entity in accordance with Accounting Standards (including AASB 1056 *Superannuation Entities*), Interpretations, the *Superannuation Industry (Supervision) Act 1993* and the provisions of an entity's Trust Deed.

The Deloitte illustrative AASB 1056 financial reporting for superannuation entities comprises financial statements which illustrate the impact of the application of Accounting Standards that are mandatorily effective for the full year ending 30 June 2017 by a superannuation entity that is adopting AASB 1056 *Superannuation Entities* for the first time.

 The Deloitte illustrative AASB 1056 financial report for superannuation entities is available at www.deloitte.com/au/models

9.7 Limitations

We have developed this guide and the Deloitte model financial reports to assist you to meet the general financial reporting requirements applying to the majority of entities reporting under the Corporations Act. General guidance cannot cover all possibilities, or deal with every possible permutation. We have not dealt with specific industries and types of entities, including:

- Not-for-profit entities
- Entities subject to the regulatory requirements of Australian Charities and Not-for-profits Commission (ACNC)
- Australian financial services licences (AFSL) holders
- Entities subject to the regulatory requirements of the Australian Prudential Regulation Authority (APRA)
- Stapled entities.

Inquiries regarding specialised industries (e.g. life insurance companies, credit unions etc.) should be directed to an industry specialist in your Deloitte Touche Tohmatsu office.

9.8 Relevant financial reporting

The Deloitte model financial reports and illustrative disclosures included in this guide are not designed to be templates for all entities. Furthermore, this guide (and the Deloitte model IFRS financial statements and other Deloitte model IFRS financial statements referred to in the guide) should not be used as a substitute for acts, regulations and pronouncements such as the Corporations Act, ASX Listing Rules and Accounting Standards that govern reporting in Australia. Knowledge of the disclosure provisions of inter alia the Corporations Act, ASX Listing Rules and Accounting Standards is a pre-requisite for the preparation of financial reports in Australia. We see this guide (and the Deloitte model IFRS financial statements and other Deloitte model IFRS financial statements referred to in the guide) as an illustration only and strongly encourage preparers of financial statements to ensure that disclosures made are relevant, practical and useful.

9.9 Illustrative amounts and line items

The illustrative disclosures included in this guide include amounts which are independent of the Deloitte model IFRS financial statements. Furthermore, this guide (and the Deloitte model IFRS financial statements) include line items for which a nil amount is shown, to illustrate items that, although not applicable to International GAAP Holdings Limited (and International GAAP Holdings Limited), are commonly encountered in practice. This does not mean that we have illustrated all possible disclosures. Nor should it be taken to mean that, in practice, entities are required to display line items for such 'nil' amounts.

9.10 Other pronouncements to consider

This guide does not illustrate the early adoption of any Accounting Standards or Interpretations that are not mandatory as at 30 June 2017. Furthermore, this guide does not illustrate the disclosure requirements of the following Accounting Standards and Interpretations:

Reference	Title / comment
AASB 1	<i>First-time Adoption of Australian Accounting Standards</i>
AASB 4	<i>Insurance Contracts</i>
AASB 6	<i>Exploration for and Evaluation of Mineral Resources</i> Note: While this illustration does not provide guidance on the disclosure requirements of AASB 6, a number of example accounting policies applicable to mining entities are included in Note 3 to the Deloitte model IFRS financial statements.
AASB 129	<i>Financial Reporting in Hyperinflationary Economies</i>
AASB 134	<i>Interim Financial Reporting</i> (other than as noted and in the Deloitte model half-year report. Refer to the Deloitte model half-year report (available at www.deloitte.com/au/models).
AASB 141	<i>Agriculture</i>
AASB 1004	<i>Contributions</i>
AASB 1023	<i>General Insurance Contracts</i>
AASB 1038	<i>Life Insurance Contracts</i>
AASB 1039	<i>Concise Financial Reports</i> (other than as noted)
AASB 1049	<i>Whole of Government and General Government Sector Financial Reporting</i>
AASB 1050	<i>Administered Items</i>

Reference	Title / comment
AASB 1051	<i>Land Under Roads</i>
AASB 1052	<i>Disaggregated Disclosures</i>
AASB 1053	<i>Application of tiers of Australian Accounting Standards</i>
AASB 1055	<i>Budgetary Reporting</i>
AASB 1056	<i>Superannuation Entities</i> (see section 9.6.2)
Int 2	<i>Members Shares in Co-operative Entities and Similar Instruments</i>
Int 7	<i>Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies</i>
Int 10	<i>Interim Financial Reporting and Impairment</i>
Int 12	<i>Service Concession Arrangements</i>
Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Int 129	<i>Service Concession Arrangements: Disclosures</i>
Int 1019	<i>The Superannuation Contributions Surcharge</i>
Int 1003	<i>Australian Petroleum Resource Rent Tax</i>
Int 1019	<i>The Superannuation Contributions Surcharge</i>
Int 1038	<i>Contributions by Owners Made to Wholly-Owned Public sector Entities</i>
Int 1042	<i>Subscriber Acquisition Costs in the Telecommunications Industry</i>
Int 1047	<i>Professional Indemnity Claims Liabilities in Medical Defence Organisations</i>
Int 1055	<i>Accounting for Road Earthworks</i>

Unless otherwise specified, this guide (as well as the Deloitte model IFRS financial statements and other Deloitte model IFRS financial statements referred to in the guide) only includes references to Standards not yet effective (and not early adopted) in the context of illustrating the disclosures specified by AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

9.11 Source references

References to the relevant requirements are provided in the left hand column where relevant. Where doubt exists as to the appropriate treatment, examination of the source of the disclosure requirement is recommended.

About these disclosures

Deloitte Touche Tohmatsu has designed Australian specific illustrative disclosures to be used as a guide, in conjunction with the model financial reports, to assist the majority of entities meet their general financial reporting requirements.

This section contains the following illustrative disclosures which are suitable for use as a **guide** only and will not be appropriate for use by all entities. Each entity shall consider its respective circumstances and amend the disclosures as necessary. Section 9 provides an explanation on how to use these illustrative disclosures in conjunction with the Deloitte model IFRS financial statements.

Tier 1 and Tier 2 reports

Entities preparing Tier 2 GPFS – Reduced Disclosure Requirements (RDR) are exempt from some of the disclosure requirements set out in Accounting Standards. The Accounting Standards set out disclosure requirements from which Tier 2 entities are exempt by shading the exempted requirements and adding special 'RDR' paragraphs. More information about Tier 2 (RDR) reporting can be found in section 5.3.3 of the *Australian Financial Reporting Guide*.

This International GAAP Holdings Limited model financial report includes disclosures that apply to Tier 1 general purpose financial statements.

The illustrative disclosures in this publication and the *Australian Financial Reporting Guide* which are **not** applicable to Tier 2 general purpose financial statements have been shaded in grey. If an entity applying Tier 2 (RDR) chooses to present additional disclosures, they must be prepared in accordance with the relevant Accounting Standards.

The information in this section has been presented for a financial year ending on 30 June 2017, consistent with the date of this guide. However, these disclosures are designed to be used in conjunction with the relevant model financial statements applicable to each entity (see Section 9), which generally have a year ending 31 December 2016. Entities need to ensure that they include the relevant dates when preparing their financial reports.

Index to the disclosures included in this guide

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Directors' report

Source

s.298(1) A company, registered scheme or disclosing entity must prepare a directors' report for each financial year

s.1308(7) Where the directors' report contains information in addition to that required by the Corporations Act, the information will be regarded as part of the directors' report for the purposes of s.1308 'False or misleading statements'.

Transfer of information from the directors' report into another document forming part of the annual report

s.300(2) Information required by s.300 need not be included in the directors' report where such information is disclosed in the financial statements.

ASIC-CI 2016/188 Information required by s.298(1AA)(c), s.298(1AB)(b), s.299 to s.300 (other than s.300(11B) and (11C) and s.300B to the extent that those sections require certain information to be included in the directors' report or in the financial statements under s.300(2)) may be included in a document which accompanies the directors' report and financial statements where a prominent cross reference to the page/s containing the excluded information exists and certain conditions are satisfied. The information required by s.298(1)(c)1, s.298(1A), s.299 and s.299A may not be transferred into the financial statements.

Where information is transferred into the financial statements it will be subject to audit.

The directors of International GAAP Holdings Limited submit herewith the annual report of the company for the financial year ended 30 June 2017. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Information about the directors

s.300(1)(c), s.300(10)(a) The names and particulars of the directors of the company during or since the end of the financial year are:

Name [all entities]

Mr C.J. Chambers

Mr P.H. Taylor

Ms F.R. Ridley

Mr A.K. Black

Particulars [public companies only]

Chairman, Chartered Accountant, joined the Board in 2010 in a non-executive capacity and is a non-executive director of the ultimate holding company, Y Holdings Limited. Mr C.J. Chambers is also a director of Eastwood Limited. He is a member of the audit committee and the risk management committee.

Chief Executive Officer, joined the Board in 2003. Mr P.H. Taylor was previously the CEO at a large manufacturing company.

Chartered Accountant, joined the Board in 2012 in a non-executive capacity. Ms F.R. Ridley is a member of the nomination and remuneration committee, and of the audit committee.

Industrial Engineer, joined the Board in July 2016. He previously held various senior management positions in manufacturing and wholesale companies.

Source

Name [all entities]	Particulars [public companies only]
Mr B.M. Stavrinidis	Director of Merchant Bank Limited, joined the Board in 2012 in a non-executive capacity. Mr B.M. Stavrinidis is a member of the nomination and remuneration committee, the audit committee, and the risk management committee.
Mr W.K. Flinders	Practicing Solicitor, joined the Board in 2010 in a non-executive capacity and resigned during the year. Mr W.K. Flinders was a member of the nomination and remuneration committee until his resignation.
Ms S.M. Saunders	Practicing Solicitor, joined the Board in 2015 in a non-executive capacity and resigned after year end. Ms S.M. Saunders was a member of the nomination and remuneration committee and the risk management committee until her resignation.

s.300(1)(c) The above named directors held office during the whole of the financial year and since the end of the financial year except for:

- Mr W.K. Flinders – resigned 17 July 2016
- Ms S.M. Saunders – appointed 3 August 2016, resigned 29 June 2017
- Mr A.K. Black – appointed 21 July 2016

s.300(10)(a) Particulars include each director's qualifications, experience and special responsibilities.

s.300(10) Disclosure of directors' particulars is not required for a public company which is a wholly-owned controlled entity of another company.

Directorships of other listed companies [listed companies only]

s.300(11)(e) Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Mr C.J. Chambers	Eastwood Limited	Since 2012
	Yarwood Limited	2012 – 2014

Former partners of the audit firm

s.300(1)(ca) The directors' report must disclose the name of each person who:

- Is an officer of the company, registered scheme or disclosing entity at any time during the year
- Was a partner in an audit firm, or a director of an audit company, that is an auditor of the company, disclosing entity or registered scheme for the year
- Was such a partner or director at a time when the audit firm or the audit company undertook an audit of the company, disclosing entity or registered scheme.

Directors' shareholdings [listed companies only]

s.300(11)(a), (b), (c) The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report:

International GAAP Holdings Limited			
Directors	Fully paid ordinary	Share options	Convertible notes
	shares		
	Number	Number	Number
C.J. Chambers	5,000	-	3,000
P.H. Taylor	50,000	88,000	15,000
A.K. Black	9,000	-	-

Source

- s.608 Directors are considered to have a relevant interest where the director:
- (a) Is the holder of the securities
 - (b) Has power to exercise, or control the exercise of, a right to vote attached to the securities, or
 - (c) Has power to dispose of, or control the exercise of a power to dispose of, the securities.
- s.608 It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.
- s.608, s.609 Refer s.608 and s.609 of the Corporations Act for more information about when a person has a relevant interest in a security.
- Although s.300(11)(a)-(c) only requires relevant interests in shares, debentures, and rights or options in shares or debentures to be disclosed, where considered necessary (i.e. to satisfy the information needs of the likely users of the annual report), directors may consider disclosing interests in other equity instruments.
- s.300(11)(d) For each director who is party to or entitled to a benefit under a contract that confers a right to call for or deliver shares in, or debentures of or interests in a registered scheme made available by the company or a related body corporate, disclosure should be made of such contracts.

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report section of this directors' report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity (i.e. group), directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

Share options granted to directors and senior management

- s.300(1)(d) The directors' report should include details of options that are:
- (a) Granted over unissued shares or unissued interests during or since the end of the financial year
 - (b) Granted to any of the directors or any of the 5 most highly remunerated officers of the company (other than the directors)
 - (c) Granted to them as part of their remuneration.
- s.300(3) The disclosures required by s.300(1)(d) cover:
- (a) Options over unissued shares and interests of the company, registered scheme or disclosing entity
 - (b) If consolidated financial statements are required – options over unissued shares and interests of any controlled entity that is a company, registered scheme or disclosing entity.
- s.300(5) The details of an option granted during or since the end of the financial year should include:
- (a) The identity of the company, registered scheme or disclosing entity granting the option
 - (b) The name of the person to whom the option is granted
 - (c) The number and class of shares or interests over which the option is granted.
- s.300(1)(d), s.300(3), s.300(5) During and since the end of the financial year, an aggregate 140,870 share options were granted to the following directors and to the five highest remunerated officers of the company and its controlled entities as part of their remuneration³⁷:

³⁷ While s.300A(1)(a) has been amended to remove remuneration disclosures for the five highest remunerated officers in the remuneration report section of the directors' report, disclosure of options granted to such officers as part of their remuneration continues to be required in the general directors' report section in accordance with s.300(1)(d).

Source

Directors and senior management	Number of options granted	Issuing entity	Number of ordinary shares under option
P.H. Taylor	88,000	International GAAP Holdings Limited	88,000
T.L. Smith	32,036	International GAAP Holdings Limited	32,036
W.L. Lee	6,250	International GAAP Holdings Limited	6,250
L.J. Jackson	6,250	International GAAP Holdings Limited	6,250
C.P. Daniels	4,167	International GAAP Holdings Limited	4,167
N.W. Wright	4,167	International GAAP Holdings Limited	4,167

Company secretary [public companies only]

s.300(10)(d) Mr A.B. Grey, Chartered Accountant, held the position of company secretary of International GAAP Holdings Limited at the end of the financial year. He joined International GAAP Holdings Limited in 2011 and previously held the company secretary position at a large manufacturing company. He is a member of the Chartered Institute of Company Secretaries in Australia.

s.300(10) Disclosure of the company secretary's qualifications and experience is not required for a public company which is a wholly-owned controlled entity of another company.

Principal activities

s.299(1)(c), AASB 101.138(b) The consolidated entity's principal activities in the course of the financial year were the manufacture of electronic equipment and leisure goods, and the construction and renovation of residential properties.

During the financial year the consolidated entity sold its toy business. Details of the sale are contained in note 11 and note 45 to the financial statements. During the year the board of directors decided to dispose of the bicycle business. Details of the planned disposal are contained in note 11 to the financial statements.

Review of operations

s.299(1)(a), ASX-LR 4.10.17 The directors' report must contain a review of the consolidated entity's operations during the financial year and the results of those operations. The Corporations Act contains additional general requirements for listed public companies.

Additional requirements for listed companies, listed registered schemes and listed disclosing entities

s.299A(1), (2) The directors' report for a company, registered scheme or disclosing entity that is listed must also contain information that members of the listed entity would reasonably require to make an informed assessment of:

- (a) The operations of the consolidated entity
- (b) The financial position of the consolidated entity
- (c) The business strategies, and prospects for future financial years, of the consolidated entity.

s.299A(3) The directors' report may omit material that would otherwise be included under s.299A(1)(c) concerning the consolidated entity's business strategies and prospects for future financial years, if it is likely to result in unreasonable prejudice to the consolidated entity or any entity (including the company, registered scheme or disclosing entity) that is part of the consolidated entity. If material is omitted, the report must say so.

ASIC Regulatory Guide 247 Effective disclosure in an operating and financial review

ASIC-RG 247 In preparing this disclosure, entities may wish to refer to ASIC Regulatory Guide 247 *Effective disclosure in an operating and financial review* (RG 247, available on www.asic.gov.au) as it is designed to provide guidance on preparing an operating and financial review (OFR) in the directors' report of a listed entity under s.299A of the Corporations Act.

Source

Presenting the narrative and analysis

Recommended disclosures for presenting the narrative and analysis in an OFR are:

- Information should be presented in a single self-contained section of the annual report
- Information should be presented in a manner that complements and remains consistent to information disclosed in the financial report and other disclosure announcements of the entity and the disclosures must be balanced and unambiguous. At the same time, the OFR should present information in a clear, concise and effective manner.

Operations and financial position

Information regarding the operations and financial position of the entity should reflect the individual circumstances of the entity and its business environment. In this regard, RG 247 outlines that the OFR should:

- Describe and provide a review of the operations that the entity undertakes, including the results of these operations, and give details of any significant changes during the reporting period
- Explain the drivers and reasons for the entity's results and financial position and key developments in the reporting period, including significant factors affecting the entity's results and financial position
- Highlight any qualification by the entity's auditor and provide the circumstances to explain the concerns underlying the audit opinion
- Explain the entity's business model, and its effect on the entity's operations, including its main features, any key dependencies and the significance of particular operating segments
- Discuss results for the key operating segments and major components of the overall result.

Business strategies and prospects for future financial years

Information on business strategies and prospects for future financial years should focus on what may affect the future financial performance and position of the entity. RG 247 outlines that the OFR should:

- Discuss the entity's key business strategies and significant plans
- Explain the financial performance and financial outcomes that the entity expects to achieve overall, and significant factors on which the achievement of these objectives depends
- Discuss the material business risks that could adversely affect the achievement of the described financial performance.

Inclusion of numerical financial forecasts is not expected in an OFR. However, if an entity chooses to present financial forecasts in its OFR, it should consider the guidance contained in ASIC Regulatory Guide 170 *Prospective Financial Information* on the presentation of prospective and hypothetical information.

The relevant time period for which business strategies and prospects should be described, will depend on the individual circumstances of the entity, taking into account factors such as the age of the entity, the business in which it is engaged, the industry in which it operates and the types of commitments it enters into.

ASX Guidance Note 10 Review of Operations and Activities: Listing Rule 4.10.17 and G100's Guide to Review of Operations and Financial Condition

In addition, entities may wish to refer to ASX Guidance Note 10 *Review of Operations and Activities: Listing Rule 4.10.17* (available on www.asx.com.au) and to the G100's *Guide to Review of Operations and Financial Condition*, providing guidance on the form and content of the consolidated entity's review of operations and the results of those operations, including specific guidance on items which might be appropriately included in such a review.

It is recommended that the review should provide users, being shareholders, prospective investors and other interested stakeholders, an understanding of the consolidated entity by providing short and long-term analysis of the business as seen through the eyes of the directors. As such, the review should aim to meet the information needs of users of financial reports relating to the current

ASX-GN 10

Source

reporting period and also provide them with a basis for forming a view as to likely future performance in the context of the strategies of the consolidated entity for achieving long-term value creation and known trends in performance. This requires that the review contains a discussion of the operations of the period, including an explanation of unusual or infrequent events and transactions, and an analysis of the opportunities and risks facing the consolidated entity, together with the planned approach to managing those opportunities and risks. Given this context, preparers of annual reports are encouraged to provide:

- (a) An overview of the consolidated entity and its strategy
- (b) A review of operations, considering both short and longer-term value creation in the context of the consolidated entity's strategy
- (c) Information on investments made to enhance future value creating potential
- (d) A review of the consolidated entity's financial condition
- (e) An overview of risk management and governance practices.

This is aimed at anchoring the review in a strategic context of how the consolidated entity is aiming to enhance shareholder value, both in the short and long-term. This includes discussion of both financial and non-financial elements of performance, including analysis using relevant financial and non-financial key performance indicators. The latter may include sustainability related indicators. The recommended contents of the review include:

- (a) Consolidated entity overview and strategy:
 - (i) Explaining the objectives of the consolidated entity and how they are to be achieved
 - (ii) Including a discussion and analysis of key financial and non-financial performance indicators used by management in their assessment of the consolidated entity and its performance (including relevant sustainability performance indicators)
 - (iii) Discussing the main factors and influences that may have a major effect on future results (including potential longer-term effects), whether or not they were significant in the period under review. This may include discussion of market opportunities and risks; competitive advantage; changes in market share or position; economic factors; key customer and other relationships; employee skills and training; environmental, occupational health and safety aspects; significant legal issues; and innovation and technological developments
- (b) Review of operations:
 - (i) Discussing the main activities of the consolidated entity, including significant features of operating performance for the period under review. It should cover all aspects of operations, focusing on the consolidated entity as a whole 'through the eyes of the directors'. It should not be boilerplate, and should cover significant aspects of the consolidated entity's performance in the period, financial and non-financial. Consideration should be given to unusual or infrequent events or transactions, including material acquisitions or disposals, major sources of revenues and expenses, and changes in factors which affect the results to enable users to assess the significance of the ongoing and core activities of the consolidated entity to identify the sustainability of performance over the longer-term
 - (ii) Providing the overall return attributable to shareholders in terms of dividends and increases in shareholders' funds, including a commentary on the comparison between the results of the financial year and dividends, both in total and in per share terms, and indicating the directors' overall distribution policy
- (c) Providing information on investments made for future performance, including capital expenditure and other expenditure enhancing future performance potential. This may include marketing and advertising spend to enhance brand loyalty and reputation; staff training and development programmes; quality improvement and health and safety programs; customer relationship management; and expansion of production capacity
- (d) Review of financial conditions:

Source

- (i) Capital structure of the consolidated entity including capital funding and treasury policies and objectives
 - (ii) Cash from operations and other sources of capital
 - (iii) Discussion of the liquidity and funding at the end of the period under review, including restrictions on funds transfer, covenants entered into and the maturity profile of borrowings
 - (iv) Discussing the resources available to the consolidated entity not reflected in the statement of financial position, for example mineral reserves, key intellectual property (e.g. databases or specific entity competences); market-position; employee competences or resources/skills and their role in creating longer-term value
 - (v) Impact of legislation and other external requirements having a material effect on the financial condition in the reporting period or expected to have a material effect on the financial condition in future periods
- (e) Risk management and corporate governance practices, including management of both financial and non-financial risks.

Non-IFRS financial information

ASIC-RG 230

If the directors consider it appropriate to include non-IFRS financial information in the OFR, the directors' report or another document in the annual report, the guidelines in Section D of ASIC Regulatory Guide 230 *Disclosing non-IFRS financial information* (available at www.asic.gov.au) should be followed to assist in reducing the risk of non-IFRS financial information being misleading³⁸.

Important considerations include that:

- IFRS financial information should be given equal or greater prominence compared to non IFRS financial information, in particular IFRS profit
- Non-IFRS information should:
 - Be explained and reconciled to IFRS financial information
 - Be calculated consistently from period to period
 - Be unbiased and not used to remove 'bad news'.

Entities should refer to the complete document when preparing their reports as it provides detailed guidance for presenting non-IFRS financial information.

A clear statement should be made about whether or not the non-IFRS financial information has been audited or reviewed in accordance with Australian Auditing Standards.

Changes in state of affairs

s.299(1)(b)

During the financial year, the consolidated entity disposed of its toy business. The consolidated entity is also seeking to dispose of its bicycle business, in order to focus its operations towards the manufacture and distribution of electronic equipment and leisure goods as proposed and agreed at the company's last Annual General Meeting. Other than the above, there was no significant change in the state of affairs of the consolidated entity during the financial year.

Subsequent events

s.299(1)(d)

On 18 July 2017, the premises of Subfive Limited were seriously damaged by fire. Insurance claims are in process, but the cost of refurbishment is currently expected to exceed the amount that will be reimbursed by \$8.3 million.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

³⁸ Non-IFRS financial information is financial information presented other than in accordance with all relevant accounting standards.

Source

Future developments

s.299(1)(e),
s.299(3)

Directors must bring likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations to the attention of the users of the annual report. These disclosures are not required where they would result in unreasonable prejudice to the entity.

s.299A(1)(c), (2)

The directors' report for a company, registered scheme or disclosing entity that is listed must also contain information that members of the listed entity would reasonably require to make an informed assessment of the consolidated entity's prospects for future financial years.

Use of the 'unreasonable prejudice' exemption

In determining whether any information should be omitted in the case of 'unreasonable prejudice', RG 247 suggest that:

- Unreasonable prejudice means the consequence would be unreasonable if, for example, disclosing the information is likely to give third parties (such as competitors, suppliers and buyers) a commercial advantage, resulting in a material disadvantage to the entity
- Likely means 'more than a possibility' or 'more probable than not'.

Even where the exemption is relied upon it is still expected that some information should be able to be disclosed about an entities business strategies and prospects.

Environmental regulations

s.299(1)(f)

If the consolidated entity's operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory, the directors' report should disclose details of the consolidated entity's performance in relation to the environmental regulation.

ASIC-RG 68.74

ASIC has provided the following guidance on completing environmental regulations disclosures:

- Prima facie, the requirements would normally apply where an entity is licensed or otherwise subject to conditions for the purposes of environmental legislation or regulation
- The requirements are not related specifically to financial disclosures (e.g. contingent liabilities and capital commitments) but relate to performance in relation to environmental regulation. Hence, accounting concepts of materiality in financial statements are not applicable
- The information provided in the directors' report cannot be reduced or eliminated because information has been provided to a regulatory authority for the purposes of any environmental legislation
- The information provided in the director's report would normally be more general and less technical than information which an entity is required to provide in any compliance reports to an environmental regulator.

Dividends

s.300(1)(a)

In respect of the financial year ended 30 June 2016, as detailed in the directors' report for that financial year, a final dividend of 19.36 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 8 October 2016.

s.300(1)(a)

In respect of the financial year ended 30 June 2017, an interim dividend of 17.85 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 20 March 2017.

s.300(1)(a)

In respect of the financial year ended 30 June 2017, a dividend of 10.00 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of convertible non-participating preference shares on 20 March 2017.

s.300(1)(a)

In respect of the financial year ended 30 June 2017, an interim dividend of 20.33 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of redeemable cumulative preference shares on 20 March 2017.

Source

s.300(1)(b) In respect of the financial year ended 30 June 2017, the directors recommend the payment of a final dividend of 26.31 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares on 3 October 2017.

Where no dividends have been paid or declared since the start of the financial year, and/or the directors do not recommend the payment of a dividend in respect of the financial year, the directors' report should disclose that fact.

AASB110.13 If dividends are declared (i.e. the dividends are appropriately authorised and no longer at the discretion of the entity) after the reporting date but before the financial statements are authorised for issue, the dividends are not recognized as a liability at the reporting date because no obligations exist at that time. Such dividends are disclosed in the notes to the financial statements in accordance with AASB 101 'Presentation of Financial Statements'.

Shares under option or issued on exercise of options

The directors' report should include details of:

s.300(1)(f) (a) Shares or interests issued during or since the end of the financial year as a result of the exercise of an option over unissued shares or interests

s.300(1)(e) (b) Unissued shares or interests under option as at the date of the directors' report.

s.300(3) The disclosures required by s.300(1)(e) and s.300(1)(f) cover:

- (a) Options over unissued shares and interests of the company, registered scheme or disclosing entity
- (b) If consolidated financial statements are required – options over unissued shares and interests of any controlled entity that is a company, registered scheme or disclosing entity.

s.300(6) The details of unissued shares or interests under option should include:

- (a) The company, registered scheme or disclosing entity that will issue shares or interests when the options are exercised
- (b) The number and classes of those shares or interests
- (c) The issue price, or the method of determining the issue price, of those shares or interests
- (d) The expiry date of the options
- (e) Any rights that option holders have under the options to participate in any share issue or interest issue of the company, registered scheme or disclosing entity or of any other body corporate or registered scheme.

s.300(7) The details of shares and interests issued as a result of the exercise of any option should include:

- (a) The company, registered scheme or disclosing entity issuing the shares or interests
- (b) The number of shares or interests issued
- (c) If the company, registered scheme or disclosing entity has different classes of shares or interests, the class to which each of those shares or interests belongs
- (d) The amount unpaid on each of those shares or interests
- (e) The amount paid, or agreed to be considered as paid, on each of those shares or interests.

s.300(1)(e), s.300(3), s.300(6) Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
International GAAP Holdings Limited	136,000	Ordinary	\$1.00	30 Sep 2017
International GAAP Holdings Limited	60,000	Ordinary	\$1.00	30 Mar 2017

(a) These share options can only be exercised once the share price of International GAAP Holdings Limited exceeds \$4.00.

Source

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the company or of any other body corporate or registered scheme.

s.300(1)(f),
s.300(3),
s.300(7)

Details of shares or interests issued during or since the end of the financial year as a result of exercise of an option are:

Issuing entity	Number of shares		Class of shares	Amount paid for shares	Amount unpaid on shares
	issued				
International GAAP Holdings Limited	314,000		Ordinary	\$1.00	\$nil

Indemnification of officers and auditors

s.300(1)(g),
s.300(8),
s.300(9)

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr A.B. Grey, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Where the company has not indemnified or agreed to indemnify an officer or auditor against a liability incurred, or paid an insurance premium in respect of a contract insuring against a liability incurred by an officer or auditor, the following disclosure is encouraged:

'During or since the end of the financial year the company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.'

Directors' meetings [public companies only]

s.300(10)(b), (c)

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 12 board meetings, 2 nomination and remuneration committee meetings, 4 audit committee meetings and 4 risk management committee meetings were held.

Directors	Board of directors		Nomination & remuneration committee		Audit committee		Risk management committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
	C.J. Chambers	12	12	-	-	4	4	4
P.H. Taylor	12	10	-	-	-	-	-	-
F.R. Ridley	12	11	2	2	4	4	-	-
A.K. Black	-	-	-	-	-	-	-	-
B.M. Stavrinidis	12	12	2	2	4	4	4	4
W.K. Flinders	1	1	1	1	-	-	-	-
S.M. Saunders	10	9	1	1	-	-	4	4

s.300(10)

Disclosure of directors' meetings is not required for a public company which is a wholly-owned controlled entity of another company.

Source

Registered schemes [registered schemes only]

s.300(12) The directors' report for a listed registered scheme should disclose the following details for each director of the company that is the responsible entity for the scheme:

- (a) Their relevant interests in the scheme
- (b) Their rights or options over interests in the scheme
- (c) Contracts to which the director is a party or under which the director is entitled to a benefit and that confer a right to call for or deliver interests in the scheme.

s.300(13) The directors' report for a registered scheme (whether listed or unlisted) should disclose details of:

- (a) The fees paid to the responsible entity and its associates out of scheme property during the financial year
- (b) The number of interests in the scheme held by the responsible entity or its associates as at the end of the financial year
- (c) Interests in the scheme issued during the financial year
- (d) Withdrawals from the scheme during the financial year
- (e) The value of the scheme's assets as at the end of the financial year, and the basis for the valuation
- (f) The number of interests in the scheme as at the end of the financial year.

Proceedings on behalf of the company

s.300(14) The directors' report should disclose, with respect to persons applying for leave under s.237 to bring, or intervene in, proceedings on behalf of the company, the applicant's name and a statement whether leave was granted.

s.300(15) Where leave is granted under s.237, the directors' report should disclose the following details of any proceedings that a person has brought, or intervened in, on behalf of the company:

- (a) The person's name
- (b) The names of the parties to the proceedings
- (c) Sufficient information to enable members to understand the nature and status of the proceedings (including the cause of action and any orders made by the court).

Non-audit services [listed companies only]

s.300(2A), s.300(11B)(a) Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 50A to the financial statements.

s.300(11B)(b) The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act.

s.300(11B)(c) The directors are of the opinion that the services as disclosed in note 50A to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons³⁹:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

³⁹ Note 50A is included in this guide on page 177

Source

s.300(11D) The statements under s.300(11B)(b) and (c) must be made in accordance with:

- (a) Advice provided by the listed company's audit committee if the company has an audit committee, or
- (b) A resolution of the directors of the listed company if the company does not have an audit committee.

s.300(11E) A statement is taken to be made in accordance with advice provided by the company's audit committee only if:

- (a) The statement is consistent with that advice and does not contain any material omission of material included in that advice
- (b) The advice is endorsed by a resolution passed by the members of the audit committee
- (c) The advice is written advice signed by a member of the audit committee on behalf of the audit committee and given to the directors.

Auditor's independence declaration

s.298(1AA), (c) The auditor's independence declaration is included after this report on page 156.

Extension of audit rotation period [listed companies only]

s.300(11AA) Where, in accordance with s.324DAA, the directors of the company by resolution grant an approval for an individual to play a significant role in the audit of a listed company by extending the audit involvement period from the normal five successive financial years to six or seven successive financial years, the report must include details of and the reasons for the approval.

s.300(11A) Where, in accordance with s.342A, ASIC has made a declaration to enable an individual who is a registered company auditor to continue to play a significant role (as defined in s.9 of the Corporations Act) in the audit of a listed company (by extending the audit involvement period from the normal five successive financial years to six or seven successive financial years), the directors' report must include details of the declaration.

True and fair view

s.298(1A) If the financial statements for a financial year include additional information under s.295(3)(c) to give a true and fair view of financial position and performance, the directors' report for the financial year must also:

- (a) Set out the directors' reasons for forming the opinion that the inclusion of that additional information was necessary to give a true and fair view required by s.297
- (b) Specify where that additional information can be found in the financial statements.

Source

Rounding off of amounts

If the company is of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and consequently the amounts in the directors' report and the financial statements are rounded, that fact must be disclosed in the financial statements or the directors' report.

ASIC-CI
2016/191

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Or

ASIC-CI
2016/191

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

Or

ASIC-CI
2016/191

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest million dollars, unless otherwise indicated.

Source

s.300A(1), (1A), (2)

Remuneration report [all listed disclosing entities that are companies]

This model remuneration report is suitable for use as a guide only and will not be appropriate for use by all companies required to prepare a remuneration report. Each company shall consider its respective circumstances and amend the disclosures as necessary.

Entities preparing Tier 2 (RDR) financial reports cannot be listed entities (as all listed entities are deemed to have public accountability and are thereby required to prepare Tier 1 reports), and accordingly will not be required to prepare a remuneration report

Defined terms

s.9,
AASB 124.9

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

s.9

Closely related party of a member of the key management personnel for an entity is defined to include:

- (a) A spouse or child of the member
- (b) A child of the member's spouse
- (c) A dependant of the member or of the member's spouse
- (d) Anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity
- (e) A company the member controls
- (f) A person prescribed by the regulations for the purposes of this paragraph.

s.206K(2)(b)

A remuneration committee is a committee of the board of directors of the company that has functions relating to the remuneration of key management personnel for the company.

s.9

Remuneration consultant means a person:

- (a) Who makes a remuneration recommendation under a contract for services with the company to whose key management personnel the recommendation relates
- (b) Who is not an officer or employee of the company.

s.9B(1)-(4)

1. A remuneration recommendation is:

- a. A recommendation about either or both of the following:
 - (i) How much the remuneration should be
 - (ii) What elements the remuneration should have
 for one or more members of the key management personnel for a company, or
- b. A recommendation or advice about a matter or of a kind prescribed by the regulations.

2. None of the following is a remuneration recommendation (even if it would otherwise be covered by s.9B(1) above):

- a. Advice about the operation of the law (including tax law)
- b. Advice about the operation of accounting principles (for example, about how options should be valued)
- c. Advice about the operation of actuarial principles and practice
- d. The provision of facts
- e. The provision of information of a general nature relevant to all employees of the company
- f. A recommendation, or advice or information, of a kind prescribed by the regulations. (Regulation 1.2.01 of the of the Corporations Regulations 2001 prescribes that for s.9B(2)(f), a recommendation, or advice or information, provided in relation to one or more members of the key management personnel for a company by an employee of a company within the same consolidated entity, is not a remuneration recommendation).

Source

3. s.9B(2) does not limit the things that are not remuneration recommendations, nor does it mean that something specified in that subsection would otherwise be a remuneration recommendation within the meaning of s.9B(1)
4. ASIC may by writing declare that s.9B(1) above does not apply to a specified recommendation or specified advice, but may do so only if ASIC is satisfied that it would be unreasonable in the circumstances for the advice or recommendation to be a remuneration recommendation. The declaration has effect accordingly. The declaration is not a legislative instrument.

Prescribed details in relation to remuneration

s.300A(1)(c),
Reg2M.3.03

The prescribed details in relation to remuneration referred to in s.300A(1)(c) are detailed in Regulation 2M.3.03 of the Corporations Regulations. The prescribed details must be provided in respect of the following persons:

- (a) If consolidated financial statements are required – each member of the key management personnel for the consolidated entity, or
- (b) If consolidated financial statements are not required – each member of the key management personnel for the company.

s.300A(1)(d), (1)(e)

Note, s.300A(1)(d) and s.300A(1)(e) specify further remuneration details that must be made in the remuneration report in respect of the persons noted above.

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of International GAAP Holdings Limited's key management personnel for the financial year ended 30 June 2017. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel
- Remuneration policy
- Relationship between the remuneration policy and company performance
- Remuneration of key management personnel
- Key terms of employment contracts.

Key management personnel

Reg2M.3.03 (1)
(item 1-5)

The directors and other key management personnel of the consolidated entity during or since the end of the financial year were:

Non-executive directors

C.J. Chambers
 F.R. Ridley
 A.K. Black (appointed 21 July 2016)
 B.M. Stavrinidis
 W.K. Flinders (resigned 17 July 2016)
 S.M. Saunders (appointed 3 August 2016,
 resigned 29 June 2016)

Position

Chairman, Non-executive director
 Non-executive director
 Non-executive director
 Non-executive director
 Non-executive director
 Non-executive director

Executive officers

P.H. Taylor
 W.L. Lee
 L.J. Jackson
 C.P. Daniels (resigned 4 July 2016)
 N.W. Wright (resigned 26 June 2017)
 T.L. Smith (appointed 4 July 2016)

Position

Executive Director, Chief Executive Officer
 Chief Financial Officer
 Chief Marketing Officer
 Chief Operations Officer
 General Manager – Electronic equipment
 General Manager – Leisure goods

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

Source

Remuneration policy

s.300A(1)(a) The directors' report for a financial year for a company must include (in a separate and clearly identified section of the report) discussion of board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of the key management personnel for:

- (a) The company, if consolidated financial statements are not required, or
- (b) The consolidated entity, if consolidated financial statements are required.

The report must also include:

s.300A(1)(f) (a) Such other matters related to the policy or policies referred to in s.300A(1)(a) above as are prescribed by the regulations, and

s.300A(1)(g) (b) If:

- (i) At the company's most recent AGM, comments were made on the remuneration report that was considered at that AGM, and
- (ii) When a resolution that the remuneration report for the last financial year be adopted was put to the vote at the company's most recent AGM, at least 25% of the votes cast were against adoption of that report,

an explanation of the board's proposed action in response or, if the board does not propose any action, the board's reasons for inaction

s.300A(1)(h) (c) If a remuneration consultant made a remuneration recommendation in relation to any of the key management personnel for the company or, if consolidated financial statements are required, for the consolidated entity, for the financial year:

- (i) The name of the consultant
- (ii) A statement that the consultant made such a recommendation
- (iii) If the consultant provided any other kind of advice to the company or entity for the financial year – a statement that the consultant provided that other kind or those other kinds of advice
- (iv) The amount and nature of the consideration payable for the remuneration recommendation
- (v) The amount and nature of the consideration payable for any other kind of advice referred to in subparagraph (iii)
- (vi) Information about the arrangements the company made to ensure that the making of the remuneration recommendation would be free from undue influence by the member or members of the key management personnel to whom the recommendation relates
- (vii) A statement about whether the board is satisfied that the remuneration recommendation was made free from undue influence by the member or members of the key management personnel to whom the recommendation relates
- (viii) If the board is satisfied that the remuneration recommendation was made free from undue influence by the member or members of the key management personnel to whom the recommendation relates – the board's reasons for being satisfied of this.

Relationship between the remuneration policy and company performance

Extent (or otherwise) of remuneration being dependent on satisfaction of a performance condition

A disclosing entity that is a company must disclose:

s.300A(1)(e)(i) (a) An explanation of the relative proportions of those elements of the remuneration of a member of key management personnel for the company, or if consolidated financial statements are required, for the consolidated entity, that are related to performance and those elements of the person's remuneration that are not

Source

s.300A(1)(d)

(b) If an element of the remuneration of a member of key management personnel for the company, or if consolidated financial statements are required, for the consolidated entity consists of securities of a body and that element is not dependent on the satisfaction of a performance condition – an explanation of why that element of the remuneration is not dependent on the satisfaction of a performance condition must be disclosed

s.300A(1) (ba)

(a) If an element of the remuneration of a member of key management personnel for the company, or if consolidated financial statements are required, for the consolidated entity, is dependent on the satisfaction of a performance condition:

- (i) A detailed summary of the performance condition
- (ii) An explanation of why the performance condition was chosen
- (iii) A summary of the methods used in assessing whether the performance condition is satisfied and an explanation of why those methods were chosen
- (iv) If the performance condition involves a comparison with factors external to the company:
 - i) A summary of the factors to be used in making the comparison
 - ii) If any of the factors relates to the performance of another company, of 2 or more other companies or of an index in which the securities of a company or companies are included – the identity of that company, of each of those companies or of the index.

No hedging of remuneration of key management personnel

s.206J(1),(3)

1. A member of the key management personnel for a company that is a disclosing entity, or a closely related party of such a member, must not enter into an arrangement (with anyone) if the arrangement would have the effect of limiting the exposure of the member to risk relating to an element of the member's remuneration that:
 2. Has not vested in the member, or
 3. Has vested in the member but remains subject to a holding lock.
 4. Without limiting s.206J(1)(a), remuneration that is not payable to a member until a particular day is, until that day, remuneration that has not vested in the member
 5. In determining whether an arrangement has the effect described in s.206J(1) in relation to an element of remuneration described in that subsection, regard is to be had to the regulations made for the purposes of this subsection (see Regulation 2D.7.01 of the Corporations Regulations 2001).

Discussion of the relationship between the remuneration policy and company performance

s.300A(1)(b)

The directors' report must include discussion of the relationship between the remuneration policy for key management personnel and the company's performance.

s.300A (1AA)

Without limiting the requirements of s.300A(1)(b), the discussion under that subsection of the company's performance must specifically deal with:

- (a) The company's earnings
- (b) The consequences of the company's performance on shareholder wealth,

in the financial year to which the report relates and in the previous 4 financial years.

s.300A (1AB)

In determining, for the purposes of s.300A(1AA), the consequences of the company's performance on shareholder wealth in a financial year, have regard to:

- (a) Dividends paid by the company to its shareholders during that year
- (b) Changes in the price at which shares in the company are traded between the beginning and the end of that year
- (c) Any return of capital by the company to its shareholders during that year that involves:
 - (i) The cancellation of shares in the company
 - (ii) A payment to the holders of those shares that exceeds the price at which shares in that class are being traded at the time when the shares are cancelled

Source

(d) Any other relevant matter.

s.300A(1)(b)

Illustrated below is an example of how an entity may present information to comply with s.300A(1AA) and s.300A(1AB). Alternatively, an entity may elect to present such information graphically. The illustrative tables must be accompanied by discussion relevant to explaining the relationship between the remuneration policy and company performance.

s.300A (1AA), (1AB)

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2017:

	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14	30 Jun 13
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	140,918	151,840	217,054	205,321	200,058
Net profit before tax	41,773	45,124	42,567	40,243	39,011
Net profit after tax	27,049	30,327	28,217	26,211	26,208
	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14	30 Jun 13
Share price at start of year	\$2.65	\$2.59	\$2.61	\$2.54	\$1.90
Share price at end of year	\$3.37	\$2.65	\$2.59	\$2.61	\$2.54
Interim dividend ⁽¹⁾	17.85cps	12.71cps	12.71cps	10.00cps	10.00cps
Final dividend ^{(1),(2)}	26.31cps	19.36cps	18.93cps	15.00cps	15.00cps
Basic earnings per share	132.2cps	137.0cps	133.0cps	123.5cps	123.5cps
Diluted earnings per share	115.5cps	130.5cps	127.5cps	118.4cps	118.4cps

- (i) Franked to 100% at 30% corporate income tax rate.
- (ii) Declared after the end of the reporting period and not reflected in the financial statements.

In addition, during the financial year International GAAP Holdings Limited repurchased 5,603 thousand shares for \$17,011 thousand. The shares were repurchased at the prevailing market price on the date of the buy-back.

Remuneration of key management personnel

Reg2M.3.03(1)
(Item 6-9, 11)

	Short-term employee benefits				Post-employment benefits	Long-term employee benefits	Share-based payments	Total
	Salary & fees	Cash Bonus	Non-monetary	Other	Super-annuation	Long service leave	Options & rights (i)	
2017	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors								
C.J. Chambers	76,000	-	28,050	1,250	-	-	-	105,300
F.R. Ridley	65,000	-	25,091	854	-	-	-	90,945
B.M. Stavrinidis	65,000	-	26,800	685	-	-	-	92,485
W.K. Flinders	4,000	-	800	200	-	-	-	5,000
S.M. Saunders	65,000	-	15,159	689	-	-	-	80,848
Executive officers								
P.H. Taylor	261,600	-	66,280	1,240	30,000	5,400	105,600	470,120
W.L. Lee	183,712	10,000	6,796	-	17,937	8,788	7,500	234,733
L.J. Jackson	187,928	-	16,481	-	20,000	4,572	7,500	236,481
C.P. Daniels	185,500	-	14,805	-	20,000	-	5,000	225,305
N.W. Wright	184,000	-	12,761	-	17,708	-	5,000	219,469
T.L. Smith	180,000	-	4,734	-	16,716	1,000	8,663	211,113
								1,971,799

Source

 Reg2M.3.03(1)
 (Item 6-9, 11)

2016	Short-term employee benefits				Post-employment benefits	Long-term employee benefits	Share-based payments	Total
	Salary & fees	Cash Bonus	Non-monetary	Other	Super-annuation	Long service leave	Options (i)	
	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors								
C.J. Chambers	65,125	-	25,400	1,125	-	-	-	91,650
F.R. Ridley	62,000	-	23,162	850	-	-	-	86,012
B.M. Stavrindis	62,000	-	24,350	670	-	-	-	87,020
W.K. Flinders	62,000	-	24,350	680	-	-	-	87,030
O.H. O'Brien	36,750	-	20,120	312	-	-	-	57,182
Executive officers								
P.H. Taylor	229,860	-	53,800	1,125	38,000	10,140	57,500	390,425
W.L. Lee	179,372	-	5,980	-	17,300	6,878	-	209,530
L.J. Jackson	180,690	-	14,503	-	20,000	5,560	-	220,753
C.P. Daniels	171,250	-	13,028	-	20,000	7,750	-	212,028
N.W. Wright	173,738	-	11,230	-	17,500	4,587	-	207,055
E.P Hart	179,375	-	12,500	-	17,270	-	-	209,145
								1,857,830

- (i) The value of the options and rights granted to key management personnel as part of their remuneration is calculated as at the grant date using a binomial pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

s.300A(1)(e)(i)

The relative proportions of those elements of remuneration of key management personnel that are linked to performance:

	Fixed remuneration		Remuneration linked to performance	
	2017	2016	2017	2016
Non-executive directors				
C.J. Chambers	100%	100%	-	-
F.R. Ridley	100%	100%	-	-
B.M. Stavrindis	100%	100%	-	-
W.K. Flinders	100%	100%	-	-
O.H. O'Brien	100%	100%	-	-
Executive officers				
P.H. Taylor	77.5%	85.3%	22.5%	14.7%
W.L. Lee	92.5%	100%	7.5%	-
L.J. Jackson	96.8%	100%	3.2%	-
C.P. Daniels	97.8%	100%	2.2%	-
N.W. Wright	97.7%	100%	2.3%	-
E.P Hart	95.9%	100%	4.1%	-

 Reg2M.3.03(1)
 (Item 10)

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Source

Reg2M.3.03(1)
(Item 6-11)

Payments and benefits

The tables above do not illustrate all the payments and benefits specified by Regulation 2M.3.03 that must be disclosed, if present. Disclosure of the following payments and benefits in respect of each s.300A(1)(c) identified person is required:

- The person's short-term employee benefits, divided into at least the following components:
 - (i) Cash salary, fees and short-term compensated absences
 - (ii) Short-term cash profit-sharing and other bonuses
 - (iii) Non-monetary benefits
 - (iv) Other short-term employee benefits
- The person's post-employment benefits, divided into at least the following components:
 - (i) Pension and superannuation benefits
 - (ii) Other post-employment benefits
- The person's long-term employee benefits other than benefits mentioned in items 6 and 7 (i.e. short-term employee benefits and post-employment benefits) and long-term, separately identifying any amount attributable to a long-term incentive plan
- The person's termination benefits
- For any position the person started to hold during the financial year, payments (if any) made to the person, before the person started to hold the position, as part of the consideration for the person agreeing to hold the position, including:
 - (i) The monetary value of the payment
 - (ii) The date of the payment
- Share-based payments made to the person, divided into at least the following components:
 - (i) Equity-settled share based payment transactions, showing separately:
 - (ii) Shares and units
 - (iii) Options and rights
 - (iv) Cash-settled share based payment transactions
 - (v) All other forms of share based payment compensation (including hybrids).

Total of a person's compensation

Disclosure of the total compensation for each identified person is not specifically required by s.300A or Regulation 2M.3.03, however Deloitte recommends that it be made as a matter of good practice.

Comparative information

Reg2M.3.03(2)

For items 6-9 and 11 of Regulation 2M.3.03, information of the kind described in the item for the previous financial year must also be disclosed in the financial year to which the item relates (to give comparative information for the purposes of the item), but this does not apply in relation to the first financial year in which paragraph 300A(1)(c) of the Corporations Act applies in relation to a person.

Bonuses and share-based payments granted as compensation for the current financial year

Reg2M.3.03(1)
(Item 12)

Cash bonuses

W.L. Lee was granted a cash bonus of \$10,000 on 13 December 2016. The cash bonus was given, on successful acquisition by the consolidated entity, for his identification of the manufacturing business of Subseven Limited as an advantageous investment opportunity earlier in the reporting period.

No other cash bonuses were granted during the financial year.

Source

Reg2M.3.03
(1)(Item 12(b), (c),
15(b)(ii), (b)(iii),
(b)(v))

Employee share option plan

International GAAP Holdings Limited operates an ownership-based scheme for executives and senior employees of the consolidated entity. In accordance with the provisions of the plan, as approved by shareholders at a previous annual general meeting, executives and senior employees with more than five years service with the company may be granted options to purchase parcels of ordinary shares at an exercise price of \$1.00 per ordinary share.

Each employee share option converts into one ordinary share of International GAAP Holdings Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with the performance based formula approved by shareholders at a previous annual general meeting and is subject to approval by the Remuneration Committee. The formula rewards executives and senior employees against the extent of the consolidated entity's and individual's achievement against both qualitative and quantitative criteria from the following financial and customer service measures:

- Improvement in share price
- Improvement in net profit
- Improvement in return to shareholders
- Reduction in warranty claims
- Results of client satisfaction surveys
- Reduction in rate of staff turnover

The options granted expire within twelve months of their issue, or one month of the resignation of the executive or senior employee, whichever is the earlier.

Reg2M.3.03(1)
(Item 12(a), (b), (g),
15(b)(i), (b)(ii), (b)(iv),
(b)(vi))

Terms and conditions of share-based payment arrangements affecting remuneration of key management personnel in the current financial year or future financial years:

Options series	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting date
Series 3	30/09/16	\$1.20	\$1.00	30/09/17	Vests at the date of grant.
Series 4	30/03/17	\$1.05	\$1.00	30/03/18	Vests on the date that the International GAAP Holdings Limited share price exceeds \$4.00, and provided that the eligible recipient is employed by the company on that date

Reg2M.3.03(1)
(Item 12(d), 14)

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

Details of share-based payments granted as compensation to key management personnel during the current financial year:

Reg2M.3.03(1)
(Item 12(e), (f) 15(a))

Name	Option series	During the financial year			
		No. granted	No. vested	% of grant vested	% of grant forfeited
P.H. Taylor	Series 3	88,000	88,000	100%	n/a
W.L. Lee	Series 3	6,250	6,250	100%	n/a
L.J. Jackson	Series 3	6,250	6,250	100%	n/a
C.P. Daniels	Series 3	4,167	4,167	100%	n/a
N.W. Wright	Series 3	4,167	4,167	100%	n/a
T.L. Smith	Series 4	32,036	nil	nil	nil

Source

Reg2M.3.03(1)
(Item 16)

During the year, the following key management personnel exercised options that were granted to them as part of their compensation. Each option converts into one ordinary share of International GAAP Holdings Limited.

Name	No. of options exercised	No. of ordinary shares of International GAAP Holdings Limited issued	Amount paid	Amount unpaid
P.H. Taylor	50,000	50,000	\$50,000	\$nil
W.L. Lee	6,250	6,250	\$6,250	\$nil
L.J. Jackson	6,250	6,250	\$6,250	\$nil
C.P. Daniels	4,167	4,167	\$4,167	\$nil
N.W. Wright	4,167	4,167	\$4,167	\$nil

s.300A(1) (e)(ii)-(iii)

The following table summarises the value of options granted and exercised during the financial year, in relation to options granted to key management personnel as part of their remuneration:

Name	Value of options granted at the grant date (i)	Value of options exercised at the exercise date (ii)
	\$	\$
P.H. Taylor	105,600	88,000
W.L. Lee	7,500	15,750
L.J. Jackson	7,500	15,750
C.P. Daniels	5,000	10,501
N.W. Wright	5,000	10,501
T.L. Smith	33,638	-

- (ii) The value of options granted during the financial year is calculated as at the grant date using a binomial pricing model. This grant date value is allocated to remuneration of key management personnel on a straight-line basis over the period from grant date to vesting date.
- (iii) The value of options exercised during the financial year is calculated as at the exercise date using a binomial pricing model.

s.300A(1) (e)(iv)

The following table summarises the number of options that lapsed during the financial year, in relation to options granted to key management personnel as part of their remuneration:

Name	Financial year in which the options were granted	No. of options lapsed during the current year
[name]	[year]	-

Compensation

Reg2M.3.03(1)
(Item 12)

For each grant of a cash bonus, performance related bonus or share-based payment compensation benefit made to a member of key management personnel for the company, or if consolidated financial statements are required, for the consolidated entity, whether part of a specific contract for services or not, the remuneration report must include the terms and conditions of each grant affecting compensation in the reporting period or a future reporting period, including the following:

- (a) The grant date
- (b) The nature of the compensation
- (c) The service and performance criteria used to determine the amount of compensation

Source

- (d) If there has been any alteration of the terms or conditions of the grant since the grant date – the date, details and effect of each alteration (see also 'alterations and modifications' below)
- (e) The percentage of the bonus or grant for the financial year that was paid to the person or that vested in the person, in the financial year
- (f) The percentage of the bonus or grant for the financial year that was forfeited by the person (because the person did not meet the service and performance criteria for the bonus or grant) in the financial year
- (g) The financial years, after the financial year which the report relates, for which the bonus or grant will be payable if the person meets the service and performance criteria for the bonus or grant
- (h) Estimates of the maximum and minimum possible total value of the bonus or grant (other than option grants) for financial years after the financial year to which the report relates.

Options and rights over equity instruments

Reg2M.3.03(3)

A disclosure required by Regulation 2M.3.03(1)(Items 15-19) must:

- (a) Be separated into each class of equity instrument
- (b) Identify each class of equity instrument by:
 - (i) The name of the disclosing entity or the relevant subsidiary that issued the equity instrument
 - (ii) The class of equity instrument
 - (iii) If the instrument is an option or right – the class and number of equity instruments for which it may be exercised.

Reg2M.3.03(1)
(Item 15)

If options and rights over an equity instrument issued or issuable by the disclosing entity or any of its subsidiaries have been provided as compensation to a member of key management personnel for the company, or if consolidated financial statements are required, for the consolidated entity, during the reporting period:

- (a) The number of options and the number of rights that, during the reporting period:
 - (i) Have been granted
 - (ii) Have vested
- (b) The terms and conditions of each grant made during the reporting period, including:
 - (i) The fair value per option or right at grant date
 - (ii) The exercise price per share or unit
 - (iii) The amount, if any, paid or payable, by the recipient
 - (iv) The expiry date
 - (v) The date or dates when the options or rights may be exercised
 - (vi) A summary of the service and performance criteria that must be met before the beneficial interest vests in the person.

Reg2M.3.03(1)
(Item 16)

If an equity instrument that is issued or issuable by the disclosing entity or any of its subsidiaries has been provided as a result of the exercise during the reporting period of options and rights that have been granted as compensation to a person:

- (a) The number of equity instruments
- (b) If the number of options or rights exercised differs from the number of equity instruments disclosed under paragraph (a) – the number of options or rights exercised
- (c) The amount paid per instrument
- (d) The amount unpaid per instrument.

Alterations and modifications

Reg2M.3.03(1)
(Item 14)

If the terms of share-based payment transactions (including options or rights) granted as compensation to key management personnel have been altered or modified by the disclosing entity or any of its subsidiaries during the reporting period:

- (a) The date of the alteration

Source

- (b) The market price of the underlying equity instrument at the date of the alteration
- (c) The terms of the grant of compensation immediately before the alteration, including:
 - (i) The number and class of the underlying equity instruments, exercise price
 - (ii) The time remaining until expiry
 - (iii) Each other condition in the terms that affects the vesting or exercise of an option or other right
- (d) The new terms
- (e) The difference between:
 - (i) The total of the fair value of the options or other rights affected by the alteration immediately before the alteration
 - (ii) The total of the fair value of the options or other rights immediately after the alteration.

Key terms of employment contracts

s.300A(1)(e)(vii)
Reg2M.3.03(1)
(Item 13)

The report must also include, for each member of key management personnel for the company, or if consolidated financial statements are required, for the consolidated entity:

- (a) If the person is employed by the company under a contract – the duration of the contract, the periods of notice required to terminate the contract and the termination payments provided for under the contract
- (b) For each contract for services between a person and the disclosing entity (or any of its subsidiaries), any further explanation that is necessary in addition to those prescribed in s.300A(1)(ba) and Regulation 2M.3.03(1)(Item 12) to provide an understanding of:
- (c) How the amount of compensation in the current reporting period was determined
- (d) How the terms of the contract affect compensation in future periods.

Loans to key management personnel

Reg2M.3.03(1)
(Item 20)

The Group has provided several of its key management personnel with short-term loans at rates comparable to the average commercial rate of interest.

The loans to key management personnel are unsecured.

The following table outlines aggregate amounts in respect of loans made to key management personnel of the Group.

Reg 2M.3.03
(3A)

The disclosures required by Regulation 2M3.03(1)(Item 20) and Regulation 2M3.03(1)(Item 21) below does not include loans involved in transactions that are in-substance options, including non-recourse loans.

Where such loan arrangements exist and are excluded from the table. The following disclosure is recommended: 'These balances do not include loans that are in-substance options and are non-recourse to the Group.'

Reg2M.3.03(1)
(Item 20)

Balance at 1 July 2016	Interest charged	Arm's length interest differential (i)	Allowance for doubtful receivables	Balance at 30 June 2017	Number of key management personnel
\$	\$	\$	\$	\$	
	33,167			2,420,000	3

- (i) The amount above refers to the difference between the amount of interest paid and payable in the reporting period and the amount of interest that would have been charged on an arms-length basis.

Key management personnel with loans above \$100,000 in the reporting period:

Reg2M.3.03(1)
(Item 21)

The Group has provided several of its key management personnel with short-term loans at rates comparable to the average commercial rate of interest.

Source

The loans to key management personnel are unsecured.

The following table outlines amounts in relation to loans above \$100,000 made to key management personnel of the Group:

 Reg2M.3.03(1)
(Item 21)

Name	Balance at 1 Jul 2016 \$	Interest charged \$	Arm's length interest differential (i) \$	Allowance for doubtful receivables \$	Balance at 30 Jun 2017 \$	Highest loan balance during the period \$
F.R. Ridley	-	8,977	-	-	1,345,000	1,345,000
B.M.	-	8,070	-	-	269,000	269,000
Stavrinidis	-	16,120	-	-	806,000	806,000
C.P. Daniels						

- (i) The amount above refers to the difference between the amount of interest paid and payable in the reporting period and the amount of interest that would have been charged on an arms-length basis.

Key management personnel equity holdings
Fully paid ordinary shares of International GAAP Holdings Limited

 Reg2M.3.03 (1)
(Item 21)

Name	Balance at 1 Jul 2016 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 Jun 2017 No.	Balance held nominally No.
C.J.	5,000	-	-	-	5,000	-
Chambers	1,500	-	50,000	(1,500)	50,000	-
P.H. Taylor	9,000	-	-	(8,000)	1,000	-
A.K. Black	2,520	-	6,250	3,500	12,270	3,500
W.L. Lee	1,250	-	6,250	(1,500)	6,000	800
L.J. Jackson	4,584	-	4,167	-	8,751	-
C.P. Daniels						

Convertible notes of International GAAP Holdings Limited

Name	Balance at 1 Jul 2016 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 Jun 2016 No.	Balance held nominally No.
C.J. Chambers	-	-	-	3,000	3,000	-
P.H. Taylor	-	-	-	15,000	15,000	-

Share options of International GAAP Holdings Limited

 Reg2M.3.03 (1)
(Item 17)

Name	Bal at 1 Jul 2016 No.	Granted as compensation No.	Exercised No.	Net other change No.	Bal at 30 Jun 2017 No.	Bal vested at 30 Jun 2017 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
P.H. Taylor	50,000	88,000	(50,000)	-	88,000	88,000	-	88,000	88,000
W.L. Lee	-	6,250	(6,250)	-	-	-	-	-	6,250
L.J. Jackson	-	6,250	(6,250)	-	-	-	-	-	6,250
C.P. Daniels	-	4,167	(4,167)	-	-	-	-	-	4,167
N.W. Wright	-	4,167	(4,167)	-	-	-	-	-	4,167
T.L. Smith	-	32,036	-	-	32,036	-	-	-	-

Source

All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan.

During the financial year, 70,834 options were exercised by key management personnel at an exercise price of \$1 per option for 70,834 ordinary shares in International GAAP Holdings Limited. No amounts remain unpaid on the options exercised during the financial year at year end.

Further details of the employee share option plan and of share options granted during the 2016 and 2015 financial years are contained in notes 43 and 44 to the financial statements.

Reg2M.3.03 (1)
(Item 19)

For a transaction (other than share based payment compensation) that:

- (a) Involves an equity instrument issued or issuable by the disclosing entity or any of its subsidiaries
- (b) Has occurred, during the reporting period, between the disclosing entity or any of its subsidiaries and any of the following:
 - (i) A key management person
 - (ii) A close member of the family of that person
 - (iii) An entity over which the person or the family member has, either directly or indirectly, control, joint control or significant influence

if the terms or conditions of the transaction were more favourable than those that it is reasonable to expect the entity would adopt if dealing at arms-length with an unrelated person, the remuneration report must detail:

- (a) The nature of each different type of transaction
- (b) For each transaction, the terms and conditions of the transaction.

Other transactions with key management personnel of the Group

Reg 2M.3.03(1)
(Item 22)

During the financial year, the Group recognised interest revenue of \$20,833 in relation to debentures with a carrying value of \$500,000 offered by a company related to Mr B.M. Stavrinidis and held by Subone Finance Pty Ltd. The debentures return interest of 6% p.a., payable monthly. The debentures mature on 2 September 2017.

Reg 2M.3.03(1)
(Item 22-24)

Profit for the year includes the following items of revenue and expense that resulted from transactions, other than compensation, loans or equity holdings, with key management personnel or their related entities:

	2017
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the Group or their related parties:	
- Interest revenue	20,833
- Dividend revenue	-
- Other	-
	20,833
Consolidated profit includes the following expenses arising from transactions with key management personnel of the Group or their related parties:	
- Interest expense	-
- Net amounts written-off and allowances for doubtful receivables	-
- Other	-
Total assets arising from transactions other than loans and amounts receivable in relation to equity instruments with key management personnel or their related parties:	-
- Current	500,000
- Allowance for doubtful receivables	-
- Non-current	-

Source

500,000

Total liabilities arising from transactions other than compensation with key management personnel or their related parties:

- Current -
- Non-current -

Reg 2M.3.03 (3B)

A transaction with, or an amount that is receivable from or payable under a transaction to, a key management person, a close member of the family of that person, or an entity over which the person or the family member has, directly or indirectly, control, joint control or significant influence, is excluded from the requirements of items 22 to 24 of Regulation 2M.3.03 if:

- (a) The transaction occurs within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing at arms-length with an unrelated person
- (b) Information about the transaction does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of the financial statements, or the discharge of accountability by the key management person
- (c) The transaction is trivial or domestic in nature.

s.298(2)

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

(Signature)
 C.J. Chambers
 Director
 Sydney, 14 September 2017

Auditor's independence declaration

Source

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
International GAAP Holdings Limited
167 Admin Ave
SYDNEY, NSW 2000

14 September 2017

Dear Board Members,

International GAAP Holdings Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of International GAAP Holdings Limited.

As lead audit partner for the audit of the financial statements of International GAAP Holdings Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

T.L. Green
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

s.298(1AA)(c),
s.307C, ASIC-CI
2016/188

Source

s.307C(1), (3)

If an audit firm, audit company or individual auditor conducts an audit or review of the financial statements for the financial year, the individual or lead auditor must give the directors of the company, registered scheme or disclosing entity a written declaration that, to the best of the individual or lead auditor's knowledge and belief, there have been:

- (a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit or review
- (b) No contraventions of any applicable code of professional conduct in relation to the audit or review.

Alternatively, if contraventions have occurred, the auditor is required to set out those contraventions in a written declaration that, and include a statement in the declaration that to the best of the individual or lead auditor's knowledge and belief, those contraventions are the only contraventions of:

- (a) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit or review, or
- (b) Any applicable code of professional conduct in relation to the audit or review.

s.307C(5)(a)

The auditor's independence declaration must be given when the audit report is given to the directors of the company, registered scheme or disclosing entity (other than when the conditions in s.307(5A) are satisfied – see below) and must be signed by the person making the declaration.

s.307(5A)

A declaration under s.307C(1) or s.307C(3) in relation to financial statements for a financial year satisfies the conditions in this subsection if:

- (a) The declaration is given to the directors of the company, registered scheme or disclosing entity before the directors pass a resolution under s.298(2) in relation to the directors' report for the financial year
- (b) A director signs the directors' report within 7 days after the declaration is given to the directors
- (c) The auditors' report on the financial statements is made within 7 days after the directors' report is signed
- (d) The auditors' report includes either of the following statements:
- (e) A statement to the effect that the declaration would be in the same terms if it had been given to the directors at the time that auditors' report was made
- (f) A statement to the effect that circumstances have changed since the declaration was given to the directors, and setting out how the declaration would differ if it had been given to the directors at the time the auditor's report was made.

s.307C(5B)

An individual auditor or lead auditor is not required to give a declaration under s.307C(1) and s.307C(3) in respect of a contravention if:

- (a) The contravention was a contravention by a person of s.324CE(2) or s.324CG(2) (strict liability contravention of specific independence requirements by individual auditor or audit firm), or s.324CF(2) (contravention of independence requirements by members of audit firms)
- (b) The person does not commit an offence because of s.324CE(4), s.324CF(4) or s.324CG(4) (quality control system defence).

s.298(1AC)

A company that is eligible to adopt the corporate governance concessions available to certain crowd-sourced funded public companies is not required to include a copy of the auditor's independence declaration in its financial report where an auditor has not been appointed or where an audit is not required due to the operation of the concessions (see section 4.1.9).

Independent auditor's report

Source

Independent auditor's report to the members of International GAAP Holdings Limited

An independent auditor's report shall be prepared by the auditor in accordance with the Australian Auditing Standards.

Duty to form an opinion

The auditor is required to form an opinion on the following:

- s.307(a), s.308(1)
 - Whether the financial statements are in accordance with the Corporations Act, including:
 - Whether the financial statements comply with Accounting Standards
 - Whether the financial statements give a true and fair view of the financial performance and position of the entity (or consolidated entity)
- s.307(aa)
 - If the financial statements include additional information under s.295(3)(c) (information included to give true and fair view of financial position and performance) – whether the inclusion of that additional information was necessary to give the true and fair view required by s.297
- s.307(b)
 - Whether the auditor has been given all information, explanations and assistance necessary for the conduct of the audit
- s.307(c)
 - Whether the company, registered scheme or disclosing entity has kept financial records sufficient to enable financial statements to be prepared and audited
- s.307(d)
 - Whether the company, registered scheme or disclosing entity has kept other records and registers as required by the Corporations Act
- s.308(3C)
 - If the directors' report for the financial year includes a remuneration report, whether the auditor is of the opinion that the remuneration report complies with s.300A of the Corporations Act. If not of that opinion, the auditor's report must say why

s.308(3)(b) The auditor is only required to include in the audit report particulars of any deficiency, failure or shortcoming in respect of any matter referred to in s.307(b), (c) or (d) above.

Qualified audit opinions

s.308(2) Where, in the auditor's opinion, there has been a departure from a particular Australian Accounting Standard, the audit report must, to the extent that is practicable to do so, quantify the effect that non-compliance has on the financial statements. If it is not practicable to quantify the effect fully, the report must say why.

Duty to report

s.308(3)(a) The auditor is required to report any defect or irregularity in the financial statements.

s.308(3A) The audit report must include any statements or disclosures required by the auditing standards.

s.308(3B)

If the financial statements include additional information under s.295(3)(c) (information included to give true and fair view of financial position and performance), the audit report must also include a statement of the auditor's opinion on whether the inclusion of that additional information was necessary to give the true and fair view required by s.297.

Source

s.311(c)

Duty to inform

The auditor must inform ASIC in writing if the auditor is aware of circumstances that:

- The auditor has reasonable grounds to suspect amount to a contravention of the Corporations Act, or
- Amount to an attempt, in relation to the audit, by any person to unduly influence, coerce, manipulate or mislead a person involved in the conduct of the audit, or
- Amount to an attempt, by any person, to otherwise interfere with the proper conduct of the audit.

s.311

The auditor is required to notify ASIC in writing of the circumstances of the matters outlined above as soon as practicable and in any case within 28 days, after the auditor becomes aware of those circumstances.

ASIC-RG 34

ASIC Regulatory Guide 34 *Auditor's obligations: Reporting to ASIC* provides guidance on the procedures to be followed by registered company auditors in complying with s.311 of the Corporations Act, including specific reference to evidence of a contravention, examples of contraventions and timing of notification.

Communicating Key Audit Matters

Requirement to report

ASA701.5

ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* applies to audits of general purpose financial reports of listed entities and circumstances when the auditor otherwise decides to communicate key audit matters in the auditor's report. ASA 701 also applies when the auditor is required by law or regulation to communicate key audit matters in the auditor's report. However, ASA 705 *Modifications to the Opinion in the Independent Auditor's Report* prohibits the auditor from communicating key audit matters when the auditor disclaims an opinion on the financial report, unless such reporting is required by law or regulation.

What is required to be reported

ASA701.11

The auditor shall describe each key audit matter, using an appropriate subheading, in a separate section of the auditor's report under the heading "Key Audit Matters," unless the circumstances below apply. The introductory language in this section of the auditor's report shall state that:

- (a) Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report (of the current period), and
- (b) These matters were addressed in the context of the audit of the financial report as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters

ASA701.15

The auditor shall describe each key audit matter in the auditor's report unless:

- (a) Law or regulation precludes public disclosure about the matter, or
- (b) In extremely rare circumstances, the auditor determines that the matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. This shall not apply if the entity has publicly disclosed information about the matter.

ASA701.15

A matter giving rise to a modified opinion in accordance with ASA 705, or a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570, are by their nature key audit matters. However, in such circumstances, these matters shall not be described in the Key Audit Matters section of the auditor's report and the requirements in paragraphs 13–14 of this Auditing Standard do not apply.

Source

ASA701.13

Description of individual Key Audit Matters

The description of each key audit matter in the Key Audit Matters section of the auditor's report shall include a reference to the related disclosure(s), if any, in the financial report and shall address:

- (a) Why the matter was considered to be one of most significance in the audit and therefore determined to be a key audit matter
- (b) How the matter was addressed in the audit.

Directors' declaration

Source

- The directors declare that:
- s.295(4)(c) (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable
 - s.295(4)(ca) (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3.1 to the financial statements
 - s.295(4)(d) (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity, and
 - s.295(4)(e) (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001. (listed companies, listed disclosing entities and listed registered schemes only)

ASIC-CI 2016/785, s.6(w)

At the date of this declaration, the company is within the class of companies affected by *ASIC Corporations (Wholly owned Companies) Instrument 2016/785*. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which *ASIC Corporations (Wholly owned Companies) Instrument 2016/785* applies, as detailed in note 19.5 to the financial statements will, as a group, be able to meet any liabilities to which they are, or may become, subject because of the deed of cross guarantee.

For reporting periods ending before 1 January 2017, the above statement should instead refer to the previous ASIC Class Order 98/1418. Refer to previous editions of this guide for example wording.

- s.295(5) Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

(Signature)
C.J. Chambers
Director

Sydney, 14 September 2017

Consolidated statement of financial position

as at 30 June 2017

Source

AASB
101.10(a),(ea),(f)
51(b),(c), 113
AASB 101.51(d), (e)

	Notes	30/6/2017 \$'000	30/6/2016 \$'000 (restated)	1/7/2015 \$'000 (restated)
Assets				
Current assets				
AASB 101.60				
AASB 101.54(i)	46	46	24,096	8,052
AASB 101.54(h)	25	18,869	13,744	12,708
AASB 101.55	26	198	188	182
AASB 101.55				
AASB 101.55	27	240	230	697
AASB 101.54(d)	22	8,757	6,949	5,528
AASB 101.54(g)	24	27,673	25,132	25,928
AASB 101.54(n)	10	125	60	81
AASB 101.55	23	-	-	-
		79,958	66,581	53,176
AASB 101.54(j)	12	22,336	-	-
		102,294	66,581	53,176
Total current assets				
Non-current assets				
AASB 101.60				
AASB 101.54(e)	20	5,402	5,590	4,406
AASB 101.54(e)	20A	3,999	3,662	3,420
AASB 1.55	26	830	717	739
AASB 101.54(d)	22	10,771	9,655	7,850
AASB 101.54(a)	15	105,215	130,541	157,212
AASB 101.54(b)	16	4,968	4,941	4,500
AASB 101.54(o)	10	2,083	1,964	1,843
AASB 101.55	17	20,485	24,260	24,120
AASB 101.54(c)	18	9,739	11,325	12,523
AASB 101.55	23	-	-	-
		163,492	192,655	216,613
Total non-current assets				
Total assets				
		265,786	259,236	269,789

Source

 AASB
 101.10(a),(ea),^f
 51(b),(c), 113

	Notes	30/6/2017 \$'000	30/6/2016 \$'000 (restated)	1/7/2015 \$'000 (restated)
Liabilities				
Current liabilities				
AASB 1.60				
AASB 1.54(k)	37	15,659	20,422	51,957
AASB 1.55	27	36	15	245
AASB 101.55	32	22,446	25,600	33,618
AASB 101.54(m)	34	116	18	-
AASB 101.54(n)	10	5,328	5,927	4,990
AASB 101.54(l)	35	3,356	3,195	2,235
AASB 101.55	41	265	372	63
AASB 101.55	36	90	95	-
		47,296	55,644	93,108
AASB 101.54(p)	12	3,684	-	-
		50,980	55,644	93,108
Non-current liabilities				
AASB 1.55	32	13,560	25,886	22,072
AASB 1.54(m)	34	15,001	-	-
AASB 1.55	39	1,954	1,482	2,194
AASB 1.54(o)	10	6,782	5,224	4,677
AASB 1.54(l)	35	2,294	2,231	4,102
AASB 1.55	41	59	165	41
AASB 101.55	36	180	270	-
		39,830	35,258	33,086
		90,810	90,902	126,194
		174,976	168,334	143,595
Equity				
Capital and reserves				
AASB 101.55	28	32,439	48,672	48,672
AASB 101.55	29	4,237	2,226	1,726
AASB 101.55	30	111,539	95,378	74,366
		148,215	146,276	124,764
AASB 101.55	12	-	-	-
		148,215	146,276	124,764
AASB 101.54(r)	31	26,761	22,058	18,831
		174,976	168,334	143,595

Source

[AASB 101.40A](#)

[AASB 101.40C](#)

AASB 101.40A requires an entity to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) if:

- (a) It applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and
- (b) The retrospective application, retrospective restatement or the reclassification has a material effect on the information in the third statement of financial position.

Other than disclosures of certain specified information as required by AASB 101.41-44 (RDR: see AASB 101.42) and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the related notes to the third statement of financial position are not required to be disclosed.

In this model, despite the fact that the application of the amendments to the Accounting Standards has not resulted in any retrospective restatement or reclassification of items in the Group's consolidated financial statements (see note 2 of the Deloitte model IFRS financial statements), a third statement of financial position has been presented for illustrative purposes only.

Notes to the financial statements

Source

1. General information

1.1 Statement of compliance

AASB 1054.7, 8, 9 These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

AASB 1054.8(b) The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

AASB 101.16 Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

AASB 1054.7 An entity whose financial statements comply with Australian Accounting Standards shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with Australian Accounting Standards unless they comply with all the requirements of Australian Accounting Standards.

AASB 1054.8 An entity shall disclose in the notes:

- (a) The statutory basis or other reporting framework, if any, under which the financial statements are prepared
- (b) Whether, for the purposes of preparing the financial statements, it is a for-profit or not-for-profit entity.

AASB 1054.9 An entity shall disclose in the notes whether the financial statements are general purpose financial statements or special purpose financial statements.

AASB 1054 RDR7.1 An entity whose financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with Australian Accounting Standards – Reduced Disclosure Requirements unless they comply with all the requirements of Australian Accounting Standards – Reduced Disclosure Requirements.

Where Tier 2 (Reduced Disclosure Requirements) is being applied, the following statement should be made:

AASB 1054 RDR7.1 The financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board.

Source

2. Application of new and revised Australian Accounting Standards

Note 2 of the Deloitte model IFRS financial statements sets out:

- Note 2.1: Amendments to IFRSs that are mandatorily effective for the current year (i.e. annual periods beginning on or after the year ending 1 January 2016)
- Note 2.2: New and revised IFRSs in issue but not yet effective (i.e. for the year ending 31 December 2016).

Note 2 of the Deloitte model IFRS financial statements should be replaced with the illustrative disclosures below which set out:

- Amendments to Accounting Standards that are mandatorily effective for the current reporting (i.e. for annual periods beginning on or after the year ending 1 July 2016, or half-year reporting periods beginning on or after 1 January 2017)
- New and revised AASB accounting standards that are not mandatorily effective (but allow early application) for the year ending 30 June 2017
- IASB Standards and IFRIC Interpretations for which Australian equivalent Standards and Interpretations have not yet been issued.

Entities are required to disclose in their financial statements the potential impact of new and revised Accounting Standards that have been issued but are not yet effective. The disclosures reflect a cut-off date of 31 May 2017. The potential impact of any new or revised Standards and Interpretations issued by the AASB or IASB after that date, but before the issue of the financial statements, should also be considered and disclosed.

The impact of the application of the new and revised Accounting Standards (see below) is for illustrative purposes only. Entities should analyse the impact based on their specific facts and circumstances.

AASB 108.28(a), (b), (c), (d)

AASB 101.31

2.1 Amendments to Accounting Standards that are mandatorily effective for the current reporting period

A full listing of mandatorily effective standards is not required to be presented. Only include Accounting Standards and amendments to Accounting Standards that are mandatorily effective for the current period, that are applicable and the information is material.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2016.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 1057 *Application of Australian Accounting Standards* and AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs*
- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions if Interests in Joint Operations*
- AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*
- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*

Source

2. Application of new and revised Australian Accounting Standards (continued)

The following new Standards and Interpretations are not applicable for the Group but are relevant for the period:

- AASB 14 *Regulatory Deferral Accounts and AASB 2014-1 Amendments to Australian Accounting Standards – Part D: Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts*, which is not applicable to the Group as it is not a first-time adopter
- AASB 1056 *Superannuation Entities*, which is not applicable to the Group as it is not a superannuation entity
- AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities*, which is not applicable to the Group as the Group is a for-profit entity
- AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*, which is not applicable to the Group as the Group is a for-profit entity.

Half-year reports

Many of the above new and amended pronouncements will not be applicable for half-year financial reports at 30 June 2017, as they would have already been adopted by half-year reporters in their annual financial reports for 31 December 2016.

In half-year reports, the following pronouncements should be considered:

- AASB 1056 *Superannuation Entities*
- AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities*
- AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector*
- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*
- AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*⁴⁰
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016*.

In some cases, the wording included in respect of the above standards in Note 2.2 below can be adapted to make the disclosures in half-year financial reports where considered necessary and relevant.

Important note about this disclosures

The following example wording has been provided in order to assist with compliance of the requirements of AASB 108.28 (and does not impact GAAP Holdings Limited). The disclosures required by AASB 108.28 are only provided where the effect on the current period or any prior period is material.

AASB 108.28
AASB 101.31

⁴⁰ Although AASB 2016-7 applies to annual reporting periods beginning on or after 1 January 2017, the Amending Standard has the effect of deferring the application of AASB 15 *Revenue from Contracts with Customers* by not-for-profit entities to annual reporting periods beginning on or after 1 January 2019 instead of 1 January 2018 (as applies to for-profit entities).

Source

AASB 108.28(a)
AASB 108.28(b),(c),
(d)

2. Application of new and revised Australian Accounting Standards (continued)

Impact of the application of AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations

The Group has applied these amendments for the first time in the current year. The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in AASB 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in AASB 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by AASB 3 and other standards for business combinations.

The application of these amendments has had no impact on the Group's consolidated financial statements.

Impact of the application of AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

The Group has applied these amendments for the first time in the current year. The amendments to AASB 116 *Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to AASB 138 *Intangible Assets* introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- (a) When the intangible asset is expressed as a measure of revenue, or
- (b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Group already uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Group's consolidated financial statements.

Impact of the application of AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants

The Group has applied these amendments for the first time in the current year. The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with AASB 116 *Property, Plant and Equipment*, instead of AASB 141 *Agriculture*. The produce growing on bearer plants continues to be accounted for in accordance with AASB 141.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Impact of the application of AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements

The amendments to AASB 127 *Separate Financial Statements*, allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost
- In accordance with AASB 9 *Financial Instruments* (or, where AASB 9 is not applied, AASB 139 *Financial Instruments: Recognition and Measurement*), or
- Using the equity method as described in AASB 128 *Investments in Associates and Joint Ventures*.

The company has continued to account for its investments in subsidiaries, joint ventures and associates at cost in its separate financial statements.

Source

2. Application of new and revised Australian Accounting Standards (continued)

Impact of the application of AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

The Group has applied these amendments for the first time in the current year. The amendments impact various Accounting Standards, which are summarised below:

- The amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* introduce specific guidance in AASB 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in AASB 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued
- The amendments to AASB 7 *Financial Instruments: Disclosures* remove the requirement to provide disclosures relating to offsetting financial assets and financial liabilities in interim financial reports and provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets
- The amendments to AASB 119 *Employee Benefits* clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead
- The amendments to AASB 134 *Interim Financial Reporting* make provision for disclosures required by the Standard to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The application of these amendments has had no effect on the Group's consolidated financial statements.

Impact of the application of AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The Group has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an AASB if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in AASB is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

AASB 101.30A, 31, 55, 55A, 85, 85A, 85B

AASB 101.82A(a), (b) In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other Accounting Standards:

- (a) Will not be reclassified subsequently to profit or loss
- (b) Will be reclassified subsequently to profit or loss when specific conditions are met.

Source

AASB 101.114

2. Application of new and revised Australian Accounting Standards (continued)

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not had a material presentation impact on the financial performance or financial position of the Group.

As this is a set of illustrative financial statements that is not intended to cater for the specific operations and circumstances of all entities, no specific changes have been made to the grouping and/or ordering of the notes to consider the amendments. Furthermore, items that are immaterial or with nil amounts have been disclosed solely for illustrative purposes.

Entities should exercise judgement when considering how to apply the disclosure initiative amendments to AASB 101 in order to provide relevant information to users and to enhance the understandability and comparability of financial statements.

Impact of the application of AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

The Group has applied these amendments for the first time in the current year. The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with AASB 10 *Consolidated Financial Statements*. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

AASB 108.28

RDR: See AASB 108.28

Changes in accounting policies on initial application of Accounting Standards

When initial application of an Accounting Standard has an effect on the current period or any prior period, or would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

- (a) The title of the Accounting Standard
- (b) When applicable, that the change in accounting policy is made in accordance with its transitional provisions*
- (c) The nature of the change in accounting policy
- (d) When applicable, a description of the transitional provisions*
- (e) When applicable, the transitional provisions that might have an effect on future periods*
- (f) For the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
 - (i) For each financial statement line item affected
 - (ii) If AASB 133 *Earnings per Share* applies to the entity, for basic and diluted earnings per share*
- (g) The amount of the adjustment relating to periods before those presented, to the extent practicable
- (h) If retrospective application required by AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied*.

* Tier 2 (RDR) reports are not required to include these disclosures

Financial reports of subsequent periods need not repeat these disclosures.

Source

2. Application of new and revised Australian Accounting Standards (continued)

The above information would usually be disclosed in the accounting policy note of the relevant item and the relevant note for the item, or in a change in accounting policy note.

RDR28.1

An entity applying Australian Accounting Standards – Reduced Disclosure Requirements shall disclose an explanation if it is impracticable to determine the amounts required to be disclosed by paragraph 28(f)(i) or 28(g).

AASB 108.29

Voluntary changes in accounting policies

When a voluntary change in accounting policy has an effect on the current period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

- (a) The nature of the change in accounting policy
- (b) The reasons why applying the new accounting policy provides reliable and more relevant information
- (c) For the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
- (d) For each financial statement line item affected
- (e) If AASB 133 Earnings per Share applies to the entity, for basic and diluted earnings per share
- (f) The amount of the adjustment relating to periods before those presented, to the extent practicable
- (g) If retrospective application of the accounting policy is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

AASB 108.20

Financial statements of subsequent periods, need not repeat these disclosures. The early application of an accounting standard is not a voluntary change in accounting policy.

AASB 134.43

Changes in accounting policy since the most recent interim financial report

A change in accounting policy, other than one for which the transition is specified by a new Accounting Standard, shall be reflected by:

- (a) Restating the financial statements of prior interim periods of the current annual reporting period and the comparable interim periods of any prior annual reporting periods that will be restated in the annual financial statements in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, or
- (b) When it is impracticable to determine the cumulative effect at the beginning of the annual reporting period of applying a new accounting policy to all prior periods, adjusting the financial statements of prior interim periods of the current annual reporting period, and comparable interim periods of prior annual reporting periods to apply the new accounting policy prospectively from the earliest date practicable.

Source

2. Application of new and revised Australian Accounting Standards (continued)

2.2 New and revised Australian Accounting Standards in issue but not yet effective

Entities are required to disclose in their financial statements the potential impact of new and revised Accounting Standards that have been issued but are not yet effective. The disclosures below reflect a cut-off date of 31 May 2017. The potential impact of the application of any new and revised Accounting Standards issued by the AASB or IASB after 31 May 2017 but before the financial statements are issued should also be considered and disclosed.

Having completed assessment of the impact of the various pronouncements in issue but not yet effective, the following example disclosures should be tailored as appropriate for the entity. In some cases, an entity may not yet have determined the impact and therefore may state:

The potential effect of the revised Standards/Interpretations on the Group's financial statements has not yet been determined.

Entities should however, consider the expectations of regulators (e.g. ASIC) with regards to having assessed the impact of pronouncements in issue but not yet effective and how detailed the disclosures need to be (see section 8.6.1).

AASB 108.30(a), (b)

Where Standards or Interpretations in issue but not yet effective will result in changes in recognition or measurement, the following wording should be tailored as appropriate to reflect the amendments affecting the entity. For example, where an Accounting Standard is not relevant to the entity, it is not necessary to include explanations about the pronouncement:

A number of Australian Accounting Standards and Interpretations [and IFRSs and IFRIC Interpretations] are in issue but are not effective for the current year end. The following existing group accounting policies will change on adoption of these pronouncements:

The impact of the application of the new and revised Accounting Standards (see below) is for illustrative purposes only. Entities should analyse the impact based on their specific facts and circumstances.

AASB 108.30

When an entity has not applied a new Accounting Standard that has been issued but is not yet effective, the entity shall disclose:

- (a) This fact
- (b) Known or reasonably estimable information relevant to assessing the possible impact that application of the new Accounting Standard will have on the entity's financial report in the period of initial application.

AASB 108.31

In complying with the requirements above, an entity considers disclosing:

- (a) The title of the new Accounting Standard
- (b) The nature of the impending change or changes in accounting policy
- (c) The date by which application of the Accounting Standard is required
- (d) The date as at which it plans to apply the Accounting Standard initially
- (e) Either:
- (f) A discussion of the impact that initial application of the Accounting Standard is expected to have on the entity's financial report; or
- (g) If that impact is not known or reasonably estimable, a statement to that effect.

Source

2. Application of new and revised Australian Accounting Standards (continued)

The illustrative disclosures below do not include examples of disclosures that would be made (where relevant) by not-for-profit entities.

AASB 108.30, 31

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

AASB 108.31(a), (c), (d)

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 9 <i>Financial Instruments</i>	1 January 2018
AASB 15 <i>Revenue from Contracts with Customers, 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15, 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	1 January 2018
AASB 16 <i>Leases</i>	1 January 2019
AASB 2015-10 <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128</i>	1 January 2018
Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 2016-1 <i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112)</i>	1 January 2017
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128], 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	1 January 2017
AASB 2016-5 <i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
AASB 2017-1 <i>Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments</i>	1 January 2018
AASB 2017-2 <i>Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle</i>	1 January 2017
Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018

Source

2. Application of new and revised Australian Accounting Standards (continued)

In addition, at the date of authorisation of the financial statements the following IASB Standards and IFRIC Interpretations were on issue but not yet effective, but for which Australian equivalent Standards and Interpretations have not yet been issued.

Standard/amendment	Effective for annual reporting periods beginning on or after
IFRS 17 <i>Insurance Contracts</i>	1 January 2021

AASB 9 Financial Instruments

AASB 9 issued in December 2009 introduced new requirements for the classification and measurement of financial assets. AASB 9 was subsequently amended in December 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in December 2013 to include the new requirements for general hedge accounting.

Another revised version of AASB 9 was issued in December 2014 mainly to include:

- (a) Impairment requirements for financial assets
- (b) Limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of AASB 9:

- All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value. Specifically:
 - Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods
 - Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI
 - All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under AASB 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, AASB 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under AASB 139 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss

Source

2. Application of new and revised Australian Accounting Standards (continued)

- In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model, as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In the words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in AASB 139. Under AASB 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

AASB 9 applies to annual periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of AASB 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of AASB 9 until the Group undertakes a detailed review.

Based on an analysis of the Group's financial assets and financial liabilities as at 30 June 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have performed a preliminary assessment of the impact of AASB 9 to the Group's consolidated financial statements as follows:

Classification and measurement

- Bills of exchange and debentures classified as held-to-maturity investments and loans carried at amortised cost as disclosed in note 22: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of AASB 9
- Listed redeemable notes classified as available-for-sale investments carried at fair value as disclosed in note 22: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the notes in the open market, and the notes' contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed redeemable notes will continue to be subsequently measured at FVTOCI upon the application of AASB 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed redeemable notes are derecognised or reclassified
- Unlisted shares classified as available-for-sale investments carried at fair value as disclosed in note 22: these shares qualify for designation as measured at FVTOCI under AASB 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under AASB 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income

Source

2. Application of new and revised Australian Accounting Standards (continued)

- Redeemable cumulative preference shares issued by the Group designated as at FVTPL as disclosed in note 34: these financial liabilities qualify for designation as measured at FVTPL under AASB 9; however, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability will be recognised in other comprehensive income with the remaining fair value change recognised in profit or loss. This is different from the current accounting treatment in terms of which the entire change in fair value of the financial liability is recognised in profit or loss. The change in fair value attributed to a change in credit risk of these financial liabilities amounting to approximately CU20,000 during the current year (2015: CU nil) would be recognised in other comprehensive income under AASB 9

All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under AASB 139.

Impairment

Financial assets measured at amortised cost, listed redeemable notes that will be carried at FVTOCI under AASB 9 (note 22) (see classification and measurement section above), finance lease receivables (note 26), amounts due from customer under construction contracts (note 27), and financial guarantee contracts (note 34) will be subject to the impairment provisions of AASB 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, finance lease receivables and amounts due from customer under construction contracts as required or permitted by AASB 15. As regards the listed redeemable notes, bills of exchange and debentures as disclosed in note 22, the directors of the Company consider that they have low credit risk given their strong external credit rating and hence expect to recognise 12-month expected credit losses for these items. In relation to the loans to related parties (note 22) and financial guarantee contracts, whether lifetime or 12-month expected credit losses should be recognised would depend on whether there has been a significant increase in credit risk of these items from initial recognition to the date of initial application of AASB 9. The directors are currently assessing the extent of this impact.

In general, the directors anticipate that the application of the expected credit loss model of AASB 9 will result in earlier recognition of credit losses for the respective items and are currently assessing the potential impact.

Hedge accounting

As the new hedge accounting requirements will align more closely with the Group's risk management policies, with generally more qualifying hedging instruments and hedged items, a preliminary assessment of the Group's current hedging relationships indicate that they will qualify as continuing hedging relationships upon application of AASB 9. Similar to the Group's current hedge accounting policy, the directors do not intend to exclude the forward element of foreign currency forward contracts from designated hedging relationships. Moreover, the Group has already elected to basis adjust non-financial hedged items with gains/losses arising from effective cash flow hedges under AASB 139, which is mandatory under AASB 9.

Nevertheless, under AASB 9, basis adjustments are not considered a reclassification adjustment and therefore they would not affect other comprehensive income. Currently, gains/losses arising from effective cash flow hedges that are subject to basis adjustments are presented in other comprehensive income as amounts that may be subsequently reclassified to profit or loss. The corresponding amount in the current year of CU49,000 (CU70,000 net of tax of CU21,000) (see note 40.6.2) will be presented as 'will not be subsequently reclassified to profit or loss' upon the application of AASB 9, which has no overall impact on the Group's profit or loss, other comprehensive income or total comprehensive income.

Source

2. Application of new and revised Australian Accounting Standards (continued)

However, in respect of the actual basis adjustment of CU180,000 (CU257,000 net of tax of CU77,000) in the current year (see note 29.5) which affected other comprehensive income, such basis adjustment will no longer affect other comprehensive income upon the application of AASB 9, resulting in an increase in other comprehensive income and total comprehensive income of the same amount.

Apart from the above, the directors do not anticipate that the application of the AASB 9 hedge accounting requirements will have a material impact on the Group's consolidated financial statements.

It should be noted that the above assessments were made based on an analysis of the Group's financial assets and financial liabilities as at 30 June 2017 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of AASB 9, which is expected to be 1 January 2018 as the Group does not intend to early apply the standard, the assessment of the potential impact is subject to change.

AASB 108.30 requires entities to give known or reasonably estimable information relevant to assessing the possible impact that application of any new or revised Accounting Standard will have on the entity's financial statements in the period of initial application.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by AASB 15.

In May 2016, the AASB issued AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Source

2. Application of new and revised Australian Accounting Standards (continued)

The Group recognises revenue from the following major sources:

- Sale of leisure goods and electronic equipment, including the related loyalty programme 'Maxi-Points Scheme' as disclosed in note 41, servicing fees included in the price of products sold, as well as warranties granted under local legislation as disclosed in note 35
- Installation of computer software for specialised business applications
- Construction of residential properties.

The directors of the Company have preliminarily assessed that the Maxi-Points Scheme and the after-sale services represent two separate performance obligations from the sale of the leisure goods and electronic equipment and accordingly, revenue will be recognised for each of these performance obligations when control over the corresponding goods and services is transferred to the customer. This is similar to the current identification of separate revenue components under AASB 118. Furthermore, even though AASB 15 requires the transaction price to be allocated to the different performance obligations on a relative stand-alone selling price basis, the directors do not expect that the allocation of revenue to the Maxi-Points, the after-sale services and the leisure goods and electronic equipment sold will be significantly different from that currently determined. The timing of revenue recognition of each of these three performance obligations (i.e. upon redemption of the Maxi-Points taking breakage into account, at a point in time for sale of goods when the goods are delivered to the customer, and over the period the after-sale services are performed) are also expected to be consistent with current practice.

The sales-related warranties cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group will continue to account for the warranty in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its current accounting treatment.

As regards the construction of residential properties, the directors have specifically considered AASB 15's guidance on contract combinations, contract modifications arising from variation orders, variable consideration, and the assessment of whether there is a significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of goods and services to the customer and the timing of the related payments. The directors have preliminarily assessed that revenue from these construction contracts should be recognised over time as the customer controls the properties during the course of construction by the Group. Furthermore, the directors consider that the input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under AASB 15.

As regards the installation of software services, the directors have preliminarily assessed that these performance obligations are satisfied over time and that the method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under AASB 15.

The directors are still in the process of assessing the full impact of the application of AASB 15 on the Group's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the directors complete the detailed review. As a result, the above preliminary assessment is subject to change. The directors do not intend to early apply the standard and intend to use the full retrospective method upon adoption.

Source

2. Application of new and revised Australian Accounting Standards (continued)**AASB 16 Leases**

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 *Leases* and the related interpretations when it becomes effective.

AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under AASB 117 are presented as operating cash flows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by AASB 16.

As at 30 June 2017, the Group has non-cancellable operating lease commitments of CU9.92 million. AASB 117 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 48. A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of AASB 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

In contrast, for finance leases where the Group is a lessee, as the Group has already recognised an asset and a related finance lease liability for the lease arrangement, and in cases where the Group is a lessor (for both operating and finance leases), the directors of the Company do not anticipate that the application of AASB 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

Source

2. Application of new and revised Australian Accounting Standards (continued)

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature
3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
 - The original liability is derecognised
 - The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date
 - Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements as the Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128] and AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128

The amendments to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investment in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments was amended by AASB 2015-10 and now applies for annual reporting periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Source

2. Application of new and revised Australian Accounting Standards (continued)

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]

The amendments clarify the following:

1. Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows
2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences
3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this
4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Source

2. Application of new and revised Australian Accounting Standards (continued)

AASB 2017-2 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

Amends the following Accounting Standards:

- AASB 140 *Investment Property* to clarify when an entity transfers property under construction or development previously classified as inventory to or from investment property, which are made when there is evidence of a change in use. The amendments clarify the principle that a change in use would involve:
 - An assessment of whether a property meets, or has ceased to meet, the definition of an investment property
 - Supporting evidence that a change in use has occurred (a change of management's intentions for the use of property in isolation does not provide evidence of a change in use)
- AASB 1 *First-time Adoption of International Financial Reporting Standards*, to:
 - Remove the short-term exemptions first-time adopters in relation to disclosures about financial statements, employee benefits and investment entities (paragraphs E3-E7) as they are no longer applicable as they relate to reporting periods that have now passed
 - Add exemptions arising from Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- AASB 128 *Investments in Associates and Joint Ventures*, to:
 - Clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition
 - Allow entities that are not investment entities to elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method.

The amendments apply to annual reporting periods beginning on or after 1 January 2018 and apply on a retrospective or modified retrospective basis. The directors of the Company do not anticipate that the application of the amendments will have a material impact on the Group's consolidated financial statements.

AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

Amends AASB 12 *Disclosure of Interests in Other Entities*, to clarify the interaction of AASB 12 with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* to explain that disclosures under AASB 12 are required for interests in entities classified as held for sale or discontinued operations in accordance with AASB 5.

The amendments apply to annual reporting periods beginning on or after 1 January 2017 on a retrospective basis. The directors of the Company do not anticipate that the application of the amendments will have a material impact on the Group's consolidated financial statements.

Source

2. Application of new and revised Australian Accounting Standards (continued)

Interpretation 22 Foreign Currency Transactions and Advance Consideration

Interpretation 22 clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use when recognising the receipt or payment of advance consideration in a foreign currency.

The Interpretation requires an entity to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) as the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receive of advance consideration.

The Interpretation applies to annual reporting periods beginning on or after 1 January 2018 on either a full retrospective or modified prospective basis. The directors of the Company do not anticipate that the application of the Interpretation will have a material impact on the Group's consolidated financial statements.

IFRS 17 Insurance Contracts

IFRS 17 measures insurance contracts either under the general model or a simplified version of this called the 'premium allocation approach'. The general model is defined such that at initial recognition an entity measures a group of contracts at the total of (a) the amount of fulfilment cash flows, which comprise probability-weighted estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks associated with those future cash flows and a risk adjustment for non-financial risk; and (b) the contractual service margin.

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future services and the contractual service margin of the group at that date. The liability for incurred claims is measured as the fulfilment cash flows related to past services allocated to the group at that date.

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the premium allocation approach on the condition that, at initial recognition, the entity reasonably expects that doing so would produce a reasonable approximation of the general model, or the coverage period of each contract in the group is one year or less.

If an equivalent Standard is made by the Australian Accounting Standards Board (AASB), it will apply to annual reporting periods beginning on or after 1 January 2021. The standard applies on a retrospective basis, unless impracticable, in which case a modified retrospective approach or fair value approach is available. The directors of the Company do not anticipate that the application of the Interpretation will have a material impact on the Group's consolidated financial statements.

It has been assumed for the purposes of these illustrative financial statements that the application of many of the above new or revised Accounting Standards, and amendments to the Accounting Standards, will not have a material impact to the amounts recognised or disclosures in these illustrative financial statements. Entities should analyse the impact of these new or revised Accounting Standards on their financial statements based on their specific facts and circumstances and make appropriate disclosures.

Source

3. Accounting policies

...

3.29 Goods and services tax

Int 1031

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense, or
- (b) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

Source

19. Subsidiaries

Below are disclosures which illustrate the requirements of *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* in respect of the consolidated financial statements. See the Deloitte model IFRS financial statements notes 19.1 – 19.4 for the remainder of the disclosures for subsidiaries.

Details of the Group's material subsidiaries at the end of the reporting period are as follows.

AASB 124.13

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			30/6/17	30/6/16
Subzero Limited	Manufacture of toys	A Land	Nil	100%
Subone Limited	Manufacture of electronic equipment	A Land	90%	100%
Subtwo Limited	Manufacture of leisure goods	A Land	45%	45%
Subthree Limited (ii), (iii)	Construction of residential properties	A Land	100%	100%
Subfour Limited	Manufacture of leisure goods	B Land	70%	70%
Subfive Limited	Manufacture of electronic equipment and bicycles	C Land	100%	100%
Subsix Limited	Manufacture of leisure goods	A Land	80%	Nil
Subseven Limited (ii), (iii)	Manufacture of leisure goods	A Land	100%	Nil
C Plus Limited	Manufacture of electronic equipment	A Land	45%	45%

Int. 1052.16(a)

(i) International GAAP Holdings Limited is the head entity within the tax-consolidated group.

(ii) These companies are members of the tax-consolidated group.

ASIC-CI 2016/785 s.6(v)(ii)

(iii) These wholly-owned subsidiaries have entered into a deed of cross guarantee with International GAAP Holdings Limited pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* and are relieved from the requirement to prepare and lodge an audited financial report. Subseven Limited became a party to the deed of cross guarantee on 14 December 2016.

ASIC-CI 2016/785

Details required

ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 requires the following information in respect of parties to the deed of cross guarantee at the end of the financial year:

- Details (including dates) of parties to the deed of cross guarantee which, during or since the financial year have been added by an assumption deed, removed by a revocation deed or which are the subject of a notice of disposal (as required under the instrument)
- Details (including dates and reasons) of any entities which obtained relief under the instrument or ASIC Class Order 98/1418 at the end of the immediately preceding financial year but which were ineligible for relief in respect of the relevant financial year.

19.5 Financial support

AASB 12.14-17

RDR: see AASB 12.14-17

When the Group gives financial support to a consolidated structured entity, the nature and risks (including the type and amount of support provided) should be disclosed in the financial statements. Refer AASB 12.14-17 for details.

Source

19. Subsidiaries (continued)
19.6 Consolidated income statement, consolidated statement of financial position and movements in consolidated retained earnings of entities party to the deed of cross guarantee

 ASIC-CI 2016/785
 s.6(v)

The consolidated income statement and consolidated statement of financial position of the entities which are parties to the deed of cross guarantee are:

	Year ended	
	30/6/17 \$'000	30/6/16 \$'000
Statement of comprehensive income		
Revenue	90,669	92,440
Other income	1,435	622
Share of profits of associates	1,186	1,589
Changes in inventories of finished goods and work in progress	(4,273)	1,822
Raw materials and consumables used	(42,208)	(51,202)
Employee benefits expense	(5,882)	(6,993)
Depreciation and amortisation expense	(7,316)	(8,544)
Finance costs	(3,299)	(4,037)
Consulting expense	(1,797)	(976)
Other expenses	(5,343)	(2,986)
Profit before tax expense	23,172	21,735
Income tax expense	(7,336)	(8,971)
Profit for the year from continuing operations	15,836	12,764
Profit for the year from discontinued operations	-	-
Profit for the year	15,836	12,764
Other comprehensive Income		
Net value gain on available-for-sale financial assets	22	25
Net value gain on cash flow hedges	17	18
Gain on revaluation of properties	-	-
Share of other comprehensive income of associates	-	-
Other comprehensive income for the year, net of tax	39	43
Total comprehensive Income for the year	15,875	12,807
	30/6/17 \$'000	30/6/16 \$'000
Statement of financial position		
Current assets		
Cash and bank balances	18,179	17,799
Trade and other receivables	10,666	13,791
Other financial assets	8,757	6,949
Inventories	21,641	25,174
Current tax assets	85	60
	59,328	63,773
Non-current assets classified as held for sale	1,260	-
Total current assets	60,588	63,773

Source

19. Subsidiaries (continued)

	30/6/17	30/6/16
	\$'000	\$'000
Non-current assets		
Investments in associates	7,402	7,270
Other financial assets	10,771	9,655
Property, plant and equipment	73,404	80,083
Goodwill	16,788	16,788
Other intangible assets	9,739	11,325
Total non-current assets	118,104	125,121
Total assets	178,692	188,894
Current liabilities		
Trade and other payables	13,841	14,068
Borrowings	22,446	25,600
Other financial liabilities	104	18
Current tax payables	5,149	5,878
Provisions	1,893	1,501
Other	90	95
	43,523	47,160
Liabilities directly associated with non-current assets classified as held for sale	-	-
Total current liabilities	43,523	47,160
Non-current liabilities		
Borrowings	20,221	20,862
Other financial liabilities	28	-
Deferred tax liabilities	3,955	3,203
Provisions	1,379	1,396
Total non-current liabilities	25,583	25,461
Total liabilities	69,106	72,621
Net assets	109,586	116,273
Equity		
Issued capital	32,439	48,672
Reserves	4,051	3,151
Retained earnings*	73,096	64,450
	109,586	116,273
Amounts recognised directly in equity relating to non-current assets classified as held for sale	-	-
Total equity	109,586	116,273
* Retained earnings		
Retained earnings as at beginning of the financial year	64,450	58,165
Net profit	15,836	12,764
Dividends provided for or paid	(6,635)	(6,479)
Share buy-back	(555)	-
Retained earnings as at end of the financial year	73,096	64,450

Source

ASIC-CI 2016/785
s.6(v)

19. Subsidiaries (continued)

Requirements for additional consolidation information

ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 requires the holding entity to include 'additional consolidation information' in each of the following circumstances:

- (a) Where the consolidated financial statements cover entities which are not members of the 'closed group', additional consolidation information in respect of the 'closed group'
- (b) Where the consolidated financial statements cover entities which are not parties to the deed of cross guarantee, additional consolidation information in respect of the consolidation of the holding entity and those entities which are parties to the deed of cross guarantee and controlled by the holding entity
- (c) If there are parties to the deed of cross guarantee (other than a trustee or alternative trustee that is not a 'group entity' within the meaning of the deed) which are not controlled by the holding entity, additional consolidated information in respect of those parties (either individually or in aggregate).

ASIC-CI 2016/785
s.4

The additional consolidation information presented to comply with the requirements of ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 includes:

- A statement of comprehensive income setting out the information specified by paragraphs 82 to 87 of AASB 101 *Presentation of Financial Statements*
- Opening and closing retained earnings, dividends provided for or paid and transfers to and from reserves
- A statement of financial position complying with paragraphs 54 to 60 of AASB 101.

In addition, elimination of all transactions between entities for which information is included in the additional consolidation information is required.

25. Trade and other receivables

	30/6/17	30/6/16
	\$'000	\$'000
Trade receivables	17,408	14,562
Allowance for doubtful debts	(798)	(838)
	<u>16,610</u>	<u>13,724</u>
Deferred sales proceeds		
- toy manufacturing operations (see note 45)	960	-
- partial disposal of E Plus Limited (see note 20)	1,245	-
Operating lease receivable	-	-
Good and services tax recoverable	-	-
Others [describe]	54	20
	<u>18,869</u>	<u>13,744</u>

Int 1031.9

The above disclosure is an updated disclosure for note 25 included in the Deloitte model IFRS financial statements. Refer to the Deloitte model IFRS financial statements note 25.1 et seq. for the remainder of the disclosures for Trade and other receivables.

Source

30. Retained earnings and dividends on equity instruments

AASB 1054 disclosures to be provided in addition to those provided in note 30 of the Deloitte model IFRS financial statements:

AASB 101.137

On 29 August 2016, the directors declared a fully franked final dividend of 26.31 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2017, to be paid to shareholders on 3 September 2017. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements. If approved, the dividend will be paid to all shareholders on the Register of Members on 28 September 2016. The total estimated dividend to be paid is \$3,905 thousand.

	Company	
	30/6/2017	30/6/2016
	\$'000	\$'000
Adjusted franking account balance	13,760	12,767
Income tax consequences of unrecognised dividends	-	-

AASB 1054.13

Adjusted franking account balance

AASB 112.81(i)

Income tax consequences of unrecognised dividends

AASB 101.107
RDR: see AASB 101.107

An entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to owners during the period, and the related amount of dividends per share

AASB 1054.12

The term 'imputation credits' is used in paragraphs 13-15 to also mean 'franking credits'. The disclosures required by paragraphs 13 and 15 shall be made separately in respect of any New Zealand imputation credits and any Australian imputation credits.

AASB 1054.13

An entity shall disclose the amount of imputation credits available for use in subsequent reporting periods.

AASB 1054.14

For the purposes of determining the amount required to be disclosed (in accordance with paragraph 13 of AASB 1054), entities may have:

- (a) Imputation credits that will arise from the payment of the amount of the provision for income tax
- (b) Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (c) Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

AASB 1054.15

Where there are different classes of investors with different entitlements to imputation credits, disclosures shall be made about the nature of those entitlements for each class where this is relevant to an understanding of them.

Exempting accounts are held by companies wholly-owned by non-residents or tax exempt institutions and are similar to franking accounts. AASB 1054 'Australian Additional Disclosures' does not specifically require the disclosure of exempting account balances, however, where considered necessary (i.e. to satisfy the information needs of the likely users of the financial report), directors may consider disclosing the exempting account balance.

Source

AASB 124.13, Aus
13.1(a),
AASB 101.138(c)
AASB 124.13

43. Related party transactions

The immediate parent and ultimate controlling party respectively of the Group are X Holdings Limited (incorporated in M Land) and Y Holdings Limited (incorporated in N Land) respectively.

If neither the entity's parent nor the ultimate controlling party produces financial reports available for public use, the name of the next most senior parent that does so shall also be disclosed.

When any of the parent entities and/or ultimate controlling parties named above is incorporated or otherwise constituted outside Australia, an entity shall:

- (a) Identify which of those entities is incorporated overseas and where
- (b) Disclose the name of the ultimate controlling entity incorporated within Australia.

Source

AASB 1054.16

46. Cash and cash equivalents
46.1 Reconciliation of profit for the year to net cash flows from operating activities

When an entity uses the direct method to present its statement of cash flows, the financial statements shall provide a reconciliation of the net cash flow from operating activities to profit (loss).

	Year ended 30/6/17 CU'000	Year ended 30/6/16 CU'000
Profit for the year	27,142	30,584
Adjustments for:		
Income tax expense recognised in profit or loss	14,645	14,666
Share of profit of associates	(866)	(1,209)
Share of profit of a joint venture	(337)	(242)
Finance costs recognised in profit or loss	4,420	6,025
Investment income recognised in profit or loss	(3,633)	(2,396)
Gain on disposal of property, plant and equipment	(6)	(67)
Gain arising on changes in fair value of investment property	(30)	(297)
Gain on disposal of a subsidiary	(1,940)	-
Gain on disposal of interest in former associate	(581)	-
Net (gain)/loss arising on financial liabilities designated as at fair value through profit or loss	(125)	-
Net (gain)/loss arising on financial assets classified as held for trading	(156)	(72)
Net loss/(gain) arising on financial liabilities classified as held for trading	51	-
Hedge ineffectiveness on cash flow hedges	(89)	(68)
Net (gain)/loss on disposal of available-for-sale financial assets	-	-
Impairment loss recognised on trade receivables	63	430
Reversal of impairment loss on trade receivables	(103)	-
Depreciation and amortisation of non-current assets	15,210	17,041
Impairment of non-current assets	1,439	-
Net foreign exchange (gain)/loss	(819)	(474)
Expense recognised in respect of equity-settled share-based payments	206	338
Expense recognised in respect of shares issued in exchange for consulting services	8	-
Amortisation of financial guarantee contracts	6	18
Gain arising on effective settlement of legal claim against Subseven Limited	(40)	-
	54,465	64,277

Source

46. Cash and cash equivalents (continued)

	Year ended 30/6/17 CU'000	Year ended 30/6/16 CU'000
<i>Movements in working capital:</i>		
Increase in trade and other receivables	(3113)	(2,520)
(Increase)/decrease in amounts due from customers under construction contracts	(10)	467
(Increase)/decrease in inventories	(2,231)	204
(Increase)/decrease in other assets	-	-
Decrease in trade and other payables	(4,763)	(31,182)
Increase/(decrease) in amounts due to customers under construction contracts	21	(230)
Increase/(decrease) in provisions	224	(941)
(Decrease)/increase in deferred revenue	(213)	43
(Decrease)/increase in other liabilities	(95)	365
<i>Cash generated from operations</i>	44,285	30,483
Interest paid	(4,493)	(6,106)
Income taxes paid	(10,910)	(10,426)
Net cash generated by operating activities	28,882	13,951

Source

46. Cash and cash equivalents (continued)

46.X Reconciliation of liabilities arising from financing activities

The illustrative disclosure below is **not mandatory** in annual reports for financial years ending on 30 June 2017. The illustrative disclosures are included for the benefit of entities that may wish to early adopt the requirements of AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* in annual reports, or those entities preparing half-year financial reports at 30 June 2017 who wish to present the disclosures below as partial compliance with paragraph 16A(e) of AASB 134 *Interim Financial Reporting*, so as to ensure consistency between half-year and annual disclosures about movements in financial liabilities.

AASB 107.44A

	Long-term borrowings	Short-term borrowings	Lease liabilities	Assets held to hedge long-term borrowings	Total
Balance as at 30 June 2016	25,851	25,546	89	-	51,486
Financing cash flows ⁽¹⁾	(10,995)	(15,230)	(58)	-	(26,283)
Non-cash changes:					
- Obtaining or losing control of subsidiaries and other businesses	(4,250)	-	(92)	-	(4,342)
- Effect of changes in exchange rates	-	-	-	-	-
- Changes in fair values	-	-	-	-	-
- New finance leases	-	-	75	-	75
Other changes ⁽¹⁾	29,49	12,121	-	-	15,070
Balance as at 30 June 2017	13,555	22,437	14	-	36,006

(i) The cash flows from long-term and short-term borrowings and lease liabilities make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows

(ii) Other changes include interest accruals and payments

AASB 107.44B(a)

AASB 107.44B(b)

AASB 107.44B(c)

AASB 107.44B(d)

AASB 107.44B(e)

AASB 107.60

Comparative information is not required in the first year that AASB 2016-2 is applied.

Source

ASIC-CI 2016/191

50A. Remuneration of auditors

In making the following disclosure, entities must consider the extent to which *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* permits information about the remuneration of auditors to be rounded (see section 6.4.2 for a discussion on ASIC-CI 2016/191).

50A.1 Auditor of the parent entity

AASB 1054.10, 11
s.300(11B)(a)
s.300(11B)(a)

	30/6/2017	30/6/2016
	\$	\$
Audit or review of the financial statements	442,627	406,239
Preparation of the tax return	300,000	352,000
All other services [describe]	-	-
	742,627	758,239

AASB 1054.10, 11
s.300(11B)(a)

Network firm of the parent entity auditor

All other services [describe]	-	-
	-	-

s.300(11B)(a), (11C)(a)

The auditor of International GAAP Holdings Limited is Deloitte Touche Tohmatsu

Remuneration of international associates of Deloitte Touche Tohmatsu Australia shall be disclosed under 'Network firm of the parent entity auditor'.

AASB 1054.11

The nature and amount of each category of non-audit services provided by a network firm of the auditor of a parent entity shall be disclosed in the notes to the financial statements of Tier 1 financial reports.

'Network firm' is defined in APES 110 *Code of Ethics for Professional Accountants* as 'a Firm or entity that belongs to a Network'.

Firm is defined in APES 110 as:

- (a) A sole practitioner, partnership, corporation or other entity of professional accountants
- (b) An entity that controls such parties through ownership, management or other means
- (c) An entity controlled by such parties through ownership, management or other means, or
- (d) An Auditor-General's office or department'.

'Network' is defined in APES 110 as:

'A larger structure:

- (a) That is aimed at co-operation, and
- (b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.'

The definition of 'Network' is to be read in the context of the guidance provided in paragraphs 290.13-24 of APES 110.

Source

50A. Remuneration of auditors (continued)

Listed companies

s.300(11B)(a), (11C)

Note: This disclosure may be provided in either the directors' report or in the financial report.

Listed companies must disclose details of the amounts paid or payable to each auditor for non-audit services provided during the year by the auditor (or by another person or firm on the auditor's behalf). For the purposes of this requirement, the details required are the name of the auditor, and the dollar amount that the listed company or any entity that is part of the consolidated entity paid, or is liable to pay, for each of those non-audit services.

51A. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements except as set out below. See note 3 for a summary of the significant accounting policies relating to the Group.

Investments in subsidiaries, associates and joint ventures

AASB 127.12, 16(c)

Investments in subsidiaries, associates and joint ventures are accounted for at cost. Dividends received from subsidiaries, associates and joint ventures are recognised in profit or loss when a right to receive the dividend is established (provided that it is probable that the economic benefits will flow to the Parent and the amount of income can be measured reliably).

Tax consolidation

The disclosures below assume the parent entity is the head entity in the tax consolidated group and that a tax funding arrangement exists and mirrors the tax allocation method used under Interpretation 1052. Where this is not the case, the disclosures should be amended as relevant to the entity's specific circumstances.

Int 1052.16

The company and its wholly-owned Australian resident entities are members of a tax-consolidated group under Australian tax law. The company is the head entity within the tax-consolidated group. In addition to its own current and deferred tax amounts, the company also recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group.

Amounts payable or receivable under the tax-funding arrangement between the company and the entities in the tax consolidated group are determined using a 'separate taxpayer within group'* approach to determine the tax contribution amounts payable or receivable by each member of the tax-consolidated group. This approach results in the tax effect of transactions being recognised in the legal entity where that transaction occurred, and does not tax effect transactions that have no tax consequences to the group. The same basis is used for tax allocation within the tax-consolidated group.

** Where other methods are used ('stand alone taxpayer' or 'group allocation') this wording should be changed, and the actual basis of allocation outlined in the next sentence should be updated to reflect the entity's circumstances.*

Source

51A. Parent entity information (continued)

		30/6/2017	30/6/2016
		\$'000	\$'000
Financial position			
Assets			
Reg2M.3.01(a),(k)	Current assets	27,653	21,878
	Non-current assets	94,260	99,637
Reg2M.3.01(b),(k)	Total assets	121,913	121,515
Liabilities			
Reg2M.3.01(c),(k)	Current liabilities	29,811	40,895
	Non-current liabilities	27,242	7,048
Reg2M.3.01(d),(k)	Total liabilities	57,053	47,943
Equity			
Reg2M.3.01(e),(k)	Issued capital	32,777	48,672
	Retained earnings	30,420	23,719
	Reserves		
	General reserve	807	807
	Asset revaluation	1	1
	Investments revaluation	57	35
	Equity-settled employee benefits	206	338
	Option premium on convertible notes	592	-
	Other [describe]	-	-
	Total equity	64,860	73,572
Financial performance			
		Year ended	
		30/6/17	30/6/16
		\$'000	\$'000
Reg2M.3.01(f),(k)	Profit for the year	13,891	12,426
	Other comprehensive income	22	(38)
Reg2M.3.01(g),(k)	Total comprehensive income	13,913	12,388
Reg2M.3.01(h),(k)	Guarantees entered into by the parent entity in relation to the debts of its subsidiaries		
		30/6/2017	30/6/2016
		\$'000	\$'000
	Guarantee provided under the deed of cross guarantee (i)	11,980	24,624

(i) International GAAP Holdings Limited has entered into a deed of cross guarantee with two of its wholly-owned subsidiaries, Subthree Limited and Subseven Limited.

Source

51A. Parent entity information (continued)

Reg2M.3.01(i), (k)

Contingent liabilities of the parent entity

	30/6/2017	30/6/2016
	\$'000	\$'000
[describe]	-	-

Reg2M.3.01(j), (k)

Commitments for the acquisition of property, plant and equipment by the parent entity

	30/6/2017	30/6/2016
	\$'000	\$'000
<i>Plant and equipment</i>		
Not longer than 1 year	26	70
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	26	70

s.295(2), (3),
Reg2M.3.01

Disclosures required in the notes to the consolidated financial statements

- (1) Where consolidated financial statements are required by the accounting standards, the regulations require the notes to the financial statements of the consolidated entity to disclose:
 - (a) Current assets of the parent entity
 - (b) Total assets of the parent entity
 - (c) Current liabilities of the parent entity
 - (d) Total liabilities of the parent entity
 - (e) Shareholders' equity in the parent entity separately showing issued capital and each reserve
 - (f) Profit or loss of the parent entity
 - (g) Total comprehensive income of the parent company
 - (h) Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries
 - (i) Details of any contingent liabilities of the parent entity
 - (j) Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment
 - (k) Comparative information for the previous period for each of paragraphs (a) to (j)
- (2) The disclosures in subregulation (1) must be calculated in accordance with accounting standards in force in the financial year to which the disclosure relates.
- (3) In this regulation: parent entity means a company, registered scheme or disclosing entity that is required by the accounting standards to prepare financial statements in relation to a consolidated entity.

ASX disclosures

Below are illustrative disclosures required by ASX which are suitable as a **guide** only.

Source

Entities preparing Tier 2 (RDR) financial reports cannot be listed entities (as all listed entities are deemed to have public accountability and are thereby required to prepare Tier 1 reports), and accordingly will not be required to provide additional ASX disclosures.

Additional securities exchange information as at 15 September 2017

The below illustrative disclosures required by the ASX listing rules are included outside the financial statements. As a result these disclosures are not subject to audit nor included or referenced in the notes in the financial statements.

ASX-LR 4.10 Additional securities exchange information must be current as at a date specified by the entity which must be on or after the entity's balance sheet date and not be more than 6 weeks before the annual report is given to the ASX.

Number of holders of equity securities

ASX-LR 19.12 Equity securities include shares, units, options over issued or unissued securities, rights to any one of the former securities and convertible securities.

ASX-LR 4.10.5 Ordinary share capital

14,844,000 fully paid ordinary shares are held by 709 individual shareholders.

2,500,000 partly paid ordinary shares, paid to 71 cents, are held by 709 individual shareholders. 29 cents per share may be called up in the event of winding up the company.

ASX-LR 4.10.6 All issued ordinary shares carry one vote per share, however, partly paid shares do not carry the rights to dividends.

ASX-LR 4.10.5 ASX-LR 4.10.16 Preference share capital

1,200,000 10% converting non-participating preference shares are held by 6 individual shareholders.

3,000,000 7% redeemable cumulative preference shares are held by 8 individual shareholders.

ASX-LR 4.10.6 All issued converting non-participating preference shares and redeemable cumulative preference shares carry one vote per share, however, the right to vote is restricted to meetings convened for the purpose of reducing the capital or winding-up or sanctioning the sale of the undertaking of the Company or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the dividend on their particular class of preference shares is in arrears for more than six months.

ASX-LR 4.10.5 Convertible notes

4,500,000 5.5% fully paid convertible notes are held by 354 individual noteholders.

ASX-LR 4.10.6 Convertible notes do not carry a right to vote.

ASX-LR 4.10.5 ASX-LR 4.10.16 Options

196,000 options are held by 30 individual option holders.

ASX-LR 4.10.6 Options do not carry a right to vote.

Source

ASX-LR 4.10.7

Distribution of holders of equity securities

	Fully paid ordinary shares	Partly paid ordinary shares	Redeemable preference shares	Converting non-preference participating shares	Convertible notes	Options
1 – 1,000	672	692	-	-	326	18
1,001 – 5,000	18	7	-	-	13	10
5,001 – 10,000	5	3	-	-	5	-
10,001 – 100,000	8	4	3	5	6	2
100,001 and over	6	3	5	1	4	-
	709	709	8	6	354	30
Holding less than a marketable parcel	87	337				

ASX-LR 4.10.8

ASX-LR 4.10.4

Substantial shareholders

Ordinary shareholders	Fully paid ordinary shares Number	Partly paid ordinary shares Number
X Holdings Limited	8,500,000	1,416,667
XYZ Nominees Limited	1,000,000	166,667
Walker Pty Ltd	1,000,000	166,667
	10,500,000	1,750,001

A substantial holder, in relation to a company and a trust which is a registered managed investment scheme, a substantial holder under s.671B of the Corporations Act.

s.9

A person has a substantial shareholding in a body corporate, or listed registered managed investment scheme, if:

- (a) The total votes attached to voting shares in the body, or voting interests in the scheme, in which they or their associates:
- (b) Have relevant interests
- (c) Would have a relevant interest but for subsection 609(6) (market traded options) or 609(7) (conditional agreements)

is 5% or more of the total number of votes attached to voting shares in the body, or interests in the scheme, or

- (d) The person has made a takeover bid for voting shares in the body, or voting interests in the scheme, and the bid period has started and not yet ended.

s.9

A voting share means an issued share in the body that carries any voting rights beyond the following:

- (a) A right to vote while a dividend (or part of a dividend) in respect of the share is unpaid
- (b) A right to vote on a proposal to reduce the body's share capital
- (c) A right to vote on a resolution to approve the terms of a buy-back agreement
- (d) A right to vote on a proposal that affects the rights attached to the share
- (e) A right to vote on a proposal to wind the body up
- (f) A right to vote on a proposal for the disposal of the whole of the body's property, business and undertaking
- (g) A right to vote during the body's winding up.

Source

ASX-LR 4.10.9

Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid ordinary shares		Partly paid ordinary shares	
	Number	Percentage	Number	Percentage
X Holdings Limited	10,500,000	70.74	1,416,667	56.67
XYZ Nominees Limited	1,000,000	6.74	166,667	6.67
Walker Pty Ltd	1,000,000	6.74	166,667	6.67
The Perri Family Trust	500,000	3.37	83,333	3.33
Hays Nominees Limited	200,000	1.35	33,333	1.33
P.T. Young	200,000	1.35	33,333	1.33
ELC Superannuation Trust	100,000	0.67	16,667	0.67
Inkerman Pty Limited	50,000	0.34	8,333	0.33
Watson Nominees Limited	50,000	0.34	8,333	0.33
P.H. Taylor	50,000	0.34	8,167	0.33
C.W. Gouday	20,000	0.13	3,333	0.13
K.B. Cai	20,000	0.13	3,333	0.13
T.P. Kowood	20,000	0.13	3,333	0.13
W.L. Yeo Family Trust	12,270	0.08	1,000	0.04
Stock Pty Limited	10,000	0.07	1,667	0.07
D.E. Portier	10,000	0.07	1,667	0.07
A.L. Lauff	10,000	0.07	1,667	0.07
P.D. Kimm	10,000	0.07	1,667	0.07
C.P. Daniels	8,751	0.06	-	-
C.J. Chambers	5,000	0.03	833	0.03
Hill Nominees Limited	-	-	833	0.03
	13,776,021	92.82	1,960,8337	78.43

Convertible noteholders	Convertible notes	
	Number	Percentage
Woodstock Nominees Limited	2,500,000	55.56
Kowski Nominees Limited	400,000	8.89
Walker Pty Ltd	400,000	8.89
Smith Trust	200,000	4.44
Giles Nominees Limited	75,000	1.67
P.T. Young	75,000	1.67
Insurance Company Limited	30,000	0.67
P.H Taylor Family Trust	15,000	0.33
Watson Nominees Limited	15,000	0.33
C.W. Gouday	15,000	0.33
K.B. Cai	10,000	0.22
T.P. Saw	10,000	0.22
Stock Pty Limited	10,000	0.22
Hill Nominees Limited	10,000	0.22
A.L. Lauff	10,000	0.22
P.C. Ford	5,000	0.11
Hanky Pty Limited	5,000	0.11
D.E. Randall	5,000	0.11
Lamon Trust	5,000	0.11
Sang Nominees Limited	5,000	0.11
	3,800,000	84.43

Source

ASX-LR 4.10.16

Unquoted equity security holdings greater than 20%

Converting non-participating preference shares

Y Holdings Limited

Number

930,000

930,000

Disclosure of the name of the holder and the number of equity securities held, where a person holds more than 20% of the equity securities in an unquoted class, is not required where the securities were issued or acquired under an employee incentive scheme.

ASX-LR 4.10.10

Company secretary

Mr A.B. Grey

ASX-LR 4.10.11

Registered office

10th Floor
ALD Centre
255 Deloitte Street
SYDNEY NSW 2000
Tel: (02) 9208 7000

Principal administration office

1st Floor
167 Admin Ave
SYDNEY NSW 2000
Tel: (02) 9208 5000

ASX-LR 4.10.12

Share registry

ELC Share Registry Services
Level 1
225 George St
SYDNEY NSW 2000
Tel: (02) 9322 7000

Other ASX information

All listed entities

ASX-LR 4.10.14

The number and class of restricted securities or securities subject to voluntary escrow that are on issue, and the date that the escrow period ends, must be disclosed.

ASX-LR 4.10.18

An entity shall disclose whether there is a current on-market buy-back. That is, if an Appendix 3C has been given to the ASX for an on-market buy-back and no Appendix 3F has been given to the ASX for that buy-back.

ASX-LR 4.10.21

A summary of any issues of securities approved for the purposes of Item 7 of s.611 of the Corporations Act which have not yet been completed must be disclosed.

ASX-LR 4.10.22

If during the reporting period any securities of an entity were purchased on-market:

- Under or for the purposes of an employee incentive scheme, or
- To satisfy the entitlements of the holder of options or other rights to acquire securities granted under an employee incentive scheme,

an entity shall disclose the following information:

- (a) The total number of securities purchased during the reporting period
- (b) The average price per security at which the securities were purchased during the reporting period.

ASX-LR 4.10.13

Securities exchange listings

Where the entity is listed on a securities exchange other than the Australian Securities Exchange, the name of that exchange must be disclosed.

Source

ASX-LR 4.10.20

For listed investment entities
 Listed investment entities must disclose:

- (a) A list of all investments held by it and its child entities
- (b) The total number of transactions in securities during the reporting period, together with the total brokerage paid or accrued during the period
- (c) the total management fees paid or accrued during the reporting period, together with a summary of any management agreement.

ASX-LR 19.12

An investment entity is an entity which, in ASX's opinion, is an entity to which both of the following apply:

- Its activities or the principal part of its activities consist of investing (directly or through a child entity) in listed or unlisted securities or futures contracts
- Its objectives do not include exercising control over or managing any entity, or the business of any entity, in which it invests.

In deciding whether an entity is an investment entity ASX will normally have regard to factors including the extent of board representation, the size of the holdings, the investment period and the amount of cash held by the entity.

ASX-LR 5.6

For listed mining companies
 Statements in the annual report of mining entities must comply with 5.7 to 5.24 and Appendix 5A of the Listing Rules.

ASX-LR 5.20

Annual reporting
 A mining exploration entity must include in its annual report:

- (a) The mining tenements held by the mining exploration entity and its child entities and their location
- (b) The percentage interest it or they held in each mining tenement.

ASX-LR 5.21

A mining entity must include a mineral resources and ore reserves statement in its annual report which includes:

- A summary of the results of the mining entity's annual review of its ore reserves and mineral resources
- As at the mining entity's end of financial year (or such other appropriate disclosed date*), the mining entity's mineral resource and ore reserves holdings in tabular form by commodity type (including grade or quality), by ore reserve category and mineral resource category, and by geographical area based on the materiality of the mineral resources and ore reserves holdings to the mining entity
 - * Where the mining entity reports as a date other than the end of its financial year, the entity must include a brief explanation of any material changes in the mineral resources and ore reserves in the period between the date of annual review of its ore reserves and mineral resources and the end of financial year balance date
- A comparison of the mining entity's mineral resources and ore reserves holdings against that from the previous year including an explanation of any material changes in the mineral resources and ore reserve holdings from the previous year
- A summary of the governance arrangements and internal controls that the mining entity has put in place with respect to its estimates of mineral resources and ore reserves and the estimation process.

Source

	<p>For listed oil and gas companies</p> <p>Statements in the annual report of oil and gas companies must comply with 5.25 to 5.44 of the Listing Rules.</p> <p>Annual reporting</p> <p>A oil and gas exploration entity must include in its annual report:</p> <p>(a) The petroleum tenements held by the oil and gas exploration entity and its child entities and their locations</p> <p>(b) The percentage interest it or they held in each petroleum tenement.</p>
ASX-LR 5.37	
ASX-LR 5.38	<p>An oil and gas entity that reports to the Securities and Exchange Commission (SEC) of the United States of America and files SEC compliant Forms 10-K and 20-F Reports with the SEC annually is not required to comply with the annual reserves statement requirements under ASX Listing Rules 5.39 and 5.40.</p>
ASX-LR 5.39	<p>Except where the above exception applies, an oil and gas entity must include a reserves statement in its annual report including the following information:</p> <ul style="list-style-type: none"> • As at the oil and gas entity's end of financial year balance date, the oil and gas entity's petroleum reserves holdings in tabular form reporting on the basis of total '1P' petroleum reserves and '2P' petroleum reserves (split between developed and undeveloped reserves by product) and by total aggregated '1P' and '2P' reserves by product and geographical area • The proportion of total '1P' and '2P' reserves that are based on unconventional petroleum resources • A reconciliation of the oil and gas entity's petroleum reserves holding against that from the previous year, including an explanation of any material changes from the previous year • Specific information about any material concentrations of undeveloped petroleum reserves in material oil and gas projects which have remained undeveloped after 5 years from the date they were initially reported • A summary of the governance arrangements and internal control that the oil and gas entity has put in place, including the frequency and scope of any reviews or audits undertaken with respect to its estimates of petroleum reserves and the estimation process.
ASX-LR 5.40	<p>If an oil and gas entity reports on oil and gas entity level and other aggregated estimates of contingent resources in its reserve statement in its annual report, the statement must include additional prescribed information, including total '2C' contingent resources by product, aggregated '2C' contingent resources by product and geographical area, and a reconciliation of the total '2C' contingent resources holdings against that from the previous year.</p>
ASX-LR 4.10.19	<p>For recently listed entities</p> <p>In the first two annual financial reports after admission to the ASX, where an entity is admitted under ASX Listing Rule 1.3.2(b) or is required to comply with ASX Listing Rule 1.3.2(b) because of the application of ASX Listing Rule 11.1.3, the entity must state whether the entity used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. If the use was not consistent, an explanation of how the cash and assets were used must be disclosed.</p>

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