Australian financial reporting guide
Financial reporting periods ending on or after 30 June 2020
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1 Introduction

The June 2020 financial reporting season may be the most challenging in recent times

The impacts of the COVID-19 crisis on both the local and global economies, combined with the uncertainties it has created, introduces significant challenges in preparing financial reports for June.

An important response to these challenges is to enhance the transparency of the financial report so that readers understand the impacts of the crisis on the entity and the decisions, judgements and uncertainties involved in compiling the financial report.

ASIC has also announced that disclosures will be one of its key focus areas for June 2020 reporting. Entities can expect regulatory scrutiny to be rigorous. Early planning and timely preparation of position papers will enable management and directors to make informed decision on key estimates and judgments and will support the quality of the financial information provided to the market.

Transparency is particularly important in the following areas:

- Clear disclosure about the sources of estimation uncertainty arising in the financial statements, details of the assumptions made and providing sensitivity and scenario analyses
- Disclosure of how impairment assessments have been impacted by COVID-19, including more disclosure about key assumptions and methods used when testing impairment
- The impacts of any government support received are clearly understandable and comprehensively disclosed, including accounting policies and amounts received
- Any non-IFRS profit measures are appropriately derived, consistent with ASIC guidance and reconciled to the financial statements disclosures
- Disclosures about fair value measurements provide insight into valuation techniques and significant unobservable inputs used and provide sensitivity analyses
- Going concern and subsequent events are appropriately considered and disclosure made where necessary
- Disclosure to ensure readers of the financial statements understand how the entity manages its liquidity risk, including any use of working capital enhancement or management techniques (such as supplier financing).

In these challenging times, each entity must ensure that the impacts of COVID-19 and other events and circumstances are transparently disclosed throughout the financial statements.
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 the ‘general purpose financial statements’ requirement arising under the *Tax Administration Act 1953*, 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*.
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 including:

- Deloitte International GAAP Holdings model financial statements for the year ended 31 December 2019 (Deloitte model financial statements),
- Model half-year report - Half-years ending on or after 31 December 2019
- Model special purpose annual report - Reporting periods ending on or after 31 December 2019.

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 2020.

Unless otherwise noted, the information in this guide has been updated for developments to 26 June 2020.

2.4 Abbreviations

The following abbreviations are used in this guide:

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB</td>
<td>Australian Accounting Standards Board</td>
</tr>
<tr>
<td>Accounting Standards</td>
<td>Australian Accounting Standards issued by the Australian Accounting Standards Board</td>
</tr>
<tr>
<td>ASA</td>
<td>Australian Auditing Standard issued by the Auditing and Assurance Standards Board</td>
</tr>
<tr>
<td>ASIC</td>
<td>Australian Securities &amp; Investments Commission</td>
</tr>
<tr>
<td>ASIC-CO/ASIC-CI</td>
<td>Australian Securities and Investments Commission Class Order/Corporations Instrument issued pursuant to s.341(1) of the Corporations Act 2001</td>
</tr>
<tr>
<td>ASIC-RG</td>
<td>Australian Securities and Investments Commission Regulatory Guide</td>
</tr>
<tr>
<td>ASX</td>
<td>Australian Securities Exchange</td>
</tr>
<tr>
<td>ASX-LR</td>
<td>Australian Securities Exchange Limited Listing Rule</td>
</tr>
<tr>
<td>ASX-GN</td>
<td>Australian Securities Exchange Limited Guidance Note</td>
</tr>
<tr>
<td>ATO</td>
<td>Australian Tax Office</td>
</tr>
<tr>
<td>Corporations Act</td>
<td>The Corporations Act 2001</td>
</tr>
<tr>
<td>Deloitte model half-year report</td>
<td>Deloitte Model half-year report -Half-years ending on or after 31 December 2019</td>
</tr>
<tr>
<td>Deloitte model IFRS financial statements</td>
<td>Deloitte International GAAP Holdings Limited model financial statements for the year ended 31 December 2019</td>
</tr>
<tr>
<td>Deloitte model MIS report</td>
<td>Deloitte Model managed investment scheme annual report for the year ending 30 June 2019</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------</td>
</tr>
</tbody>
</table>
| Deloitte model financial reports | Collectively:  
  - Deloitte International GAAP Holdings Limited model financial statements for the year ended 31 December 2019  
  - Deloitte Model special purpose annual report - Reporting periods ending on 31 December 2019  
  - Deloitte Model half-year report - Half-years ending on 31 December 2019  
  - Deloitte Model managed investment scheme annual report for the year ending 30 June 2019  
  - Deloitte Illustrative AASB 1056 Financial Report for Superannuation Entities for the financial year ended 30 June 2018 |
| Deloitte model SPFS | Deloitte Model special purpose annual report - Reporting periods ending on 31 December 2019 |
| ED | Exposure Draft issued by the Australian Accounting Standards Board |
| 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 Corporations Act 2001 |
| SPFS | Special purpose financial statements |
| Tax Administration Act | Tax Administration Act 1953 |
| RDR | Reduced Disclosure Requirements |
| Reg | Regulation of the Corporations Regulations 2001 |
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:

<table>
<thead>
<tr>
<th>Topic</th>
<th>What is covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Companies</td>
<td>Information about the various types of companies that can be registered under the Corporations Act. Details of the classification of proprietary companies and companies limited by guarantee Requirements for foreign companies</td>
</tr>
<tr>
<td>3.2 Not-for-profit entities</td>
<td>A high-level overview of the registration and reporting by not-for-profit entities</td>
</tr>
<tr>
<td>3.3 Other types of entities</td>
<td>Other types of entities due to the requirements of the Corporations Act or other requirements, which are relevant for financial reporting purposes, including: Disclosing entities Crowd-source funded entities Registered schemes Passport funds Mutual entities Stapled entities Australian Financial Services Licence (AFSL) holders.</td>
</tr>
</tbody>
</table>
3.1 Companies
3.1.1 Types of companies
The following types of companies can be registered under the Corporations Act (s.112(1)):

<table>
<thead>
<tr>
<th>Type of company</th>
<th>Public companies*</th>
<th>Proprietary companies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited by shares</strong></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>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).</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Limited by guarantee</strong></td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td>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).</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Unlimited with share capital</strong></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>A company whose members have no limit placed on their liability (s.9) and which is incorporated with a share capital.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>No liability company</strong></td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>A company may only register as a no liability company if:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The company has a share capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The company’s constitution states that its sole objects are mining purposes (as defined in s.9 of the Corporations Act)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The company has no contractual right under its constitution to recover calls made on its shares from a shareholder who fails to pay them (s.112(2)).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* 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, although shareholders connected with ‘CSF offers’ (i.e. crowd-sourced funding) do not count for this purpose
- 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. However, a proprietary company is permitted to raise funds using a ‘CSF offer’ (i.e. using crowd-source funding) so long as it meets the necessary requirements of the Corporations Act for such offers (see section 3.3.2).

Classification of proprietary companies for financial years beginning on or after 1 July 2019
The Corporations Act classifies a proprietary company as either a large proprietary company or a small proprietary company by reference to a test based on the amounts of consolidated revenue, consolidated gross assets and employees of the entity. These tests are prescribed in the definition of a large proprietary company and small proprietary company in s.45A(3) and s.45A(2) respectively, and the amounts specified in these definitions may be varied by the Regulations.

The Corporations Amendment (Proprietary Company Thresholds) Regulations 2019 made in April 2019 operate to amend the thresholds with effect from 1 July 2019. The application of these amendments is stated as applying in relation to the 2019-20 financial year and later financial years.
Accordingly, the amended thresholds apply to financial years beginning on or after 1 July 2019. An entity is classified as a large proprietary company or small proprietary company for a financial year if it satisfies at least two of the conditions noted for Large or Small below respectively:

<table>
<thead>
<tr>
<th>Condition</th>
<th>Value - Large</th>
<th>Value - Small</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated revenue for the financial year of the company and the entities it controls (if any)</td>
<td>$50 million or more</td>
<td>Less than $50 million</td>
</tr>
<tr>
<td>Value of the consolidated gross assets at the end of the financial year of the company and the entities it controls</td>
<td>$25 million or more</td>
<td>Less than $25 million</td>
</tr>
<tr>
<td>Number of employees of the company and the entities it controls at the end of the financial year</td>
<td>100 or more</td>
<td>Less than 100</td>
</tr>
</tbody>
</table>

Thresholds used in the classification of proprietary companies prior to 1 July 2019

For financial years beginning before 1 July 2019, a proprietary company is a large proprietary company or a small proprietary company for a financial year if it satisfies at least two of the conditions noted for Large or Small below respectively:

<table>
<thead>
<tr>
<th>Condition</th>
<th>Value - Large</th>
<th>Value - Small</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated revenue for the financial year of the company and the entities it controls (if any)</td>
<td>$25 million or more</td>
<td>Less than $25 million</td>
</tr>
<tr>
<td>Value of the consolidated gross assets at the end of the financial year of the company and the entities it controls</td>
<td>$12.5 million or more</td>
<td>Less than $12.5 million</td>
</tr>
<tr>
<td>Number of employees of the company and the entities it controls at the end of the financial year</td>
<td>50 or more</td>
<td>Less than 50</td>
</tr>
</tbody>
</table>

Determining amounts for the purposes of classification

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 4.2.5 and 4.2.6 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 the 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 (i.e. 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 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 companies
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 must be registered under the Corporations Act.

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

3.2 Not-for-profit entities
Not-for-profit organisations are organisations that do not operate for 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 concessions.

The reporting obligations for entities registered with the ACNC depend upon the size of the entity, based on the entity’s total annual revenue. For the purposes of the ACNC test, total annual revenue includes only revenue, and excludes other income.

The relevant thresholds are as follows:

<table>
<thead>
<tr>
<th>Total annual revenue</th>
<th>Classification</th>
<th>Annual information statements required</th>
<th>Annual financial report required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $250,000</td>
<td>Small</td>
<td>Yes</td>
<td>Optional (cash or accrual basis)</td>
</tr>
<tr>
<td>Over $250,000 but under $1 million</td>
<td>Medium</td>
<td>Yes</td>
<td>Yes (reviewed or audited)</td>
</tr>
<tr>
<td>$1 million or more</td>
<td>Large</td>
<td>Yes</td>
<td>Yes (audited)</td>
</tr>
</tbody>
</table>

Reporting requirements for not-for-profit entities
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.

More information on the reporting requirements for entities registered with the ACNC is available at www.acnc.gov.au.
3.3 Other types of entities

3.3.1 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)
- Foreign passport fund products held by 100 or more persons resident in Australia (s.111AFB)
- Securities issued as consideration for an acquisition under an off-market takeover bid or compromise or arrangement (s.111AG).

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 4.2.2 for a discussion on the reporting mandate for disclosing entities.

3.3.2 Crowd-sourced funded entities

Amendments introduced into the Corporations Act in 2017 and 2018 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’, which requires the following conditions to be met (s.738H):

- The entity must be a public company limited by shares, or a proprietary company that has at least 2 directors and meets any other requirements prescribed by the Regulations
- The entity must 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:

<table>
<thead>
<tr>
<th>Condition</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of consolidated gross assets of the company and all its related parties</td>
<td>Less than $25 million*</td>
</tr>
<tr>
<td>Consolidated annual revenue of the company and all of its related parties</td>
<td>Less than $25 million*</td>
</tr>
</tbody>
</table>

* 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 Part 6D.3A of the Corporations Act.

ASIC guidance
ASIC Regulatory Guide 261 (available at [asic.gov.au](http://asic.gov.au)) explains when a company is eligible to make an offer of shares under the crowd-sourced funding (CSF) regime in the Corporations Act and what obligations, including disclosure obligations, apply.

This guide also explains the reporting, audit and corporate governance requirements that apply to public companies and proprietary companies making CSF offers.

Certain public companies 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 4.3.3

### 3.3.3 Registered schemes

**Managed investment schemes**

Managed investment schemes are also known as ‘managed funds’, ‘pooled investments’ or ‘collective investments’. Examples include cash management trusts, property trusts, share trusts and many agricultural schemes.

Under the Corporations Act, a managed investment scheme has the following features (s.9):

- People contribute money or money's worth as consideration to acquire rights to benefits produced by the scheme (whether those rights are actual, prospective or contingent and whether they are enforceable or not)
- Any of the contributions are to be pooled, or used in a common enterprise, to produce financial benefits, or benefits consisting of rights or interests in property, for the members who hold interests in the scheme
- The members do not have day-to-day control over the operation of the scheme (whether or not they have the right to be consulted or to give directions).

In addition, a time-share scheme is also a managed investment scheme.

There are number of items that are specifically excluded from being a managed investment scheme under the definition, including:

- Certain partnerships that have 20 or more members (e.g. actuaries, medical practitioners, architects, legal practitioners and accountants)
- Body corporates not operating time-sharing schemes
- Schemes where all members are bodies corporate and are related to each other and the body corporate promoting the scheme
- A franchise
- Statutory funds maintained under the *Life Insurance Act 1995*
- Regulated superannuation funds, approved deposit funds, pool superannuation trusts and public sector superannuation schemes under the *Superannuation Industry (Supervision) Act 1993*
- Schemes operated by an Australian authorised deposit-taking institution (ADI) in the ordinary course of their banking business
- Issues of debentures or convertible notes by a body corporate
- Barter schemes

1 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)).
• Certain retirement village schemes
• The provision of crowd-funding services
• Various other schemes, either by definition or regulation.

When a scheme must be registered
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.

Proposed ‘corporate collective investments vehicles’ regime
The Australian Government had previously announced an intention to introduce a proposed ‘corporate collective investments vehicles’ (CCIVs) as an optional alternative to the managed investments scheme regime currently in the Corporations Act. A CCIV would be a collective investment vehicle that is a public company and is structured as an umbrella fund incorporating one or more sub-funds.

Prior to the May 2019 Federal Election, the government had consulted on three tranches of bills to implement the regime. These bills have not been finalised or tabled in Parliament at the date of this publication.

3.3.4 Passport funds

Background
The Asia Region Funds Passport provides a multilateral framework that allows eligible funds to be marketed across economies participating in the passport scheme with limited additional regulatory requirements. The scheme is a result of Australia, Japan, Korea, New Zealand and Thailand signing a Memorandum of Cooperation (MOC) on the Establishment and Implementation of the Asia Region Funds Passport, which took effect on 30 June 2016.

The Passport scheme is intended to support the development of an Asia-wide managed funds industry through improved market access and regulatory harmonisation, with the objective of bringing benefits for Australia and the Asia region.

The necessary legislation to implement the Passport scheme in Australia was made in 2018.

Australian passport funds
An Australian registered scheme (see section 3.3.3) can also be registered as an Australian passport fund under Part 8A.3 of the Corporations Act. This then permits those entities to offer passport fund products in jurisdictions participating in the passport fund scheme, subject to meeting the other requirements of the scheme.

Notified foreign passport funds
A foreign passport fund is any passport fund the home economy for which is not Australia. Such funds are not able to offer a foreign passport fund product in Australia unless they are a notified foreign passport fund.

A notified foreign passport fund is a fund from an eligible passport fund country where the operator of the fund has submitted to ASIC a notice to offer interests in the fund in Australia and that notice has not been rejected within the prescribed period (s.1213C). For these purposes, the prescribed period is 15 business days beginning on the day after the notice of intent is lodged, or an agreed extended period (s.1213D).

A notified foreign passport fund has authority to offer foreign passport fund products in Australia and is treated as a managed investment scheme for the purposes of the Corporations Act.

ASIC has released Regulatory Guide RG 138 Foreign Passport Funds, which provides a guide for foreign passport fund operators seeking to enter, or operating in, Australia under the Asia Region Funds Passport. RG 138 is available at www.asic.gov.au.
3.3.5 Mutual entities
Under amendments to the Corporations Act made by the Treasury Laws Amendments (Mutual Reforms) Act 2019, ‘mutual entities’ were created as a new class of entity under the Corporations Act.

Under s.51M, a company is a mutual entity if it is registered under the Corporations Act and the company’s constitution provides that a person has no more than one vote at a general meeting of the company for each capacity in which the person is a member of the company.

Provided they meet certain requirements, mutual entities are eligible to issue ‘MCIs’ (short for ‘mutual capital instruments’), and are also eligible to take advantage of certain transitional arrangements to change their constitution to enable the entity to issue MCIs. This allows mutual entities to issue equity capital without risking their mutual structure or status. This is intended to provide mutual entities with access to a broader range of capital raising and investment options. This includes mutual entities who are incorporated as companies limited by guarantee which otherwise would not have the power to issue shares under the Corporations Act.

Classification as a mutual entity does not have any direct reporting obligations on the entity’s reporting obligations under the Corporations Act, but can have other impacts including rights on demutualisation and taxation consequences.

3.3.6 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, for example, real estate investment trusts (REITs) and infrastructure funds.

3.3.7 Australian Financial Services Licence (AFSL) holders
Entities/a person conducting a financial services business in Australia must have an Australian financial services licence. ASIC is the regulator 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).

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2 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

<table>
<thead>
<tr>
<th>Topic</th>
<th>What is covered</th>
<th>Who does it apply to?</th>
</tr>
</thead>
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<td>Corporations Act requirements</td>
<td></td>
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</tr>
<tr>
<td>4.1 Overview of the requirements of the Corporations Act</td>
<td>An overview of the key financial reporting requirements of the Corporations Act and general ASIC concessions for wholly-owned entities</td>
<td>All entities captured by the Corporations Act</td>
</tr>
<tr>
<td>4.2 Requirement to prepare annual financial reports under the Corporations Act</td>
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<td>All entities which are subject to the Corporations Act, depending on each entity's circumstances</td>
</tr>
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<td>4.3 Requirement for the annual report to be audited under the Corporations Act</td>
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<td>All entities which are subject to the Corporations Act, depending on each entity's circumstances</td>
</tr>
<tr>
<td>4.4 Requirement to lodge the annual financial report with ASIC</td>
<td>Determining when an entity is required to lodge its annual financial report with ASIC</td>
<td>All entities which are subject to the Corporations Act, depending on each entity's circumstances</td>
</tr>
<tr>
<td>Other considerations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.5 ASIC</td>
<td>Information about how ASIC modifies the operation of financial reporting and allied requirements of the Corporations Act</td>
<td>All entities which are subject to the Corporations Act, depending on each entity's circumstances</td>
</tr>
<tr>
<td>4.6 ASX</td>
<td>The additional financial reporting obligations arising under the ASX Listing Rules and how they interact with the Corporations Act</td>
<td>Entities that have securities listed on the ASX</td>
</tr>
<tr>
<td>4.7 General purpose financial statements for country-by-country reporting entities</td>
<td>Additional requirements for general purpose financial statements arising under section 3CA of the Tax Administration Act</td>
<td>‘Country by country reporting entities’ where the entity has not lodged general purpose financial statements with ASIC (broadly, entities or groups with more than A$1 billion in income)</td>
</tr>
</tbody>
</table>
4.1 Overview of the requirements of the 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)
- Auditing the annual financial report (discussed in section 4.3)
- Lodging the annual report with ASIC (discussed in section 4.4)
- 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 Summary of requirements by type of entity

The following table summarises the information in the following sections:

<table>
<thead>
<tr>
<th>Type of entity</th>
<th>Financial report required?</th>
<th>Audit of financial report required?</th>
<th>Lodgement of financial report with ASIC required?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Section 4.2)</td>
<td>(Section 4.3)</td>
<td>(Section 4.4)</td>
</tr>
<tr>
<td>Disclosing entities</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes (unless lodged with the ASX)</td>
</tr>
<tr>
<td>Registered schemes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes (unless lodged with the ASX)</td>
</tr>
<tr>
<td>Public companies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Public companies granted relief from the requirement to prepare a financial report (e.g., ASIC-CI 2016/785)</td>
<td>No</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Small company limited by guarantee subject to ASIC or member request (s.294A and s.294B)</td>
<td>Yes</td>
<td>Only if requested by ASIC or the shareholders</td>
<td>Only if requested by ASIC</td>
</tr>
<tr>
<td>- Other small companies limited by guarantee</td>
<td>No</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Public companies limited by guarantee meeting the requirements of s.301(3) which have elected for the financial report to be reviewed</td>
<td>Yes</td>
<td>Review rather than audit</td>
<td>Yes</td>
</tr>
<tr>
<td>- Public companies covered by section 738ZI at the end of the financial year, i.e. certain public companies eligible for the limited governance requirements under the crowd-sourced funding provisions of the Corporations Act prior to 19 October 2018&lt;sup&gt;3&lt;/sup&gt;</td>
<td>Yes</td>
<td>Only where the company has raised $3 million or more from all crowd-sourced funding offers it has made</td>
<td>Yes</td>
</tr>
<tr>
<td>- All other public companies</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

3 The concessions are only available to companies that register as, or convert to, a public company in accordance with the previous public company crowd-sourced funding regime under the Corporations Act and which also meet the other requirements for related corporate governance concessions before the ‘eligibility end date’, being 19 October 2018. From this date, the Corporations Amendment (Crowd-sourced Funding for Proprietary Companies) Act 2018 commenced, which permits proprietary companies to also raise funds using crowd-sourced funding and accordingly, the concessions are no longer necessary (see section 3.3.2).
### Reporting mandate

<table>
<thead>
<tr>
<th>Type of entity</th>
<th>Financial report required?</th>
<th>Audit of financial report required?</th>
<th>Lodgement of financial report with ASIC required?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Large proprietary companies</strong></td>
<td>(Section 4.2)</td>
<td>(Section 4.3)</td>
<td>(Section 4.4)</td>
</tr>
<tr>
<td>• Large proprietary companies</td>
<td>No</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>granted relief from the</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>requirement to prepare a</td>
<td></td>
<td></td>
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<tr>
<td>financial report (e.g.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASIC-CI 2016/785)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Large proprietary companies</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>that are 'grandfathered'</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>under s.319(4) or ASIC-CI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015/840</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• All other large proprietary</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>companies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Small proprietary companies</strong></td>
<td>(Section 4.5)</td>
<td>(Section 4.6)</td>
<td>(Section 4.7)</td>
</tr>
<tr>
<td>• Small proprietary companies</td>
<td>Yes</td>
<td>Only where the company has raised</td>
<td>Yes</td>
</tr>
<tr>
<td>raising funds pursuant to</td>
<td></td>
<td>$3 million or more from all crowd-</td>
<td></td>
</tr>
<tr>
<td>the crowd-</td>
<td></td>
<td>sourced funding offers it has made</td>
<td></td>
</tr>
<tr>
<td>sourced funding provisions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of the Corporations Act</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Small proprietary companies</td>
<td>No</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>controlled by foreign</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>company where the</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>entity has been granted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>relief (e.g. ASIC-CI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016/784, ASIC-CI 2017/204)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Other small proprietary</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>companies controlled by</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>foreign companies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Small proprietary companies</td>
<td>Yes</td>
<td>Only if requested by ASIC or the</td>
<td>Only if requested by ASIC</td>
</tr>
<tr>
<td>where ASIC or shareholders</td>
<td></td>
<td>shareholders</td>
<td></td>
</tr>
<tr>
<td>have requested the</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>preparation of a financial</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>report</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• All other small proprietary</td>
<td>No</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>companies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Passport funds</strong></td>
<td>(Section 4.8)</td>
<td>(Section 4.9)</td>
<td>(Section 4.10)</td>
</tr>
<tr>
<td>• Notified foreign passport funds</td>
<td>Yes (using home</td>
<td>Yes (using home jurisdiction</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>jurisdiction requirements)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 4.1.2 General relief for wholly-owned subsidiaries

**Financial report preparation, lodgement and audit relief**

ASIC Corporations (Wholly owned Companies) Instrument 2016/785 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 98/1418. Entities seeking relief must be a party to a deed of cross guarantee in respect of each financial year (termed the 'relevant financial year') where the relief is to be applied, and otherwise comply with the other conditions of the instrument (as outlined below).
COVID-19 considerations


When relief is available
The relief under the Corporations Instrument is only available where all of the conditions outlined below are satisfied.

Nature of the entity
- 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)
- The company was not, at any time during the relevant financial year, a disclosing entity, a borrower in relation to debentures (or a guarantor of such a borrower), or a financial services licensee

Holding entity
- 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

Opt-in notice
- 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

Initial procedures in applying for relief
- 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 (refer to the Corporations Instrument for the specific requirements)

Annual resolution
- 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 cross guarantee or seek to revoke the deed

Deed of cross guarantee
- 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 party to a deed of cross guarantee with another holding entity within one month of ceasing to be a wholly-owned entity of the holding company, and has no reason to believe at the relevant time the company may not be able to obtain relief under the instrument in respect of its next financial year
- 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
- 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
- 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)

Foreign entities
- 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 (refer to the Corporations Instrument for the specific requirements)
Not regulated by APRA

- 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)

Variations to the deed of cross guarantee

- 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

Consolidated financial statements

- 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
- The notes to 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 that 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 that 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
- 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

Auditor of the holding entity

- 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

Compliance with conditions

- 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.

For the purposes of the above requirements, the ‘relevant time’ is four months after the end of the financial year.

COVID-19 considerations

ASIC Corporations (Amendment) Instrument 2020/452 (available at www.legislation.gov.au) changes the definition of ‘relevant time’ to mean 5 months after the end of the financial year, for financial years ending between 31 December 2019 and 7 July 2020 (both inclusive).

Additional conditions

The additional conditions of the instrument are:

- 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
- 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.
4.1.3 General relief for entities under external administration

Overview
A company does not cease to have the status of a company on the appointment of an external administrator. Accordingly, unless ASIC relief applies, obligations that are imposed on a company, including the financial reporting and AGM obligations, continue to apply while the company is under external administration. An external administrator is obliged to use their powers to cause the company to comply with its legal obligations, including the financial reporting and AGM obligations.

ASIC's Corporations (Externally-Administered Bodies) Instrument 2015/251 (available at www.asic.gov.au) provides relief in various situations involving companies, registered schemes, passport funds and others. ASIC has also published ASIC Regulatory Guide 174 Relief for externally administered companies and registered schemes being wound up (RG 174), also available at www.asic.gov.au, which provides an overview of the relief available.

In addition, companies can apply to ASIC for individual relief.

Companies in liquidation
Under Corporations (Externally-Administered Bodies) Instrument 2015/251, a company does not have to comply with Part 2M.3 of the Corporations Act (and so does not have to prepare and lodge audited financial reports) where certain conditions are met.

In order to take advantage of the relief, the company must have adequate arrangements in place to answer, within a reasonable period of time and without charge, any reasonably questions asked by a member of the company about the winding up.

The relief applies where a liquidator has been appointed prior to the day the company would otherwise have been required to lodge a financial report for a financial year or half-year, and in respect of earlier financial years in certain circumstances.

Relief under this part of the Instrument is not available where the company holds an Australian financial services licence, has an administrator appointed, or is subject to a deed of company arrangement.

Public companies availing themselves of the relief under this part of the Instrument are also relieved from the obligation to hold an annual general meeting (AGM).

Companies under external administration but not liquidation
Companies that are under external administration are permitted a ‘deferral period’ for compliance with certain financial reporting requirements of the Corporations Act. The ‘deferral period’ is a period of six months after the day of appointment of a voluntary administrator, controller or provisional liquidator (termed the ‘relevant external administrator’ in the Instrument).

The effect of this part of the Instrument is that a relevant external administrator may have a longer period in which to comply with the financial reporting, and other, requirements of the Corporations Act in the period initially after appointment. The relief in the order of financial reporting is designed to avoid the depletion of limited financial resources on financial reporting compliance activities, and to respond to limited human resources available.

The ‘deferral period’ applies to:
- Sending of the financial report to members of the company (s.314, s.315)
- Sending reports to members on request (s.316(2), 316A(3))
- Lodging financial reports and half-year reports with ASIC (s.319(1), s.320(1)).

During the period of the deferral, the company must have adequate arrangements in place to answer, within a reasonable period of time and without charge, any reasonable questions asked by a member of the company about the external administration.

ASIC also notes in RG 174, that a company, whether it is listed or unlisted, should give prominent notice of its reliance on the Instrument on a website maintained by the company, and also arrange for notice of the deferral on a website maintained by the external administrator in a way that is readily accessible. This notification is not a condition of relief, but rather a matter of ASIC’s view of best practice in the circumstances.

The relief under the this part of the Instrument does not provide relief from the obligations under the law in their entirety, but simply provides a longer time frame for compliance in the first period after the initial appointment of a relevant external administrator.
Registered schemes being wound up
Under ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251, insolvent registered schemes are not required to comply with Part 2M.3 of the Corporations Act (and so do not have to prepare financial reports), where:

- The registered scheme is in the process of being wound up by a time no later than the day the responsible entity would otherwise have been required to lodge a report for the scheme for a financial year or half-year
- The responsible entity has lodged a notice telling ASIC that the winding up has commenced, or a person appointed to wind up the scheme (under s.601NF) has lodged a notice with ASIC that they have been appointed by the Court to take responsibility for ensuring the scheme is wound up
- The responsible entity or the person appointed to wind up the scheme has lodged a copy of a scheme insolvency resolution.

The relief only applies to registered schemes which have been determined to be insolvent. RG 174 explains that a registered scheme cannot technically become insolvent because a scheme is not a separate legal entity that incurs debts in its own right. The responsible entity is the legal entity that holds the scheme property and incurs debts to scheme creditors on behalf of the scheme. A registered scheme may generally be described as ‘insolvent’ when scheme property is insufficient to meet the scheme liabilities to scheme creditors as they fall due, whether or not the responsible entity, as a separate legal entity, is itself insolvent or under some form of external administration.

Other relief available under the Instrument
The Instrument also provides certain relief, depending upon the meeting necessary conditions, in respect of:

- Financial services licensees being wound up or under other external administration
- Notified foreign passport funds being wound up.

4.1.4 Consideration of other requirements
Notwithstanding the analysis in this section regarding reporting requirements under the Corporations Act, an entity may be captured by other requirements which require the preparation of financial statements.

ATO GPFS requirements
Pursuant to s.3CA of the Tax Administration Act, an entity may be required to prepare and lodge GPFS with the ATO if it is a CBC reporting entity for Australian tax purposes. GPFS lodged with the ATO do not need to be prepared for the entity itself in all cases. See section 4.7 for more information about the GPFS requirements.

Constituting or another document requiring financial statements
From 1 July 2021, the requirement to prepare GPFS in accordance with Accounting Standards will apply to certain for-profit entities where their constituting or another document (such as a loan agreement) requires the preparation of financial statements in accordance with ‘Australian Accounting Standards’. Certain exceptions apply. See section 5.6 for more information about when these requirements apply.

Voluntarily preparation of GPFS
From 1 July 2021, a for-profit entity (private sector or public sector) that voluntarily prepares GPFS must prepare those financial statements in accordance with Australian Accounting Standards and the revised Conceptual Framework for Financial Reporting. See section 5.6 for more information about these requirements.
4.2 Requirement to prepare annual financial reports under the Corporations Act

4.2.1 Overview of requirements
Although all entities incorporated under the Corporations Act are required to keep financial records (s.285(1)), not all entities are required to prepare annual financial reports and directors’ reports. This section assists in determining whether an entity is required to prepare an annual report under Part 2M.3 of the Corporations Act, by reference to the classification of the entity.

4.2.2 Disclosing entities
In addition to the requirement to prepare an annual financial report, disclosing entities (see section 3.3.1) are required to comply 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 (only where the disclosing entity is a listed company, see section 6.1.2)
  - 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)

4.2.3 Registered schemes
In general, all registered schemes are required to prepare an annual financial report under the Corporations Act.

Registered schemes being wound up may be able to take advantage of Corporations (Externally-Administered Entities) Instrument 2015/251 (see section 4.1.3)

4.2.4 Public companies
Summary flowchart – preparation of a financial report

* The entity may be required to prepare financial statements in other circumstances (see section 4.1.4)
General requirements

Public companies (see section 3.1.2) are generally required to prepare a financial report in accordance with Part 2M.3 of the Corporations Act unless:

- The public company is a small company limited by guarantee (see below)
- The entity is eligible for relief under an ASIC Class Order or Corporations Instrument, e.g. where the entity qualifies for relief under ASIC Corporations (Wholly-owned Entities) Instrument 2016/786 (see section 4.1.2) or ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251 (see section 4.1.3).

Even though an entity may be excluded from preparing financial reports under the Corporations Act, the entity may need to consider:

- Whether it is a CBC reporting entity that is captured by the GPFS requirements (see section 4.7)
- From 1 July 2021, whether its constituting or another document (e.g. a loan agreement) requires the preparation of financial statements in accordance with Australian Accounting Standards (see section 5.6).

Small companies limited by guarantee

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

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

If 5% or more of the members request that a financial report be prepared (s.294A), 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 (s.294B), 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.

4.2.5 Large proprietary companies

Summary flowchart – preparation of a financial report

Has the entity obtained relief from the requirement to prepare an annual financial report (e.g. ASIC-Cl 2016/785)?

Yes | Is the entity a CBC reporting entity for Australian tax purposes?

Yes | The entity IS required to prepare an annual financial report under the Corporations Act

No | The entity is NOT required to prepare an annual financial report under the Corporations Act*

The entity is NOT required to report under the Corporations Act but may be required to prepare GPFS for tax purposes

* The entity may be required to prepare financial statements in other circumstances (see section 4.1.4)

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4 As a result of changes made to the ITAA 1997 and Tax Administration Act by Treasury Laws Amendment (2020 Measures No. 1) Act 2020, the requirement arising under tax law for certain entities to lodge GPFS with the ATO was transferred from ‘significant global entities’ to ‘country by country reporting entities’ (CBC reporting entities). This change broadened the number of entities potentially subject to the GPFS requirements. These changes are effective for income years commencing on or after 1 July 2019.
General requirements
Large proprietary companies (see section 3.1.2) are generally required to prepare a financial report in accordance with Part 2M.3 of the Corporations Act unless they are eligible for relief under an ASIC Class Order or Corporations Instrument, e.g. where the entity qualifies for relief under ASIC Corporations (Wholly-owned Entities) Instrument 2016/786 (see section 4.1.2) or ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251 (see section 4.1.3).

Even though an entity may be excluded from preparing financial reports under the Corporations Act, the entity may need to consider whether it is a country by country reporting entity for tax purposes that is captured by the GPFS requirements under tax law (see section 4.7).

4.2.6 Small proprietary companies
Summary flowchart - preparation of a financial report

* The entity may be required to prepare financial statements in other circumstances (see section 4.1.4)
General requirements
A small proprietary company (see 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)
- It has one or more ‘CSF shareholders’ at any time during the year, i.e. it has raised funds using crowd sourced funding (see section 3.3.2)
- If 5% or more of the shareholders request that a financial report be prepared (s.293), 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 (s.294), 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, be subject to audit, or lodged with ASIC.

Even though an entity may be excluded from preparing financial reports under the Corporations Act, the entity may need to consider whether it is a country by country reporting entity for tax purposes that is captured by the GPFS requirements under tax law (see section 4.7).

Lodgement of a foreign parent’s consolidated financial statements
A foreign-controlled small proprietary company is not required to prepare a financial report for a period if it is consolidated into consolidated financial statements for that period lodged with ASIC (s.292(2)(b)).

ASIC Regulatory Guide 58 Reporting requirements: Registered foreign companies and Australian companies (RG 58, available at www.asic.gov.au), puts forward ASIC’s view that s.292(2)(b) is not intended to allow a foreign parent company to lodge its financial statements with ASIC when there is no lodgement requirement for that company under the Corporations Act.

ASIC goes on to note that the Corporations Act only requires the lodgement of financial statements by foreign companies that are registered foreign companies (see section 7.4). Accordingly, for the purposes of the foreign-controlled small proprietary company’s obligations under Part 2M.3 of the Corporations Act, ASIC will not accept lodgement of the financial statements of a foreign parent that are not registered foreign companies in substitution for the financial report, directors’ report and auditor’s report of the entity itself.

Furthermore, ASIC notes that a registered foreign company is required to lodge financial information once in every calendar year and at intervals of no more than 15 months (s.601CK), whereas the lodgement deadline for a foreign-controlled small proprietary company is four months after the end of its financial year. Accordingly, if a foreign-controlled small proprietary company wishes to avoid having to prepare and lodge a financial report under Part 2M.3 of the Corporations Act, it must ensure that the registered foreign company’s (i.e. the parent’s) consolidated financial statements are lodged under s.601CK within four months of the end of its financial year. ASIC may consider applications for relief under s.340 to extend this time frame (see ASIC Regulatory Guide 43 Financial reports and audit relief, available at www.asic.gov.au).
Relief for eligible 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.

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

<table>
<thead>
<tr>
<th>Condition</th>
<th>Value (from 1 July 2019)*</th>
<th>Value (prior to 1 July 2019)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined revenue of the group for the relevant financial year</td>
<td>$50 million or greater</td>
<td>$25 million or greater</td>
</tr>
<tr>
<td>Combined value of the gross assets of the group at the end of the relevant financial year</td>
<td>$25 million or greater</td>
<td>$12.5 million or greater</td>
</tr>
<tr>
<td>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</td>
<td>100 or more</td>
<td>50 or more</td>
</tr>
</tbody>
</table>

* The full definition of a large group in the Instrument notes that the amounts specified in s.45A may be varied to any other amount prescribed for the purposes of paragraph 45A(2) of the Corporations Act. The thresholds have been amended by Corporations Amendment (Proprietary Company Thresholds) Regulations 2019 with effect from 1 July 2019 and apply to the 2019-2020 and later financial years (Reg 10.30.01) (see section 3.1.2). Accordingly, the new thresholds apply to financial years beginning on or after 1 July 2019.

For the purposes of the above requirements, a ‘group’ is defined to comprise:

- The entity in question
- 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
- 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
- Any entity which is controlled at any time during, or at the end of, the financial year by the entity
- 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 that fall within the definition of ‘group’. In effect, the ‘large group’ test is applied to all of the foreign parent’s interests in Australia, including any foreign subsidiaries held by those Australian interests.

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

- The company must not be part of a ‘large group’ controlled by a foreign company (see above)
- 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
- 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
- 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 3 months before the commencement of the financial year and ending 4 months after the end of the financial year
- 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.
4.2.7 Notified foreign passport funds

Notified foreign passport funds (see section 3.3.4) are required to prepare a report for the fund in accordance with the financial reporting requirements applying to the fund under the passport rules for the home economy for the fund (s.319(1AA)).

Accordingly, such funds would apply the accounting standards and other financial reporting requirements applying in their home jurisdiction, rather than Australian Accounting Standards. Furthermore, such entities are not required to comply with the other Australian-specific reporting requirements of the Corporations Act (such as preparation of a directors’ declaration or directors’ report), as those requirements only apply to entities incorporated or formed in Australia (s.285(2)).
4.3 Requirement for the annual report to be audited under the Corporations Act

4.3.1 Overview of requirements

In general, an entity that is required to prepare a financial report (see section 4.1.2) is also required to have that financial report audited under Part 2M.3 of the Corporations Act (specifically s.301). However, there are a number of additional requirements and exceptions, depending on the nature of the entity.

The key exemptions under the Corporations Act for relief from the requirement for audit include:

- Small proprietary companies preparing financial reports due to a shareholder or ASIC direction where the direction does not require an audit
- Smaller companies limited by guarantee
- Companies raising funds under the crowd-sourced funding provisions of the Act, where the total funds raised are less than $3 million.

In addition, ASIC has provided audit relief in certain circumstances through Class Order and Corporations Instruments.

Set out below is a summary of the requirements for audit for various types of entities.

4.3.2 Disclosing entities and registered schemes

Disclosing entities and registered schemes must have their financial report audited and obtain an auditor’s report (s.301(1)).

In addition, companies that are required to prepare a remuneration report as part of the directors’ report (see section 6.1.2) must have that report audited (s.308(3C)).

4.3.3 Public companies

Summary flowchart – audit of the financial report

- Is the company limited by guarantee?
  - Yes
    - Is the company a small company limited by guarantee?
      - Yes
        - Has ASIC or 5% or more of shareholders requested the company to prepare and audit a financial report (s.294A, s.294B)?
          - Yes
            - The public company is required to have the annual financial report audited
          - No
            - The public company is NOT required to have the financial report audited
        - No
          - Has the company met the requirements of s.301(3) and elected for the financial report to be reviewed?
            - Yes
              - The annual financial report must be reviewed by the auditor
            - No
              - The public company is required to have the annual financial report audited
      - No
        - The annual financial report is NOT required to be audited (see detailed discussion below)
  - No
    - Is the public company eligible to apply the corporate governance concessions for certain crowd sourced funded entities?
      - Yes
        - The annual financial report is NOT required to be audited (see detailed discussion below)
      - No
        - The public company is required to have the annual financial report audited
Concessions available for certain public companies undertaking crowd-sourced funding

The Corporations Act contains a number of corporate governance concessions that are available to certain crowd-sourced funding entities, which are designed to reduce the barriers to entities adopting the public company structure in order to raise crowd-sourced funding. With the extension of the crowd source funding regime to proprietary companies during 2018 (see the general eligibility requirements in section 3.3.2), these concessions have become less important.

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 and meet the other requirements of the crowd sourced funding regime (see section 3.3.2). Furthermore, the entity must have done so prior to the commencement of the Corporations Amendment (Crowd-sourced Funding for Proprietary Companies) Act 2018 (being 19 October 2018).

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 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 before the commencement of the Corporations Amendment (Crowd-sourced Funding for Proprietary Companies) Act 2018 (being 19 October 2018) and complied with the other requirements of that section.

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, and have done so prior to commencement of the crowd sourced funding regime for proprietary companies.

Furthermore, the relief is 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:

- The company is covered under s.738ZI at the end of the financial year, i.e. certain public companies eligible for limited governance requirements under the crowd-sourced funding part of the Corporations Act (as noted above)
- As at the end of the financial year, the company has raised less from $3 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 $3 million using crowd-sourced funding, it must appoint an auditor (s.328C, s.328D) and the above relief is not available.

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)).

Other relief

Public companies qualifying for the corporate governance concessions are also able to avail themselves of relief in respect of reporting to members and from holding an annual general meeting (AGM). See section 6.7.5 for more information about these concessions.
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:

- The company is not one of the following:
  - A Commonwealth company for the purposes of the Public Governance, Performance and Accountability Act 2013\(^5\)
  - A subsidiary of a Commonwealth company for the purposes of that Act
  - A subsidiary of a Commonwealth authority for the purposes of that Act

- One of the following is true:
  - 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
  - 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.

4.3.4 Large proprietary companies
Summary flowchart – audit of the financial report

General requirements
Large proprietary companies (see section 3.1.2) 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, these requirements are amended 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 below).

Audit relief for large proprietary companies
Limited relief in certain circumstances
ASIC Corporations (Audit Relief) Instrument 2016/784 (available at www.legislation.gov.au) 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 21)
- Borrowers in relation to debentures
- Guarantors of borrowers in relation to debentures
- A financial services licensee.

\(^5\) 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.
Conditions to qualify for relief
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'):

- 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
- 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)
- 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)
- 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
- 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
- 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
- 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)
- 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 a 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
- 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
- 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.

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

- 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
- 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
- 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
- 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
- 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

- 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).


4.3.5 Small proprietary companies
Summary flowchart – audit of the financial report

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 4.3.4.

Relief for certain small proprietary companies undertaking crowd sourced funding
Audit relief
Where a small proprietary company is required to prepare an annual financial report because it has raised funds using crowd source funding under the Corporations Act, the entity will generally also be required to have that financial report audited.

However, if the company has raised a total of less than the 'CSF audit threshold' from all the 'CSF offers' it has ever made, it is not required to have the financial report audited (s.301(2)(b)). For these purposes:
• The ‘CSF audit threshold’ is $3 million, or such other amount as is prescribed by the Corporations Regulations (no such amount has currently been prescribed)
• ‘CSF offers’ are fundraising offers made by the company under the crowd source funding provisions of the Corporations Act (i.e. Part 6D.3A).

Modified reporting to members
A small proprietary company that has one or more ‘CSF shareholders’ (i.e. members who became shareholders under a crowd sourced funding offer) at the end of the financial year only needs to provide its annual report (and concise report if any) via a website and does not need to notify shareholders of alternative ways of receiving the reports (s.314(1AF)).

4.3.6 Notified foreign passport funds
Notified foreign passport funds (see section 3.3.4) are required to obtain an auditor’s report relating to the report for the fund for the year prepared in accordance with the financial reporting requirements applying to the fund under the passport rules for the home economy for the fund (see section 4.2.7).
4.4 **Requirement to lodge the annual financial report with ASIC**

In general terms, most annual financial reports prepared under the Corporations Act are required to be lodged with ASIC. However, there are a number of exemptions in the Act itself, and additional ASIC Corporations Instruments and Class Orders that provide relief from the requirement to lodge.

The analysis below discusses the lodgement requirements for each category of entity.

4.4.1 **Disclosing entities and registered schemes**

**Summary flowchart – lodgement of the financial report**

![Flowchart](image)

**General requirements**

Disclosing entities and registered schemes are required to lodge a copy of their financial report, directors' report and auditor's report for the financial year with ASIC. This includes any concise report for the period (s.319(1)). The timeline for lodgement is within three months after the end of the financial year.

**COVID-19 considerations**

*ASIC Corporations (Extended Reporting and Lodgment Deadlines—Listed Entities) Instrument 2020/451* (available at [www.legislation.gov.au](http://www.legislation.gov.au)) extends the lodgement deadline for disclosing entities and registered scheme to be four months after the end of the financial year, for financial years ending between 21 February 2020 and 7 July 2020 (both inclusive).

**Dual lodgement relief for listed entities**

In accordance with *Corporations (Electronic Lodgement 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.
4.4.2 Public companies
Summary flowchart – lodgement of the financial report

General requirements
In general, public companies are required to prepare and lodge an annual financial report with ASIC (s.319(1)). The deadline for lodgement is four months after the end of the financial year (s.319(3)(b)).

COVID-19 considerations
ASIC Corporations (Extended Reporting and Lodgment Deadlines – Unlisted Entities) Instrument 2020/395 (available at www.legislation.gov.au) extends the lodgement deadline for unlisted public companies to be five months after the end of the financial year, for financial years ending between 31 December 2020 and 7 July 2020 (both inclusive).

However, under s.319(2)(b), the lodgement requirement does not apply if the annual financial report is being prepared for a small company limited by guarantee (see section 3.1.3) in response to a member’s request (s.294A) or ASIC request (s.294B). In the case of a request by ASIC, the request may require the annual financial report to be lodged (s.294B(4)).
4.4.3 Large proprietary companies

Summary flowchart– lodgement of the financial report

Is the large proprietary company eligible to apply the ‘grandfathering’ provisions under s.1408(6) of the Corporations Act?

Yes

Has the entity obtained the relief available for certain foreign owned entities in ASIC-CI 2015/840?

Yes

The entity IS required lodge the annual financial report with ASIC

No

The entity is NOT required to lodge its annual financial report with ASIC

General requirements

Large proprietary companies (see section 3.1.2) are generally required to lodge their annual financial report with ASIC (s.319(1)). The deadline for lodgement is four months after the end of the financial year (s.319(3)(b)).

COVID-19 considerations

ASIC Corporations (Extended Reporting and Lodgment Deadlines – Unlisted Entities) Instrument 2020/395 (available at www.legislation.gov.au) extends the lodgement deadline for unlisted public companies to be five months after the end of the financial year, for financial years ending between 31 December 2020 and 7 July 2020 (both inclusive).

Relief from lodgement for ‘grandfathered’ 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).

Relief for lodgement for certain foreign owned large proprietary companies

ASIC Corporations (Exempt Proprietary Companies) Instrument 2015/840 (dated 18 September 2015), provides similar lodgement relief to that available for ‘grandfathered’ proprietary companies 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 98/99 (the prior version of the Instrument).
4.4.4 Small proprietary companies

Summary flowchart– lodgement of the financial report

General requirements

If a small proprietary company is required to prepare an annual financial report, the requirement to lodge that financial report with ASIC depends on the reporting mandate requiring the preparation of that annual financial report (see section 4.2.6):

- If the annual financial report is being prepared due to a member’s request (s.293), it is not required to be lodged with ASIC
- If the annual financial report is being prepared due to an ASIC request (s.294), lodgement with ASIC will depend on the nature of the request from ASIC, i.e. the request will stipulate if lodgement is required
- If the annual financial report is being prepared because the entity has raised funds using crowd sourced funding (see section 3.3.2), the annual financial report must always be lodged with ASIC.

The requirement to lodge applies even though the entity may not be required to have the annual financial report audited due to the nature of the shareholder or ASIC request, or where the entity has raised funds using crowd sourced funding and is under the ‘CSF audit threshold’ (see section 4.3.5).

4.4.5 Notified foreign passport funds

Under s.319(1AA), a notified foreign passport fund (see section 3.3.4) must lodge each of the following with ASIC for each financial year for the fund:

- A copy of a report for the fund for the year, prepared in accordance with the financial reporting requirements applying to the fund under the passport rules for the home economy for the fund, and
- A copy of each auditor’s report that relates to the report.
4.4.6 Reporting deadlines
Section 319 of the Corporations Act requires a disclosing entity, registered scheme or notified foreign passport fund to lodge 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 unless they are not required to lodge with ASIC (as outlined in this section).

Entities listed on the ASX will also need to consider the reporting deadlines under the ASX Listing Rules. Entities that are country by country reporting entity for tax purposes also need to consider the lodgement requirements and deadlines for GPFS under tax law (see section 4.7).

COVID-19 considerations

In addition, the ASX has issued a waiver to permit listed entities to comply with the revised lodgement deadlines.

More information is available in section 6.7.3.

See section 6.7 for a summary of the reporting deadlines under both the Corporations Act and ASX Listing Rules.
4.5 ASIC

4.5.1 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.

4.5.2 Class Orders and Corporations Instruments

ASIC issues Class Orders and 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: Links to the text of the instrument are to the latest version of the instrument on [http://www.legislation.gov.au/](http://www.legislation.gov.au/).

<table>
<thead>
<tr>
<th>Release number</th>
<th>Issue date</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Class Orders</strong></td>
<td></td>
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</tr>
<tr>
<td>10/654</td>
<td>26/07/2010</td>
<td><strong>Inclusion of parent entity financial statements in financial reports</strong> 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 Corporations Amendment (Corporate Reporting Reform) Act 2010. More information: section 6.5.3, text of the order</td>
</tr>
<tr>
<td>13/1050</td>
<td>20/12/2013</td>
<td><strong>Financial Reporting by Stapled Entities</strong> Permits a stapled entity to include, in its financial report or concise report, consolidated financial statements or combined financial statements that include other entities that are stapled issuers in the same stapled group as the relevant entity where the Corporations Act would otherwise not permit the inclusion of those other group members, provided certain conditions are met. This effectively permits the preparation of consolidated or combined financial reports by stapled entities where the Corporations Act would otherwise prevent it. More information: text of the instrument</td>
</tr>
<tr>
<td><strong>Corporations Instruments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015/251</td>
<td>27/05/2015</td>
<td><strong>ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251</strong> Relieves certain entities from the requirements to prepare and lodge financial reports under Part 2M.3 of the Corporations Act and to hold an annual general meeting where a liquidator or administrator has been appointed to the entity, provided certain conditions are met. More information: section 4.1.3, text of the instrument</td>
</tr>
<tr>
<td>2015/838</td>
<td>18/09/2015</td>
<td><strong>ASIC Corporations (Stapled Group Reports) Instrument 2015/838</strong> 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. More information: text of the instrument</td>
</tr>
<tr>
<td>Release number</td>
<td>Issue date</td>
<td>Subject</td>
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<tr>
<td>---------------</td>
<td>-------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>2015/839</td>
<td>18/09/2015</td>
<td><strong>ASIC Corporations (Related Scheme Reports) Instrument 2015/839</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More information: <a href="#">text of the instrument</a></td>
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<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Note: <a href="#">ASIC-CI 2020/396</a> and <a href="#">ASIC-CI 2020/452</a> together amend the relief in ASIC-CI 2015/840 to provide eligible entities an additional month to send the financial report to members in respect of financial years ending between 31 December 2019 and 7 July 2020 (both inclusive). This temporary relief was provided in response to the COVID-19 crisis.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More information: <a href="#">text of the instrument</a></td>
</tr>
<tr>
<td>2015/841</td>
<td>18/09/2015</td>
<td><strong>ASIC Corporations (Non-Reporting Entities) Instrument 2015/841</strong></td>
</tr>
<tr>
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<td>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.</td>
</tr>
<tr>
<td></td>
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<td>More information: <a href="#">text of the instrument</a></td>
</tr>
<tr>
<td>2015/842</td>
<td>18/09/2015</td>
<td><strong>ASIC Corporations (Post Balance Date Reporting) Instrument 2015/842</strong></td>
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<tr>
<td></td>
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<td>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.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More information: <a href="#">text of the instrument</a></td>
</tr>
<tr>
<td></td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More information: <a href="#">text of the instrument</a></td>
</tr>
<tr>
<td>2016/186</td>
<td>24/03/2016</td>
<td><strong>ASIC Corporations (Foreign Licensees and ADIs) Instrument 2016/186</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More information: <a href="#">text of the instrument</a></td>
</tr>
<tr>
<td>Release number</td>
<td>Issue date</td>
<td>Subject</td>
</tr>
<tr>
<td>---------------</td>
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</tr>
<tr>
<td>2016/187</td>
<td>15/08/2016</td>
<td>ASIC Corporations (Uncontactable Members) Instrument 2016/187</td>
</tr>
<tr>
<td></td>
<td></td>
<td>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.</td>
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<tr>
<td></td>
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<td>More information: text of the instrument</td>
</tr>
<tr>
<td>2016/188</td>
<td>15/08/2016</td>
<td>ASIC Corporations (Directors’ Report Relief) Instrument 2016/188</td>
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<tr>
<td></td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More information: text of the instrument</td>
</tr>
<tr>
<td>2016/189</td>
<td>15/08/2016</td>
<td>ASIC Corporations (Synchronisation of Financial Years) Instrument 2016/189</td>
</tr>
<tr>
<td></td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More information: section 6.2.4, text of the instrument</td>
</tr>
<tr>
<td>2016/190</td>
<td>15/08/2016</td>
<td>ASIC Corporations (Disclosing Entities) Instrument 2016/190</td>
</tr>
<tr>
<td></td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More information: text of the instrument</td>
</tr>
<tr>
<td>2016/191</td>
<td>24/03/2016</td>
<td>ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Permits rounding off in the directors' report and financial report where total assets exceed $10 million, $1,000 million and $10,000 million.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More information: section 6.5.2, text of the instrument</td>
</tr>
<tr>
<td>2016/784</td>
<td>28/09/2016</td>
<td>ASIC Corporations (Audit Relief) Instrument 2016/784</td>
</tr>
<tr>
<td></td>
<td></td>
<td>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. Applies to financial years ending on or after 1 January 2017.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More information: section 4.3.2, text of the instrument</td>
</tr>
</tbody>
</table>
ASIC Corporations (Wholly owned Companies) Instrument 2016/785 and ASIC Corporations (Amendment) Instrument 2016/1211

Relieves 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).

Note: ASIC-CI 2020/452 extends the relevant deadlines in the instrument for one month for financial years ending between 31 December 2019 and 7 July 2020 (both inclusive), in response to the COVID-19 crisis. For instance, entities have five rather than four months to prepare and lodge the necessary consolidated financial statements of the holding company during this period.

More information: section 4.1.2, text of the instrument.

ASIC Corporations (Foreign-Controlled Company Reports) Instrument 2017/204

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. See section 4.2.6 for a discussion of this part of the instrument.

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).

More information: text of the instrument.


Implements temporary measures aimed at facilitating financial reporting by unlisted entities whose reporting processes take additional time due to remote work arrangements, travel restrictions and other impacts of COVID-19. The temporary measures are intended to allow unlisted entities up to one additional month to complete financial reports and have those reports audited, in compliance with the financial reporting and audit requirements of the Corporations Act.

The relief under these Instruments together apply to certain unlisted entities for a financial years ending between 31 December 2019 and 7 July 2020 (both inclusive).


ASIC Corporations (Extended Reporting and Lodgment Deadlines—Listed Entities) Instrument 2020/451

Implements temporary measures aimed at facilitating financial reporting by listed entities whose reporting processes take additional time due to current remote work arrangements, travel restrictions and other impacts of COVID-19. The temporary measures are intended to allow listed entities up to one additional month to complete financial reports and have those reports audited, in compliance with the financial reporting and audit requirements of the Corporations Act.

More information: text of the instrument.
4.5.3 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.

COVID-19 considerations

ASIC Corporations (Extended Reporting and Lodgment Deadlines – Unlisted Entities) Instrument 2020/395 (available at www.legislation.gov.au) and ASIC Corporations (Extended Reporting and Lodgment Deadlines—Listed Entities) Instrument 2020/451 (available at www.legislation.gov.au) extend the lodgment deadlines for many obligations arising under the Corporations Act, for financial years ending between 31 December 2020 (or in the case of listed entities, 21 February 2020) and 7 July 2020 (both inclusive). Additional amending Corporations Instruments reflect these changes in other Corporations Instruments. The ASX has provided a Class Waiver to allow listed entities to lodge their annual reports at a later date.

In extreme cases, the extended deadlines may not be able to be complied with by entities. This may occur where information needed to prepare financial statements is unavailable due to COVID-19 impacts on foreign operations.

Where the relevant deadline arises under the Corporations Act 2001, the entity may be able to apply to ASIC for entity-specific relief. Listed entities wishing to do so would also need to consider the ASX Listing Rules. All entities seeking relief should consider the guidance in ASIC media release 20-084MR ASIC to provide additional time for unlisted entity financial reports (available at www.asic.gov.au), which notes:

“... ASIC will consider applications to extend the reporting deadline for individual entities in appropriate circumstances. Where possible, any applications should be made at least 14 days before the normal reporting deadline. Applications should include sufficient information for ASIC to assess the impact of market conditions and COVID-19 developments.”

Further guidance on how to make an application to ASIC, and when an application is likely to be successful, can be found in ASIC Regulatory Guide RG 43 Financial reports and audit relief (available at www.asic.gov.au) and ASIC Regulatory Guide RG 51 Applications for Relief (also available at www.asic.gov.au).

In addition, entities facing difficulties meeting the deadlines under the ASX Listing Rules (including those linked to the Corporations Act 2001 requirements) can apply to the ASX for a waiver. Entities wishing to pursue a waiver should follow the guidance in ASX Guidance Note 17 Waivers and In-principle Advice (available at www.asx.com.au). For issuers on the ASX Quoted Assets (AQUA) market, ASX Operating Rules Guidance Note 4 Waivers and In-Principle Advice (also available at www.asx.com.au) has further information on how to apply for a waiver of the operating rules governing those products.

Where entity specific relief is required, applications should be made as early as possible and before the relevant deadline passes.
4.6 ASX

4.6.1 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.

4.6.2 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 (available at www.asx.com.au) 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.

Changes to the ASX Listing Rules
In mid-October 2019, the ASX updates to its ASX Listing Rules and guidance in response to its earlier consultation paper Simplifying, clarifying and enhancing the integrity and efficiency of the ASX listing rules. The changes apply from 1 December 2019 (with some exceptions). More information can be found in the ASX announcement of the changes, available at www.asx.com.au. The information below has been updated to reflect the updated ASX Listing Rules and guidance.

Securities traded on the ASX quoted assets (AQUA) market
The ASX Listing Rules do not apply to securities admitted to the ASX Quoted Assets (AQUA) market, e.g. exchange traded fund securities and managed fund products. These issuers are instead subject to the ASX Operating Rules. Specifically, Schedule 10A AQUA Products and the AQUA Trading Market (available at www.asx.com.au) outlines the requirements for such issuers.

In terms of disclosure requirements, Rule 10A.4.2 sets out the disclosure requirements for managed fund products, and Rule 10A.4.4 sets out the disclosure requirements for exchange traded funds. These rules require, among other things, the issuer to provide the ASX a copy of all periodic reports (including financial reports, directors’ reports and auditors reports) that the issuer is required to lodge with ASIC under the Corporations Act.

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

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General requirements</strong></td>
<td></td>
</tr>
<tr>
<td>Preliminary final report (Listing Rule 4.3A-4.3B)</td>
<td>Following the end of the financial year of an entity, the entity (in the case of a trust, the responsible entity) must give the ASX the information required by Appendix 4E, unless the entity is a mining exploration entity or oil and gas exploration entity (see section 6.6.1)</td>
</tr>
<tr>
<td>Copy of annual reporting documents (Listing Rule 4.5)</td>
<td>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</td>
</tr>
<tr>
<td>Copy of annual report (Listing Rule 4.7)</td>
<td>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</td>
</tr>
</tbody>
</table>
**Requirement** | **Summary**
--- | ---
**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’ starting on page 289 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 entity, 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 cash flow report** (Listing Rule 4.7B) | Entities (other than an investment entity, mining producing entity, mining exploration entity, oil and gas producing entity or oil and gas producing entity) admitted to the official list under Listing Rule 1.3.2(b)9 (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.

**Quarterly activity reports** (Listing Rule 4.7C) | Entities required to provide an Appendix 4C (discussed immediately above) are also required to provide a quarterly activity report to the ASX at the same time as the Appendix 4C is provided each quarter. The quarterly activity report provides information about the business activities for the quarter, comparisons to ‘use of funds’ statements included in prospectuses (in certain cases) and information about payments to the related parties of the entity.

**Disclosures where securities are the main asset** (Listing Rule 4.8) | If a listed entity's main asset is 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.

**CDIs on issue for dual listed entities** (Listing Rule 4.11) | An entity that has a dual listing on the ASX and an overseas exchange and has CHESS Depositary Interests (CDIs) issued over quoted securities must complete Appendix 4A and give it to the ASX within 5 business days of the end of each month.

**Net tangible asset backing for investment entities** (Listing Rule 4.12) | An investment entity6 is required to disclose its net asset backing of its quoted securities on a monthly basis, immediately it is available and in any event not later than 14 days after the end of each month.

**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 (quarterly cash flow report).

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6 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.

7 This Listing Rule was introduced by the ASX with effect from 1 December 2019 but is effective from the quarter ended 31 March 2020.

8 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.
Reporting mandate

### 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 6.6 for a discussion on the annual reporting requirements of the ASX Listing Rules for listed entities.

#### 4.6.3 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 6.7 for a summary of the reporting deadlines under both the Corporations Act and ASX Listing Rules.

**COVID-19 considerations**


In addition, the ASX has issued a waiver to permit listed entities to comply with the revised lodgement deadlines. More information is available in section 6.7.3.

#### 4.6.4 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.

#### 4.6.5 Other exchanges

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

<table>
<thead>
<tr>
<th>Stock exchange</th>
<th>Comment</th>
</tr>
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<tbody>
<tr>
<td>National Stock Exchange of Australia (NSX)</td>
<td>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.</td>
</tr>
<tr>
<td>Chi-X-Australia</td>
<td>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.</td>
</tr>
<tr>
<td>SIM Venture Securities Exchange Limited (SIM VSE)</td>
<td>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.</td>
</tr>
<tr>
<td>Sydney Stock Exchange Limited (SSX)</td>
<td>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.</td>
</tr>
</tbody>
</table>
The NSX listing rules are available at www.nsxa.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
4.7 General purpose financial statements for country-by-country reporting entities

4.7.1 Recent legislative changes


The amendments:

- Transfer the requirement to prepare GPFS arising under s.3CA of the Tax Administration Act from SGEs to CBC reporting entities
- Require entities to ignore accounting exemptions from consolidation when testing whether the annual global income meets or exceeds the A$1 billion threshold to be a SGE or CBC reporting entity (there are differences between how these are treated for the SGE and CBC reporting entity definitions)
- Require entities to determine annual global income (and so whether the entity is a SGE or CBC reporting entity) for a ‘notional listed company group’ (NLCG) in some cases. This has the effect of ensuring that annual global income is determined on a consolidated basis, even though that amount may not be disclosed in the financial statements of the ultimate parent entity (because financial statements are not prepared, or are only prepared on a stand alone basis).

The definitions of a SGE and CBC reporting entity are related and linked. However, entities will be required to calculate their annual global income under two different definitions when determining whether the relevant SGE or CBC reporting entity requirements apply to them. CBC reporting entities are effectively a subset of SGEs and remain subject to the SGE provisions, including the significant penalties applying to SGEs.

The following diagram shows how the old and new definitions are related (note that only those entities within the green box are subject to the GPFS requirement under s.3CA of the Tax Administration Act).

![Diagram showing old and new SGE definitions](image)

Entities previously identified as SGEs will meet the new CBC reporting entity definition. This is because the annual global income for the CBC reporting group will continue to be determined for the same (or more) entities as under the previous SGE definition. As a result, these entities will continue to be subject to the GPFS requirements as a CBC reporting entity. In addition, additional entities may fall into the CBC reporting group and so may also newly have a GPFS requirement (e.g. immaterial subsidiaries that have not been consolidated previously).

The amendments are operative from 1 July 2020 but apply to income years and periods beginning on or after 1 July 2019.

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As the new requirements apply to income years beginning on or after 1 July 2019, the information in this section (and this entire document) has been updated to reflect the amendments made by the *Treasury Laws Amendment (2020 Measures No.1) Act 2020*. 
4.7.2 Overview
Section 3CA of the Tax Administration Act requires a corporate tax entity to lodge a ‘general purpose financial statement’ (GPFS) with the Australian Tax Office (ATO) in specific circumstances (the ‘GPFS requirements’). The GPFS requirements apply in addition to any reporting obligations arising under the Corporations Act.

The GPFS requirements apply to ‘country-by-country entities’ (CBC reporting entities) that are a corporate tax entity (lodging tax returns) and either Australian resident entities or a foreign resident corporate tax entity that operates an Australian permanent establishment (as defined in the Income Tax Assessment Act 1936). However, where the entity has already lodged a GPFS with ASIC within the time provided under s.319(3) of the Corporations Act (see section 4.4.6), it is not required to lodge a GPFS with the ATO.

In essence, this means that unless a CBC reporting entity that is otherwise captured by the GPFS requirements lodges GPFS with ASIC within the relevant timeframes, the entity will be required to lodge GPFS with the ATO.

The GPFS requirements apply where an entity’s income year for tax purposes commences on or after 1 July 2016. Amendments made in 2020 by Treasury Laws Amendment (2020 Measures No.1) Act 2020 (available at www.legislation.gov.au) apply to income years beginning on or after 1 July 2019.

In broad terms, the application of the GPFS requirements requires the following steps:

- **Determine if the entity is a CBC reporting entity for tax purposes**. The GPFS requirements can only apply to CBC reporting entities as defined under tax law. The key test in the legislation is the amount of consolidated ‘annual global income’ of the CBC reporting parent of the entity (which may be the entity itself), specifically whether that income is greater than A$1 billion. However, there are considerations of what items are included in the determination of income. See section 4.7.3

- **Determine if the CBC reporting entity is captured by the GPFS requirements**. The GPFS requirements only apply to corporate tax entities, including permanent establishments operating and lodging tax returns in Australia, and only where those entities have not already lodged GPFS with ASIC. Accordingly, an entity can be a CBC reporting entity but still not have to meet the GPFS requirements. See section 4.7.4

- **Where GPFS are required, understand the choices available**. The enabling legislation for the GPFS requirements contemplates various options for satisfying the lodgement requirements, in terms of both the entity for which GPFS are lodged, and the accounting standards used in those GPFS. See section 4.7.5.

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9 Treasury Laws Amendment (2020 Measures No.1) Act 2020 amended the Income Tax Assessment Act and Tax Administration Act to extend the definition of a significant global entity (SGE) and introduce the ‘CBC reporting entity’ concept. Only CBC reporting entities that are corporate tax entities (lodging a tax return) are subject to the GPFS requirements in section 3CA of the Tax Administration Act. Prior to this Act, the GPFS requirements applied to SGEs that were a corporate tax entity (lodging tax returns).
Further guidance and resources on the GPFS requirements

We have prepared an edition of our Clarity publication, which explores the issues surrounding the GPFS requirements arising under tax law and provides insight into their interpretation through analysis and examples. The publication is available at www.deloitte.com/au/clarity.

The Tax Laws Amendment (Combating Multinational Tax Avoidance) Act 2015, which introduced the GPFS requirements, is available at www.legislation.gov.au. The Treasury Laws Amendment (2020 Measures No. 1) Act 2020, which broadened the definition of 'significant global entity' and introduced a subset of entities termed 'CBC reporting entities' which are subject to the GPFS requirements is also available at www.legislation.gov.au.

A fully compiled version of the Tax Administration Act is also available at www.legislation.gov.au.

The ATO’s guidance on applying the GPFS requirements is available at www.ato.gov.au.

4.7.3 Determining if an entity is a CBC reporting entity for tax purposes

Broadly, a CBC reporting entity is an entity, or a member of a ‘CBC reporting group’, that has annual global income of A$1 billion or more.

The definition of a CBC reporting entity focuses on identifying a ‘CBC reporting parent’ and determining whether the global financial statements of that parent discloses, or would disclose, annual global income exceeding the A$1 billion threshold. Each of the entities that are controlled by the CBC reporting entity and are, or would be, consolidated for accounting purposes, are members of the CBC reporting group.

The flowchart below outlines the legislative determination process to determine if an entity is CBC reporting entity:
What is a ‘CBC reporting parent’?
For the purposes of determining whether an entity may be a CBC reporting entity, a ‘CBC reporting parent’ is an entity that is not an individual and is not controlled by another member of the CBC reporting group and which has annual global income of A$1 billion or more.

In applying this definition, the concept of control is determined applying Australian Accounting Standards or, where those standards do not apply, commercially accepted principles relating to accounting (ITAA 1997 s.815-375). However, a member of a CBC reporting group may not be consolidated in the global financial statements because it is immaterial for accounting purposes. In this situation, the entity remains a member of the CBC reporting group and so is a CBC reporting entity (ITAA 1997 s.815-380, 960-575(4)(b)).

Where entities are members of two potential CBC reporting groups, they will be a member of the larger CBC reporting group (measured in respect to the group with the most members). This approach is intended to prevent duplication of CBC reporting requirements within what is effectively the same group.

This means:

- There is no requirement that the CBC reporting parent be incorporated, registered or otherwise operating in Australia (even though the Australian taxpayer assessing whether it is a CBC reporting entity may itself be incorporated, registered or otherwise incorporated in Australia)
- A CBC reporting parent can be an Australian entity if that entity is not controlled by another entity, i.e. the CBC reporting parent does not need to be a foreign entity
- A CBC reporting entity can be a single entity, i.e. there is no requirement for a consolidated group to exist for an entity to be a CBC reporting entity
- An entity directly owned and controlled by an individual can be a CBC reporting entity, i.e. it is the entity, not the individual, which is seen as the CBC reporting entity.

What are ‘global financial statements’?
Global financial statements for the CBC reporting parent must be prepared in accordance with Australian Accounting Standards (issued by the AASB) and where audited, audited in accordance with Australian Auditing Standards (issued by the Australian Auditing and Assurance Standards Board). Where these standards do not apply, commercially accepted principles relating to accounting and auditing can be applied, so long as they ensure the financial statements give a true and fair view of the financial position and performance of the entity (or consolidated entity) (ITAA 1997 s.960-570).

In addition, the global financial statements must be for the most recent period (not necessarily the income year) for which they have been prepared, and end no later than the end of the relevant period and no earlier than 12 months before the start of the relevant period. Where the information is not in Australian dollars, the ATO’s guidance prescribes that translations of amounts included in the global financial statements be performed using average exchange rates for the period.

What is ‘annual global income’?
The annual global income of a CBC reporting parent for a period is the total annual income of all the members of the group of entities that are consolidated in the global financial statements in accordance with accounting principles.

If the CBC reporting parent does not prepare global financial statements, or if the financial statements do not show the annual global income of the CBC reporting group, the entity instead considers a ‘notional listed company group’ (NLCG).

A NLCG is a group of entities that would be required to be consolidated as a single group under applicable accounting rules if any member of the group (such as the parent entity) was a listed company (ITAA 1997 s.960-575). Listed companies are required to prepare consolidated financial statements and so the lack of a legal requirement to prepare consolidated financial statements is ignored.

Actual preparation of financial statements is not required, but annual global income must be determined as if it were disclosed in those financial statements (which will be on a consolidated basis if the entity has subsidiaries which are required to be consolidated under the relevant accounting standards). In other words, the annual global income must be determined even if global financial statements are not prepared.
The NLCG concept might apply in situations such as the following:

- Entities that are, or are ultimately controlled by, entities that have no other requirement to prepare financial statements or were only required to prepare stand-alone financial statements. This may apply to groups headed by trusts, partnerships, co-operatives and similar entities.
- Entities controlled by foreign entities where that foreign entity has no obligation to prepare financial statements (or prepares stand-alone financial statements) in the foreign jurisdiction.
- Branches of foreign entities operating permanent establishments in Australia that do not have an obligation to prepare financial statements in their home jurisdiction.
- Australian corporate groups where consolidated financial statements were not previously prepared, e.g. unlisted corporate entities that are not ‘reporting entities’ preparing stand-alone special purpose financial statements (i.e. without consolidating subsidiaries).

The legislation uses the term ‘income’ and uses it in the context of accounts prepared in accordance with Australian Accounting Standards, or if they do not apply, commercially acceptable principles (e.g. IFRS or local generally accepted accounting principles).

The ATO's guidance on significant global entities\(^\text{10}\) indicates that annual global income is the total income that goes to the determination of profit or loss in accordance with AASB 101 *Presentation of Financial Statements* including revenue and gains that go to the determination of profit or loss' but excluding items included in other comprehensive income.

The ATO's guidance clearly intends a broad reading of “income”, meaning gains should be included in income when measuring a CBC reporting parent's global annual income. Because gains may be one off in nature, they may cause entities to move in and out of the CBC reporting entity definition from period to period as transactions occur.

Nothing in the definition of annual global income requires the entity to operate on a global basis. Accordingly, Australian based entities that only operate in Australia can still be a CBC reporting entity if the A$1 billion income threshold is met by the CBC reporting parent (which may be the entity itself).

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\(^{10}\) Available at [https://www.ato.gov.au/Business/Public-business-and-international/Significant-global-entities/](https://www.ato.gov.au/Business/Public-business-and-international/Significant-global-entities/). This guidance is also relevant for determining the annual global income for CBC reporting entities as the income concept are effectively the same for both definitions (the key difference being which consolidation exemptions are ignored for each definition, and which entities can be the ultimate parent).
4.7.4 Determine if the CBC reporting entity is captured by the GPFS requirements

Having determined an entity is a CBC reporting entity, the next step is to determine whether the entity is subject to the GPFS requirements. The flowchart below outlines the decision process in making this determination.

**What is a corporate tax entity?**

The ITAA 1997 includes the following types of entities as being ‘corporate tax entities’: companies, corporate limited partnerships and public trading trusts (ITAA 1997 s.960-155). Only these types of entities can be captured by the GPFS requirements. Accordingly, partnerships (other than corporate limited partnerships), trusts and non-corporate entities are generally not considered corporate tax entities and therefore cannot be subject to the GPFS requirements.
Requirement to lodge a tax return
Because the GPFS requirements links the timeframe for compliance to the lodgement of the entity's tax return (Tax Administration Act s.3CA(2)), the ATO's guidance takes the view that only CBC reporting entities required to lodge a tax return with the ATO for a particular income year can be subject to those requirements for that period.

Accordingly, an entity may be a CBC reporting entity but will not be required to lodge GPFS with the ATO because the entity is not required to lodge a tax return.

Lodgement of GPFS with ASIC under Part 2M.3 of the Corporations Act 2001
The GPFS requirements only apply if a CBC reporting entity has not lodged GPFS with ASIC for the financial year most closely corresponding to the income year. Accordingly, if an entity is obliged to prepare and lodge financial reports with ASIC under the Corporations Act, it may choose to lodge GPFS with ASIC and avoid the GPFS requirement to lodge GPFS with the ATO.

Permanent establishments operated by registered foreign companies
Only certain foreign companies are required to be registered as ‘registered foreign companies' under the Corporations Act (specifically Part 5B.2 of the Act, see section 7.4). This may be the case where a foreign entity operates a branch in Australia.

Only registered foreign companies can lodge financial reports under s.601CK of the Corporations Act. In other words, ASIC cannot accept the lodgement of financial reports of foreign entities unless the entity is required to be registered as a registered foreign company.

The ATO guidance on the GPFS requirements takes the view that where a foreign registered company operates a permanent establishment and lodges GPFS under s.601CK (within the appropriate deadlines), there is no obligation to lodge GPFS with the ATO under the GPFS requirements.

Requirement to lodge with ASIC within given timeframes

COVID-19 considerations
ASIC has provided certain extensions in respect of various deadlines for lodgement of documents under the Corporations Act and considering the COVID-19 crisis.

The deadlines noted in this section have not been adjusted to reflect the updated deadlines, however the information available in section 6.7.3 explains the temporarily extended deadlines. The revised deadlines for lodgement of financial reports remain before the deadline for lodging tax returns with the ATO.

The GPFS requirements do not apply to an entity where the entity has already lodged GPFS with ASIC within the time provided under s.319(3) of Corporations Act.

The deadline in s.319(3) for lodgement of financial reports with ASIC prepared under Part 2M.3 of the Corporations Act 2001 is generally three or four months after the end of the entity's financial year, depending on the nature of the entity.

The ATO's guidance contains administrative relief for late lodgement with ASIC. Under this relief, the ATO will accept that an entity has satisfied its GPFS obligations where the entity lodges GPFS with ASIC after the deadline in s.319(3) but before the due date for lodgement of the entity's income tax return for the relevant period. Where the relief is adopted, the entity is required to notify the ATO of the late lodgement.

Updates to the guidance made in April 2019 explicitly provide that this relief applies to registered foreign companies lodging GPFS under s.601CK.

Accordingly, as long as an entity has lodged GPFS with ASIC before the due date of its income tax return for the relevant period, and also notified the ATO of any late lodgement (as noted in the ATO's guidance), there is no obligation to prepare and lodge GPFS with the ATO.

Where the entity has a substituted accounting period for tax purposes, equivalent timelines will apply based on the timeline for the lodgement of the entity's tax return.
4.7.5 Understanding the choices available where GPFS are required

The GPFS requirements effectively include a number of choices as to how to achieve compliance.

The flowchart below summarises the decision making process to determine which accounting standards should be applied in the preparation of GPFS to be lodged with the ATO, in light of the requirements of the law and the ATO’s guidance. This section also deals with determining the entity for which GPFS are prepared, as the two concepts are linked.

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**Legislative definition of ‘general purpose financial statement’**

Section 3CA(5) of the *Tax Administration Act 1953* provides the following:

“For the purposes of this section, a general purpose financial statement in relation to an entity:

(a) must be prepared in accordance with:

(i) the accounting principles, or
(ii) if the accounting principles do not apply in relation to the entity – commercially accepted principles relating to accounting;

and

(b) if the entity is a member of a group of entities that are consolidated for accounting purposes as a single group – must relate to:

(i) the entity; or
(ii) the entity and some or all of the other members of the group.”

Because the legislation contemplates compliance being achieved in various ways, entities may, depending on their circumstances, have choices in:

- Which accounting standards are used in the preparation of GPFS lodged to meet the GPFS requirements, i.e. Australian Accounting Standards (by virtue of the definition of “accounting principles”) or ‘commercially accepted accounting principles’ (the term used in the ATO’s guidance, referred to as “CAAP”)
- Which entity prepares GPFS in meeting the GPFS requirements, i.e. the taxpayer itself (stand-alone financial statements), or consolidated financial statements that consolidate the entity (either consolidated GPFS for the entity itself, or a parent).

Because of the lack of clarity in the legislation dealing with these choices and their applicability, the ATO’s guidance was developed to provide the ATO’s views on how it will administer these matters.
Understanding the basis of the ATO's guidance
In practical terms, the ATO's guidance provides a very strict reading of the requirements in section 3CA(5), by linking the ‘CBC reporting entity’ to the corporate tax entity which is subject to Australian tax. Accordingly, many entities are likely to be required to prepare GPFS in accordance with Australian Accounting Standards (whether for the entity itself or a parent).

The discussion below set out how the ATO's views are applied in practice.

Entities with a reporting obligation under Part 2M.3 the Corporations Act
Australian Accounting Standards generally apply in relation to all entities with an obligation to prepare financial reports under Part 2M.3 of the Corporations Act (see section 4.2), due to requirements of s.296.

As a result, Australian Accounting Standards must be applied in preparing the GPFS lodged by the entity notwithstanding for which entity those GPFS are being prepared. For example, an entity with a reporting obligation under Part 2M.3 wishing to lodge a global parent’s GPFS, would have to prepare those GPFS in accordance with Australian Accounting Standards regardless of what accounting standards the global parent would otherwise apply. Converting the financial statements of a foreign parent to be compliant with Australian Accounting Standards is not necessarily a straightforward process.

However, the ATO guidance takes the view that Australian Accounting Standards will not automatically apply in circumstances where ASIC has otherwise relieved the entity, through a Corporations Instrument or Class Order, from preparing financial reports under Part 2M.3 of the Corporations Act (e.g. see section 4.2). In these cases, the GPFS lodged will not have to comply with Australian Accounting Standards unless it is required to do so for other reasons.

Registered foreign companies reporting under s.601CK of the Corporations Act
A registered foreign company may operate a permanent establishment in Australia and so be subject to the GPFS requirements.

The interaction of the registered foreign company provisions with the GPFS requirements depends upon whether the registered foreign company is required to prepare financial statements in its own jurisdiction:

- Registered foreign company is not required to prepare financial statements in its jurisdiction. In these circumstances, the company will be subject to subsections 601CK(5), (5A) and (6) of the Corporations Act. These subsections require the company to prepare the financial statements lodged with ASIC as if it were a public company required to comply with Part 2M.3. As public companies are required to apply Australian Accounting Standards, the GPFS lodged with the ATO for these entities must also be prepared in accordance with Australian Accounting Standards.

- Registered foreign company is required to prepare financial statements in its jurisdiction. In these circumstances, the GPFS lodged with the ATO can be prepared in accordance with Australian Accounting Standards or commercially accepted accounting principles (CAAP). This is because s.601CK does not impose a requirement to prepare the information lodged with ASIC to be in accordance with Australian Accounting Standards.

Some closely held registered foreign companies that are not part of a ‘large group’ may be eligible for relief from s.601CK of the Corporations Act 2001 under ASIC Corporations (Foreign Controlled Company Reports) Instrument 2017/204 (see section 7.4.2). In these cases, the GPFS lodged with the ATO can be prepared in accordance with Australian Accounting Standards or commercially accepted accounting principles (CAAP) as the requirements in subsections 601CK(5), (5A) and (6) will not apply to the entity.

Other permanent establishments operated by foreign entities that are not registered foreign companies are not subject to these additional considerations and have a choice of which accounting standards are applied in preparing their GPFS, i.e. Australian Accounting Standards or commercially accepted accounting principles (CAAP).

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11 There are exceptions, such as certain small proprietary companies preparing financial reports by direction, and notified foreign passport funds. However, for the purposes of the GPFS requirements, these exceptions are unlikely to be applicable and Australian Accounting Standards would apply to the entity.
Options on the GPFS to be lodged

The ATO's guidance acknowledges that there are a number of ways to satisfy the GPFS requirements when preparing and lodging GPFS.

Depending upon the nature of the entity, the following GPFS may be able to be lodged:

- **GPFS of the affected taxpayer**, consolidated for accounting purposes as a single group (i.e. consolidated in accordance with relevant accounting standards including all subsidiaries of the entity required to be consolidated under AASB 10, including any relevant offshore subsidiaries and branches)
- **GPFS of the affected taxpayer, prepared for the entity alone** (the guidance refers to these as ‘stand-alone GPFS’), subject to any relevant accounting standard requirements
- **GPFS of a parent of the affected taxpayer**, which includes the financial position and financial performance of the affected taxpayer, i.e. consolidates the affected taxpayer. The updates to the ATO guidance made in April 2019 clarify that these consolidated financial statements can be for any parent of the affected taxpayer, i.e. it does not need to be the ultimate Australian or global parent, but can be any parent of the entity preparing consolidated GPFS.

The critical point is that the GPFS for any of the above entities must be prepared in accordance with Australian Accounting Standards if the affected taxpayer is:

- Subject to Part 2M.3 of the Corporations Act, i.e. has an obligation to prepare financial reports where that obligation has not been relieved by an ASIC Corporations Instrument or Class Order
- Subject to s.601CK(5), (5A) and (6) of the Corporations Act, i.e. is a registered foreign company that does not have an obligation to prepare financial reports in its own jurisdiction and is therefore required to prepare financial reports in accordance with Australian Accounting Standards, or
- Otherwise has a requirement to prepare financial reports in accordance with Australian Accounting Standards.

The obligation to prepare GPFS in accordance with Australian Accounting Standards applies when lodging those GPFS in accordance with the GPFS requirements, regardless of whether the entity for which those GPFS are being prepared would otherwise be subject to a different reporting framework. For example, if an affected taxpayer has a reporting obligation under the Corporations Act and has U.S. parent, if it chooses to lodge the consolidated GPFS of that parent in meeting the GPFS requirements, those GPFS would need to be prepared in accordance with Australian Accounting Standards.

Other affected taxpayers have some choice over which accounting principles are applied. Therefore, if the affected taxpayer does not have an obligation to prepare financial reports in accordance with Australian Accounting Standards, it may choose to use Australian Accounting Standards or ‘commercially accepted accounting principles’ (CAAP).

What are ‘commercially accepted accounting principles’ (CAAP)?

The ATO's guidance indicates that the following accounting standards and principles will be accepted as ‘commercially accepted accounting principles’ for the purposes of the GPFS requirements:

- International Financial Reporting Standards (IFRS)
- Accounting standards that are IFRS compliant as published on IFRS.org (such as Australian Accounting Standards or IFRS as adopted by the European Union)
- US generally accepted accounting principles (GAAP)
- Accounting standards that are accepted by ASX Limited from time to time for the purposes of the ASX Listing Rules.

Where other accounting standards listed above do not apply in an entity's particular circumstances, the ATO's guidance indicates that the principles and guidance provided in Australian Auditing Standard ASA 210 *Agreeing the Terms of Audit Engagements* can assist in determining whether the accounting standards applied in preparing GPFS are accepted as CAAP.

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12 The preparation of ‘stand-alone GPFS’ is subject to the requirements of the accounting framework being applied. For example, under Australian Accounting Standards, the ability for an entity to prepare stand-alone GPFS when it has subsidiaries is limited to certain limited exceptions. More information about this issue can be found in our Clarity publication on GPFS for CBC reporting entities, available at [www.deloitte.com/au/clarity](http://www.deloitte.com/au/clarity).
5 The Australian differential reporting framework

Once an entity has determined it is required to prepare an annual report under the Corporations Act (or other requirements) it can then determine which financial reporting requirements to apply under the Accounting Standards.

Roadmap to this section

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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.

Set out on the next page is a decision chart for determining which financial reporting requirements apply, which is supplemented by the discussions in the sections that follow. This decision chart does not apply to entities required to prepare GPFS under s.3CA of the Tax Administration Act unless they are required to prepare GPFS for another reason. The new requirements arising under the Tax Administration Act for the lodgement of GPFS by significant global entities is discussed in section 4.7 and section 8.4.4.
Is the entity a reporting entity or required to prepare general purpose financial reports? (1)

Is the entity likely to become a reporting entity in the future? (2)

Does the entity wish to prepare a general purpose financial report?

Yes

No

It is recommended the entity prepare a general purpose financial report

Prepare a special purpose financial report (5)

Prepare a general purpose financial report applying all recognition and measurement requirements

Does the entity have public accountability or is it required to apply Tier 1 under its reporting mandate? (3)

Does the entity wish to be able to state compliance with International Financial Reporting Standards? (4)

Does the entity wish to take advantage of the reduced disclosure requirements available in Tier 2?

Yes

No

Apply Tier 1 reporting requirements (full compliance with IFRS)

Apply Tier 2 reporting requirements (reduced disclosure requirements)

Key

(1) The reporting entity concept is discussed in section 5.2 below. Entities required to prepare a GPFS under s.3CA of the Tax Administration Act should answer ‘No’ to this question unless they are required to prepare GPFS for another reason. The requirements arising under the Tax Administration Act for the lodgment of GPFS by significant global entities which applies to income years beginning on or after 1 July 2016 is discussed in section 4.7 and section 8.4.4. These requirements may require the preparation of GPFS even though they are not otherwise required to be prepared under the Corporations Act (although there may be a choice in the entity for which those GPFS are prepared).

(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

5.2.1 Definition of reporting entity

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 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 GPFs.

‘Non-reporting entities’, have the option to prepare SPFS 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).

5.2.2 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

Are there users dependent on financial reports for making and evaluating decisions about resources?

Yes (is a reporting entity)  
No (not a reporting entity)  
Not readily apparent

Separation of management and ownership  
Greater spread of ownership/membership  
Greater separation between management and owners/members

Economic or political importance  
Greater the economic or political influence of an entity to make an impact on the welfare of external parties (e.g. public sectors which have regulatory powers)

Financial characteristics (e.g. size or indebtedness of entity)  
Larger size (e.g. value of assets, number of employees or customers)  
Greater the indebtedness or resources allocated

More likely there are users dependent on financial reports for making and evaluating decisions about resources

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 GPFS

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 IFRS 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:

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<td>Choice of applying Tier 1 or Tier 2 requirements</td>
<td></td>
</tr>
<tr>
<td>Public sector entities</td>
<td>Australian Government, State, Territory and Local Governments, and General Government Sectors (GGSS) of Australian Government, State and Territory Governments (subject to AASB 1049)</td>
<td>All other public sector entities</td>
</tr>
</tbody>
</table>

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.

**New Tier 2 (Simplified Disclosures)**

The AASB has made AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities. The Simplified Disclosures (SD) in AASB 1060 will replace Reduced Disclosure Requirements with effect from reporting periods beginning on or after 1 July 2021. More information the new requirements can be found in section 5.6.
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.

<table>
<thead>
<tr>
<th>Definition inclusion</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>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*</td>
<td>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</td>
</tr>
<tr>
<td>The entity holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses</td>
<td>Banks, credit unions, building societies, insurance companies, securities brokers/dealers, mutual funds and investment banks</td>
</tr>
</tbody>
</table>

* 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).

The AASB is proposing to amend the definition of public accountability as part of its proposals to introduce the IASB’s Conceptual Framework (see section 5.5.6 for more information).

5.3.3 Reduced disclosure requirements

New Tier 2 (Simplified Disclosures)

The AASB has made AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities. The Simplified Disclosures (SD) in AASB 1060 will replace Reduced Disclosure Requirements with effect from reporting periods beginning on or after 1 July 2021. More information the new requirements can be found in section 5.6.

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.

13 See section 5.5.6 for a discussion of the likely developments in relation to Tier 2 financial statements.
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.

<table>
<thead>
<tr>
<th>Disclosure items generally retained</th>
<th>Disclosure items generally omitted</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Format and layout of the primary financial statements</td>
<td>• Detailed narrative disclosure, e.g. nature and extent of risks arising from financial instruments under AASB 7, standards on issue but not yet effective</td>
</tr>
<tr>
<td>• Descriptions of accounting policies and methods</td>
<td>• Detailed information on how amounts have been measured, e.g. share-based payments, fair values</td>
</tr>
<tr>
<td>• Key amounts included in the financial statements, e.g. impairment and reversals, breakdown of revenue, discontinuing operations, fair value adjustments, gains and losses</td>
<td>• Supplementary information about key transactions, balances and events, e.g. financial information about associates/joint ventures, alternate presentation of profit or loss information, impairment, defined benefit plan liabilities</td>
</tr>
<tr>
<td>• Movement schedules, e.g. share-based payments, property, plant and equipment, intangible assets, goodwill, and investment property</td>
<td>• Many additional Australian disclosures, e.g. audit fees, franking credits, reconciliation of net operating cash flows to profit or loss</td>
</tr>
<tr>
<td>• Reconciliations of key transactions and balances, e.g. business combination breakdowns, income tax expense and deferred tax balances</td>
<td>• Most disclosures required by Interpretations.</td>
</tr>
<tr>
<td>• Significant uncertainties and judgements</td>
<td></td>
</tr>
</tbody>
</table>
5.4 Transitioning between reporting frameworks

New Tier 2 (Simplified Disclosures)

The AASB has made AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities and AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.

The Simplified Disclosures (SD) in AASB 1060 will replace Reduced Disclosure Requirements with effect from reporting periods beginning on or after 1 July 2021 and introduce new transitional requirements for entities moving to Tier 2 (SD). More information the new requirements can be found in section 5.6.

The information in this section does not consider the transition to Tier 2 (SD).

5.4.1 Background

From 2005, all Australian for-profit 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 Accounting Standards that are equivalent to IFRS in preparing their financial reports. In the case of entities reporting under the Corporations Act, ASIC Regulatory Guide 85 Reporting requirements for non-reporting entities (available at asic.gov.au) explains ASIC’s view this is a consequence of the requirements of the Corporations Act and Accounting Standards which must be applied.

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 IFRS as IFRS do not generally have differing requirements for particular categories of entities.

As a result, in order to claim compliance with IFRS, 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. However, where an entity has previously claimed compliance with IFRS in any previous period, the entity has the additional option under AASB 1 for retrospective application of Accounting Standards in accordance with AASB 108 Accounting Policies, Changes in Estimates and Errors. This is required even if 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 applying to entities moving between Tier 1 and 2, or moving from SPFS to either Tier 1 or Tier 2, are necessarily complex.
5.4.2 Summary flowcharts

The flowcharts below provide a summary of the decision making process for the majority of cases for for-profit private sector entities.

**Adopting Tier 1**

1. **Were the entity’s previous financial statements special purpose financial statements?**
   - Yes: **Apply AASB 1 or the option of applying AASB 108 in AASB 1**
   - No: **Is the entity transitioning from Tier 2 to Tier 1?**
      - Yes: **Special case, apply the requirements of AASB 1053(1)**
      - No: **Apply AASB 1 (the AASB 108 option in AASB 1 is not relevant)**

2. **Has the entity applied Tier 1 or IFRS in a previous reporting period?**
   - Yes: **Does the entity wish to claim IFRS compliance on resuming Tier 1?**
     - Yes: **Apply AASB 1 or the option of applying AASB 108 in AASB 1**
     - No: **Apply AASB 1 without applying the AASB 108 option in AASB 1**
   - No: **No**

3. **Was the entity previously IFRS compliant?**
   - Yes: **Apply AASB 1 (the AASB 108 option in AASB 1 is not relevant)**
   - No: **No**

(1) This might arise where the entity has never prepared financial statements under Australian Accounting Standards and is doing so for the first time in order to meet the GPFS requirements. In this case, the applicable transition framework will depend on whether the entity has ever made a statement of compliance with IFRS.

**Adopting Tier 2**

1. **Were the entity’s previous financial statements special purpose financial statements?**
   - Yes: **Did the entity previously apply all applicable recognition & measurement requirements?**
     - Yes: **Do NOT apply AASB 1 but continue to apply existing recognition & measurement requirements**
     - No: **Apply AASB 1 or AASB 108**
   - No: **Is the entity transitioning from Tier 1 to Tier 2?**
     - Yes: **Special case, apply the requirements of AASB 1053(1)**
     - No: **No**

(1) This might arise where the entity has never prepared financial statements under Australian Accounting Standards and is doing so for the first time in order to meet the GPFS requirements. In this case, the applicable transition framework will depend on whether the entity has ever made a statement of compliance with Tier 2.
### 5.4.3 Transition scenarios

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

<table>
<thead>
<tr>
<th>Source</th>
<th>Reporting framework applied in the most recent previous financial statements</th>
<th>Extent of application of recognition and measurement requirements in the most recent previous financial statements</th>
<th>Statement of compliance in the most recent previous financial statements</th>
<th>Applicable transition requirement in the current period</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 1053.18</td>
<td>SPFS</td>
<td>Recognition and measurement requirements of Accounting Standards applied or not applied</td>
<td>N/A</td>
<td>Apply all the requirements of AASB 1</td>
</tr>
</tbody>
</table>
| AASB 1053.21 | Tier 2 reporting requirements | All recognition and measurement requirements of Accounting Standards applied | N/A | • Apply AASB 1, if claiming compliance with IFRS  
• Do not apply AASB 1, if a not-for-profit entity not claiming compliance with IFRS |
| AASB 1053.18A(a) | SPFS | Recognition and measurement requirements of Accounting Standards not applied or selectively applied | N/A | • 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 |
| AASB 1053.19 | Tier 2 reporting requirements or SPFS | All recognition and measurement requirements of Accounting Standards applied  
or 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 | • Apply all requirements of AASB 1, or  
• Apply Tier 1 requirements retrospectively in accordance with AASB 108² |
| 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 | • Apply all requirements of AASB 1, or  
• Apply Tier 2 requirements retrospectively in accordance with AASB 108 |
The Australian differential reporting framework

### Reporting framework applied in the most recent previous financial statements

<table>
<thead>
<tr>
<th>Source</th>
<th>Extent of application of recognition and measurement requirements in the most recent previous financial statements</th>
<th>Statement of compliance in the most recent previous financial statements</th>
<th>Applicable transition requirement in the current period</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 1053.19B(e)</td>
<td>Tier 1 or SPFS</td>
<td>Applying all recognition and measurement requirements of Accounting Standards</td>
<td>Did not contain an explicit and unreserved statement of compliance with Tier 2 reporting requirements</td>
</tr>
</tbody>
</table>

### 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 must disclose the reason it stopped applying Tier 2 reporting requirements and the reason it is resuming the application of Tier 2 reporting requirements.

5.4.4 **Moving from stand-alone SPFS to consolidated Tier 2 GPFS**

Additional interpretational issues arise in applying AASB 1053 in situations where an entity is moving from preparing stand-alone special purpose financial statements to consolidated ‘Tier 2’ (RDR) GPFS. Similar issues may arise where an entity is applying the equity method for the first time.

Because the transitional requirements that apply depend upon whether the entity has previously applied all the recognition and measurement requirements of Australian Accounting Standards, the question arises as to whether consolidation is considered a recognition and measurement requirement, particularly where an entity previously otherwise applied all recognition and measurement requirements in its special purpose financial statements.

In our view, the application of consolidation principles in the financial report of the entity should trigger the requirements in AASB 1053 where all recognition and measurement requirements have not previously been applied. Accordingly, an entity in this situation will have the choice of applying AASB 108 (full retrospective application) or AASB 1 (which among other requirements, permits certain transitional provisions in relation to previously unconsolidated subsidiaries).

The choice that each entity makes between AASB 108 and AASB 1 in these circumstances will depend on whether sufficient information is available to retrospectively restate the consolidated financial information included in the GPFS. In some cases, entities may not have prepared consolidated financial information in accordance with Australian Accounting Standards in the past, and the application of optional exceptions to full restatement in AASB 1 may be attractive. In other cases, the information will be available and the consolidated financial information may be more readily prepared.

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14 There remains some uncertainty about how to apply AASB 1053 (or AASB 108) in these circumstances. The first-time preparation of consolidated financial statements may be seen as a ‘new’ set of financial statements (which would trigger the application of AASB 1 in all cases), or alternatively, the consolidated financial statements could apply the transitional provisions of AASB 10 Consolidated Financial Statements. Whilst we understand the preferred view is that AASB 108 or AASB 1 can be applied in these circumstances, there may be other views. The AASB currently has a project underway to respond to the issue of the new Conceptual Framework for Financial Reporting (see section 5.5.6) which proposes to clarify AASB 1053 to explain that moving from stand-alone SPFS to consolidated Tier 2 GPFS will permit the entity to apply either AASB 108 or AASB 1 on transition.
5.4.5 Considering additional disclosures on transition
An entity preparing GPFS for the first time need not only consider which Accounting Standards apply to the transition, but they also need to consider the additional disclosures to be included in those GPFS.

Where AASB 1 is applied, there are a raft of disclosures to be considered, including reconciliations from prior reported amounts. These disclosures are substantially less, but not eliminated, for ‘Tier 2’ (RDR) GPFS.

Similarly, where accounting policies change when applying AASB 108, additional disclosures are required under that Standard.

Even where full recognition and measurement requirements of all Australian Accounting Standards have been previously applied in preparing SPFS, additional disclosures are recommended to alert users of the GPFS of the change in presentation.

See note 1 in section 10 Illustrative disclosures for illustrative disclosures of the disclosures where an entity is moving from SPFS to Tier 2 GPFS
5.5 Special purpose financial statements

5.5.1 Overview
SPFS are financial statements which are other than GPFS. 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.

Paragraph 6.1 of Miscellaneous Professional Statement APES 205 Conformity with Accounting Standards, imposes certain obligations on 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. In these circumstances, members of Australian accounting bodies are required 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.

Forthcoming changes
The AASB has made AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities and AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities. These standards require many private sector for-profit entities to prepare GPFS (i.e., they cannot prepare SPFS) and introduce a new ‘Simplified Disclosures’ Tier 2 framework. The new requirements apply to annual reporting periods beginning on or after 1 July 2021. For more information, see section 5.6.

In addition, the AASB has introduced new disclosure requirements in SPFS of not-for-profit private sector entities (see section 5.5.6) and is proposing to introduce similar requirements for for-profit entities (see section 5.5.7).

5.5.2 Requirements for SPFS prepared under the Corporations Act
SPFS prepared for lodgement under the Corporations Act for a financial year must include (s.295(1)):

- Financial statements as required by the accounting standards for the period (s.296(1)). These comprise a statement of financial position, statement(s) 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.

In addition, the financial report must include a directors’ report (s.298(1)).

5.5.3 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.
5.5.4 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 useful or is necessary to provide a true and fair view (see section 6.5.1).

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.

5.5.5 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.

In relation to the requirement to prepare consolidated financial statements, ASIC RG 85 notes the “sole determining factor as to whether consolidated financial statements are required is whether the group is a reporting entity”.

The full text of the ASIC RG 85 is available at www.asic.gov.au.

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 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.
5.5.6 Specific disclosures required in SPFS of not-for-profit private sector entities

In November 2019, the AASB issued AASB 2019-4 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements. This Amending Standard added additional disclosures in AASB 1054 Australian Additional Disclosures, which are effective for annual reporting periods ending on or after 30 June 2020.

The amendments require the following disclosures in special purpose financial statements of not-for-profit private sector entities:

- The basis on which the decision to prepare special purpose financial statements was made
- Where the entity has interests in other entities, whether or not its subsidiaries and associates have been consolidated or equity accounted (or reasons why the entity has not consolidated or equity accounted), or that the entity has not determined whether its interests in other entities give rise to interests in subsidiaries, associates or joint ventures (where permitted by legislation)
- The material accounting policies applied and disclosed that does not comply with all recognition and measurement requirements in Australian Accounting Standards have not been applied (except for the requirements in AASB 10 Consolidated Financial Statements or AASB 128 Investments in Associates and Joint Ventures)
- Whether or not the financial statements overall comply with the recognition and measurement requirements in Australian Accounting Standards (except for AASB 10 and AASB 128), or that such an assessment has not been made.

5.5.7 Proposals for specified disclosures in SPFS of for-profit entities

In June 2020, the AASB issued ED 302 Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities (available at www.aasb.gov.au).

The proposals in ED 302 would apply to:

- For-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards – the ability of these entities to prepare SPFS is temporary as these entities will be required to prepare general purpose financial statements for annual periods beginning on or after 1 July 2021 in accordance with AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities
- Other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards – the ability of these entities to prepare special purpose financial statements is limited to circumstances where the constituting or other document requiring compliance with Australian Accounting Standards was created or last amended before 1 July 2021.

ED 302 proposes to add the following disclosures to AASB 1054 Australian Specific Disclosures, which would require the above entities that preparing SPFS to:

- Disclose the basis on which the decision to prepare SPFS was made
- Disclose information about the material accounting policies applied in the SPFS, including information about changes in those policies
- Where the entity has interests in other entities – disclose whether or not its subsidiaries and investments in associates or joint ventures have been consolidated or equity accounted in a manner consistent with the requirements set out in AASB 10 Consolidated Financial Statements or AASB 128 Investments in Associates and Joint Ventures, as appropriate. If the entity has not consolidated its subsidiaries or equity accounted its investments in associates or joint ventures consistently with those requirements, it would be required to disclose that fact, and the reasons why
- For each material accounting policy applied and disclosed in the financial statements that does not comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128), disclose an indication of how it does not comply
- Disclose whether or not the financial statements overall comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128).

The proposals in ED 302 are open for comment until 11 September 2020 and are intended to apply to annual reporting periods ending on or after 30 June 2021. However, the AASB is encouraging entities to apply the proposed disclosures earlier than that, e.g. the 2019/20 financial year.
5.6 New financial reporting framework applying from 1 July 2021

5.6.1 Background
In March 2020, the AASB finalised and issued new Accounting Standards which:

- Remove special purpose statements for some for-profit entities – through an Amending Standard, AASB 2020-2
  Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities (AASB 2020-2)
- Introduce a new ‘Tier 2’ ‘Simplified Disclosure’ Standard – AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (AASB 1060), replacing ‘Reduced Disclosure Requirements’ (RDR).

The new requirements apply to periods beginning on or after 1 July 2021. Entities are able to early adopt the requirements, and this may be attractive for some categories of entities.

5.6.2 Entities that must prepare GPFS
The amendments made by AASB 2020-2 will require the following categories of entities to prepare GPFS:

- For-profit private sector entities that are required by legislation to prepare financial statements that comply with either ‘Australian Accounting Standards’ or ‘accounting standards’. This includes entities reporting under the Corporations Act as well as other legislation of the Federal, State or Territory governments in Australia (e.g. co-operatives, incorporated associations and higher education providers)
- Other for-profit sector entities that are required only by their constituting document or another document to prepare financial statements that comply with ‘Australian Accounting Standards’, provided that the relevant document was created or amended on or after 1 July 2021
- Other for-profit entities (private sector or public sector) that elect to prepare general purpose financial statements.

The flowchart below outlines the decision-making process on which private sector for-profit entities will be required to prepare general purpose financial statements, and which type.
Applicability to trusts and similar entities with non-legislative financial statement requirements

Entities such as trusts, partnerships, joint arrangements and self-managed superannuation funds commonly have non-legislative requirements to prepare financial statements in their constituting documents. Many of these documents require those financial statements to be prepared in accordance with Australian Accounting Standards, and accordingly, are prima facie within the scope of the new requirements to prepare GPFS.

However, after research and consultation with constituents, the AASB decided to provide an exemption from the requirement to prepare GPFS for existing for-profit private sector entities. For this exemption to be available, the constituting document or another document must have been created or last amended before 1 July 2021.

Therefore, if an entity amends its constituting document or another document after 1 July 2021 for any reason, and the amended document refers to a requirement to prepare financial statements in accordance with Australian Accounting Standards, subsequent financial statements will be required to be GPFS.

It is important to note that the requirements to prepare GPFS do not apply where a non-legislative document requires financial statements to be prepared in accordance with ‘accounting standards’ rather than Australian Accounting Standards. This is a key difference to a reporting mandate arising under a legislative requirement where a requirement to prepare financial statements in accordance with ‘accounting standards’ will also trigger a requirement for those financial statements to be GPFS.

‘Another document’ requiring financial statements

The requirements to prepare GPFS apply to private sector for-profit entities where any document created or amended after 1 July 2021 requires the preparation of financial statements in accordance with Australian Accounting Standards. For example, if a private sector for-profit entity enters into a loan agreement on or after 1 July 2021, and that agreement requires financial statements to be prepared in accordance with Australian Accounting Standards, those financial statements must be prepared as GPFS.

This applies broadly, i.e. to any private sector for-profit entity (and not just trusts and similar entities). For instance, this would apply where a small proprietary company that is otherwise exempt from preparing financial statements enters into a loan agreement which requires the preparation of financial statements in accordance with Australian Accounting Standards.

5.6.3 Requirement for consolidation and equity accounting

The requirement to prepare GPFS in accordance with the recognition and measurement requirements of all Accounting Standards may mean that entities with investments in subsidiaries, joint ventures or associates would be required to adopt consolidation and equity accounting principles. This may significantly broaden the financial reporting burden for affected entities.

The new requirements, by eliminating the reporting entity concept for affected entities, means an ultimate Australian parent entity is always required to prepare consolidated financial statements where it has subsidiaries (unless it is an investment entity). Accordingly, these entities will not be able to prepare ‘stand-alone’ general purpose financial statements where it is a subsidiary of a foreign parent entity preparing financial statements in accordance with IFRS. This is because all ultimate Australian parent entities would be required to consolidate and apply equity accounting, not just those that are ‘reporting entities’.

This does not impact wholly-owned or partly-owned subsidiaries of Australian parent entities where the requirements to obtain an exemption from consolidated financial statements in AASB 10 Consolidated Financial Statements are otherwise met.

For more information on when consolidated financial statements are required under the Corporations Act, see ‘Consolidated vs ‘stand-alone’ financial statements’ in section 6.1.1.
5.6.4 Entities that can continue to prepare SPFS
The following are not impacted by the requirement to prepare GPFS, and accordingly can prepare SPFS:
- Entities with a non-legislative requirement (i.e. their constituting or another document) to prepare financial statements in accordance with ‘Australian Accounting Standards’, so long as the constituting document or another document is not created or amended on or after 1 July 2021.
- Entities voluntarily preparing financial statements, or preparing financial statements for other purposes, e.g. small proprietary companies that choose to prepare a financial report for the directors’ information needs (unless those requesting stipulate the use of Australian Accounting Standards).
- Not-for-profit entities. Reporting requirements for these entities are subject to a separate AASB project.
- For-profit public sector entities. Reporting requirements for these entities are also subject to a separate AASB project.
- Other types of financial reports, e.g. financial reports of friendly societies, superannuation funds and retirement villages, or other financial reports not in the form of financial statements.

5.6.5 New ‘Tier 2’ ‘Simplified Disclosure’ reporting framework
The new ‘Tier 2’ ‘Simplified Disclosure’ (Tier 2 (SD)) framework is contained in a separate standard (AASB 1060). This is a different approach to the RDR which relied on ‘shading’ of disclosures throughout Accounting Standards. The core disclosure requirements in AASB 1060 amount to nearly 50 pages of disclosure requirements, but nevertheless, should mostly result in substantially less disclosure than equivalent RDR (or Tier 1) GPFS.

The requirements in AASB 1060 are based on the IASB International Financial Reporting Standard for Small- and Medium-sized Entities (the IFRS for SMEs). AASB 1060 closely aligns the disclosures made by ‘Tier 2’ entities with those applying under the IFRS for SMEs, adjusted for differences between the requirements of the IFRS for SMEs and existing Accounting Standards (which themselves are compliant with IFRS for private sector for-profit entities). Disclosure requirements in AASB 1060 are cross-referenced to the relevant paragraph in the IFRS for SMEs where they are based on that Standard.

5.6.6 Transition requirements
Summary of alternatives
The table below outlines the transition requirements and optional relief for private sector for-profit entities:

<table>
<thead>
<tr>
<th>Transitional approach</th>
<th>When it is available?</th>
<th>Who is eligible?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application of AASB 1 First-time Adoption of Australian Accounting Standards (AASB 1)</td>
<td>When the new requirements are adopted (moving from SPFS to GPFS)</td>
<td>Entities moving from SPFS to Tier 1 Entities moving from SPFS to Tier 2 (SD) where all the recognition and measurement requirements of all Australian Accounting Standards have not been previously applied (including consolidation and equity accounting)</td>
</tr>
<tr>
<td>Direct application of AASB 1060 and its transitional requirements in the context of AASB 108</td>
<td>When the new requirements are adopted (moving to Tier 2 (SD))</td>
<td>Entities moving from SPFS or Tier 2 (RDR) to Tier 2 (SD) where all the recognition and measurement requirements of all Australian Accounting Standards have been previously applied (including consolidation and equity accounting)</td>
</tr>
<tr>
<td>Optional relief from restating comparative information in primary financial statements</td>
<td>Reporting periods beginning before 1 July 2021 (i.e. early adoption)</td>
<td>Entities moving from SPFS to Tier 2 (SD) where all the recognition and measurement requirements of all Australian Accounting Standards have not been previously applied (including consolidation and equity accounting)</td>
</tr>
<tr>
<td>Optional relief from providing comparative information for new note disclosures</td>
<td>Reporting periods beginning before 1 July 2021 (i.e. early adoption)</td>
<td>Entities moving from SPFS to Tier 2 (SD)</td>
</tr>
</tbody>
</table>

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### Basic principles

The transitional requirements applying when transitioning from SPFS to GPFS are included in AASB 1053 *Application of Tiers of Australian Accounting Standards* (AASB 1053) and depend on (AASB 1053.18A):

- The nature of the GPFS being subsequently prepared (Tier 1 or Tier 2 (SD))
- Whether or not the entity presented consolidated SPFS
- The extent to which recognition and measurement requirements of all Australian Accounting Standards were previously applied.

In general, AASB 1053 requires entities to either apply AASB 1 or AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (AASB 108). Entities able to apply AASB 1 will be able to take advantage of its mandatory and optional exceptions from full retrospective restatement, including an option to adopt a ‘short cut’ method for previously unconsolidated subsidiaries, resetting of the foreign currency translation reserve and the adoption of ‘deemed cost’ for assets. Entities applying AASB 108 will generally be required to fully retrospectively apply all requirements of Australian Accounting Standards (either Tier 1 or Tier 2 (SD)).

The transitional approach adopted also dictates the transitional disclosures required. In the case of Tier 2 (SD), these are quite extensive, but less than those required in Tier 1 GPFS under AASB 1. Tier 2 entities that early adopt AASB 1060 are also able to take advantage of additional transitional relief, avoiding the need to provide certain comparative and transition information (AASB 1053 Appendix E).

### Moving to Tier 1

Any entity moving to Tier 1 (full disclosures) must generally apply all relevant requirements of AASB 1 (AASB 1053.18). Only entities that have previously made a statement of compliance with International Financial Reporting Standards (IFRS) (in a period before the immediately comparative period) are permitted to apply AASB 108 instead of AASB 1, but are still required to make certain disclosures in AASB 1.

### Moving from SPFS to Tier 2 (SD)

Entities moving from SPFS to Tier 2 (SD) GPFS have a more complex transition roadmap. In general:

- Entities that have complied with all recognition and measurement requirements (including consolidation where relevant), are required to directly apply AASB 1060, including the restatement of comparatives in accordance with AASB 108 (unless eligible for the relief from comparatives for new note disclosure on early adoption). The recognition and measurement requirements do not change for these entities, they are not permitted any additional transitional relief, but will generally have additional disclosures.
- Entities that have not fully complied with all recognition and measurement requirements are able to apply AASB 1 or AASB 108, and can take advantage of additional relief in either the first year of mandatory application, or on early adoption (as noted in the table above).
- Entities required to prepare consolidated GPFS under Tier 2 (SD) (i.e. where ‘stand-alone’ SPFS were previously prepared) will have the option of applying AASB 1 or AASB 108 (even if the stand-alone SPFS otherwise complied with all recognition and measurement requirements). These entities are also entitled to additional relief (as noted in the table above).

It is important to note that most private sector for-profit entities preparing SPFS under the Corporations Act 2001 should have applied the recognition and measurement requirements of all Australian Accounting Standards in accordance with the guidance in Australian Securities and Investments Commission (ASIC) Regulatory Guide RG 85 *Reporting requirements for non-reporting entities* (available at [asic.gov.au](https://asic.gov.au)). RG 85 is also the reason many SPFS are currently prepared on a stand-alone basis, i.e. without consolidation, as in ASIC’s view the “sole determining factor as to whether consolidated financial statements are required is whether the group is a reporting entity”.

---

<table>
<thead>
<tr>
<th>Transitional approach</th>
<th>When it is available?</th>
<th>Who is eligible?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optional relief from distinguishing errors from changes in accounting policy</td>
<td>Reporting periods beginning <strong>before 1 July 2022</strong> (i.e. first year of mandatory application)</td>
<td>Entities moving from SPFS to Tier 2 (SD) where <em>all</em> the recognition and measurement requirements of all Australian Accounting Standards <em>have not</em> been previously applied (including consolidation and equity accounting).</td>
</tr>
</tbody>
</table>
The table below summarises the relief available for various types of entities, depending upon the SPFS previously prepared, whether the entity is required to prepare consolidated GPFS under the new requirements, and the extent of recognition and measurement applied.

<table>
<thead>
<tr>
<th>Type of SPFS previously prepared</th>
<th>Transitional approach to adopt</th>
<th>Error vs. accounting policy relief?</th>
<th>Options if early adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entities with subsidiaries but exempt from consolidation under the new requirements</strong>&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stand-alone with full recognition and measurement</td>
<td>AASB 1060 and AASB 108</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Stand-alone without full recognition and measurement</td>
<td>AASB 1 or AASB 108</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Entities with subsidiaries requiring consolidated GPFS under the new requirements</strong>&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated with full recognition and measurement</td>
<td>AASB 1060 and AASB 108</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Consolidated without full recognition and measurement</td>
<td>AASB 1 or AASB 108</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Stand-alone with full recognition and measurement</td>
<td>AASB 1 or AASB 108</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Stand-alone without full recognition and measurement</td>
<td>AASB 1 or AASB 108</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Entities without subsidiaries</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stand-alone with full recognition and measurement</td>
<td>AASB 1060 and AASB 108</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Stand-alone without full recognition and measurement</td>
<td>AASB 1 or AASB 108</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

(1) This relief provides an optional exemption from differentiating between errors and accounting policy changes on transition. Where applicable, this relief is only available for financial reporting periods beginning on or before 1 July 2022.

(2) This would apply where an Australian parent prepares consolidated GPFS under Tier 1 or Tier 2 (SD) and the entity meets the conditions in AASB 10.4(a) to not prepare consolidated financial statements (mostly applicable to wholly owned subsidiaries), or where the entity is an investment entity that measures all of its subsidiaries at fair value through profit or loss.

(3) There is no ‘general’ exemption from consolidation under Tier 2 (SD). Specific exemptions are included in AASB 10 Consolidated Financial Statements (as noted in footnote (2) above) and it is an Australian-specific requirement that the ultimate Australian parent prepare consolidated financial statements (unless it is an investment entity). Accordingly, many parents with subsidiaries will be required to prepare consolidated financial statements.

The flowchart below (summarised from AASB 2020-2) outlines the decision making process summarised in the above table:

* Only applies to periods beginning before 1 July 2022.
Moving from RDR to Tier 2 (SD)
The new requirements do not deal with entities moving from the existing Tier 2 (RDR) to the new Tier 2 (SD). These entities will already be applying all recognition and measurements requirements of Australian Accounting Standards.

However, some of these entities may have prepared stand-alone GPFS if they had a foreign parent that prepared consolidated financial statements in accordance with IFRS. For instance, many subsidiaries of global multinationals adopt this approach in meeting the GPFS for CBC reporting entity requirements.

Transition for these entities is not currently considered in AASB 1053. Accordingly, they may not be able to apply AASB 1 on transition to the new Tier 2 (SD) and may need to instead apply AASB 108 or the transitional provisions in AASB 10 Consolidated Financial Statements. This means the transitional requirements of AASB 1 regarding where subsidiaries have not been previously consolidated will not be able to be applied by these entities.

During redeliberations, the AASB acknowledged this issue and indicated it may be addressed at a later stage. In the meantime, entities impacted by this may wish to defer considering early adoption of the new requirements.
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

<table>
<thead>
<tr>
<th>Topic</th>
<th>What is covered</th>
<th>Who does it apply to?</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1</td>
<td>Basic requirements for annual financial reports under the Corporations Act</td>
<td>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.</td>
</tr>
<tr>
<td>6.2</td>
<td>Financial years</td>
<td>The Corporations Act requirements for an entity’s financial year and when a financial year can be changed to be different than 12 months in length</td>
</tr>
<tr>
<td>6.3</td>
<td>Primary financial statements</td>
<td>The presentation requirements of the primary financial statements i.e.: • 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</td>
</tr>
<tr>
<td>6.4</td>
<td>Australian specific accounting standard requirements</td>
<td>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 Australian Additional Disclosures.</td>
</tr>
<tr>
<td>6.5</td>
<td>Other Australian specific considerations</td>
<td>Considerations specific to entities reporting in Australia such as: • 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</td>
</tr>
<tr>
<td>6.6</td>
<td>ASX Listing Rule requirements</td>
<td>An overview of the requirements of the ASX Listing Rules applicable to entities with securities listed on the ASX.</td>
</tr>
<tr>
<td>6.7</td>
<td>Reporting deadlines</td>
<td>Reporting deadlines for entities reporting under the Corporations Act and entities listed on the ASX</td>
</tr>
</tbody>
</table>
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 (available at www.legislation.gov.au) the financial report for a financial year consists of:

- The financial statements for the year
- The notes to the financial statements
- The directors’ declaration about the statements and notes\(^\text{15}\)(s.295(1)).

Compliance with Accounting Standards
A financial report for a financial year must comply with Accounting Standards (s.296). However:

- Where a small proprietary company prepares a financial report in response to a shareholder direction, the financial report does not need to be prepared in accordance with Accounting Standards if the direction specifies that the report does not have to comply with those standards (this does not apply where the entity has ‘CSF shareholders’, i.e. has raised funds using crowd-sourced funding) (s.296(1A))
- Where a small company limited by guarantee prepares a financial report in response to a member direction, the financial report does not need to be prepared in accordance with Accounting Standards if the direction specifies that the report does not have to comply with those standards.

All other entities preparing financial reports under the Corporations Act are required to comply with Accounting Standards. However, not all Accounting Standards are applicable to all entities, e.g. AASB 8 Operating Segments only applies to entities whose debt or equity instruments are traded in a public market (or in the process of doing so), and reporting entities are only required to fully comply with a subset of Accounting Standards (see section 5.5.3)\(^\text{16}\).

Consolidated vs ‘stand-alone’ financial statements
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)).

Accordingly, an entity will be required to prepare consolidated financial statements where Accounting Standards require them to do so. AASB 10 Consolidated Financial Statements requires an entity that is a parent to present consolidated financial statements, except in the following circumstances:

- Where the parent is an investment entity, in which case the entity must not present consolidated financial statements, but instead measures all of its subsidiaries at fair value through profit or loss (AASB 10.4B)
- Where the entity is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements. In this case, the entity can choose not to prepare consolidated financial statements, so long as the other requirements of the exemption are met, including that a parent produces financial statements available for public use that comply with IFRS (AASB 10.4(a)). This exemption is further extended to apply in some additional circumstances, e.g. parents that are not-for-profit entities applying Accounting Standards, and for parents that prepare financial statements in accordance with Reduced Disclosure Requirements (see section 5.3.3) (AASB 10.Aus4.1). However, no exemption is available where the entity is the ultimate Australian parent entity and either the entity or group is a reporting entity (AASB 10.Aus4.2)
- Where the entity is not a reporting entity (see section 5.2) and chooses not to prepare consolidated financial statements (on the basis that AASB 10 is not applicable to such entities in accordance with ASIC Regulatory Guide RG 85 Reporting requirements for non-reporting entities).

The reference to reporting entities in Accounting Standards (including in paragraph Aus4.2 of AASB 10) will be removed for certain private sector for-profit entities with effect from periods beginning on or after 1 July 2021. This will mean that ultimate Australian parent entities impacted by these changes will always be required to prepare consolidated financial statements unless they are an investment entity (see section 5.6).

\(^{15}\) s.295(4) and (5) sets out the requirements for the directors’ declaration.

\(^{16}\) Note however that ASIC Regulatory Guide 85 Reporting requirements for non-reporting entities notes that “the recognition and measurement requirements of accounting standards must also be applied in order to determine the financial position and profit or loss of any entity preparing financial reports in accordance with the Act”.

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True and fair view
Under s.297, the financial statements and notes for a financial year must give a ‘true and fair’ view of the financial position and performance of the company, registered scheme or disclosing entity, or of the consolidated entity where consolidated financial statements are required.

Declaration by chief executive office and chief financial officer
Companies, disclosing entities and registered schemes that are listed must comply with additional requirements before the directors’ declaration can be made.

In particular, the directors’ declaration cannot be made until the directors receive a declaration from the chief executive officer and chief financial officer (or their equivalent functions) that, in the person’s opinion (s.295A):

- The financial records of the entity for the financial year have been properly maintained in accordance with the record keeping requirements of the Corporations Act (as outlined in s.286)
- The financial statements and notes for the financial year comply with the Accounting Standards
- The financial statements and notes for the financial year give a true and fair view
- Any other matters prescribed by the regulations.

The declaration must be made in writing, specify the date it is made and the capacity in which the person is making the declaration, and by signed by the person making the declaration (s.295A(3)).

An illustrative example of a directors’ declaration is available on page 239.

6.1.2 Directors’ report
A company, registered scheme or disclosing entity that is required to prepare an annual report must prepare a directors’ report for each financial year (s.298(1)).

Summary of requirements
The table below sets out the various requirements for the directors’ report in summary terms, and indicates which entities are required to comply with each provision. This table covers in high-level terms the requirements of section 298-300A, and does not include details required by certain companies limited by guarantee or notified passport funds17.

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Listed entities</th>
<th>Unlisted registered schemes</th>
<th>Wholly-owned public company subsidiaries</th>
<th>Other public companies</th>
<th>Other entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>General information about the entity</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>The entity’s principal activities during the year and any significant changes in the nature of those activities</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Review of operations and results of those operations</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

17 The requirements for a directors’ report for a company limited by guarantee are set out in s.300B, and include a description of the short and long term objectives of the entity, the entity’s strategy, principal activities and how those activities assisted in achieving the entity’s objectives, and information about how the entity measures its performance (including any key performance indicators used by the entity). In addition, information about directors, directors meetings, and members’ contributions on winding up. Notified foreign passport funds are subject to separate reporting requirements (see section 4.2.7)
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### General information about the entity (continued)

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Listed entities</th>
<th>Unlisted registered schemes</th>
<th>Wholly-owned public company subsidiaries</th>
<th>Other public companies</th>
<th>Other entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information members may reasonably require to make an informed assessment of the operation of the entity, financial position of the entity, and business strategies and prospects for future financial years</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Details of any significant changes in the entity's state of affairs</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Details of matters or circumstances that have arisen since the end of the financial year impacting the entities operations, results or state of affairs</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Likely developments in the entity's operations in future financial years</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Unissued shares or interests under option at the day the report is made</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Details of the entity's performance in relation to any particular and significant environmental regulations</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

### Information about directors and officers

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Listed entities</th>
<th>Unlisted registered schemes</th>
<th>Wholly-owned public company subsidiaries</th>
<th>Other public companies</th>
<th>Other entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Names of each person who has been a director at any time during or since the end of the financial year</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Details of each director's qualifications, experience and special responsibilities, and details of the meetings held and attended</td>
<td>Listed public companies only</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Details of each director's relevant interests in shares of the company (or any related body corporate), debentures, rights and options over shares, debentures or interests</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Contracts to which the director is a party or entitled to a benefit and that confer a right to call for or deliver shares, debentures or interests</td>
<td>Listed companies only</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Directorships of other listed companies held by any director at any time in the 3 years before the end of the financial year</td>
<td>Listed companies only</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Remuneration report</td>
<td>Listed companies only</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Names of any officer that was a partner in an audit firm or director of an audit company that audited the entity</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Details of indemnities given to current or former officers or auditors</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Companies only</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Requirement</th>
<th>Listed entities</th>
<th>Unlisted registered schemes</th>
<th>Wholly-owned public company subsidiaries</th>
<th>Other public companies</th>
<th>Other entities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity/Interest transactions and holdings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Details of options granted during or since the end of the financial year to directors or any of the 5 most highly remunerated officers (including those granted, and shares or interests issued during or since the end of the financial year)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Details of each director's interests in shares, debentures, rights or options of the company or any related body corporate</td>
<td>Listed companies only</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Details of relevant interests, or rights or options in the scheme, owned by or involving a director of the responsible entity</td>
<td>Listed registered schemes only</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Other information</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Details of distributions paid and those recommended or declared but not yet paid during the financial year</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Details of non-audit services, auditor independence, and other information about individual auditors and registered company auditors in certain circumstances</td>
<td>Listed companies only</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Fees paid to the responsible entity and its associates, details of interests in the scheme held by the responsible entity (including those issued and withdrawn), the value of the scheme's assets, and the total interests in the scheme at the end of the financial year</td>
<td>Listed registered schemes only</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Details of any proceedings on behalf of the company</td>
<td>Listed companies only</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Companies only</td>
</tr>
</tbody>
</table>

**Selective relief for wholly-owned subsidiaries**

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:

- The first-mentioned body, or
- A nominee of the first-mentioned body, or
- A subsidiary of the first-mentioned body, being a subsidiary none of whose members is a person other than:
  - The first-mentioned body, or
  - A nominee of the first-mentioned body, or
  - A nominee of such a subsidiary.
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’.

An illustrative example of a directors’ report (which includes the remuneration report) is available on page 206.

6.1.3 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 4.3.3) (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)).

An illustrative example of an auditor’s independence declaration is available on page 234.

6.1.4 Audit report
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 (s.308).

Guidance on the independent audit report is available on page 236.
6.2 Financial years

6.2.1 Basic requirements for financial years under the Corporations Act
The requirements for financial years under the Corporations Act for the purposes of financial reporting are contained in s.323D of the Act. In addition, requirements for the financial years of notified foreign passport funds (see section 3.3.4) are contained in s.323DAA of the Act (see section 6.2.9).

In general, the financial year of an entity is a period of 12 months, starting at the end of the previous financial year. The directors may vary the length of the financial year, but not by more than 7 days (s.323D(2)). This permits entities to align their year ends with a particular day of the week, e.g. some retail entities report on a ‘52 week’ basis rather than a 12 month basis.

6.2.2 Initial financial year of a newly incorporated entity
An entity’s first financial year starts on the day on which it is registered or incorporated and lasts for a period determined by the directors. However, the first financial year cannot be longer than 18 months (s.323D(1)).

This flexibility permits directors of newly incorporated entities to choose a convenient end to its first financial year. For example, the directors of an entity that is incorporated during March 20X1 could choose a financial year ending on 30 June 20X1 (3-4 months in length) or 30 June 20X2 (as this would not be longer than 18 months).

6.2.3 Synchronisation with an Australian parent
If an entity is controlled by an Australian company, registered scheme or disclosing entity that has to prepare consolidated financial statements, that entity is required to do whatever is necessary to ensure the financial years of all its consolidated entities are synchronised with its own financial year (s.323D(3)). To facilitate synchronisation, the financial year of the controlled entity can be lengthened or shortened, but cannot exceed 18 months (s.323D(4)).

The synchronisation must be achieved within 12 months after the situation that calls for consolidation arises. For instance, if an entity acquires another entity in a business combination, it will have 12 months in which to change the financial years of the acquired entities if the financial year of the acquired entity does not coincide with its own.

6.2.4 Synchronisation with a foreign parent
The ability of an entity to synchronise financial years with a parent under s.323(3) only applies to Australian parents, due to the wording of the section referring to companies, registered schemes and disclosing entities.

Some foreign parents may be subject to equivalent requirements under foreign law to synchronise financial years of subsidiaries (including foreign subsidiaries). In this case, ASIC Corporations (Synchronisation of Financial Years) Instrument 2016/189 (ASIC-CI 2016/189) permits Australian subsidiaries of such entities to effectively synchronise their financial years with the foreign parent. The new financial year of the entity cannot be longer than 18 months. The relief available under ASIC-CI 2016/189 is subject to a number of conditions and the notes to the financial statements of the Australian subsidiary must include a brief statement as to the relief provided by the instrument.

It is important to note that the relief available under ASIC-CI 2016/189 is not automatic, but is only available where the foreign parent is required by foreign law to synchronise financial years of its subsidiaries. Therefore, this relief is not available where the directors of the foreign or Australian parent simply wish to synchronise financial years for convenience. In these cases, the directors of the Australian entities may be able to achieve synchronisation through other mechanisms available under s.323D (see section 6.2.5) or by application to ASIC, although this may require a financial year less than 12 months in some circumstances.

6.2.5 Ability to change financial years every five years
Directors of an entity have ability to change financial years where the change is made in good faith in the best interests of the company, registered scheme or disclosing entity. A change in financial year in these circumstances can only result in a financial year that is less than 12 months in length (s.323D(2A)).

However, such a change can only be made if during the previous five financial years there has not been a financial year of the entity that was less than 12 months as a result of relying on s.323D(2A). Therefore, where an entity has synchronised its financial year with an Australian parent, or varied its financial year by not more than 7 days, this will not of itself affect the entity’s ability to change its financial year.
6.2.6  Summary of requirements for financial years

The table below summarises the options available for determining financial years of entities other than notified foreign passport funds:

<table>
<thead>
<tr>
<th>Circumstance</th>
<th>When available</th>
<th>Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial financial year of an entity</td>
<td>When an entity is incorporated or registered</td>
<td>Maximum of 18 months</td>
</tr>
<tr>
<td>Subsequent financial year</td>
<td>Every financial year after the initial financial year of the entity</td>
<td>12 months ± 7 days</td>
</tr>
<tr>
<td>Synchronisation with an Australian parent</td>
<td>Within 12 months of a requirement to prepare consolidated financial statements arises (e.g. on acquiring an entity with a different financial year to the acquirer)</td>
<td>Maximum of 18 months</td>
</tr>
<tr>
<td>Synchronisation with a foreign parent</td>
<td>Where the foreign law applicable to the parent requires the foreign entity to synchronise financial years of its subsidiaries</td>
<td>Maximum of 18 months</td>
</tr>
<tr>
<td>Change in financial year once every 5 years</td>
<td>Where the entity has not changed its financial year in the previous 5 years where a change is made in good faith in the best interests of the entity</td>
<td>Less than 12 months</td>
</tr>
</tbody>
</table>

6.2.7  Application to ASIC

An entity that is not otherwise permitted to change its year end under s.323D or ASIC Corporations (Synchronisation of Financial Years) Instrument 2016/189 may be able to apply to ASIC for entity specific relief. In these cases, entities should refer to the guidance in ASIC Regulatory Guide 43 Financial reports and audit relief (available at www.asic.gov.au), and more generally, ASIC Regulators Guide 51 Applications for relief (also available at www.asic.gov.au).

6.2.8  Disclosure considerations

AASB 101 Presentation of Financial Statements contains explicit requirements where an entity's changes the end of its reporting period. Where an entity presents financial statements for a period longer or shorter than one year, paragraph 36 requires the entity to disclose:

- The reasons for using a longer or shorter period
- The fact that amounts presented in the financial statements are not entirely comparable.

This disclosure may impact the headings of the primary financial statements, column headings and narrative information. Preparers should ensure it is clear to the users of the financial statements for which periods the information is being given.

6.2.9  Notified foreign passport funds

Under s.323DAA of the Corporations Act, the financial year for a notified foreign passport fund is:

- A period of 12 months in relation to which the operator of the fund must, under the passport rules for the home economy of the fund, prepare a report in accordance with the financial reporting requirements applying to the fund under those rules, or
- Where the law of the home economy of the fund allows an exception for the report to be prepared for a shorter or longer period, that period.

The definition of a financial year is relevant in relation to the report lodgement requirements applying to the notified foreign passport fund under the Corporations Act (see section 4.4.5).
6.3 Primary financial statements

6.3.1 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:

<table>
<thead>
<tr>
<th>Source</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>General disclosures</strong></td>
</tr>
<tr>
<td></td>
<td>Minimum general requirements relating to the format of the financial statements are included in AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors and have been implicitly applied in the model financial statements. These include:</td>
</tr>
<tr>
<td>AASB 101.49</td>
<td>• An entity shall clearly identify the financial statements and distinguish them from other information in the same published document</td>
</tr>
<tr>
<td>AASB 101.36</td>
<td>• An entity shall present a complete set of financial statements (including comparative information) at least annually</td>
</tr>
<tr>
<td>AASB 101.36</td>
<td>• 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:</td>
</tr>
<tr>
<td></td>
<td>‒ The reason for using a longer or shorter period</td>
</tr>
<tr>
<td></td>
<td>‒ The fact that amounts presented in the financial statements are not entirely comparable</td>
</tr>
<tr>
<td>AASB 101.51</td>
<td>• An entity shall clearly identify each financial statement and the notes</td>
</tr>
<tr>
<td>AASB 101.51</td>
<td>• An entity shall display the following information prominently, and repeat it when necessary for the information presented to be understandable:</td>
</tr>
<tr>
<td>AASB 101.51(a)</td>
<td>‒ 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)</td>
</tr>
<tr>
<td>AASB 101.51(b)</td>
<td>‒ Whether the financial statements are of the individual entity or a group of entities</td>
</tr>
<tr>
<td>AASB 101.51(c)</td>
<td>‒ The date of the end of the reporting period or the period covered by the set of financial statements or notes</td>
</tr>
<tr>
<td>AASB 101.51(d)</td>
<td>‒ The presentation currency, as defined in AASB 121 The Effects of Changes in Foreign Exchange Rates</td>
</tr>
<tr>
<td>AASB 101.51(e)</td>
<td>‒ The level of rounding used in presenting amounts in the financial statements</td>
</tr>
<tr>
<td>AASB 101.45</td>
<td>• An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless:</td>
</tr>
<tr>
<td>AASB 101.45(a)</td>
<td>‒ 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</td>
</tr>
<tr>
<td>AASB 101.45(b)</td>
<td>‒ An Accounting Standard requires a change in presentation.</td>
</tr>
<tr>
<td>Source</td>
<td>Requirement</td>
</tr>
<tr>
<td>--------</td>
<td>-------------</td>
</tr>
<tr>
<td><strong>Subtotals</strong>&lt;br&gt;AASB 101.55A</td>
<td>When an entity presents subtotals, those subtotals should: &lt;br&gt;• Be comprised of line items made up of amounts recognised and measured in accordance with Accounting Standards &lt;br&gt;• Be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable &lt;br&gt;• Be consistent from period to period &lt;br&gt;• Not be displayed with more prominence than the subtotals and totals required in Accounting Standards.</td>
</tr>
<tr>
<td><strong>Specific disclosures</strong>&lt;br&gt;AASB 101.138(a)</td>
<td>Where the following is not disclosed elsewhere in information published with the financial statements, the information shall be disclosed in the financial statements: &lt;br&gt;• 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) &lt;br&gt;• 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.</td>
</tr>
<tr>
<td>AASB 101.138(d)</td>
<td>• A description of the nature of the entity's operations and its principal activities &lt;br&gt;• 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 206.</td>
</tr>
<tr>
<td>AASB 101.138(c)</td>
<td>• The name of the parent and the ultimate parent of the group</td>
</tr>
<tr>
<td>AASB 101.138(d)</td>
<td>• If it is a limited life entity, information regarding the length of its life.</td>
</tr>
<tr>
<td><strong>Complete set of financial statements</strong>&lt;br&gt;AASB 101.10(a)-(ea)</td>
<td>A complete set of financial statements comprises: &lt;br&gt;• A statement of financial position as at the end of the period &lt;br&gt;• A statement of profit or loss and other comprehensive income for the period &lt;br&gt;• A statement of changes in equity for the period &lt;br&gt;• A statement of cash flows for the period &lt;br&gt;• Notes, comprising significant accounting policies and other explanatory information &lt;br&gt;• Comparative information in respect of the preceding period as specified in paragraphs 38 and 38A of AASB 101 (see Comparative information on page 87)</td>
</tr>
<tr>
<td>AASB 101.10(f)</td>
<td>• A statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy 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</td>
</tr>
</tbody>
</table>
### Notes to the financial statements

The notes shall:
- Present information about the basis of preparation of the financial statements and the specific accounting policies used
- Disclose the information required by Accounting Standards that is not presented elsewhere in the financial statements
- Provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.

### Materiality

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.

### Comparative information

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.
## Source

<table>
<thead>
<tr>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AASB 101.38A</strong></td>
</tr>
<tr>
<td><strong>AASB 101.38B</strong></td>
</tr>
<tr>
<td><strong>AASB 101.38C</strong></td>
</tr>
</tbody>
</table>

### Reclassification of financial information

**AASB 101.41**

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:

- The nature of the reclassification
- The amount of each item or class of items that is reclassified
- The reason for the reclassification.

**AASB 101.42(a)**

When it is impracticable to reclassify comparative amounts, an entity shall disclose:

- The reason for not reclassifying the amounts

**AASB 101.42(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:

- Restating the comparative amounts for the prior period(s) presented in which the error occurred, or
- 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:

- 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
- 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.
<table>
<thead>
<tr>
<th>Source</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change in accounting estimates</strong>&lt;br&gt;AASB 108.36</td>
<td>The effect of a change in an accounting estimate shall be recognised prospectively by including it in profit or loss in:&lt;br&gt;• The period of the change, if the change affects that period only, or&lt;br&gt;• The period of the change and future periods, if the change affects both.</td>
</tr>
<tr>
<td><strong>Compliance with IFRSs</strong>&lt;br&gt;AASB 108.37</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Compliance with IFRSs</strong>&lt;br&gt;AASB 101.16</td>
<td>An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRSs unless they comply with all the requirements of IFRSs.</td>
</tr>
<tr>
<td><strong>True and fair override</strong>&lt;br&gt;AASB 101.19</td>
<td>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.</td>
</tr>
<tr>
<td><strong>True and fair override</strong>&lt;br&gt;AASB 101.Aus19.1</td>
<td>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.</td>
</tr>
</tbody>
</table>
| **True and fair override**<br>AASB 101.23 | 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:<br>• 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<br>• 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.
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.

6.3.2 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.

Illustrative examples
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 | One statement vs. two statements
AASB 101 permits an entity to present profit or loss and other comprehensive income as either a single statement or in two separate but consecutive statements (i.e. the statement of profit of loss that immediately precedes the statement presenting comprehensive income).

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 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) is presented. Under the two-statement approach, the separate statement of profit or loss ends at ‘profit or loss’, and this ‘profit or loss’ 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.

Presentation of the statement
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:

- Profit or loss
- Total other comprehensive income
- Comprehensive income for the period, being the total of profit or loss and other comprehensive income.

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.

AASB 101.81B | 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:
### Source | Requirement

- **Profit or loss for the period attributable to:**
  - Non-controlling interests
  - Owners of the parent

- **Comprehensive income for the period attributable to:**
  - Non-controlling interests
  - Owners of the parent.

If an entity presents profit or loss in a separate statement it shall present (a) in that statement.

### Specified line items

**AASB 101.82**

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:

- Revenue
- Gains and losses arising from the derecognition of financial assets measured at amortised cost*
- Finance costs
- Impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of AASB 9 Financial Instruments
- Share of the profit or loss of associates and joint ventures accounted for using the equity method
- If a financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value at the reclassification date (as defined in AASB 9)
- If a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss
- Tax expense
- A single amount for the total of discontinued operations (see AASB 5 Non-current Assets Held for Sale and Discontinued Operations).

*This disclosure is not required in Tier 2 (RDR) GPFS

**AASB 101.82A**

**Other comprehensive income: items that may or may not be reclassified**

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:

- The items of other comprehensive income (excluding amounts in (b)), classified by nature and grouped into those that, in accordance with other Accounting Standards:
  - Will not be reclassified subsequently to profit or loss
  - Will be reclassified subsequently to profit or loss when specific conditions are met.

- 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:
  - Will not be reclassified subsequently to profit or loss
  - Will be reclassified subsequently to profit or loss when specific conditions are met.

**AASB 101.88**

All items of income and expense recognised in a period are to be included in profit or loss unless another Accounting Standard requires otherwise.
### Source | Requirement
--- | ---
AASB 101.99, 100 | **Presentation of expenses by nature or function**
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. Entities are encouraged to present the analysis in the statement(s) presenting profit or loss and other comprehensive income.

AASB 101.105 | 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.

AASB 101.29, 30, 30A | 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.

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### Offsetting
AASB 101.32 | An entity shall not offset income and expenses, unless required or permitted by an Australian Accounting Standard.

AASB 101.34 | 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:

- 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.
- An entity may net expenditure related to a provision that is recognised in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) against the related reimbursement.

AASB 101.35 | 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.

---

### Disclosure of specific revenues and expenses
AASB 101.97 | 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.

---

### Disclosure of additional information
AASB 101.85, R5B | 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.
### Prohibition on extraordinary items

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.

### 6.3.3 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 presents 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 present capital and reserves before liability items.

### Illustrative example

An illustrative example of the statement of financial position reflecting a common presentation in Australia available on page 240. This illustrative example replaces the illustrative example in the Deloitte model IFRS financial statements.

### Third statement of financial position

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:

- 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.

### Current/non-current vs. liquidity presentation

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:

- Assets, as an asset that is:
  - Expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle
  - Held primarily for the purpose of being traded
  - Expected to be realised within 12 months after the reporting period, or
  - 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
### Source

<table>
<thead>
<tr>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AASB 101.69</strong></td>
</tr>
<tr>
<td>- Liabilities, as a liability that:</td>
</tr>
<tr>
<td>- Is expected to be settled in the entity's normal operating cycle</td>
</tr>
<tr>
<td>- Is held primarily for the purpose of trading</td>
</tr>
<tr>
<td>- Is due to be settled within 12 months after the reporting period, or</td>
</tr>
<tr>
<td>- 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.</td>
</tr>
</tbody>
</table>

| **AASB 101.60** |
| 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. |

### Operating cycle

**AASB 101.68**

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.

**AASB 101.68, 70**

When an entity's normal operating cycle is not clearly identifiable, its duration is assumed to be 12 months.

**AASB 101.66, 69**

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:

- Current assets, those assets expected to be realised in, or intended for sale or consumption in, the entity's normal operating cycle
- Current liabilities, those liabilities expected to be settled in the entity's normal operating cycle.

**AASB 101.68, 70**

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 some accruals for employee and other operating costs. This is the case even when they are not expected to be realised/settled within 12 months of the reporting period.

### Refinancing liabilities

**AASB 101.72**

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:

- The original term was for a period longer than 12 months
- 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**

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.
<table>
<thead>
<tr>
<th>Source</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Breach of loan covenants</strong>&lt;br&gt;AASB 101.74</td>
<td>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.</td>
</tr>
<tr>
<td>AASB 101.75</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Offsetting</strong>&lt;br&gt;AASB 101.32</td>
<td>An entity shall not offset assets and liabilities, unless required or permitted by an Accounting Standard, for example, AASB 132 <em>Financial Instruments: Disclosure and Presentation</em>.</td>
</tr>
<tr>
<td><strong>Income taxes</strong>&lt;br&gt;AASB 112.71</td>
<td>An entity shall offset current tax assets and current tax liabilities if, and only if, the entity:</td>
</tr>
<tr>
<td></td>
<td>• Has a legally enforceable right to set-off the recognised amounts</td>
</tr>
<tr>
<td></td>
<td>• Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.</td>
</tr>
<tr>
<td>AASB 112.74</td>
<td>An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:</td>
</tr>
<tr>
<td></td>
<td>• The entity has a legally enforceable right to set-off current tax assets against current tax liabilities, and</td>
</tr>
<tr>
<td></td>
<td>• The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:</td>
</tr>
<tr>
<td></td>
<td>‒ The same taxable entity, or</td>
</tr>
<tr>
<td></td>
<td>‒ 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.</td>
</tr>
<tr>
<td><strong>Presentation of a non-current asset or disposal group classified as held for sale</strong>&lt;br&gt;AASB 5.38</td>
<td>An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statements of financial position. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale shall be separately disclosed either in the statement of financial position or in the notes (except as specified below). An entity shall present separately and cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale.</td>
</tr>
<tr>
<td>AASB 5.39</td>
<td>If the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition, disclosure of the major classes of assets and liabilities is not required.</td>
</tr>
<tr>
<td>AASB 5.40</td>
<td>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.</td>
</tr>
</tbody>
</table>
6.3.4 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.

Illustrative example

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.

<table>
<thead>
<tr>
<th>Source</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Requirements for a statement of changes in equity</strong></td>
<td>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:</td>
</tr>
<tr>
<td></td>
<td>• Total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests</td>
</tr>
<tr>
<td></td>
<td>• 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</td>
</tr>
<tr>
<td></td>
<td>• 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:</td>
</tr>
<tr>
<td></td>
<td>‒ Profit or loss</td>
</tr>
<tr>
<td></td>
<td>‒ Other comprehensive income</td>
</tr>
<tr>
<td></td>
<td>‒ 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.</td>
</tr>
<tr>
<td><strong>AASB 101.106A</strong></td>
<td>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)).</td>
</tr>
<tr>
<td><strong>AASB 101.107, IAS 1.BC75</strong></td>
<td>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.)</td>
</tr>
<tr>
<td></td>
<td>*Note that the per share amounts are not required to be disclosed by entities preparing Tier 2 (RDR) financial reports</td>
</tr>
<tr>
<td><strong>AASB 101.109</strong></td>
<td>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.</td>
</tr>
</tbody>
</table>
6.3.5 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.

Illustrative example


<table>
<thead>
<tr>
<th>Source</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating activities</strong></td>
<td>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:</td>
</tr>
</tbody>
</table>
| AASB 107.14 | • Cash receipts from the sale of goods and the rendering of services  
• Cash receipts from royalties, fees, commissions and other revenue  
• Cash payments to suppliers for goods and services  
• Cash payments to and on behalf of employees  
• Cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits  
• Cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities  
• Cash receipts and payments from contracts held for dealing or trading purposes. |
| 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 Property, Plant and Equipment are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities. |
| 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).  
* Note: it is common practice in Australia to report cash flows from operating activities using the direct method. |
| **Investing activities** | 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: |
| AASB 107.16 | • 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  
• Cash receipts from sales of property, plant and equipment, intangibles and other long-term assets |
### Source | Requirement
--- | ---
- 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)
- 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)
- Cash advances and loans made to other parties (other than advances and loans made by a financial institution)
- Cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution)
- 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
- 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.

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.

### Financing activities
AASB 107.17
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:
- Cash proceeds from issuing shares or other equity instruments
- Cash payments to owners to acquire or redeem the entity’s shares
- Cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings
- Cash repayments of amounts borrowed
- Cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

### Interest and dividends
AASB 107.31
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.

AASB 107.32
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 Borrowing Costs.

AASB 107.33
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.

AASB 107.34
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.
<table>
<thead>
<tr>
<th>Source</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes on income</strong></td>
<td>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.</td>
</tr>
<tr>
<td>AASB 107.35</td>
<td></td>
</tr>
<tr>
<td><strong>Investments in subsidiaries, associates and joint ventures</strong></td>
<td>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.</td>
</tr>
<tr>
<td>AASB 107.37</td>
<td></td>
</tr>
<tr>
<td></td>
<td>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.</td>
</tr>
<tr>
<td>AASB 107.38</td>
<td></td>
</tr>
<tr>
<td><strong>Non-cash transactions</strong></td>
<td>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.</td>
</tr>
<tr>
<td>AASB 107.43</td>
<td></td>
</tr>
<tr>
<td><strong>Changes in liabilities arising from financing activities</strong></td>
<td>An entity shall 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.</td>
</tr>
<tr>
<td>AASB 107.44A</td>
<td></td>
</tr>
<tr>
<td></td>
<td>To the extent necessary to satisfy this requirement, an entity shall disclose the following changes in liabilities arising from financing activities:</td>
</tr>
<tr>
<td>AASB 107.44B</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Changes from financing cash flows</td>
</tr>
<tr>
<td></td>
<td>• Changes arising from obtaining or losing control of subsidiaries or other businesses</td>
</tr>
<tr>
<td></td>
<td>• The effect of changes in foreign exchange rates</td>
</tr>
<tr>
<td></td>
<td>• Changes in fair values</td>
</tr>
<tr>
<td></td>
<td>• Other changes</td>
</tr>
</tbody>
</table>
6.4 Australian specific accounting standard requirements

6.4.1 Overview of differences between the Accounting Standards and IFRS

Accounting Standards require additional disclosures specific to entities reporting under the Accounting Standards, i.e. in addition to those required by IFRS. 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 6.4.2)
- Interpretation 1031 Accounting for the Goods and Services Tax (GST) (discussed in section 6.4.3)
- AASB 1054 Australian Additional Disclosures (discussed in section 6.4.4)
- Australian specific disclosures (discussed in section 6.4.5).

6.4.2 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 taxpayers.

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 be 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:

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

**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 used 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 6.5.3)
- 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 arrangements. 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 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.

18 This disclosure requirement does not apply to entities applying Tier 2 (RDR) in their financial reports.
‘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 21 and 68 in section 10 Illustrative disclosures for illustrative disclosures of the requirements of Int 1052.

6.4.3 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:

<table>
<thead>
<tr>
<th>Source</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Int 1031.6</td>
<td>Revenues, expenses and assets shall be recognised net of the amount of goods and services tax (GST), except where paragraphs 7 and 8 apply.</td>
</tr>
<tr>
<td>Int 1031.7</td>
<td>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.</td>
</tr>
<tr>
<td>Int 1031.8</td>
<td>Receivables and payables shall be stated with the amount of GST included.</td>
</tr>
<tr>
<td>Int 1031.9</td>
<td>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.</td>
</tr>
<tr>
<td>Int 1031.10</td>
<td>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.</td>
</tr>
<tr>
<td>Int 1031.11</td>
<td>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.</td>
</tr>
</tbody>
</table>

See note 3 and note 32 in section 10 Illustrative disclosures for illustrative disclosures which addresses the consensus in Int 1031.
### 6.4.4 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:

<table>
<thead>
<tr>
<th>Disclosure</th>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance with Accounting Standards</td>
<td>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.</td>
</tr>
<tr>
<td>Reporting framework</td>
<td>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.</td>
</tr>
<tr>
<td>GPFS or SPFS</td>
<td>Disclose in the notes whether the financial statement are GPFS or SPFS.</td>
</tr>
<tr>
<td>Information about SPFS (not-for-profit private sector entities, for annual periods ending on or after 30 June 2020)</td>
<td>In SPFS of not-for-profit private sector entities, information about why SPFS are being prepared, whether or not the financial statements overall comply with the recognition and measurement requirements in Australian Accounting Standards (and the accounting policies not complying with the recognition and measurement requirements), and information where the entity has interests in other entities (see section 5.5.6).</td>
</tr>
<tr>
<td>Audit fees*</td>
<td>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.</td>
</tr>
<tr>
<td>Imputation credits*</td>
<td>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.</td>
</tr>
<tr>
<td>Reconciliation of net operating cash flow to profit (loss)*</td>
<td>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).</td>
</tr>
<tr>
<td>Information about IFRS issued by the IASB but not the AASB*</td>
<td>For entities that intend to be compliant with IFRS standards, the information required to be disclosed by AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (specifically paragraphs 30 and 31) for the potential effect of each IFRS pronouncement that has not yet been issued by the AASB.</td>
</tr>
</tbody>
</table>

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

See section 10 Illustrative disclosures for illustrative disclosures required by AASB 1054.
6.4.5 Australian specific disclosures

Some Accounting Standards based on IFRS include Australian-specific paragraphs (labelled as ‘Aus’ paragraphs). In addition, Australian application paragraphs for each Accounting Standard are included in an Australian-specific Accounting Standard, AASB 1057 Application of Australian Accounting Standards.

There are not a large number of ‘Aus’ paragraphs included in Accounting Standards and those in place 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 IFRS19, 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
  - Requiring an entity recognising exploration and evaluation assets for any of its areas of interest in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources to provide a narrative explanation that recoverability of the carrying amount of the exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternately, sale of the respective area of interest
  - 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 64 of section 10 Illustrative disclosures for an example of the ‘Aus’ requirements for AASB 124 Related Party Disclosures (see page 280) which is an additional disclosure to those set out in note 64 of the Deloitte model IFRS financial statements available at www.deloitte.com/au/models. See note 64 of the Deloitte model IFRS financial statements for the remainder of the related party transaction disclosures.

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19 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 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.
6.5 Other Australian specific considerations

6.5.1 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 (see section 6.1.1), 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 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.

6.5.2 Rounding off of amounts

General

Under ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191, the level of rounding permitted in the financial statements depends upon the amount of total assets of the company, registered scheme, disclosing entity or financial services licensee.

The table below outlines the thresholds at which the various prescribed levels of rounding are permitted:

<table>
<thead>
<tr>
<th>Where total assets exceed</th>
<th>Rounding permitted</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10 million ($10,000,000)</td>
<td>Rounding off to the nearest thousand dollars is permitted. Each page must clearly indicate where this has been done.</td>
</tr>
<tr>
<td>$1,000 million ($1,000,000,000)</td>
<td>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.</td>
</tr>
<tr>
<td>$10,000 million ($10,000,000,000)</td>
<td>Rounding off to the nearest million dollars is permitted. Each page must clearly indicate where this has been done.</td>
</tr>
</tbody>
</table>

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

The Corporations Instrument applies special rounding requirements in respect of certain amounts disclosed in the financial report or directors report in respect of the following:

- Details, values and aggregates required to be disclosed in the directors’ report under s.300(1X(g), s.300(8), s.300(9), s.300(11B), s.300(11C), s.300(13)(a), s.300A(1X(c) and s.300A(1X(e) of the Corporations Act\(^2\))
- Amounts disclosed under AASB 2 Share-based Payment 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.

\(^2\) Information required by Regulation 2M.3.03 is considered to be caught by the references to s.300A above.
The level of rounding of these amounts depends on the ‘base’ level of rounding adopted:

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

The amounts included in the following notes/lines in the Deloitte model IFRS financial statements should be presented rounded only to the nearest $1,000 or in whole dollars (depending on the rounding adopted elsewhere in the financial report) in terms of ASIC-Cl 2016/191. We have not re-presented these disclosures in the illustrative disclosures in section 10 of this guide.

<table>
<thead>
<tr>
<th>Source</th>
<th>Note and line item/s</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9. Employee benefit expense</td>
</tr>
<tr>
<td></td>
<td>Amounts required to be disclosed under AASB 2.50, i.e. line items:</td>
</tr>
<tr>
<td>AASB 2.50</td>
<td>Share-based payments (note 58)</td>
</tr>
<tr>
<td>AASB 2.51(a)</td>
<td>- Equity-settled share-based payments</td>
</tr>
<tr>
<td>AASB 2.51(a)</td>
<td>- Cash-settled share-based payments</td>
</tr>
</tbody>
</table>

65. Related party transactions

Transactions between related parties required to be disclosed under AASB 124 paragraphs 18 and 19 i.e. all line items in note 65. This includes:
- Trading transactions
- Remuneration of key management personnel
- Loans to related parties

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.

6.5.3 Parent entity information

An amendment to the Corporations Act in 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 (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.

ASIC has also made ASIC Class Order 10/654 Inclusion of parent entity financial statements in financial reports to permit this information to be included in the notes to the financial statements (see section 4.5.2).

See note 51A (starting on page 283) of section 10 Illustrative disclosures for an illustrative disclosure of the parent entity note.
6.5.4 Deed of cross guarantee
As discussed under section 4.1.2, ASIC Corporations (Wholly owned Companies) Instrument 2016/785 relieves certain 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 significant conditions of the Corporations Instrument is the parent entity prepares consolidated financial statements that includes financial information of the parties to the deed.

See note 51A (starting on page 283) 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.
### 6.6 ASX Listing Rule requirements

#### 6.6.1 Requirements for the Appendix 4E

As noted in section 4.6.2, 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:

<table>
<thead>
<tr>
<th>Source</th>
<th>Requirement</th>
</tr>
</thead>
</table>
| ASX Appendix 4E, Item 1 | Details of the reporting period  
Details of the reporting period and the previous corresponding period. |
| ASX Appendix 4E, Item 2 | Results for announcement to the market  
Key information in relation to the following, identified as “Results for announcement to the market” must be disclosed: |
| | • 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 (a)-(d) necessary to enable the figures to be understood. |
| ASX Appendix 4E, Items 3-6 | Financial statements  
The preliminary final report must include: |
| | • 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  
• 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.  
• 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. |
### Source | Requirement
--- | ---
ASX Appendix 4E, Item 6 | • A statement of retained earnings, or a statement of changes in equity, showing movements

**Information about dividends and net tangible assets**
The preliminary final report must include:

- 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
- Net tangible assets per security with the comparative figure for the previous corresponding period

**Entities over which control has been gained or lost**
Details of entities over which control has been gained or lost during the period, including the following:

- The name of the entity
- The date of the gain or loss of control
- 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

**Details of associates and joint ventures**
Details of associates and joint venture entities, including the following:

- The name of the associate or joint venture entity.
- Details of the reporting entity's percentage holding in each of these entities.
- 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.

**Other information**
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.

**Foreign entities**
For foreign entities, the report must state which set of accounting standards is used in compiling the report.

**Commentary**
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:

- The earnings per security and the nature of any dilution aspects.
- Returns to shareholders including distributions and buy backs.
- Significant features of operating performance.
- The results of segments that are significant to an understanding of the business as a whole.
- 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.
### Audit information

The report must include:

- 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.
- 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.
- 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.

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### 6.6.2 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.

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### Important note regarding the Corporate Governance Principles and Recommendations

The ASX Corporate Governance Council issued the fourth edition of the 'Corporate Governance Principles and Recommendations' in February 2019. The fourth edition is effective for a listed entity's first full financial year commencing on or after 1 January 2020. For June reporting entities, the fourth edition would be applied to financial years ending on or after 30 June 2021. For December reporting entities, the fourth edition would be applied to financial years ending on or after 31 December 2020. Early adoption is encouraged.

The principles set out below are those outlined in the fourth edition of the Principles and Recommendations. Entities wishing to comply with the third edition of the 'Corporate Governance Principles and Recommendations' should refer to earlier editions of this guide, available at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).
The ASX corporate governance considerations applicable to listed entities are set out below:

<table>
<thead>
<tr>
<th>Source</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX-LR 4.10.3</td>
<td><strong>Australian Securities Exchange Listing Rule 4.10.3</strong> 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. The corporate governance statement must also:</td>
</tr>
<tr>
<td></td>
<td>- Specify the date at which it is current (must be entity’s balance sheet date or a later date specified by the entity)</td>
</tr>
<tr>
<td></td>
<td>- State that it has been approved by the board of the entity or the board of the responsibility entity of a trust.</td>
</tr>
</tbody>
</table>

**Recommendations**

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. At the date of this publication, the Guidance Note has not been revised for the fourth edition of the Principles and Recommendations issued in February 2019 (as these apply to the first full financial year commencing on or after 1 January 2020).

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.

**Note:** To assist users of this table, significant changes from the third edition of the Corporate Governance Principles and Recommendations are highlighted in blue. This is not intended to be a ‘mark up’ of every change, but rather to highlight the significant areas of change between the third and fourth editions. Readers interested in a more granular analysis should refer to the resources available on the ASX website.

**Principle 1 – Lay solid foundations for management and oversight**

1.1 A listed entity should have and disclose a board charter setting out:

- The respective roles and responsibilities of its board and management
- Those matters expressly reserved to the board and those delegated to management.

1.2 A listed entity should:

- Undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director
- 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.

1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

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.

1.5 A listed entity should:

- Have and disclose a diversity policy
(b) Through its board or committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally.

(c) Disclose in relation to each reporting period:
1. The measurable objectives set for that period to achieve gender diversity.
2. The entity's progress towards achieving those objectives.
3. Either:
   a. The respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined ‘senior executive’ for these purposes), or
   b. If the entity is a ‘relevant employer’ under the Workforce Gender Equality Act, the entity’s most recent ‘Gender Equality Indicators’, as defined and published under that Act.

If the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.

1.6 A listed entity should:
(a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors.
(b) Disclose, for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

1.7 A listed entity should:
(a) Have and disclose a process for periodically evaluating the performance of its senior executives at least once each reporting period.
(b) Disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

**Principle 2 - Structure the board to be effective and add value**

2.1 The board of a listed entity should:
(a) Have a nomination committee which:
   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 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.

2.3 A listed entity should disclose:
(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 of the type described below but the board is of the opinion that it does not compromise the independence of the directors, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion:
   - The director is, or has been, employed in the executive capacity by the entity or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the board.
The director receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of the entity.

- The director is, or has been within the last three years, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the entity or any of its child entities, or is an officer of, or otherwise associated with, someone with such a relationship.

- The director is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial holder.

- The director has close personal ties with any person who falls within any of the categories described above.

- The director has been a director of the entity for such a period that their independence from management and substantial holds may have been compromised.

(c) The length of service of each director.

2.4 A majority of the board of a listed entity should be independent directors.

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.

2.6 A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.

### Principle 3 – Instil a culture of acting lawfully, ethically and responsibly

3.1 A listed entity should articulate and disclose its values.

3.2 A listed entity should:

   (a) Have and disclose a code of conduct for its directors, senior executives and employees.

   (b) Ensure that the board or a committee of the board is informed of any material breaches of that code.

3.3 A listed entity should:

   (a) Have and disclose a whistleblower policy.

   (b) Ensure that the board or a committee of the board is informed of any material incidents reported under that policy.

3.4 A listed entity should:

   (a) Have and disclose an anti-bribery and corruption policy.

   (b) Ensure that the board or a committee of the board is informed of any material breaches of that policy.

### Principle 4 - Safeguard the integrity of corporate reports

4.1 The board of a listed entity should:

   (a) Have an audit committee which:

   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

   (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.

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
### Source

<table>
<thead>
<tr>
<th>Requirement</th>
</tr>
</thead>
</table>

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

4.3 A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

### Principle 5 - Make timely and balanced disclosures

5.1 A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1

5.2 A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

5.3 A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

### Principle 6 - Respect the rights of security holders

6.1 A listed entity should provide information about itself and its governance to investors via its website

6.2 A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

6.3 A listed entity should disclose how it facilitates and encourages participation at meetings of security holders

6.4 A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

6.5 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:

   (a) Have a committee or committees to oversee risk, each of which:
      1. Has at least three members, a majority of whom are independent directors
      2. Is chaired by an independent director
      and disclose:
      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:

   (a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with the due regard to the risk appetite set by the board
   
   (b) Disclose, in relation to each reporting period, whether such a review has taken place.

7.3 A listed entity should disclose:

   (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 environmental or social 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:

   (a) Have a remuneration committee which:
      1. Has at least three members, a majority of whom are independent directors, and
      2. Is chaired by an independent director
Source | Requirement
--- | ---

and disclose:

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:

- 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
- Disclose that policy or a summary of it.

Additional recommendations that apply only in certain cases

9.1 A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.

9.2 A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.

9.3 A listed entity established outside Australia, and an externally managed 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.

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 entities.

The following recommendations are those which do not apply:
1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 2.1, 2.2, 2.4, 2.5, 2.6, 8.1, 8.2, 8.3, 9.1 and 9.2.

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 – The responsible entity of an externally managed listed entity should disclose (1) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity and (2) the role and responsibility of the board of the responsible entity for overseeing those arrangements
- Alternative recommendation 8.1, 8.2 and 8.3 – An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.
6.7 Reporting deadlines

6.7.1 Summary of reporting deadlines

**COVID-19 considerations**

 ASIC and the ASX have provided certain extensions in respect of various deadlines for lodgement of documents under the Corporations Act and ASX Listing Rules considering the COVID-19 crisis.

The deadlines immediately below have **not** been adjusted to reflect the updated deadlines, however the information available in section 6.7.3 explains the temporarily extended deadlines.

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

<table>
<thead>
<tr>
<th>Source</th>
<th>Requirement</th>
<th>Listed disclosing entities</th>
<th>Non-listed disclosing entities</th>
<th>Public companies</th>
<th>Proprietary companies</th>
<th>Registered schemes and notified foreign passport funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual financial reporting</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASX 4.3A, ASX 4.3B</td>
<td>Lodgement of Appendix 4E with the ASX</td>
<td>As soon as available (and no later than 2 months after the year end)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>ASX 4.5, ASX 4.5.1</td>
<td>Lodgement of the Corporations Act financial report and concise report with the ASX</td>
<td>As soon as available (and no later than 3 months after the year end)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>ASX 4.7.1, ASX 4.7.2</td>
<td>Lodgement of the Corporations Act annual report and concise report with the ASX</td>
<td>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))</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>ASX 4.7.3, ASX 4.7.4</td>
<td>Lodgement of the Appendix 4G with the ASX (and Corporate governance statement (to the extent not included in the annual report))</td>
<td>Same time as annual report distributed to the members</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>s.314</td>
<td>Sending of financial report to members</td>
<td>Earlier of 21 days before the next AGM or 4 months after the end of the financial year</td>
<td>Earlier of 21 days before the next AGM or 4 months after the end of the financial year</td>
<td>Earlier of 21 days before the next AGM or 4 months after the end of the financial year</td>
<td>Within 4 months after the end of the financial year</td>
<td>Within 3 months after the end of the financial year</td>
</tr>
<tr>
<td>s.315</td>
<td>Mining exploration entities or oil and gas exploration entities are not required to provide the information set out in the Appendix 4E.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

21 Mining exploration entities or oil and gas exploration entities are not required to provide the information set out in the Appendix 4E.
22 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).
### Annual financial reporting (continued)

<table>
<thead>
<tr>
<th>Source</th>
<th>Requirement</th>
<th>Listed disclosing entities</th>
<th>Non-listed disclosing entities</th>
<th>Public companies</th>
<th>Proprietary companies</th>
<th>Registered schemes and notified foreign passport funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>s.319</td>
<td>Lodgement of the Corporations Act annual report and concise report with ASIC</td>
<td>n/a (ASIC-CI 2016/181)</td>
<td>Within 3 months after the year end</td>
<td>Within 4 months after the year end</td>
<td>Within 4 months after the year end</td>
<td>Within 3 months after the year end</td>
</tr>
</tbody>
</table>

### Annual general meetings

<table>
<thead>
<tr>
<th>Source</th>
<th>Requirement</th>
<th>Listed disclosing entities</th>
<th>Non-listed disclosing entities</th>
<th>Public companies</th>
<th>Proprietary companies</th>
<th>Registered schemes and notified foreign passport funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>s.250N</td>
<td>Hold the AGM</td>
<td>Within 5 months after the year end (if a public company)</td>
<td>Within 5 months after the year end (if a public company)</td>
<td>Within 5 months after the year end (unless exempted)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

#### 6.7.2 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.

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

24 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).

25 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 3.3.2) 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 4.3.3).
6.7.3 Dates applicable for 30 June 2020 reports

ASIC relief

On 13 May 2020, ASIC announced that it would extend the deadline for both listed and unlisted entities to lodge financial reports under Chapters 2M and 7 of the Corporations Act by one month for certain balance dates up to and including 7 July 2020 balance dates. (For more information, see ASIC media release 20-113MR ASIC to further extend financial reporting deadlines for listed and unlisted entities and amends 'no action' position for AGMs, available at asic.gov.au).

The extended deadlines for lodgement of financial reports are designed to assist those entities whose reporting processes take additional time due to current remote work arrangements, travel restrictions and other impacts of COVID-19.

There are four Corporations Instruments issued by ASIC providing deadline relief for various obligations under the Corporations Act. These are detailed in the table below, along with the relevant date that the instrument was registered (as an extended deadline only applies where the normal reporting deadline had not already passed at the time that the instrument of relief was registered).

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Applies to</th>
<th>Financial years affected</th>
<th>Registered</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unlisted Australian Financial Services licensees reporting under Chapter 7 of the Corporations Act</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Audits of compliance plan for unlisted registered schemes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Listed Australian Financial Services licensees reporting under Chapter 7 of the Corporations Act</td>
<td>Half years ending between 15 March 2020 and 7 July 2020 (both inclusive)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Audits of compliance plan for listed registered schemes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASIC Corporations (Amendment) Instrument 2020/452 (available at <a href="http://www.legislation.gov.au">www.legislation.gov.au</a>)</td>
<td>Unlisted entities (amends applicable dates in the first two instruments above from 31 March 2020 to 7 July 2020)</td>
<td>Financial years ending between 31 December 2019 and 7 July 2020 (both inclusive)</td>
<td>20 May 2020</td>
</tr>
<tr>
<td></td>
<td>Entities obtaining relief under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In addition, ASIC has put in place a ‘no action’ position (available at asic.gov.au) in respect of the holding of AGMs because ASIC does not have the power to grant extensions of time to hold an AGM on a ‘class basis’ to all public companies. The intention is to provide additional time for distribution of financial reports to members prior to the AGM for those companies that rely on the extension of time for lodgement of financial reports.

26 The choice of 7 July 2020 accommodates entities that adjust their financial years and half years to be shorter or longer by not longer than 7 days (under s.323D(2) and s.323D(5) of the Corporations Act 2001). This often applies to entities such as retailers who report using a 52 week (or 53 week), rather than calendar year, basis.
ASIC’s ‘no action’ position means that ASIC will not take a regulatory enforcement action where public companies do not hold their AGMs within five months after the end financial years that end from 31 December 2019 to 7 July 2020, so long as they do so up to seven months after year end. For public companies with 1 June 2020 to 7 July 2020 year ends, the ‘no action’ position also applies where holding an AGM in January or February 2021 results in the requirement to hold an AGM in the 2020 calendar year not being met.

Any entity that is eligible to obtain the relief under these Corporations Instruments may apply the relief. In some cases, disclosure is required of the relief being applied, e.g:

- Listed entities will be required to make disclosure to the ASX and lodge unaudited or unreviewed accounts
- Grandfathered proprietary companies are required to disclose the nature and effect of the relief in the directors’ report.

Furthermore, in some cases, there may be additional steps required to be eligible for the relief under other instruments. Although the new relief may extend the time available to meet certain of the eligibility requirements under other instruments, it does not otherwise change or exempt entities from complying with those requirements.

**ASX relief**

The ASX has issued [Class Waiver Decision – Extended Reporting and Lodgement Deadlines](available at www.asx.com.au), which contains additional conditions that must be met by ASX listed entities in order to take advantage of the relief under ASIC Corporations (Extended Reporting and Lodgement Deadlines—Listed Entities) Instrument 2020/451, including the requirement for unaudited financial information to be provided to the market.

ASIC-CI 2020/451 applies to annual reports for a financial year that ends between 21 February 2020 and 7 July 2020 (both inclusive) and to half yearly reports for a half year that ends between 15 March 2020 and 7 July 2020 (both inclusive). Under that relief, the deadline for lodgement of full year financial reports, directors’ reports and auditor’s reports with ASIC is extended from three months to four months after year end, while the deadline for lodgement of half-year financial reports, directors’ reports and audit/review reports is extended from 75 days to 106 days after half-year end.

Under the waiver, a listed entity is able to take advantage of the extended deadlines in ASIC-CI 2020/451, so long as they comply with the following additional conditions:

- In respect of half-years, the entity provides its unaudited/unreviewed accounts within two months of reporting date (or, in the case of mining and oil or gas exploration entities, within 75 days)
- In respect of full years, the entity provides its unaudited financial statements as part of its Appendix 4E within two months of reporting date (or, in the case of mining and oil or gas exploration entities which do not provide an Appendix 4E, it separately provides its unaudited accounts within three months of reporting date)
- Entities taking advantage of the extended lodgement date relief announce to the market that it is relying on the ASIC Corporations Instrument, and will immediately make further announcements if there are material differences between the unaudited (or unreviewed) accounts and the audited accounts.

In respect of the dispatch of annual reports to security holders, the waiver provides that these can be provided no later than when such reports must be given under the ASIC Corporations Instrument. The extended deadlines are:

- For public companies – earlier of 21 days before the Annual General Meeting (AGM) and five months after year end
- For registered schemes – four months after year end.

The entity must also announce to the market its intention to take advantage of this relief.

The ASX notes that wherever possible, listed entities should endeavour to lodge their audited or reviewed accounts with the ASX within the normal listing rule deadlines, having regard to the information needs of security holders, creditors and other users of their financial reports, and any applicable borrowing covenants or other obligations.
Revised deadlines applicable for 30 June 2020

The following table summarises the reporting deadlines for annual reporting periods ending 30 June 2020 in light of the ASIC and ASX relief available. 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.

### Listed entities

<table>
<thead>
<tr>
<th>Obligation</th>
<th>Usual deadline</th>
<th>Revised deadline</th>
<th>New date for 30 June reporting periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodgement of Appendix 4E with ASX(\textsuperscript{A})</td>
<td>2 months</td>
<td>Unchanged(\textsuperscript{B})</td>
<td>31 August 2020</td>
</tr>
<tr>
<td>Lodgement of unaudited annual financial information with ASX(\textsuperscript{B})</td>
<td>n/a</td>
<td>3 months(\textsuperscript{C})</td>
<td>30 September 2020</td>
</tr>
<tr>
<td>Mining and oil or gas exploration entities (accounts)</td>
<td>n/a</td>
<td>2 months(\textsuperscript{C})</td>
<td>31 August 2020</td>
</tr>
<tr>
<td>Lodgement of audited annual financial report(\textsuperscript{D})</td>
<td>3 months</td>
<td>4 months(\textsuperscript{E})</td>
<td>2 November 2020</td>
</tr>
<tr>
<td>Reporting to members – listed public companies</td>
<td>Earlier of 21 days before AGM or 4 months</td>
<td>Earlier of 21 days before AGM or 5 months</td>
<td>30 November 2020</td>
</tr>
<tr>
<td>Reporting to members – listed registered scheme</td>
<td>3 months</td>
<td>4 months</td>
<td>2 November 2020(\textsuperscript{F})</td>
</tr>
<tr>
<td>Holding of AGM – public companies</td>
<td>5 months</td>
<td>7 months(\textsuperscript{G})</td>
<td>31 January 2021(\textsuperscript{H})</td>
</tr>
</tbody>
</table>

### Unlisted entities

<table>
<thead>
<tr>
<th>Obligation</th>
<th>Usual deadline</th>
<th>Revised deadline</th>
<th>New date for 30 June reporting periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodgement of audited annual financial report with ASIC</td>
<td>3 months</td>
<td>4 months</td>
<td>2 November 2020(\textsuperscript{F})</td>
</tr>
<tr>
<td>Disclosing entities</td>
<td>4 months</td>
<td>5 months</td>
<td>30 November 2020</td>
</tr>
<tr>
<td>Other entities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reporting to members – public companies</td>
<td>Earlier of 21 days before AGM or 4 months</td>
<td>Earlier of 21 days before AGM or 5 months</td>
<td>30 November 2020</td>
</tr>
<tr>
<td>Reporting to members – proprietary companies</td>
<td>4 months</td>
<td>5 months</td>
<td>30 November 2020</td>
</tr>
<tr>
<td>Holding of AGM – public companies</td>
<td>5 months</td>
<td>7 months(\textsuperscript{G})</td>
<td>31 January 2021(\textsuperscript{H})</td>
</tr>
</tbody>
</table>

### Other deadlines

<table>
<thead>
<tr>
<th>Obligation</th>
<th>Usual deadline</th>
<th>Revised deadline</th>
<th>New date for 30 June reporting periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodgement of profit and loss statement and balance sheet by AFS licensees</td>
<td>3 months</td>
<td>4 months</td>
<td>2 November 2020(\textsuperscript{F})</td>
</tr>
<tr>
<td>Bodies corporate (disclosing entities)</td>
<td>4 months</td>
<td>5 months</td>
<td>30 November 2020</td>
</tr>
<tr>
<td>Not bodies corporate</td>
<td>2 months</td>
<td>3 months</td>
<td>30 September 2020</td>
</tr>
<tr>
<td>Sending of the audited financial report to members by grandfathered proprietary companies under ASIC Corporations (Exempt Proprietary Companies) Instrument 2015/840</td>
<td>4 months</td>
<td>5 months(\textsuperscript{H})</td>
<td>30 November 2020</td>
</tr>
<tr>
<td>Preparation of consolidated financial statements under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785</td>
<td>4 months</td>
<td>5 months</td>
<td>30 November 2020</td>
</tr>
<tr>
<td>Audit of the compliance plan of a registered scheme</td>
<td>3 months</td>
<td>4 months</td>
<td>2 November 2020(\textsuperscript{I})</td>
</tr>
</tbody>
</table>
The Appendix 4D and Appendix 4E requirements do not apply to mining and oil and gas exploration entities or to issuers on the ASX Quoted Assets (AQUA) market. Mining and oil and gas exploration entities must continue to provide the additional ASX information required under the ASX Listing Rules in the normal timeframes, i.e. a quarterly report outlining activities for the quarter, together with Appendix 5B (quarterly cash flow report), both within one month of the end of each quarter.

ASX Class Waiver Decision (Extended Reporting and Lodgment Deadlines) (available at www.asx.com.au) continues to require the lodgement of the Appendix 4E and Appendix 4D within two months of reporting date. In the case of the Appendix 4E (preliminary final report), this will require the inclusion of unaudited financial statements as these are required by the Appendix 4E and are explicitly required under the waiver. Mining and oil and gas exploration entities are not required to provide an Appendix 4E and instead must give the ASX unaudited accounts within three months (the ASX Listing Rules defines “accounts” to mean the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, notes to those financial statements, disclosures in relation to those financial statements and any other information necessary to give a true and fair view of the financial position and performance of the entity – in all cases, as required by any law, regulation, rule or accounting standard). Entities taking advantage of the ASX waiver provide this information on an unaudited basis and are required to announce to the market at that time that they are taking advantage of the ASIC relief and that they will immediately make a further announcement if there a material difference between its unaudited annual accounts and its audited annual accounts.

The ASX waiver provides limited access to the ASIC relief, such that the entity’s audited or reviewed financial report can be lodged in accordance with the extended deadlines available under the ASIC relief. One of the conditions of the waiver is that the entity provides unaudited annual financial statements or unaudited or unreviewed half year accounts to the ASX. These must be provided within two months of reporting date in conjunction with the Appendix 4D or as part of the Appendix 4E. As mining and oil and gas exploration entities are not required to lodge an Appendix 4D or Appendix 4E, these entities taking advantage of the extended deadlines are required to separately provide their unaudited accounts within three months of year end or their unaudited half year accounts within 75 days of half-year.

Although there is a requirement to lodge the annual financial report with both ASIC and the ASX, ASIC Corporations (Electronic Lodgment of Financial Reports) Instrument 2016/181 (available at www.legislation.gov.au) allows entities listed on the ASX to lodge the reports electronically with the relevant market operator without also having to separately lodge the reports with ASIC.

The normal deadline for lodgement of full year and half year financial reports under the ASX Listing Rules is three months and two months respectively. The normal deadlines under the Corporations Act 2001 are 3 months and 75 days respectively (prior to the one month extension). Because the deadlines under the ASX Listing Rules are earlier than the Corporations Act 2001 requirements, the earlier deadline would normally prevail. However, the ASX waiver provides equivalent relief to that provided by ASIC for the lodgement of audited or reviewed financial reports, including for half years. Accordingly, in respect of half years, the ASX deadlines for the lodgement of audited or reviewed half year financial reports have been extended by more than a month for many listed entities.

Where a deadline under the Corporations Act 2001 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. 31 October 2020 is a Saturday, and accordingly, the deadline is be met on the next day that is not a Saturday, Sunday or public holiday. However, for ASX listed entities, where a deadline arises under the ASX Listing Rules and falls on a Saturday, Sunday or public holiday, ASX Listing Rule 19.5 requires the deadline to be met by the preceding business day.

ASIC cannot extend the AGM deadline and so has adopted a ‘no action’ position in respect of non-compliance with the relevant deadline under the Corporations Act 2001, so long as an AGM is held within 7 months of year end (see ASIC 20-113MR ASIC to further extend financial reporting deadlines for listed and unlisted entities and amends ‘no action’ position for AGMs, available at asic.gov.au). In addition, The Federal Treasurer has issued Corporations (Coronavirus Economic Response) Determination (No. 1) 2020 (available at www.legislation.gov.au) amending the Corporations Act 2001 for six months from 6 May 2020 and which facilitates meetings, including AGMs, being held using one or more technologies (virtual technology) that give all persons entitled to attend a reasonable opportunity to participate without being physically present in the same place. ASIC has provided further guidance on using virtual technology for investor meetings (see asic.gov.au). The ASX waiver also provides relief for listed entities from ASX Listing Rule 4.7 so that they can lodge their annual report with the ASX in accordance with the revised ASIC deadlines.

Note that 31 January 2021 is a Saturday but as this relief is being provided by an ASIC ‘no action’ position, it is unclear whether the AGM could be technically held on 1 February 2021, as this is not a deadline under the Corporations Act 2001 nor an instrument made under any Act (see note F).

Under ASIC Corporations (Exempt Proprietary Companies) Instrument 2015/840 (available at www.legislation.gov.au), grandfathered proprietary companies are not required to lodge their financial reports with ASIC under s.319(1) of the Corporations Act 2001. For a financial year that ends between 31 December 2019 and 7 July 2020 (both inclusive), the audited financial report must be sent to members within one month after the deadline for reporting to members and the directors’ report must disclose the nature and effect of the relief permitting deferred compliance.

The ASX 2020 company reporting dates calendar (for December 2019 and June 2020 balance sheet dates) is available at www.asx.com.au. At the time of preparation of this Guide, this document had not been updated for the effects of the ASX waiver.
6.7.4 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 4.2.6) and entities raising funds through crowd sourced funding (see section 3.3.2), 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 and distribute 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.

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 compliance with Accounting Standards is not required.

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)).

6.7.5 Concession available to certain public companies undertaking crowd sourced funding

The Corporations Act contains a number of corporate governance concessions that are available to certain crowd-sourced funding entities, which are designed to reduce the barriers to entities adopting the public company structure in order to raise crowd-sourced funding. With the extension of the crowd source funding regime to proprietary companies during 2018 (see the general eligibility requirements in section 3.3.2), these concessions have become less important.

For details of when the concessions are available, see section 4.3.3.

Modified reporting to members

A company that satisfies the general eligibility criteria to claim the concessions (as noted in section 4.3.3) at the end of the financial year only needs to provide its annual report (and concise report if any) via a website and does not need to notify shareholders of alternative ways of receiving the reports or concise reports (s.314(1AF)).

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)).
6.7.6 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 chair of the board. The board of directors can however choose to have more than one director sign the directors’ report or directors’ declaration.

6.7.7 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 several other requirements and recommendations when reporting their financial performance and position.

**Roadmap to this section**

<table>
<thead>
<tr>
<th>Topic</th>
<th>What is covered</th>
<th>Who does it apply to</th>
</tr>
</thead>
<tbody>
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<td>7.1 Continuous disclosure</td>
<td>An overview of continuous disclosure obligations required by the ASX and Corporations Act.</td>
<td>Disclosing entities</td>
</tr>
<tr>
<td>7.2 Half-year reports</td>
<td>Half year reporting requirements disclosing entities</td>
<td>Disclosing entities</td>
</tr>
<tr>
<td>7.3 Concise reports</td>
<td>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</td>
<td>Companies, registered schemes and disclosing entities that elect to prepare a concise report</td>
</tr>
<tr>
<td>7.4 Foreign companies</td>
<td>An overview of the Corporations Act and ASX Listing Rule reporting requirements for foreign companies.</td>
<td>Foreign companies registered in Australia</td>
</tr>
<tr>
<td>7.6 Relevant financial reporting</td>
<td>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.</td>
<td>All entities</td>
</tr>
</tbody>
</table>
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.

COVID-19 considerations


The Determination means companies and their officers will only be liable for continuous disclosure breaches if there is “knowledge, recklessness or negligence” with respect to updates on price-sensitive information. The ordinary requirement refers to disclosure if “a reasonable person would expect, if it were generally available, to have a material effect on the price or value of ED securities of the entity”.

Notwithstanding these temporary amendments, disclosing entities should disclose all relevant and known information.

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

Changes to the ASX Listing Rules

In mid-October 2019, the ASX released updates to its ASX Listing Rules and guidance in response to its earlier consultation paper Simplifying, clarifying and enhancing the integrity and efficiency of the ASX listing rules. The updated ASX Listing Rules made several additions and amendments to the continuous disclosure obligations in Chapter 3. These changes are effective from 1 December 2019. More information can be found in the ASX announcement of the changes, available at www.asx.com.au. The information reflects the updated ASX Listing Rules and guidance.

ASX Listing Rule 3.1

Chapter 3 of the ASX Listing Rules (available at www.asx.com.au) sets out the continuous disclosure requirements with which an entity listed on the ASX must comply. Under ASX 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:

- 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
- The ASX agrees that the information is confidential
- A reasonable person would not expect the information to be disclosed.

ASX guidance on compliance with ASX Listing Rule 3.1
ASX 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. The guidance note is available at www.asx.com.au.

Other specified disclosure requirements
In addition, Chapter 3 of the ASX Listing Rules has a number of other specific disclosure requirements in relation to particular transactions or events, e.g.:

- Takeover bids, buy-backs and capital transactions (including information about options and proposed issues of equity and debt securities)
- Information about dividends, distributions and interest payments in relation to quoted securities
- Details of escrow restrictions over securities
- Outcomes of resolutions put to a meeting of security holders, changes in office holders, registers of offices
- Copies of documents sent to security holders and security holder requisitions, or to overseas stock exchanges
- Specific disclosures if loans are an asset of the entity
- Information about ownership limits
- Directors interests
- Record dates for corporate actions, including any changes for a proposed record date.

7.1.3 Unlisted disclosing entities and other disclosing entities not subject 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 (available at asic.gov.au) 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.

However, a disclosing entity that is not a disclosing entity when lodgement is due is not required to comply with the above requirements. This may occur where an entity ceases to meet the criteria for being a disclosing entity after the end of its half-year (see section 3.3.1).

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
- Segment disclosures
- Disclosure of compliance with Accounting Standards
- Disclosures relating to seasonal information
- Disclosures required by AASB 3 Business Combinations in half-year financial reports.

If an entity applying RDR chooses to present these disclosures, they must be prepared in accordance with the relevant Accounting Standards.

Under s.323D(5), an entity’s half-year is the first six months of an entity’s financial year (see section 6.2 for more information about financial years). A half-year can be up to seven days longer or shorter than the six month period.

Where a disclosing entity has a short first financial year, ASIC Corporations (Disclosing Entities) Instrument 2016/190 provides relief from the requirements to comply with s.302 or s.306, i.e. there is no requirement to prepare and lodge half-year financial reports.

Listed disclosing entities seeking to take advantage of the relief in the instrument must give to the operator of the prescribed financial market (e.g. ASX) that it intends to rely on the instrument. Similarly, unlisted disclosing entities must give notice to ASIC of its intention to rely on the instrument.
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, all entities captured by the ASX Listing Rules are required to submit the information required by the Appendix 4D. However, in accordance with ASX Listing Rule 4.2A.3, mining exploration entities and oil and gas exploration entities are not required to submit the information in Appendix 4D (such entities are instead subject to the requirement to submit information in accordance with Chapter 5 of the ASX Listing Rules, including quarterly cash flow reports and quarterly activity reports (see section 4.6.2)).

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

<table>
<thead>
<tr>
<th>Source</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX-LR 4.2A.3</td>
<td>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:</td>
</tr>
</tbody>
</table>
| ASX Appendix 4D, Item 2 | **Results for announcement to the market**  
- 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:  
  - 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 | **General information**  
- Details of the reporting period and the previous corresponding period  
- Net tangible assets per security with the comparative figure for the previous corresponding period |
| ASX Appendix 4D, Item 3 | **Investments**  
- Details of entities over which control has been gained or lost during the period, including the following:  
  - Name of the entity  
  - The date of the gain or loss of control  
  - 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  
- 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 |
### Distributions
- 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
- 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

### Audit information
- 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.

### Additional information for foreign entities
- For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Financial Reporting Standards)

### Presentation of information
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.

See section 9.4 Using the Deloitte model half-year report.
7.2.3 Reporting deadlines

**COVID-19 considerations**

ASIC and the ASX have provided certain extensions in respect of various deadlines for lodgement of documents under the Corporations Act and ASX Listing Rules considering the COVID-19 crisis.

The summary immediately below of key deadlines generally applying has not been adjusted to reflect the updated deadlines, however the information in respect of June half-years reflects the updated deadlines. For more information on the relief, see section 6.7.3.

<table>
<thead>
<tr>
<th>Source</th>
<th>Requirement</th>
<th>Listed disclosing entity</th>
<th>Non-listed disclosing entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX 4.2A, ASX 4.2A.3, ASX 4.2B</td>
<td>Lodgement of Appendix 4D with the ASX</td>
<td>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)(^{27})</td>
<td>n/a</td>
</tr>
<tr>
<td>ASX 4.2A, ASX 4.2A.1, ASX 4.2B, ASX Operating Rules</td>
<td>Lodgement of the Corporations Act half-year report with the ASX</td>
<td>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, or 75 days after half-year end in respect of certain entities)(^{28})</td>
<td>n/a</td>
</tr>
<tr>
<td>s.320</td>
<td>Lodgement of the Corporations Act half-year report with ASIC</td>
<td>n/a</td>
<td>Within 75 days after the half-year end (ASIC-C1 2016/181)</td>
</tr>
</tbody>
</table>

\(^{27}\) In accordance with ASX Listing Rule 4.2A.3, mining exploration entities or oil and gas exploration entities are not required to provide the information set out in Appendix 4D. As ASX AQUA market participants are not subject to the ASX Listing Rules (but instead are subject to the ASX Operating Rules), these entities also do not need to provide the information set out in Appendix 4D (see section 4.6.2).

\(^{28}\) In accordance with ASX Listing Rule 4.2B, 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. This deadline also applies to issuers whose securities are traded on the ASX AQUA market, as the reporting obligations for such issuers are linked to the reporting obligations under the Corporations Act (see section 4.6.2) and ASX Procedures 10A.4.2 and 10A.4.4 require documents to be lodged with the ASX at the same time as they are lodged with ASIC (or in the case of certain foreign ETFs, the timeline for the relevant overseas regulatory authority).
**Deadlines applicable to 30 June 2020 half-year reports**

The following table summarises the reporting deadlines for half-year reporting periods ending 30 June 2020. Note: These reporting deadlines will be applicable to most entities; however, care should be taken to ensure that the dates noted below are the appropriate dates for the entity in question.

### Listed entities

<table>
<thead>
<tr>
<th>Obligation</th>
<th>Usual deadline</th>
<th>Revised deadline</th>
<th>New date for 30 June reporting periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodgment of Appendix 4D with ASX</td>
<td>2 months</td>
<td>Unchanged</td>
<td>31 August 2020</td>
</tr>
<tr>
<td>Lodgment of unaudited or unreviewed half year accounts with ASX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Mining and oil and gas exploration entities</td>
<td>n/a</td>
<td>75 days</td>
<td>11 September 2020</td>
</tr>
<tr>
<td>• Other issuers</td>
<td>n/a</td>
<td>2 months</td>
<td>31 August 2020</td>
</tr>
<tr>
<td>Lodgment of audited or reviewed half year financial report</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Mining and oil and gas exploration entities</td>
<td>75 days</td>
<td>106 days</td>
<td>14 October 2020</td>
</tr>
<tr>
<td>• ASX AQUA market issuers</td>
<td>75 days</td>
<td>106 days</td>
<td>14 October 2020</td>
</tr>
<tr>
<td>• Other issuers</td>
<td>2 months</td>
<td>106 days</td>
<td>14 October 2020</td>
</tr>
</tbody>
</table>

### Unlisted entities

<table>
<thead>
<tr>
<th>Obligation</th>
<th>Usual deadline</th>
<th>Revised deadline</th>
<th>New date for 30 June reporting periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodgment of audited or reviewed half year financial report – unlisted disclosing entities</td>
<td>75 days</td>
<td>105 days</td>
<td>13 October 2020</td>
</tr>
</tbody>
</table>

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29 The Appendix 4D and Appendix 4E requirements do not apply to mining and oil and gas exploration entities or to issuers on the ASX Quoted Assets (AQUA) market (see section 4.6.2). Mining and oil and gas exploration entities must continue to provide the additional ASX information required under the ASX Listing Rules in the normal timeframes, i.e. a quarterly report outlining activities for the quarter, together with Appendix 5B (quarterly cash flow report), both within one month of the end of each quarter.

30 ASX Class Waiver Decision (Extended Reporting and Lodgment Deadlines) (available at [www.asx.com.au](http://www.asx.com.au)) continues to require the lodgement of the Appendix 4D within two months of reporting date. In addition, the entity is required to lodge unaudited accounts together with their Appendix 4D. As mining and oil and gas exploration entities are not required to lodge an Appendix 4D or Appendix 4E, these entities taking advantage of the extended deadlines are required to separately provide their unaudited accounts within three months of year end or their unaudited half year accounts within 75 days of half-year. Entities are required to announce to the market at that time that they are taking advantage of the ASIC relief and that they will immediately make a further announcement if there a material difference between its unaudited or unreviewed half-year accounts and its audited or reviewed half-year accounts. For the purposes of the ASX Listing Rules, “accounts” means the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, notes to those financial statements, disclosures in relation to those financial statements and any other information necessary to give a true and fair view of the financial position and performance of the entity (in all cases, as required by any law, regulation, rule or accounting standard).

31 As 75 days after 30 June 2020 is a Sunday, the deadline must be met on the previous business day (see section 6.7.2).

32 Although there is a requirement to lodge the half-year report with both ASIC and the ASX, ASIC Corporations (Electronic Lodgment of Financial Reports) Instrument 2016/181 (available at [www.legislation.gov.au](http://www.legislation.gov.au)) allows entities listed on the ASX to lodge the reports electronically with the relevant market operator without also having to separately lodge the reports with ASIC.

33 The ASX Listing Rules do not apply to securities admitted to the ASX Quoted Assets (AQUA) market, e.g. exchange traded fund securities and managed fund products. These issuers are instead subject to the ASX Operating Rules. Specifically, Schedule 10A AQUA Products and the AQUA Trading Market (available at [www.asx.com.au](http://www.asx.com.au)) outlines the requirements for such issuers. In terms of disclosure requirements, Rule 10A.4.2 sets out the disclosure requirements for managed fund products, and Rule 10A.4.4 sets out the disclosure requirements for exchange traded funds. These rules require, among other things, the issuer to provide the ASX a copy of all periodic reports that the issuer is required to lodge with ASIC under the Corporations Act. Because these deadlines are linked to the Corporations Act, the revised ASIC deadlines apply to these issuers. Such issuers must still notify the ASX of an intention to rely on the extended deadlines (in accordance with the requirements of ASIC Corporations (Extended Reporting and Lodgment Deadlines—Listed Entities) Instrument 2020/451 (available at [www.legislation.gov.au](http://www.legislation.gov.au)).

34 The extension of deadlines for half years is different for listed and unlisted entities. Under ASIC Corporations (Extended Reporting and Lodgment Deadlines—Listed Entities) Instrument 2020/451, listed disclosing entities must lodge half year reports within 106 days after the end of the half year. However, under ASIC Corporations (Extended Reporting and Lodgment Deadlines – Unlisted Entities 2020/395, unlisted disclosing entities must lodge half year reports with ASIC within 105 days after the end of the half year. (i.e. one day less than for listed disclosing entities).
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 report.  

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.

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)’ (being AASB 1039 Concise Financial Reports, see section 7.3.4)
- 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 any of the following information 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:

- Auditors’ independence declaration (s.298(1AA)(c))
- Information to give a true and fair view (s.298(1A))
- General information about operations and activities (s.299)
- Information about the entity’s operations, financial position, business strategies and future prospects (s.299A).

In addition, any page references in the directors’ report must be updated as necessary.

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35 Certain concessions are available for eligible public companies using crowd-sourced funding (see section 4.3.3)
7.3.4 AASB 1039 Concise Financial Reports
The AASB has made AASB 1039 Concise Financial Reports (AASB 1039) to be used when preparing concise financial reports under s.314(2).

The purpose of AASB 1039 is to specify the minimum content of a concise report, which is as follows:

- 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.

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 is 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).

For the full requirements of AASB 1039, refer to the Standard, which can be found at www.aasb.gov.au.
### 7.4 Foreign companies
#### 7.4.1 Requirements for registration
In general, foreign companies are not permitted to carry on business in Australia (within the meaning of that term for the purposes of the Corporations Act) 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, to 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)).

ASIC has released ASIC Regulatory Guide 58 Reporting by registered foreign companies and Australian companies with foreign shareholders (ASIC RG 58). This provides more detailed information about the requirements for registered foreign companies, and can be found at [www.asic.gov.au](http://www.asic.gov.au).

**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), (5A) and (6)).

In this case, the entity would be required to comply with Australian Accounting Standards in preparing these documents, as these standards would apply to public companies incorporated under the Corporations Act.

**Relief for certain entities**
Registered foreign companies are not required to lodge financial reports with ASIC if all conditions of ASIC Corporations (Foreign-Controlled Company Reports) 2017/204 are met (see section 4.5.2).

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 a disclosing entity, borrowing corporation or guarantor of a borrowing corporation at any time during the year
- Not be considered ‘large’ under a test similar to that applied to proprietary companies (see section 3.1.2)
- Either:
  - Not be part of a ‘large group’ (by reference to revenue, asset and employees), or
  - Is covered in consolidated financial statements for the whole financial year lodged with ASIC by a company, registered foreign company or disclosing entity controlling the entity for the entire financial year.

Entities eligible for relief must still lodge an annual return with ASIC using ASIC Form 406 Annual return of a foreign company.
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 4.6.2). 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 4.6.2). These rules include some modifications to the general requirements, including:

- 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 Act36.

7.4.4 Foreign residents operating a permanent establishment in Australia
In accordance with s.3CA of the Tax Administration Act, foreign residents that operate a permanent establishment in Australia are subject to a requirement to lodge GPFS with the Australian Tax Office.

In general, a foreign resident that is a member of consolidated group whose annual global income exceeds A$1 billion will be subject to the requirements, unless the entity is otherwise required to lodge, and lodges, GPFS with ASIC.

More information about these requirements can be found in section 4.7.

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36 However, where the entity is not required to prepare half-year reports, it is required to prepare such reports
7.5 Climate disclosures

7.5.1 Background

Global developments
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 aimed to provide investors, lenders and insurance underwriters with consistent climate-related financial disclosures that are useful in understanding material climate-related risks.

On 29 June 2017, the task force released three documents that describe and support the implementation of the task force’s recommendations:

- Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which sets out the task force’s recommendations for helping businesses disclose climate-related financial information. 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 result in more quantitative financial disclosures and, in particular, reporting metrics about the actual or possible financial impact of climate-related risks. The report can be found at www.fsb-tcfd.org.
- Annexure: Implementing the Recommendations of the TCFD which provides the next level of detail to help companies implement the recommendations. The annexure can be found at www.fsb-tcfd.org.
- Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities, which describes key publicly available scenarios and resources on scenario analysis. The technical supplement can be found at www.fsb-tcfd.org.

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 banks, insurance companies, asset managers and asset owners.

Australian-specific developments
In September 2018, ASIC released a media release, 18-273MR ASIC reports on climate risk disclosure by Australia’s listed companies and associated report, Report 593 Climate risk disclosure by Australia’s listed companies. ASIC noted that of the 60 listed companies in its ASX 300 sample, 17% identified climate risk as a material risk to their business. ASIC also noted that while most of the reviewed ASX 100 entities had considered climate risk to the company’s business to at least some extent, disclosure practices were considerably fragmented, with information provided to the market in differing forms across a wide range of means of disclosure. In some cases, the review found climate risk disclosures to be far too general, and of limited use to investors.

ASIC encourages listed companies and their directors and advisors to:

- Adopt a probative and proactive approach to emerging risks, including climate risk
- Develop and maintain strong and effective corporate governance which helps in identifying, assessing and managing risk
- Consider how best to comply with the law where it requires disclosure of material risks
- Disclose meaningful and useful climate risk related information to investors.

The full text of the media release and access to the report can be found at www.asic.gov.au.
In August 2019, ASIC updated ASIC Regulatory Guide 228 Prospectuses: Effective disclosure for retail investors and ASIC Regulatory Guide 247 Effective disclosure in an operating and financial review to:

- Highlight climate change as a systematic risk that could impact an entity’s financial prospects for future years and that may need to be disclosed in an operating and financial review (OFR)
- Reinforce that disclosures made outside of the OFR (such as under the voluntary G20 Financial Stability Board’s Taskforce on Climate Related Financial Disclosures (TCFD) framework or in a sustainability report) should not be inconsistent with disclosures made in the OFR
- To make it clear that ASIC’s general view that the risk of directors being found liable for a misleading or deceptive forward-looking statement in an OFR is minimal provided the statements are based on the best available evidence at the time, have a reasonable basis and there is ongoing compliance with the continuous disclosure obligations when events overtake the relevant statement made in the OFR.

Furthermore, the AASB and Auditing and Assurance Standards Board (AuASB) together released a bulletin on Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB Practice Statement 2 (APS 2) which guides directors, preparers and auditors when preparing and auditing financial statements for half and full year ends. In early May 2019, the AASB and AuASB released an updated version of the bulletin (dated April 2019). The full text of the AASB/AuASB bulletin can be found at https://www.auasb.gov.au/.

In addition, ASX’s updated version of the Corporate Governance Principles and Recommendations (see section 6.6.2) states climate change is expected to be considered by the entity’s risk management framework. Boards are encouraged to monitor the adequacy of their organisation’s risk management strategy (for financial and non-financial risk). Entities are also encouraged to improve climate and other non-financial risk disclosure by focusing on material environmental and social risks, including by reference to the TCFD recommendations.

The Australian Prudential Regulation Authority (APRA) expects to observe a continuous improvement in the sophistication of entities’ management of climate change risks and preparations for the transition to a low-carbon economy, including the increased adoption of the recommendations of the TCFD. APRA has indicated that it will be embedding the assessment of climate risk into its ongoing supervisory activities.
7.5.2 Understanding the disclosures suggested by the TCFD

TCFD reporting is not mandatory, however there is growing global support for the reporting framework from business, investors, regulators and governments. Accordingly, entities should consider adopting the framework for reporting purposes where it is relevant. It should be noted that TCFD reporting is not a straight-forward implementation process, and it takes many years for an entity to fully adopt the reporting requirements.

The table below outlines a summary of the TCFD recommendations and supporting recommended disclosures.

<table>
<thead>
<tr>
<th>Governance</th>
<th>Strategy</th>
<th>Risk management</th>
<th>Metrics and targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclose the organisation’s governance around climate-related risks and opportunities.</td>
<td>Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material.</td>
<td>Disclose how the organisation identifies, assesses, and manages climate-related risks.</td>
<td>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</td>
</tr>
</tbody>
</table>

**Recommended disclosures**
- Describe the board’s oversight of climate-related risks and opportunities
- Describe management’s role in assessing and managing climate-related risks and opportunities

**Recommended disclosures**
- Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term
- Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning
- Describe the potential impact of different scenarios, including a 2°C scenario, on the organisation’s businesses, strategy, and financial planning.

**Recommended disclosures**
- Describe the organisation’s processes for identifying and assessing climate-related risks
- Describe how the organisation’s processes for managing climate-related risks are integrated into the organisation’s overall risk management.
- Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks
- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

7.5.3 AASB/AuASB bulletin views on impacts of climate change on financial reporting

In the AASB/AuASB bulletin, the boards set out their view that investor expectations mean that entities cannot treat climate-related risks as merely a matter of corporate social responsibility and may need to consider them in the context of their financial statements.

The bulletin notes that entities preparing financial statements in accordance with Accounting Standards should consider:

- Whether investors could reasonably expect that emerging risks, including climate-related risks, could affect the amounts and disclosures reported in the financial statements and have indicated the importance of such information to their decision making
- What disclosures about the impact of climate-related risks and other emerging risks on the assumptions made in preparing the financial statements are material to the financial statements in light of the guidance in AASB Practice Statement 2 Making Materiality Judgements (equivalent to IASB Practice Statement 2 of the same name).
The flowchart below provides guidance for entities to consider in assessing what disclosures about climate-related and other emerging risks are material to the financial statements:

Source: AASB-AUASB joint bulletin - Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB Practice Statement 2

The bulletin explains that the disclosures in the notes to the financial statements should focus on specific issues and assumptions made that are relevant to the amounts recognised in the financial statements and should not be of a 'boilerplate' nature.

Climate-related risks could have implications on the financial statements, some of which are discussed below:

<table>
<thead>
<tr>
<th>Impact on financial reporting</th>
<th>Relevant Accounting Standards</th>
<th>Thinking it through</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asset impairment</strong></td>
<td>AASB 136 Impairment of Assets</td>
<td>Climate-related risks could be an indicator of impairment for an entity's asset/group of assets. Entities must consider the impact of these risks on impairment calculations, for example forecasts of future cash flows, and any relevant disclosure requirements under AASB 136, where this impact is significant.</td>
</tr>
<tr>
<td><strong>Changes in the useful life of assets</strong></td>
<td>AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets</td>
<td>Climate-related risks could reduce the expected useful lives of an entity's assets or create stranded assets, and as a result would affect the depreciation/amortisation expense recognized every year.</td>
</tr>
<tr>
<td><strong>Changes in the fair-value of assets</strong></td>
<td>AASB 13 Fair Value Measurement</td>
<td>The measurement of fair values of assets could be impacted by climate-related risks and this should be factored into the fair value calculations. This could, for example, impact the discount rate used or the forecast of future cash flows. Entities impacted by these risks, should disclose the assumptions around including these in the fair value calculations.</td>
</tr>
</tbody>
</table>
### Impact on financial reporting

<table>
<thead>
<tr>
<th>Impact on financial reporting</th>
<th>Relevant Accounting Standards</th>
<th>Thinking it through</th>
</tr>
</thead>
</table>
| Recognition of provisions and contingent liabilities | AASB 137 Provisions, Contingent Liabilities and Contingent Assets | Climate-related risks could lead to recognition of additional provisions and contingent liabilities, as outlined below:  
- Provision for onerous contracts driven by potential loss of revenues/increased costs  
- Provision for decommissioning a plant or rehabilitating environmental damage in extractive industries as a result of shortened project lives or regulatory changes  
- Contingent liabilities related to potential litigation and fines/penalties due to stricter regulations. |
| Changes in expected credit losses for loans and other financial assets. | AASB 9 Financial Instruments and AASB 7 Financial Instruments Disclosures | AASB 9 requires use of forward-looking information to recognise expected credit losses. The impact of climate-related risks on the borrower must be considered when determining whether credit risk of the financial assets has increased significantly since initial recognition. |
| Disclosure of climate-related risks | AASB 101 Presentation of Financial Statements | Information related to climate-related risks will be relevant to the understanding of the financial statements if investors could reasonably expect that these risks have a significant impact on the entity and this would influence their decisions. AASB 101 requires disclosure of such information in the notes to the financial statements. |

The bulletin discusses each of the above in more detail explaining how climate-related risks could have these impacts and which accounting standards need to be considered. It is expected that entities, at a minimum, should consider the physical and transition risks as listed above in determining what risks could affect them and to what extent. As noted, this assessment should take into consideration not only the entity's operations, but also the supply or value chain. As a result, climate risks could affect entities not just directly, but indirectly as well.

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**Further information**

We have prepared an edition of our *Clarity* publication, which more fully explores the disclosure of climate-related risks. The publication is available at [www.deloitte.com/au/clarity](http://www.deloitte.com/au/clarity).
7.6 Relevant financial reporting

7.6.1 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 overhaul’.

7.6.2 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 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.

In addition, the IASB and AASB have issued Practice Statement 2 Making Materiality Judgements. The Practice Statement provides guidance on the general characteristics of materiality, a four-step process entities can use in making materiality judgements, and guidance on how to make materiality judgements in specific circumstances. Both boards have also issued amendments to AASB 108/IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifying the definition of material (AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material in the case of the AASB).

The IASB continues to explore additional sub-projects in its overall disclosure initiative project, and further amendments and guidance are expected in the future.
7.6.3 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.
7.6.4 Illustrative disclosure

Applying the techniques to create relevant financial reporting, below is an illustrative disclosure of note 19 - *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 19 of the Deloitte model IFRS financial statements to view the differences between the two illustrative disclosures.

Note 19 includes line items without amounts to illustrate items that are commonly encountered in practice. These line items, where they have a nil value are not required to be disclosed.

**Source**

International GAAP Holdings Limited

**Assets and liabilities used in operations**

...**Note 19. 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

<table>
<thead>
<tr>
<th>AASB 116.73(a)</th>
<th>AASB 116.73(d),(e)</th>
<th>AASB 116.74 (b)</th>
<th>RDR: See AASB 116.73(e)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Land and buildings $’000</th>
<th>Plant and machinery $’000</th>
<th>Fixtures and fittings $’000</th>
<th>Total $’000</th>
</tr>
</thead>
</table>

**Year ended 30 June 2019**

*At 1 July 2018:*

- Gross carrying amount
- Accumulated depreciation and impairment loss
- Carrying amount

**Additions**
- Disposals
- Depreciation
- Exchange differences
- Others [describe]

**Balance at 30 June 2019**
### International GAAP Holdings Limited
### Note 19. Property, plant and equipment (continued)

<table>
<thead>
<tr>
<th></th>
<th>Land and buildings at fair value</th>
<th>Plant and machinery at cost</th>
<th>Fixtures and fittings at cost</th>
<th>Total $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
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</tbody>
</table>

#### Year ended 30 June 2020

**At 1 July 2019:**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross carrying amount</td>
<td>Accumulated depreciation and impairment loss</td>
<td>Carrying amount</td>
<td></td>
</tr>
</tbody>
</table>

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Additions</td>
<td>Disposals</td>
<td>Transferred as consideration for acquisition of subsidiary</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Derecognition on disposal of subsidiary</td>
<td>Acquisitions through business combinations</td>
<td>Reclassified as held for sale</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Revaluation increase</td>
<td>Depreciation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**AASB 136.126(a)**: Impairment losses recognised in profit or loss

**AASB 136.73(e)(viii)**: Effect of foreign currency exchange differences

**AASB 13.93(e)**: Others [describe]

### Balance at 30 June 2020

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance at 30 June 2020</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gross carrying amount</td>
<td>Accumulated depreciation and impairment loss</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**AASB 116.73(a),(b)**: Land and buildings are measured at their revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent 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).
International GAAP Holdings Limited

Note 19. Property, plant and equipment (continued)

AASB 116 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:

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

Freehold land and buildings

Freehold land and buildings are measured at fair value 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 [Name of valuers] 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.

Assets pledged as security

Freehold land and buildings with a carrying amount of $___ (2018: $___) have been pledged to secure borrowings of the Group (see note ___). The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

In addition, the Group's obligations under finance leases (see note 36), all of which relate to plant and machinery and have a carrying amount of $___ (2018: $___), are secured by the lessors' title to the leased assets.

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.)
International GAAP Holdings Limited

Note 15. Property, plant and equipment (continued)

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.

Impairment losses recognised in the year

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 [name segment] reportable segment. The review led to the recognition of an impairment loss of $____, which has been recognised in profit or loss. The Group also estimated the fair value less costs of disposal of the manufacturing plant and the related equipment, which is based on the recent market prices of assets with similar age and obsolescence. The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was ____ per cent per annum. No impairment assessment was performed in 2018 as there was no indication of impairment.

Additional impairment losses recognised in respect of property, plant and equipment in the year amounted to $____. 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 [name segment] reportable segment.

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.

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:

<table>
<thead>
<tr>
<th>Year ending</th>
<th>$’000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td></td>
</tr>
</tbody>
</table>

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 2020.

Roadmap to this section

<table>
<thead>
<tr>
<th>Topic</th>
<th>What is covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1 Summary of changes</td>
<td>An easy to follow summary of the key changes and other considerations for financial reporting at 30 June 2020</td>
</tr>
<tr>
<td>8.2 Summary of new and amended pronouncements</td>
<td>An overview table of all new accounting pronouncements that are mandatory for 30 June 2020</td>
</tr>
<tr>
<td>8.4 Australian specific considerations</td>
<td>A brief summary of key changes and other considerations arising in Australia due to law and regulatory changes and developments</td>
</tr>
<tr>
<td>8.5 Other developments</td>
<td>Information about other developments that may impact financial reporting</td>
</tr>
<tr>
<td>8.6 Details of new and revised financial reporting pronouncements</td>
<td>More detailed summaries of key new pronouncements, legislation and regulatory developments, with links to in-depth information</td>
</tr>
</tbody>
</table>

The information in this section was prepared as of 26 June 2020 and entities should ensure any developments occurring from this date to the date of authorising of the financial statements are appropriately taken into account. We update this publication twice yearly 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 Summary of changes

#### 8.1.1 Relevant to full-year and half-year reports at 30 June 2020

The following considerations should be considered for both full-year and half-year financial reports at 30 June 2020.

<table>
<thead>
<tr>
<th>What's changed?</th>
<th>Who is affected?</th>
<th>What needs to be considered?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall considerations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The impact of the COVID-19 pandemic has pervasive impacts on financial reporting</td>
<td>Virtually all entities are affected in some way</td>
<td>An important response to these challenges is to enhance the transparency of the financial report so that readers understand the impacts of the crisis on the entity and the decisions, judgements and uncertainties involved in compiling the financial report. More information and available resources is available in section 8.3.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disclosure considerations</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>This is the first period in which it is mandatory to apply AASB 16 Leases in annual financial statements</td>
<td>Entities which have leases or arrangements which may contain leases</td>
<td>It is recommended that entities carefully consider their transitional disclosure in annual reports (see the illustrative examples in Note 2 starting on page 248). In addition, the items shown on the face of the financial statements and throughout the notes will likely change due to the new requirements.</td>
</tr>
<tr>
<td>The AASB and AuASB have released guidance on the impact of climate-related and other emerging risks in financial reporting</td>
<td>Entities that are exposed to material climate-related or other emerging risks or have investors with an expectation that climate-related or emerging risks would influence their decisions</td>
<td>The AASB and AuASB have stated that entities should adequately consider climate-related risks and other emerging risks in their financial reporting. Whilst the impacts of COVID-19 are likely to be more significant in the current reporting periods, financial reporting areas that may be impacted include asset impairment, changes in useful lives, valuation of assets, provisions and contingent liabilities and expected credit losses (see section 7.5 and section 8.5.1).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Underlying accounting changes</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting for leases has changed</td>
<td>Many entities will be affected to some extent</td>
<td>The new requirements will have broad impacts where the entity (as lessee) enters into leases or transactions that may be classified as leases under AASB 16. Leases previously classified as operating leases will be recognised on the balance sheet (except for certain low value items and short-term leases). There are some minor changes for lessor accounting as well.</td>
</tr>
<tr>
<td>A number of less significant amendments to Accounting Standards become applicable for the first time</td>
<td>Various entities depending upon the nature of the entity's activities and transactions</td>
<td>Although these largely represent minor changes, in some cases particular entities may be impacted. It is important to understand the nature and detail of these changes to determine if they could significantly impact each entity.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other considerations</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The ASX Listing Rules and guidance have been updated</td>
<td>Entities listed on the ASX</td>
<td>The majority of the changes made to the ASX Listing Rules and guidance apply from 1 December 2019 and must be considered by entities in ensuring compliance with their listing obligations (see section 4.6.2).</td>
</tr>
<tr>
<td>Changes in small/large proprietary company thresholds effective for financial years beginning on or after 1 July 2019</td>
<td>Proprietary companies incorporated under the Corporations Act</td>
<td>The thresholds for the determination of whether a proprietary company is small or large have been doubled, meaning less entities will be required to prepare and lodge financial reports under Part 2M.3 of the Corporations Act (see section 3.1.2).</td>
</tr>
</tbody>
</table>
The tax legislation governing which entities are required to prepare general purpose financial statements has changed and applies to income years and periods beginning on or after 1 July 2019. Corporate tax entities that are members of large groups (or large in themselves) which have not previously been considered ‘significant global entities’ due to a lack of consolidated financial statements or due to the application of accounting consolidation exemptions.

Impacted entities may need to prepare GPFS at 30 June 2020 (see section 8.4.4).

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 ensure they fully consider all the requirements on the following pages.

8.2 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 2020 and half-years ending 30 June 2020 (see section 8.6 for a summary of each pronouncement):

<table>
<thead>
<tr>
<th>Date issued</th>
<th>Pronouncement</th>
<th>Effective for annual reporting periods beginning on or after</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 2016</td>
<td>AASB 16 Leases and related amending standards</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>December 2017</td>
<td>AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>December 2017</td>
<td>AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>February 2018</td>
<td>AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>March 2018</td>
<td>AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>August 2018</td>
<td>AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>July 2017</td>
<td>Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>December 2018</td>
<td>AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business</td>
<td>1 January 2020</td>
</tr>
<tr>
<td>December 2019</td>
<td>AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material</td>
<td>1 January 2020</td>
</tr>
</tbody>
</table>

Entities with a December year end have already adopted these pronouncements in their financial statements for the financial year ended 31 December 2019.
### Applicable to half-year reports (continued)

<table>
<thead>
<tr>
<th>Date issued</th>
<th>Pronouncement</th>
<th>Effective for annual reporting periods beginning on or after</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2019</td>
<td>AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework</td>
<td>1 January 2020</td>
</tr>
<tr>
<td>October 2019</td>
<td>AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform</td>
<td>1 January 2020</td>
</tr>
<tr>
<td>December 2019</td>
<td>AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia</td>
<td>1 January 2020</td>
</tr>
</tbody>
</table>

### Applicable only to not-for-profit entities – full years

<table>
<thead>
<tr>
<th>Date issued</th>
<th>Pronouncement</th>
<th>Effective for annual reporting periods beginning on or after</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2014</td>
<td>AASB 15 Revenue from Contracts with Customers and related amending Standards</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>December 2016</td>
<td>AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>February 2017</td>
<td>AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>September 2018</td>
<td>AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Sector Licensors</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>October 2018</td>
<td>AASB 2018-5 Amendments to Australian Accounting Standards – Deferral of AASB 1059</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>December 2018</td>
<td>AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets for Not-for-Profit Entities</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>November 2019</td>
<td>AASB 2019-4 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements</td>
<td>(ending) 30 June 2020</td>
</tr>
<tr>
<td>December 2019</td>
<td>AASB 2019-6 Amendments to Australian Accounting Standards – Research Grants and Not-for-Profit Entities</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>December 2019</td>
<td>AASB 2019-8 Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>February 2017</td>
<td>Interpretation 22 Foreign Currency Transactions and Advance Consideration</td>
<td>1 January 2019</td>
</tr>
</tbody>
</table>

### Applicable only to not-for-profit entities – half years

<table>
<thead>
<tr>
<th>Date issued</th>
<th>Pronouncement</th>
<th>Effective for annual reporting periods beginning on or after</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 2019</td>
<td>AASB 2019-7 Amendments to Australian Accounting Standards – Disclosure of GPS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations</td>
<td>1 January 2020</td>
</tr>
</tbody>
</table>

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38 The pronouncements in this section are mandatory for the first time for not-for-profit entities, and are either not applicable to for-profit entities, or have been applied by for-profit entities in previous periods.

39 Applicable to annual reporting periods beginning on or after 1 January 2018 for for-profit entities (and therefore has already been applied by these entities).

40 Although this standard is applicable to annual reporting periods beginning on or after 1 January 2019, the standard has the effect of deferring the effective date of AASB 1059 Service Concession Arrangements: Grantors to annual reporting periods beginning on or after 1 January 2020 rather than 1 January 2019.

41 Although this Amending Standard is effective from 1 January 2019, it has the effect of deferring the application of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities in respect of research grants to annual reporting periods beginning on or after 1 July 2019 instead of 1 January 2019. Accordingly, not-for-profit entities preparing full-year financial reports at December 2019 will not have to apply AASB 15 and AASB 1058 to research grants.

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8.3 Financial reporting considerations of COVID-19

8.3.1 Transparency is key to June reporting

The impacts of the COVID-19 crisis on both the local and global economies, combined with the uncertainties it has created, introduces significant challenges in preparing financial reports for June.

An important response to these challenges is to enhance the transparency of the financial report so that readers understand the impacts of the crisis on the entity and the decisions, judgements and uncertainties involved in compiling the financial report.

ASIC has also announced that disclosures will be one of its key focus areas in June reporting. Entities can expect regulatory scrutiny to be rigorous. Early planning and timely preparation of position papers will enable management and directors to make informed decisions on key estimates and judgments and will support the quality of the financial information provided to the market.

Transparency is particularly important in the following areas:

Significant judgements and estimates

The COVID-19 crisis has led to more variability and uncertainty underlying the preparation of the financial report. As a result, a broader range of disclosures, in both full year and half-year reports may be required, including consideration of AASB 101 Presentation of Financial Statements paragraphs 122, 125 and 129, amongst others). This Disclosures may include:

- Sources of estimation uncertainty
- Assumptions made
- Sensitivity and scenario analysis.

Key estimates and judgments will differ from entity to entity, but most commonly include impairment of assets, fair values of investment property and investments, expected credit losses of loans and receivables, recovery of deferred tax assets and the assessment of the entity’s ability to continue as a going concern.

Entities should also take care to ensure that assumptions relating to future cash flows are consistent across the different estimates and judgments, and any differences are attributable to different requirements of the relevant accounting standard.

The broader financial reporting package should also address how the business is impacted by COVID-19, its strategies in response and its prospects. This may require discussion of the underlying drivers of financial performance, strategies and risks, impacts on supply and demand, covenant compliance and lending arrangements and liquidity management (either in the financial statements or the operating and financial review).

Impairment

The impacts of COVID-19 may be pervasive to an entity’s impairment testing under AASB 136 Impairment of Assets and users will be looking to the financial statements, more than ever, to understand the impact of COVID-19 on asset values.

The most challenging area of the impairment test is likely to be making reasonable and supportable estimates of cash flows. In contrast to prior tests which may have been determined using a single estimate of cash flows over the forecast period, entities may now use a weighted probability approach to cash flows which considers a range of possible scenarios on the speed at which recovery is expected as well as the level to which business activities are expected to return. Terminal value cash flows and long term growth rates may also be more modest than previous estimates.

Given the COVID-19 crisis, more disclosure are expected and may include:

- Key assumptions
- Description of approach to each of the key assumptions, whether they reflect past experience, whether they are consistent with external sources of information, and, if not, how and why they different from past experience or external sources
- Period of projected cash flows, growth rates in the terminal value and discounts rates
- Sensitivity analysis, where a reasonably possible change in a key assumption could cause impairment
- Scenario analysis, including possible recovery outcomes.
Government support
Where the entity has taken advantage of the various government COVID-19 support packages such as JobKeeper or loan guarantees, it is important the nature and impacts of these schemes are clearly disclosed.

Overall, readers of the financial statements should be able to understand:
- What support the entity has received
- How the support has been accounted for
- How it has impacted the financial position, financial performance and cash flows of the entity, including, where appropriate areas such as segment reporting, impairment and operating and financial review.

Non-IFRS profit measures
Information about the impact of COVID-19 on the entity's results is useful to investors and it is important to disclose the underlying drivers of results in the operating and financial review. However, ASIC is concerned that entity's may disclose non-IFRS profit measures that purport to show the result had COVID-19 not occurred and has therefore published an FAQ to provide additional guidance.

ASIC’s view is that any non-IFRS profit measures should be unbiased and not used to avoid presenting ‘bad news’ to the market. Measures purporting to show the result had the impact of the COVID-19 pandemic not occurred are likely to be misleading as they will be hypothetical and may not show the actual performance of an entity. It may also not be possible to reliably identify and separately quantify the impact of the COVID-19 pandemic.

Furthermore, ASIC has stated that presenting a split of profit or loss between pre-COVID-19 and post-COVID-19 periods is problematic and can be potentially misleading.

Fair value measurements
The impacts of COVID-19 may require changes in valuation techniques (e.g. market transactions may not be available) and changes in categorisation of fair value measurements in the ‘fair value hierarchy’ (often to ‘Level 3’). This is particularly relevant for direct and indirect investments in properties and infrastructure and other unlisted investments.

AASB 13 Fair Value Measurements requires disclosures about both recurring and non-recurring fair value measurements, particularly those categorised as ‘Level 3’ in the fair value hierarchy, and may include the following disclosures:
- Valuation techniques used, changes in those techniques and reason for change
- Quantitative information about the significant unobservable inputs used in the fair value measurements
- Narrative description of sensitivity to changes in unobservable inputs
- Sensitivity analysis of unobservable inputs that change fair values significantly.

Going concern
Consistent with the conclusion reached by the IFRS Interpretations Committee in July 2014, disclosure is required when an entity concludes there is no material uncertainty regarding its ability to continue as a going concern but reaching this conclusion involved significant judgement. This requires disclosure of the significant judgments made and is important to provide users of the financial statements with enough information to understand the pressures on liquidity, viability and solvency.

The AASB and AUASB have issued a joint publication on the impacts of COVID-19 on going concern and related assessments which includes a section on going concern disclosures in various scenarios.

Potential disclosures where there is significant judgment in determining whether a material uncertainty exists (or not) or where it is determined that a material uncertainty does exist may include:
- Commentary on the events or conditions (e.g. deterioration in the financial results, working capital or cash constraints) that indicate the uncertainties exist at or arose post the balance date and the severity of the entity’s current financial position
- Commentary on management's plans and options (e.g. capital raising, refinancing, or cost reductions etc) to mitigate the financial position and whether they are within management's control or subject to third party actions, the status of the plans and options and their interdependence
• Commentary on the feasibility of the plans or events that need to occur for the outcomes to be positive and why the outcomes are probable
• Based on the above:
  – A summary of the existence of material uncertainty and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business, or
  – Significant judgements in management’s evaluation that no material uncertainty exists e.g. evidence that plans are effective, additional financing, waiver of covenants, loan guarantees, government grants
• Other relevant information (e.g. interface with contingent liabilities such as legal claims).

**Subsequent events**
Each subsequent event should be assessed in accordance with AASB 110 *Events After the Reporting Period* to determine whether it provides evidence of conditions that existed at the end of the reporting period (and therefore should be adjusted for in the financial statements) or whether it reflects a change in conditions after the reporting date (and therefore disclosure is required).

For example, if a debtor is placed into voluntary administration soon after the reporting date, should this be taken into account in determining the expected credit losses at reporting date? We expect this assessment may involve significant judgement for the June reporting period, and therefore management should allow sufficient time in its reporting calendar to consider such events.

If non adjusting events are material, an entity is required to disclose the nature of the event and an estimate of its financial effect. The estimate does not need to be precise. It is preferable to provide a range of estimated effects as an indication of impact to not providing any quantitative information at all. However, where the quantitative effect cannot be reasonably estimated, a qualitative description should be provided, along with a statement that it is not possible to estimate the effect.

**Liquidity risk management**
Liquidity disclosures, including how the entity manages its liquidity risk, are particularly important in this time of uncertainty. Entities should consider how the use of working capital enhancement or management techniques is reflected in the entity’s disclosure of its liquidity risk management as required by AASB 7 *Financial Instruments: Disclosures*.

In addition, if outflows of cash (or another financial asset) could occur significantly earlier than indicated in its summary quantitative data about its exposure to liquidity risk, entities should state this fact and provide additional disclosure. For example, this may arise where there is uncertainty about continued compliance with covenants under financing arrangements.

Entities should also consider the specific disclosure requirements for transfers of financial assets as required by AASB 7 when financial assets are sold to fund working capital needs and the accounting policies and judgements applied in determining the balance sheet and cash flow statement presentation of amounts due and paid when supplier finance and reverse factoring arrangements are used.

This could include separate presentation of amounts payable, key terms of arrangements, accounting judgements applied in determining whether to present such amounts as payables or borrowings and how risks and exposures are managed.
The IASB and AASB have made amendments to provide lessees with a practical expedient not to assess whether COVID-19-related rent concessions are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications.

The practical expedient will only apply to rent concessions as a direct consequence of COVID-19 that meet all of the following conditions:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions.

A lessee that applies the practical expedient would generally account for:

- The forgiveness or waiver of lease payments as a variable lease payment. The lessee would therefore derecognise that part of the lease liability that has been extinguished by the forgiveness of lease payments with a corresponding credit in profit or loss, the timing of which will depend on the facts and circumstances.
- A change in lease payments that reduces payments in one period but proportionally increases payments in another (such that there is no change to the overall consideration for the lease and only the timing of individual payments changes), by continuing to recognise interest on the liability and reduce that liability for payments made to the lessor. This will necessitate a recalculation of the amortisation table using the original discount rate.

If the lease payments are reduced in one period but increased by a lower amount in a later period (hence the total consideration is lower) the change in lease payments incorporates both a forgiveness of payments and deferred lease payments.

The lease liability recognised by a lessee applying the practical expedient would represent the present value of future lease payments owing to the lessor. The lessee also discloses the amount recognised in profit or loss to reflect changes in lease payments arising from COVID-19-related rent concessions.

The amendment applies on a modified retrospective basis for annual reporting periods beginning on or after 1 June 2020.

Many entities have negotiated, or are still in the process of negotiating, rent concessions as a result of the COVID-19 pandemic. Entities intending to rely on the practical expedient should put in the place the necessary process to adopt the amendments early, e.g. for entities reporting under the Corporations Act, appropriate directors’ resolutions for early adoption must be made under s.334(5) (see section 8.6.2).

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**Disclosures on early adoption of the COVID-19 rent concession amendment**

An illustrative example of the disclosures made on early adoption of AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions* can be found on page 255.
8.3.3 Resources available
Outlined below are various resources that may assist entities in understanding and responding to the financial reporting considerations arising from the COVID-19 crisis:

<table>
<thead>
<tr>
<th>Resource</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td><strong>Key Deloitte publications</strong></td>
<td></td>
</tr>
<tr>
<td>IFRS in Focus</td>
<td>Accounting considerations related to the Coronavirus 2019 Disease</td>
</tr>
<tr>
<td>IFRS in Focus</td>
<td>COVID-19 and financial reporting under IFRS Standards</td>
</tr>
<tr>
<td>IFRS in Focus</td>
<td>Expected credit loss accounting considerations related to Coronavirus Disease 2019</td>
</tr>
<tr>
<td>IFRS in Focus</td>
<td>IASB finalises amendment to IFRS 16 ‘Leases’ regarding COVID-19-related rent concessions</td>
</tr>
<tr>
<td>Impairment: A diagnosis - The impact of a pandemic on your AASB 136 assessment</td>
<td>Discusses the wide-ranging financial and operational impacts of COVID-19 on an organisation, and as a result, the potentially pervasive effect on the financial statements either through adjustments to fair value of assets such as investment property and agriculture assets, or through impairment testing of goodwill, property, plant and equipment, right-of-use assets, intangible assets, and other investments.</td>
</tr>
<tr>
<td><strong>Other Deloitte resources</strong></td>
<td></td>
</tr>
<tr>
<td>IAS Plus COVID-19 page</td>
<td>Includes news items and resources in connection with COVID-19 developments that highlight some of the key accounting and disclosure issues to be considered by entities that may arise as a result of COVID-19 in preparing financial statements.</td>
</tr>
<tr>
<td>IAS Plus COVID-19 video series</td>
<td>A series of webcasts discussing certain key accounting considerations related to conditions that may result from the COVID-19 pandemic.</td>
</tr>
<tr>
<td><strong>AASB and AUASB</strong></td>
<td></td>
</tr>
<tr>
<td>AASB Coronavirus (COVID-19) guidance</td>
<td>Links to relevant publications to support entities prepare their financial reports during and as a result of the COVID-19 outbreak.</td>
</tr>
<tr>
<td>AASB-AUASB publication: The impact of coronavirus on financial reporting and the auditor’s considerations</td>
<td>Describes the key considerations and impacts on financial reporting and auditing arising from the Coronavirus (COVID-19) pandemic.</td>
</tr>
<tr>
<td>AASB-AUASB publication: The impact of COVID-19 on going concern and other related assessments</td>
<td>Provides an overview of directors’ and management’s duties in relation to assessments of solvency and going concern, how these concepts interact and how these may be impacted by COVID-19 and their responsibilities to assess whether the going concern basis of preparation is appropriate and how this impacts the preparation of and the disclosures in their financial statements.</td>
</tr>
<tr>
<td><strong>IASB</strong></td>
<td></td>
</tr>
<tr>
<td>Resource</td>
<td>Details</td>
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<tr>
<td><strong>ASIC</strong></td>
<td></td>
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<tr>
<td>ASIC COVID-19 implications for financial reporting and audit</td>
<td>A series of frequently asked questions about financial reporting and audit matters relating to the impact of the COVID-19 pandemic. Discusses key issues in relation to financial reports and directors' reports, solvency statements, other audit-related matters and changes in ASIC activities.</td>
</tr>
<tr>
<td>ASIC new and updated regulatory publications since 1 March 2020</td>
<td>A weekly tracker of ASIC regulatory document updates. It lists and includes links to all new and updated regulatory guides, information sheets, reports and consultation papers issued by ASIC. Also includes links to legislative instruments (including rules, determinations and waivers) made by ASIC.</td>
</tr>
<tr>
<td>ASIC COVID-19 information</td>
<td>Provides ASIC information about various classes of entities, public companies, market participants, insurers, responsible entities and financial advisers and advice licensees.</td>
</tr>
<tr>
<td><strong>ASX</strong></td>
<td></td>
</tr>
<tr>
<td>ASX Listed@ASX Compliance Updates</td>
<td>Provides regular updates on ASX market developments, including proposed changes to ASX Listing Rules and Guidance Notes, and to provide guidance on topical or emerging compliance issues (including COVID-19).</td>
</tr>
<tr>
<td>ASX action on COVID-19</td>
<td>Live updates on COVID-19 developments related to the ASX.</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
</tr>
<tr>
<td>UK Financial Reporting Council Financial Reporting Lab guide: COVID-19 – resources, action, the future</td>
<td>Discusses current questions investors seek information on in relation to resources (cash and liquidity), action (managing expenditure and other actions to ensure viability) and how entities are protecting its key assets and value drivers.</td>
</tr>
<tr>
<td>UK Financial Reporting Council Financial Reporting Lab guide: COVID-19 – going concern, risk and viability</td>
<td>Provides analysis of how COVID-19 impacts the assessment of going concern and risk reporting by companies, in order to give investors and other users with insight into the business and the impact of COVID-19 in both the short and longer term.</td>
</tr>
</tbody>
</table>
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 Accounting implications of Australian responses to the COVID-19 crisis
JobKeeper
The Federal Government's JobKeeper scheme effectively provides a wage subsidy to entities materially impacted by COVID-19. JobKeeper may have a material impact on many entities. There are several accounting issues such as whether the employer is acting as principal or agent, and how and when any amounts should be recognised.

In our view, the employer is acting as principal and the JobKeeper payment represents a government grant (for for-profit entities) which is recognised under AASB 120 Accounting for Government Grants and Disclosure of Government Assistance. This grant is recognised as a receivable when there is reasonable assurance that the entity will comply with the conditions attaching to the grant and the grant will be received. The grant is recognised in profit or loss in the period in which the entity recognises the related costs as expenses.

Where the employee cost is recognised as an expense, for-profit entities have an accounting policy choice of presenting the grant income as other income, or alternatively deducting the grant from the related expense. Where material, the accounting policy for these grants should be clearly disclosed together with the nature and extent of such grants. Separate disclosure is particularly important where the grant has been deducted from the related expense.

Payments made to employees are subject to PAYG withholding and potentially other imposts such as superannuation, workers’ compensation levies and payroll tax (depending on the State or Territory). Additionally, the employee cost is deductible under normal tax rules whereas the grant received is assessable when derived (which will include consideration of whether the taxpayer has a cash or accruals basis of recognition of income). This may give rise to a deferred tax liability where income is recorded for accounting purposes but not yet assessable for tax purposes.42

Consideration should also be given to the entity's accounting policy for previous government grants, consistency in treatment between grants, and transparency of the amount received when making the required disclosures, both in the financial statements as well as the operating and financial review. This will include how the amounts are presented in the profit or loss and cash flow statement as well as flow on impacts on areas such as segment reporting, impairment and non-IFRS measures.

Not-for-profit entities applying AASB 1058 Income of Not-for-Profit Entities are required to recognise the grant in income and do not have the accounting policy choice to deduct the grant from the related expense.

Asset tax deductions
The impact of tax concessions such as increasing the instant asset write-off for assets that cost less than $150,000 or backing business investment with accelerated depreciation for newly acquired assets are recognised under AASB 112 Income Taxes. These give rise to an increase in the deferred tax liability for the difference between the carrying amount of the asset and the tax base (represented by future available deductions on the asset, if any).

Other government schemes
There is a vast array of government packages available from all levels of government to assist entities to manage cash flow challenges. Characterisation of these schemes between government assistance or government grants under AASB 120 or income tax under AASB 112 directly impacts the accounting. For instance, AASB 120 indicates that the provision of a guarantee is government assistance rather than a grant (so only requiring disclosure), however government support and loan packages involving other features may have government grant elements that require separate accounting.

42 During June 2020, the ATO updated their JobKeeper site to clarify when the JobKeeper payment is considered derived for taxation purposes. For entities using an accruals basis, payments are derived when the entity has a legal entitlement to those payments (it is the ATO's receipt of the business monthly declaration that triggers an entity's entitlement to JobKeeper and payment of that entitlement). An entity which operates on a cash accounting basis, the payments for a JobKeeper fortnight are derived when the entity receives those payments. Accordingly, JobKeeper amounts paid to employees during the last month of an entity's income year will be deductible in that period, whereas the JobKeeper claim may not be derived until the subsequent income year. This will give rise to a deferred tax liability on the accrued receivable.
8.4.2  ASX developments

**ASX Listing Rule and Guidance Note amendments**

In mid-October 2019, the ASX released updates to its ASX Listing Rules and associated guidance.

The ASX’s announcement of the changes (available at www.asx.com.au) notes the following key changes:

- More guidance and direction on the information that should be given to shareholders in notices of meetings
- More guidance and direction on the voting processes that should be followed at shareholder meetings and more consistent reporting of voting outcomes
- Simpler and clearer processes and forms to announce a proposed issue of shares and to seek their quotation
- Changes to ASX’s quarterly reporting regime to provide a more robust disclosure framework for start-up entities
- Better and timelier disclosure by listed investment companies and listed investment trusts of their net tangible assets (NTA) backing
- New measures to address breaches of the listing rules.

In addition, new and revised requirements around admission and educational requirements for people communicating with the ASX have been introduced.

The updated requirements came into effect on 1 December 2019, with the following exceptions:

- The new educational requirements will apply from 1 July 2020 (the ASX subsequently decided to defer the introduction of these requirements for one year so that they will come into effect on 1 July 2021 rather than 1 July 2020)
- The changes to the Appendix 4C and Appendix 5B quarterly cash flow reports required for certain entities, came into effect for the quarter beginning 1 January 2020 and ending 31 March 2020.

For more information, see section 4.6.

**ASX extended reporting and lodgement deadlines**

On 16 June 2020, the ASX published Class Waiver Decision – Extended Reporting and Lodgment Deadlines (available at www.asx.com.au). The ASX has issued Class Waiver Decision – Extended Reporting and Lodgment Deadlines (available at www.asx.com.au), which contains additional conditions that must be met by ASX listed entities in order to take advantage of the relief under ASIC Corporations (Extended Reporting and Lodgment Deadlines—Listed Entities) Instrument 2020/451, including the requirement for unaudited financial information to be provided to the market.

In effect, the combination of the ASIC Corporations Instrument and ASX waiver is that listed entities:

- Must lodge the Appendix 4E (full years) or Appendix 4D (half-years) in the normal timeframes (not required by mining and oil and gas exploration entities or for ASX AQUA issuers)
- Must lodge unaudited financial information in lieu of audited or reviewed information where the relief is relied upon (as part of the Appendix 4E, or together with the Appendix 4D, where these are required)
- Must announce to the market where they are relying on the ASIC relief to extend the lodgement date for its half year or full-year financial report, or the extended deadline for sending of annual reports to security holders (this will be together with the Appendix 4E, Appendix 4D or unaudited or unreviewed accounts)
- Keep the market informed of any changes to the unaudited (or unreviewed) financial information
- Comply with the extended ASIC lodgement deadlines for lodgement of the audited financial report and sending of annual reports to security holders.

The ASX waiver notes that listed entities should endeavour to lodge their audited or reviewed accounts with ASX within the normal listing rule deadlines, having regard to the information needs of security holders, creditors and other users of their financial reports, and any applicable borrowing covenants or other obligations. Accordingly, listed entities should only take advantage of the relief where it has no choice but to do so.

For more information, see section 6.7.3.
8.4.3 Auditor remuneration disclosure

In February 2020, the Federal Parliamentary Joint Committee on Corporations and Financial Services released *Regulation of Auditing in Australia: Interim Report* (available at parlinfo.aph.gov.au). This report includes a recommendation to introduce defined categories and associated fee disclosure requirements in relation to audit and non-audit services.

Entities are encouraged to provide transparent and expanded disclosures in their financial reports at 30 June 2020. Suggested categories include:

- Fees to the group auditor for the audit or review of the statutory financial reports of the Group, subsidiaries and joint operations
- Fees for statutory assurance services that are required by legislation to be provided by the auditor (e.g. certain reporting to APRA, Queensland Building and Construction Commission reports, AFSL Form FS 71)
- Fees for other assurance and agreed-upon procedures under other legislation or contractual arrangements (e.g. assurance on revenue information under a royalty agreement, comfort letters or agreed-upon procedures on other reports) when there is discretion as to whether the service is provided by the auditor or another firm
- Fees for other services (e.g. tax compliance).

We encourage entities to include these disclosures in their financial reports.

**Illustrative example**

An illustrative example of the layout of the auditor remuneration note following the above guidelines can be found on page 281.

8.4.4 Tax legislation expands entities required to prepare GPFS

Section 3CA of the Tax Administration Act requires certain country by country reporting entities, (CBC reporting entities) to lodge GPFS with the ATO where the entity has not lodged GPFS with ASIC. In broad terms, CBC reporting entities are single entities, or members of an accounting group that has annual global income of more than A$1 billion.

This measure originally applied to ‘significant global entities’ (SGEs) for income years commencing on or after 1 July 2016. However, in May 2020, Federal Parliament passed amendments to the original requirements which:

- Transfer the requirement to prepare GPFS arising under s.3CA of the Tax Administration Act from SGEs to CBC reporting entities
- Require entities to ignore accounting exemptions from consolidation when testing whether the annual global income meets or exceeds the A$1 billion threshold to be a SGE or CBC reporting entity (there are differences between how these are treated for the SGE and CBC reporting entity definitions)
- Require entities to determine annual global income (and so whether the entity is a SGE or CBC reporting entity) for a ‘notional listed company group’ (NLCG) in some cases. This has the effect of ensuring that annual global income is determined on a consolidated basis, even though that amount may not be disclosed in the financial statements of the ultimate parent entity (because financial statements are not prepared, or are only prepared on a stand alone basis).

The amendments apply to income years or periods beginning on after 1 July 2019.

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43 ‘Annual global income’ is included in the tax legislation definitions. Essentially, annual global income includes revenue and other income. See section 4.7.3 for more information.
44 A NLCG is a group of entities that would be required to be consolidated as a single group under applicable accounting rules if any member of the group (such as the parent entity) was a listed company. Listed companies are required to prepare consolidated financial statements and so the lack of a legal requirement to prepare consolidated financial statements is ignored. Preparation of financial statements is not required, but annual global income must be determined as if it were disclosed in those consolidated financial statements. This concept is used to determine whether the members of a group are CBC reporting entities. Individual entities within the group may then be required to prepare GPFS (where they are a corporate tax entity preparing a tax return), in which case GPFS must be prepared for the entity or a parent.
The CBC reporting entity definition captures all entities previously considered SGEs but broadens the definition to include ‘notional listed company groups’ and to make it clear it captures entities that are not consolidated due to being immaterial in the consolidated financial statements.

In other words, all entities previously identified as SGEs meet the new CBC reporting entity definition. This is because the annual global income will continue to be determined for the same (or more) entities as under the previous SGE definition. As a result, these entities will continue to be subject to the GPFS requirements as a CBC reporting entity. In addition, additional entities may fall into the CBC reporting group and so may also newly have a GPFS requirement.

Accordingly, in broad terms, the following categories of entities will be newly required to prepare GPFS for income years or periods commencing on or after 1 July 2019 where the annual global income in the relevant ‘CBC reporting group’ exceeds the A$1 billion threshold:

- Entities that are, or are ultimately controlled by, entities that have no other requirement to prepare financial statements or were only required to prepare stand alone financial statements. This may apply to groups headed by trusts, partnerships, co-operatives and similar entities
- Entities controlled by foreign entities where that foreign entity has no obligation to prepare financial statements (or prepares stand alone financial statements) in the foreign jurisdiction
- Branches of foreign entities operating permanent establishments in Australia that do not have an obligation to prepare financial statements in their home jurisdiction
- Australian corporate groups where consolidated financial statements were not previously prepared, e.g. unlisted corporate entities that are not ‘reporting entities’ preparing stand-alone special purpose financial statements (i.e. without consolidating subsidiaries).

In some cases, these entities may have already considered themselves to be SGEs under previous legislation and may have already prepared GPFS. These entities now have their obligations clarified through the amendments and will continue to be required to prepare GPFS, but as CBC reporting entities. Other entities may have adopted a technical reading of the previous legislation and not been SGEs, but will now be subject to the GPFS requirements where they are CBC reporting entities.

More information about changes to the GPFS requirements can be found in our Clarity publication, which explains the changes in more detail. This publication is available at www.deloitte.com/au/clarity.

More information about the GPFS requirements can be found in section 4.7.
8.5 Other developments

8.5.1 Climate-related and other emerging risks financial disclosures

In September 2018, ASIC released a media release, 18-273MR ASIC reports on climate risk disclosure by Australia’s listed companies. ASIC noted that of the 60 listed companies in its ASX 300 sample, 17% identified climate risk as a material risk to their business. ASIC also noted that while most of the reviewed ASX 100 entities had considered climate risk to the company's business to at least some extent, disclosure practices were considerably fragmented, with information provided to the market in differing forms across a wide range of means of disclosure. In some cases, the review found climate risk disclosures to be far too general, and of limited use to investors. The full text of the media release can be found at www.asic.gov.au.

Furthermore, the AASB and Auditing and Assurance Standards Board (AuASB) together released a bulletin on Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB Practice Statement 2 (APS 2) which guides directors, preparers and auditors when preparing and auditing financial statements for their half and full year ends. In early May 2019, the AASB and AuASB released an updated version of the bulletin (dated April 2019). The full text of the AASB/AuASB bulletin can be found at www.auasb.gov.au.

More information about climate-related and other emerging risks disclosures can be found in our Clarity publication, which is available at www.deloitte.com/au/clarity

More information about these developments and their impacts on financial reporting can be found in section 7.5.
8.6 **Details of new and revised financial reporting pronouncements**

8.6.1 **Introduction**

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 2020, or which may be early adopted at that date. For each pronouncement, the effective date is listed, together with a summary of its applicability to annual reports and half-year reports for periods ending on 30 June 2020. A summary of all mandatorily applicable pronouncements can be found in section 8.2.

This section is set out as follows:

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<th>Section</th>
<th>What is included</th>
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<td>8.6.2 Overall considerations</td>
<td>A summary of the impacts of adopting new and revised pronouncements, and disclosing information about pronouncements not yet adopted</td>
</tr>
<tr>
<td>8.6.3 New and revised Standards</td>
<td>New or revised Standards which apply either to for-profit entities, or that apply to both for-profit and not-for-profit entities</td>
</tr>
<tr>
<td>8.6.4 New and revised Interpretations</td>
<td>New and revised Interpretations which apply either to for-profit entities, or that apply to both for-profit and not-for-profit entities</td>
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<td>8.6.5 New and revised pronouncements applicable to not-for-profit entities only</td>
<td>New and revised pronouncements which apply only to not-for-profit entities</td>
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<tr>
<td>8.6.6 Other new pronouncements issued by the AASB</td>
<td>New pronouncements issued by the AASB which are not mandatory in application, but which are relevant in financial reporting</td>
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<tr>
<td>8.6.7 Pronouncements issued by the IASB or IFRS Interpretations Committee where an equivalent pronouncement has not been issued by the AASB</td>
<td>Pronouncements made by the IASB or IFRS Interpretations Committee, where an equivalent pronouncement has not been made by the AASB but is expected to be issued in due course</td>
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<tr>
<td>8.6.8 IFRS Interpretations Committee agenda decisions</td>
<td>A summary of recent IFRS Interpretations Committee agenda decisions, which should be considered a source of guidance when selecting suitable accounting policies</td>
</tr>
<tr>
<td>8.6.9 AASB agenda decisions</td>
<td>A summary of recent issues raised for consideration by the AASB which are either not added to the agenda or else removed from the agenda</td>
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<tr>
<td>8.6.10 Corporations Act 2001 developments</td>
<td>Developments in relation to the Corporations Act and Corporations Regulations that are relevant to financial reporting</td>
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<tr>
<td>8.6.11 ASIC</td>
<td>A summary of recent developments from ASIC that are relevant to financial reporting</td>
</tr>
</tbody>
</table>
**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:

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<thead>
<tr>
<th>Area</th>
<th>Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Updates to accounting policies</td>
<td>The terminology and substance of disclosed accounting policies may need to be updated to reflect new recognition, measurement and other requirements.</td>
</tr>
<tr>
<td>Impact of transitional provisions</td>
<td>AASB 108 <em>Accounting Policies, Changes in Accounting Estimates and Errors</em> 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.</td>
</tr>
<tr>
<td>Disclosures about changes in accounting policies</td>
<td>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 (subject to any specific transitional provisions of the Accounting Standard) 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.</td>
</tr>
<tr>
<td>Third statement of financial position</td>
<td>AASB 101 <em>Presentation of Financial Statements</em> requires 108 (subject to any specific transitional provisions of the relevant Accounting Standard) 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.</td>
</tr>
<tr>
<td>Earnings per share (EPS)</td>
<td>Where applicable to the entity, AASB 133 <em>Earnings Per Share</em> 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.</td>
</tr>
</tbody>
</table>

*Note: The above requirements apply fully in Tier 1 financial reports. Some of these requirements are not applicable in Tier 2 (RDR) financial reports or Tier 2 (SD) financial reports. Details of which requirements apply can be found in section 6.3.*

### 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](http://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 6 December 2019, ASIC released its focus areas for 31 December 2019 financial reports (see section 8.6.11). ASIC notes that full-year reports must comply with the new accounting standard on lease accounting. The release also notes that “reports must also disclose the future impact of a new standard on accounting by insurers, and new definition and recognition criteria for assets, liabilities, income and expenses” (under the Conceptual Framework for Financial Reporting).

Entities need to ensure that they comply with the requirements of AASB 108 and respond to regulatory expectations.

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**Illustrative examples of the disclosures can be found in Note 2 included in the Illustrative disclosure section of this guide (starting on page 261).**

**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 directors’ resolutions for early adoption must be made under s.334 (5).

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**Important note about the tables on the following pages**

As the implementation dates for some standards are different for for-profit and not-for-profit entities, the tables below have been presented to clearly state the application dates for each type of entity. In particular, section 8.6.5 shows those pronouncements that apply to not-for-profit entities only, as many of the pronouncements mandatorily applying for not-for-profit entities as at 30 June 2020 have already been applied by for-profit entities in earlier periods.
8.6.3 New and revised Standards

The table below outlines new and revised Standards which apply either to for-profit entities, or that apply to both for-profit and not-for-profit entities.

<table>
<thead>
<tr>
<th>New or revised requirement</th>
<th>When effective</th>
<th>Applicability at 30 June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AASB 16 Leases</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 16 replaces AASB 117 <em>Leases</em>, Interpretation 4 <em>Determining whether an Arrangement contains a Lease</em>, Interpretation 115 <em>Operating Leases – Incentives</em> and Interpretation 127 <em>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</em>. 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.</td>
<td>Annual reporting periods beginning on or after 1 January 2019</td>
<td>Mandatory (already applied in the prior period by entities with a December year end)</td>
</tr>
</tbody>
</table>

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](#)

<table>
<thead>
<tr>
<th><strong>AASB 17 Insurance Contracts</strong></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 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.</td>
<td>Annual reporting periods beginning on or after 1 January 2021&lt;sup&gt;45&lt;/sup&gt;</td>
<td>Optional</td>
</tr>
</tbody>
</table>

More information: [IFRS in Focus newsletter](#), [summary of IFRS 17](#)

<sup>45</sup>In late June 2020, the IASB issued *Amendments to IFRS 17*, which has the effect of deferring the application of IFRS 17 *Insurance Contracts* to be effective for annual reporting periods beginning on or after 1 January 2023, and also makes a number of clarifying amendments to the Standard (see section 8.6.7). At the date of finalisation of this publication, the AASB has not issued an equivalent pronouncement but may be expected to do so in due course.
### AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

A separate disclosure Standard applied in the preparation of general purpose financial statements prepared in accordance with ‘Tier 2’ of the differential reporting framework in AASB 1053 Application of Tiers of Australian Accounting Standards.

Entities preparing general purpose financial statements in accordance with this Standard are not required to comply with the disclosure requirements of other Accounting Standards. However, the recognition and measurement requirements of all Accounting Standards must be applied.

The disclosure requirements in AASB 1060 replace those required under ‘Reduced Disclosure Requirements’ (RDR) which shaded those disclosure requirements of Accounting Standards that were not applicable to Tier 2 entities. The number of disclosures required by this Standard are generally less than RDR.

### 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, AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

Addresses a conflict between the requirements of AASB 128 Investments in Associates and Joint Ventures and AASB 10 Consolidated Financial Statements and clarifies 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.

Note: The equivalent amendments to IFRS 10 and IAS 28 have no set commencement date due to amendments made by the IASB, pending further research in other projects. AASB 2015-10 extended the application date of the equivalent amendments to 1 January 2018. AASB 2017-5 then further extended the application date of the amendments from 1 January 2018 to 1 January 2022, and also made a number of editorial amendments to other standards which are effective for annual periods beginning on or after 1 January 2018.

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

### AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation

Amends AASB 9 Financial Instruments to clarify that particular financial assets with prepayment features that may result in reasonable negative compensation (i.e. a payment to the borrower) for the early termination of the contract are eligible to be measured at amortised cost or at fair value through other comprehensive income (depending upon the entity's business model). As a result, entities may adopt this approach when on the early termination of the contract a party may pay or receive reasonable compensation for that early termination.

Also clarifies (in the Basis for Conclusions) the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability. The amendments clarify that an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange.

More information: [IFRS in Focus newsletter](#)
### Australian financial reporting guide | What's new in financial reporting?

<table>
<thead>
<tr>
<th>New or revised requirement</th>
<th>When effective</th>
<th>Applicability at 30 June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures</strong></td>
<td>Annual reporting periods beginning on or after 1 January 2019</td>
<td>Mandatory (already applied in the prior period by entities with a December year end)</td>
</tr>
</tbody>
</table>

Clarifies that an entity applies AASB 9 Financial Instruments to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

An entity applies AASB 9 to such long-term interests before it considers whether to discontinue the recognition of losses (where its share of losses equals or exceeds its interest in an associate or joint venture) and impairment. In applying AASB 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying AASB 128 Interests in Associates and Joint Ventures.

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

| **AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle** | Annual reporting periods beginning on or after 1 January 2019 | Mandatory (already applied in the prior period by entities with a December year end) |

Makes amendments to the following Accounting Standards:

- **AASB 3 Business Combinations** to clarify that remeasurement of a previously held interest in a joint operation is required on obtaining control of that joint operation
- **AASB 11 Joint Arrangements** to clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business
- **AASB 112 Income Taxes** to clarify the requirements surrounding when the tax consequences of distributions should be recognised in income tax expense rather than retained earnings
- **AASB 133 Borrowing Costs** to clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

| **AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement** | Plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019 | Mandatory (already applied in the prior period by entities with a December year end) |

Amends AASB 119 Employee Benefits to:

- Require, if a plan amendment, curtailment or settlement occurs, that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement
- Clarify the effect of a plan amendment, curtailment or settlement on the asset ceiling requirements.

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

| **AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements** | Annual periods beginning on or after 1 January 2019 | Mandatory (already applied in the prior period by entities with a December year end) |

Amends AASB 16 Leases and AASB 1058 Income for Not-for-Profit Entities to establish Reduced Disclosure Requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements (see section 5.3.3)
### AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

Amends AASB 3 Business Combinations to clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

More information: IFRS in Focus newsletter

<table>
<thead>
<tr>
<th>AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business</th>
<th>When effective</th>
<th>Applicability at 30 June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period</td>
<td>Optional (full-years)</td>
<td>Mandatory (half-years)</td>
</tr>
</tbody>
</table>

### AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

These amendments are intended to address concerns that the wording in the definition of ‘material’ was different in the Conceptual Framework for Financial Reporting, AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments address these concerns by:

- Replacing the term ‘could influence’ with ‘could reasonably be expected to influence’
- Including the concept of ‘obscuring information’ alongside the concepts of ‘omitting’ and ‘misstating’ information in the definition of material
- Clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework
- Aligning the definition of material across IFRS Standards and other publications.

More information: IFRS in Focus newsletter

<table>
<thead>
<tr>
<th>AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material</th>
<th>When effective</th>
<th>Applicability at 30 June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual periods beginning on or after 1 January 2020</td>
<td>Optional (full-years)</td>
<td>Mandatory (half-years)</td>
</tr>
<tr>
<td>New or revised requirement</td>
<td>When effective</td>
<td>Applicability at 30 June 2020</td>
</tr>
<tr>
<td>----------------------------</td>
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<td>-----------------------------</td>
</tr>
<tr>
<td>AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework</td>
<td>Annual periods beginning on or after 1 January 2020 (see note)</td>
<td>Optional (full-years)</td>
</tr>
<tr>
<td>Makes amendments to various Accounting Standards and other pronouncements to support the issue of the revised Conceptual Framework for Financial Reporting. Some Accounting Standards and other pronouncements contain references to, or quotations from, the previous versions of the Conceptual Framework. This Standard updates some of these references and quotations so they refer to the Conceptual Framework issued by the AASB in June 2019, and also makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents. Note: The amendments made by AASB 2019-1 apply to for-profit sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards and other for-profit entities that elect to apply the Conceptual Framework. The superseded text providing references to the previous versions of the Conceptual Framework is reintroduced by the amendments as a series of ‘AusCF’ paragraphs and footnotes that apply to ‘AusCF entities’, being not-for-profit entities and for-profit entities that are not applying the revised Conceptual Framework. More information: IFRS in Focus newsletter.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform</td>
<td>Annual periods beginning on or after 1 January 2020</td>
<td>Mandatory (half-years)</td>
</tr>
<tr>
<td>The amendments affect entities that apply the hedge accounting requirements of AASB 9 Financial Instruments or AASB 19 Financial Instruments: Recognition and Measurement to hedging relationships directly affected by the interest rate benchmark reform. The amendments would mandatorily apply to all hedging relationships that are directly affected by the interest rate benchmark reform and modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform. More information: IFRS in Focus newsletter.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia</td>
<td>Annual periods beginning on or after 1 January 2020</td>
<td>Mandatory (half-years)</td>
</tr>
<tr>
<td>Amends AASB 1054 Australian Additional Disclosures to add a requirement for entities that intend to be compliant with IFRS standards to disclose the information required by AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (specifically paragraphs 30 and 31) for the potential effect of each IFRS pronouncement that has not yet been issued by the AASB. Note: The added disclosure requirements only apply to Tier 1 financial reports and permits private sector for-profit entities to assert compliance with IFRS.</td>
<td></td>
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</tr>
</tbody>
</table>
### New or revised requirement

<table>
<thead>
<tr>
<th>Amendment Description</th>
<th>When effective</th>
<th>Applicability at 30 June 2020</th>
</tr>
</thead>
</table>
| **AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities** | **Classification of Liabilities as Current or Non-current**<br>Amends AASB 101 *Presentation of Financial Statements* to:  
- Clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period  
- Specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability  
- Explain that rights are in existence if covenants are complied with at the end of the reporting period  
- Introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. | Optional |
| **Note:** The IASB and AASB are currently consulting on a proposal to delay the effective date of these amendments by one year to annual reporting periods beginning on or after 1 January 2023. |
| | **AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities**<br>Makes amendments to numerous Standards and the *Conceptual Framework for Financial Reporting* so that they apply explicitly to:  
- For-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards  
- Other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after 1 July 2021. | Applicable to annual reporting periods beginning on or after 1 July 2021 | Optional |
| | The effect of these requirements is that the above entities are required to prepare general purpose financial statements and apply the *Conceptual Framework for Financial Reporting* when preparing financial statements. Accordingly, these entities will not be permitted to prepare special purpose financial statements. | | |

More information: [IFRS in Focus newsletter](#)
<table>
<thead>
<tr>
<th>New or revised requirement</th>
<th>When effective</th>
<th>Applicability at 30 June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</strong></td>
<td>Annual periods beginning on or after 1 January 2022</td>
<td>Optional</td>
</tr>
<tr>
<td>Makes amendments to the following Standards:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Annual improvements:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– AASB 1 <em>First-time Adoption of International Financial Reporting Standards</em> to permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– AASB 9 <em>Financial Instruments</em> to clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of AASB 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf are included</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– AASB 16 <em>Leases</em> to amend Illustrative Example 13 to remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– AASB 141 <em>Agriculture</em> to remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• AASB 116 <em>Property, Plant and Equipment</em> to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• AASB 17 <em>Provisions, Contingent Liabilities and Contingent Assets</em> to specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract)</td>
<td></td>
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</tr>
<tr>
<td>• AASB 3 <em>Business Combinations</em> to:</td>
<td></td>
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</tr>
<tr>
<td>– Refer to the <em>Conceptual Framework for the Financial Reporting</em> instead of previous versions of the Framework</td>
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</tr>
<tr>
<td>– Add a requirement that, for transactions and other events within the scope of IAS 37 <em>Provisions, Contingent Liabilities and Contingent Assets</em> or IFRIC 21 <em>Levies</em>, an acquirer applies those pronouncements (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination</td>
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</tr>
</tbody>
</table>

More information: [IFRS in Focus newsletter](https://www.ifrsinfocus.com) (annual improvements), [IFRS in Focus newsletter](https://www.ifrsinfocus.com) (AASB 116 amendments), [IFRS in Focus newsletter](https://www.ifrsinfocus.com) (AASB 137 amendments), [IFRS in Focus newsletter](https://www.ifrsinfocus.com) (AASB 3 amendments).
### New or revised requirement

<table>
<thead>
<tr>
<th>New or revised requirement</th>
<th>When effective</th>
<th>Applicability at 30 June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions</strong></td>
<td>Annual reporting periods beginning on or after 1 June 2020</td>
<td>Optional (see note)</td>
</tr>
<tr>
<td>Amends AASB 16 Leases to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Require lessees that apply the practical expedient to account for COVID-19-related rent concessions as if they were not lease modifications</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Require lessees that apply the practical expedient to disclose whether the practical expedient has been applied to all eligible contracts, or, if not, information about the nature of the contracts to which the practical expedient has been applied</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Require lessees to apply the practical expedient retrospectively, recognising the cumulative effect of applying the amendment as an adjustment to the opening retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: Early adoption of this Standard is permitted, including in financial statements not authorised for issue at the date it was issued (15 June 2020).*

More information: [IFRS in Focus newsletter](#)
8.6.4 New and revised Interpretations

The table below outlines new and revised Interpretations which apply either to for-profit entities, or that apply to both for-profit and not-for-profit entities.

<table>
<thead>
<tr>
<th>New or revised requirement</th>
<th>When effective</th>
<th>Applicability to 30 June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments</td>
<td>Annual reporting periods beginning on or after 1 January 2019</td>
<td>Mandatory (already applied in the prior period by entities with a December year end)</td>
</tr>
</tbody>
</table>

Interpretation 23 clarifies the accounting for uncertainties in income taxes.

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates ('tax amounts'), when there is uncertainty over income tax treatments under AASB 112 Income Taxes.

The Interpretation requires an entity to:

- Use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together.
- Assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.
- Determine tax amounts on a basis that is consistent with the tax treatment included in its income tax filings if an entity concludes that it is probable that a particular tax treatment will be accepted by the taxation authorities.
- Determine tax amounts using the most likely amount or expected value of the tax treatment (whichever provides better predictions of the resolution of the uncertainty) where an entity concludes that it is not probable that a particular tax treatment will be accepted by the taxation authorities.

AASB 2017-4 amends AASB 1 First-time Adoption of Australian Accounting Standards as a consequence of the issuance of Interpretation 23. In terms of this amendment a first time adopter, whose date of transition to Australian Accounting Standards is before 1 July 2017, may elect not to reflect the application of Interpretation 23 in comparative information in its first IFRS compliant financial statements. Instead, an entity making this election recognises the cumulative effect of applying Interpretation 23 as an adjustment to opening retained earnings (or other component of equity) at the beginning of its first IFRS compliant reporting period.

More information: IFRS in Focus newsletter, summary of IFRIC 23
8.6.5 New and revised pronouncements applicable to not-for-profit entities only

The table below outlines new and revised pronouncements which apply only to not-for-profit entities.

<table>
<thead>
<tr>
<th>New or revised requirement</th>
<th>When effective</th>
<th>Applicability at 30 June 2020</th>
</tr>
</thead>
</table>
| **AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian**   | Annual reporting periods beginning on or after 1 January 2019
government arising from AASB 15, AASB 2015-8 Amendments to Australian Accountings - Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15 | Mandatory (for not-for-profit entities, already adopted in prior periods by for-profit entities and not-for-profit entities with December year ends) |
| **AASB 1058 Income of Not-for-Profit Entities, AASB 2016-7 Amendments to Australian**    | Annual reporting periods beginning on or after 1 January 2019
government 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 | Mandatory (already adopted in prior periods by not-for-profit entities with December year ends) |

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

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 Financial Instruments and AASB 15.

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46 Note that AASB 2019-6 Amendments to Australian Accounting Standards – Research Grants and Not-for-Profit Entities permits not-for-profit entities to apply AASB 15 and AASB 1058 to annual reporting periods beginning on or after 1 July 2019 instead of 1 July 2019 in respect of research grants (see the summary of AASB 2019-6 on page 152).

47 AASB 2016-7 applies to annual reporting periods beginning on or after 1 January 2017 but has the effect of deferring the application of AASB 15 Revenue from Contracts with Customers to annual reporting periods beginning on or after 1 January 2019 for not-for-profit entities.
### New or revised requirement

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor’s perspective. The Standard is based on International Public Sector Accounting Standard IPSAS 32 Service Concession Arrangements: Grantor and takes into account AASB Interpretation 12 Service Concession Arrangements, which sets out the accounting for the operator in a public-to-private service concession arrangement. For example, the principles for recognition of a service concession asset are broadly consistent with AASB Interpretation 12.</td>
<td>Annual reporting periods beginning on or after 1 January 2020&lt;sup&gt;48&lt;/sup&gt;</td>
<td>Optional (full-years)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mandatory (half-years)</td>
</tr>
</tbody>
</table>

Note: AASB 2018-5 defers the mandatory application of AASB 1059 from annual periods beginning on or after 1 January 2019 to annual periods beginning on or after 1 January 2020.

### 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.

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

<sup>48</sup> Although AASB 2018-5 is mandatory for annual reporting periods beginning on or after 1 January 2019, it has the effect of amending the application date of AASB 1059 to defer it to annual periods beginning on or after 1 January 2020.
### New or revised requirement

**AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensor**

This Standard includes Australian Implementation Guidance and illustrative examples to AASB 15 Revenue from Contracts with Customers to provide:

- Guidance to distinguish a licence from a tax
- Clarification on the application of AASB 15 for revenue from 'non-intellectual property' licences (by extending the scope of AASB 15 to such licences)
- Practical recognition exemptions for short-term or low-value licences issued by not-for-profit public sector licensors.

The Standard also amends AASB 16 Leases to clarify its scope.

**AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities**

Amends AASB 1 First-time Adoption of Australian Accounting Standards, AASB 16 Leases, AASB 117 Leases, AASB 1049 Whole of Government and General Government Sector Financial Reporting and AASB 1058 Income of Not-for-Profit Entities.

The amendments provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right-of-use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives.

The Amending Standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply the option.

**AASB 2019-4 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements**

Requires the following additional disclosures in special purpose financial statements of not-for-profit private sector entities:

- The basis on which the decision to prepare special purpose financial statements was made
- Where the entity has interests in other entities, whether or not its subsidiaries and associates have been consolidated or equity accounted (or reasons why the entity has not consolidated or equity accounted), or that the entity has not determined whether its interests in other entities give rise to interests in subsidiaries, associates or joint ventures (where permitted by legislation)
- The material accounting policies applied and disclosed that does not comply with all recognition and measurement requirements in Australian Accounting Standards have not been applied (except for the requirements in AASB 10 Consolidated Financial Statements or AASB 128 Investments in Associates and Joint Ventures)
- Whether or not the financial statements overall comply with the recognition and measurement requirements in Australian Accounting Standards (except for AASB 10 and AASB 128), or that such an assessment has not been made.
<table>
<thead>
<tr>
<th>New or revised requirement</th>
<th>When effective</th>
<th>Applicability at 30 June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AASB 2019-6 Amendments to Australian Accounting Standards – Research Grants and Not-for-Profit Entities</strong>&lt;br&gt;Amends AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities to</td>
<td>Annual periods beginning on or after 1 January 2019&lt;br&gt;(see note)</td>
<td>Mandatory (see note)</td>
</tr>
<tr>
<td>• Permit not-for-profit entities to apply AASB 15 and AASB 1058 to research grants for annual reporting periods beginning on or after 1 July 2019 instead of 1 January 2019 (other income sources of not-for-profit entities remain within the scope of these standards from 1 January 2019)&lt;br&gt;• Amend Examples 4A and 4B accompanying AASB 15 to clarify the analysis of how paragraph 35(a) (when a customer simultaneously receives and consumes the benefits of the entity’s performance as the entity performs) applies in respect of research grants and research findings&lt;br&gt;• Add a new example to illustrate a case with periodic performance obligations arising in respect of research activities.</td>
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</tr>
<tr>
<td>Note: Although this Amending Standard is effective from 1 January 2019, it has the effect of deferring the application of AASB 15 and AASB 1058 in respect of research grants to annual reporting periods beginning on or after 1 July 2019 as noted above. Accordingly, not-for-profit entities preparing full-year financial reports at June 2020 will not have to apply AASB 15 and AASB 1058 to research grants.</td>
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</tr>
<tr>
<td><strong>AASB 2019-7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations</strong>&lt;br&gt;Amends AASB 1049 Whole of Government and General Government Sector Financial Reporting to grant full optional relief from disclosing GFS measures of key fiscal aggregates and GAAP/GFS Reconciliations, with additional disclosure to:</td>
<td>Annual periods beginning on or after 1 January 2020</td>
<td>Optional (full-years)&lt;br&gt;Mandatory (half-years)</td>
</tr>
<tr>
<td>• Clarify that key fiscal aggregates presented on the financial statements are not GFS measures&lt;br&gt;• Explain (but not quantify) material differences between the GAAP and GFS measures of the key fiscal aggregates if the option is selected.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>AASB 2019-8 Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases</strong>&lt;br&gt;Amends AASB 16 Leases and AASB 1049 Whole of Government and General Government Sector Financial Reporting in respect of not-for-profit lessees’ right-of-use assets arising under concessionary leases (i.e. leases that have significantly below-market terms and conditions to enable the entity to further its objectives), to:</td>
<td>Annual periods beginning on or after 1 January 2019</td>
<td>Mandatory (already adopted in previous periods by not-for-profit entities with December year ends)</td>
</tr>
<tr>
<td>• Specify right-of-use (ROU) assets arising under concessionary leases can be treated as a separate class of ROU assets to ROU assets arising under other leases for the purposes of AASB 16&lt;br&gt;• Extend the initial-measurement temporary relief to provide a temporary option for the Whole of Government and the General Government Sector not to measure ROU assets arising under concessionary leases at fair value in subsequent measurement.</td>
<td></td>
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</tbody>
</table>
### 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.

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 receipt of advance consideration.

More information: [IFRS in Focus newsletter](#), [summary of IFRIC 22](#)

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### 8.6.6 Other new pronouncements issued by the AASB

The table below outlines new pronouncements issued by the AASB which are not mandatory in application, but which are relevant in financial reporting.

<table>
<thead>
<tr>
<th>New or revised pronouncement</th>
<th>When effective</th>
<th>Applicability to 30 June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Practice Statement 2 Making Materiality Judgements</strong></td>
<td>Not applicable (Non-mandatory pronouncement)</td>
<td>Optional (Non-mandatory pronouncement)</td>
</tr>
</tbody>
</table>

This Practice Statement is equivalent to IFRS Practice Statement 2 *Making Materiality Judgements* issued by the IASB, and also includes additional guidance and examples that are specific to not-for-profit private and public sector entities.

The Practice Statement:

- Provides an overview of the general characteristics of materiality
- Presents a four-step process an entity may follow in making materiality judgements when preparing financial statements (materiality process). The description of the materiality process provides an overview of the role materiality plays in the preparation of financial statements, with a focus on the factors the entity should consider when making materiality judgements
- Provides guidance on how to make materiality judgements in specific circumstances, namely, how to make materiality judgements about prior-period information, errors and covenants, and in the context of interim reporting.

Note: The Practice Statement is a non-mandatory document. It does not change or introduce any requirements in Accounting Standards and entities are not required to comply with it to state compliance with Accounting Standards or IFRS.

More information: [IFRS in Focus newsletter](#), [summary of the Practice Statement](#)
### New or revised pronouncement

<table>
<thead>
<tr>
<th>Bulletin</th>
<th>Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB Practice Statement 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sets out the AASB and Auditing and Assurance Standards Board's (AuASB) view that:</td>
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<tr>
<td>• Investor statements on the importance of climate-related risks to their decision making, the impact of the materiality definition and AASB Practice Statement 2 (APS 2) is that entities can no longer treat climate-related risks as merely a matter of corporate social responsibility and should consider them also in the context of their financial statements</td>
<td></td>
</tr>
<tr>
<td>• They expect that directors, preparers and auditors will be considering APS 2, when preparing and auditing financial statements for their next half and full year ends. Even though the guidance is not mandatory, it represents the IASB’s best practice interpretation of materiality and entities in Australia are already being subject to law suits regarding lack of disclosure.</td>
<td></td>
</tr>
<tr>
<td>Among other things, the Bulletin sets out a number of key recommendations and financial report consideration, and explains how APS 2 applies to disclosing climate-related and other emerging risks in financial statements.</td>
<td></td>
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<tr>
<td>Note: This pronouncement was originally published in December 2018 and subsequently reissued in May 2019 (dated April 2019).</td>
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</tr>
</tbody>
</table>

More information, [full text of the Bulletin](#).

### Conceptual Framework for Financial Reporting

Revised version of the AASB’s framework for financial reporting, based on an equivalent pronouncement issued by the IASB. The Conceptual Framework replaces an earlier version, updating a number of definitions and guidance, introduces new guidance on a number of topics including the reporting entity and presentation and disclosure, and clarifies a number of other matters.

Note: The purpose of the Conceptual Framework is to assist the AASB in developing and revising Accounting Standards that are based on consistent concepts, to help preparers to develop consistent accounting policies for areas that are not covered by a standard or where there is choice of accounting policy, and to assist all parties to understand and interpret Accounting Standards. The ‘Status and Purpose’ section of the Conceptual Framework states “The Conceptual Framework is not a Standard. Nothing in the Conceptual Framework overrides any Standard or any requirement in a Standard. This is consistent with the Australian Securities and Investments Commission Act 2001, section 227(1)”.

Note: The Conceptual Framework applies to for-profit sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards and other for-profit entities that elect to apply the Conceptual Framework and the consequential amendments to other pronouncements set out in Accounting Standards AASB 2019-1 ‘Amendments to Australian Accounting Standards – References to the Conceptual Framework’. In addition, AASB 2020-2 ‘Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities’ extends this application to (1) for-profit private sector entities that are required by legislation to prepare financial statements that comply with Australian Accounting Standards or accounting standards, (2) other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards (provided that the relevant document was created or amended on or after 1 July 2021) and (3) other for-profit entities that elect to prepare general purpose financial statements. The amendments in AASB 2020-2 apply to annual reporting periods beginning on or after 1 July 2021.

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


## 8.6.7 Pronouncements issued by the IASB or IFRS Interpretations Committee where an equivalent pronouncement has not been issued by the AASB

The table below outlines pronouncements made by the IASB or IFRS Interpretations Committee, where an equivalent pronouncement has not yet been made by the AASB at the date of this publication but is expected to be issued in due course.

<table>
<thead>
<tr>
<th>New or revised requirement</th>
<th>When effective</th>
<th>Applicability to 30 June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amendments to IFRS 17</strong></td>
<td></td>
<td>Optional</td>
</tr>
<tr>
<td>Amends IFRS 17 Insurance Contracts to defer its application date to annual reporting periods beginning on or after 1 January 2023.</td>
<td>Has the effect of deferring the application of IFRS 17 (as amended) to annual reporting periods beginning on or after 1 January 2023</td>
<td>(once an equivalent pronouncement is issued by the IASB)</td>
</tr>
<tr>
<td>In addition, the amendments address several concerns raised by affected preparers and users of financial statements, auditors and regulators. These include:</td>
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<tr>
<td>• Excluding credit card contracts and similar contracts that provide insurance coverage from the scope of the Standard</td>
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<tr>
<td>• Optionally excluding loan contracts that transfer significant insurance risk from the scope of the Standard</td>
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<tr>
<td>• Changes in how insurance contracts acquired in a business combination are accounted for</td>
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<tr>
<td>• Clarification on interim financial reporting and the application of the contract service margin (CSM)</td>
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<tr>
<td>• Simplified presentation of insurance contracts in the balance sheet</td>
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<tr>
<td>• Providing additional transitional relief</td>
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<tr>
<td>• Addressing various other application issues.</td>
<td></td>
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</tr>
<tr>
<td>More information: <a href="#">IFRS in Focus newsletter</a></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)</strong></th>
<th>When effective</th>
<th>Applicability to 30 June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amends the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that eligible insurance entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023, to align with the revised effective date of IFRS 17 Insurance Contracts.</td>
<td>Has the effect of deferring the application of IFRS 9 for eligible insurance entities to annual reporting periods beginning on or after 1 January 2023</td>
<td>Optional (once an equivalent pronouncement is issued by the IASB)</td>
</tr>
<tr>
<td>More information: <a href="#">IFRS in Focus newsletter</a></td>
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</tbody>
</table>
### 8.6.8 IFRS Interpretations Committee agenda decisions

Along with its activity developing formal interpretations of IFRS 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 IFRS, 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.

The table below outlines the agenda decisions published by the Committee since January 2019, grouped by the standards to which they relate. Where a decision relates to more than one standard, it is listed under each standard. Links in the table are to the IASB website. The IASB has also released the first two volumes of its *Compilation of Agenda Decisions*, covering all agenda decisions from January 2019 to September 2019 and from October 2019 to March 2020. The documents are available at [www.ifrs.org](http://www.ifrs.org).

<table>
<thead>
<tr>
<th>Pronouncement</th>
<th>Agenda decision</th>
<th>Month finalised</th>
<th>More information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IFRS 9 Financial Instruments</strong></td>
<td>Classification of a particular type of dual currency bond</td>
<td>September 2018</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Curing of a credit-impaired financial asset</td>
<td>March 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Credit enhancement in the measurement of expected credit losses</td>
<td>March 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Physical settlement of contract to buy or sell a non-financial item</td>
<td>March 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Application of the highly probable requirement when a specific derivative is designated as a hedging instrument</td>
<td>March 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Holdings of cryptocurrencies</td>
<td>June 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Fair value hedge of foreign currency risk on non-financial assets</td>
<td>September 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td><strong>IFRS 11 Joint Arrangements</strong></td>
<td>Liabilities in relation to a joint operator’s interest in a joint operation</td>
<td>March 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Sale of output by a joint operator</td>
<td>March 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td><strong>IFRS 15 Revenue from Contracts with Customers</strong></td>
<td>Assessment of promised goods or services</td>
<td>January 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Costs to fulfil a contract</td>
<td>June 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Compensation for delays or cancellations</td>
<td>September 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Training costs to fulfil a contract</td>
<td>March 2020</td>
<td>Agenda decision</td>
</tr>
<tr>
<td><strong>IFRS 16 Leases</strong></td>
<td>Subsurface rights</td>
<td>June 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Lessee’s incremental borrowing rate</td>
<td>September 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Lease term and useful life of leasehold improvements</td>
<td>November 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Definition of a lease – decision making rights</td>
<td>January 2020</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Sale and leaseback with variable payments</td>
<td>June 2020</td>
<td>Agenda decision</td>
</tr>
<tr>
<td><strong>IAS 1 Presentation of Financial Statements</strong></td>
<td>Presentation of liabilities or assets related to uncertain tax treatments</td>
<td>September 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td><strong>IAS 2 Inventories</strong></td>
<td>Holdings of cryptocurrencies</td>
<td>June 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td>Pronouncement</td>
<td>Agenda decision</td>
<td>Month finalised</td>
<td>More information</td>
</tr>
<tr>
<td>---------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>IAS 7 Statement of Cash Flows</td>
<td>Disclosure of changes in liabilities arising from financing activities</td>
<td>September 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td>IAS 12 Income Taxes</td>
<td>Presentation of liabilities or assets related to uncertain tax treatments</td>
<td>September 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Multiple tax consequences of recovering an asset</td>
<td>April 2020</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Deferred tax related to an investment in subsidiary</td>
<td>June 2020</td>
<td>Agenda decision</td>
</tr>
<tr>
<td>IAS 16 Property, Plant and Equipment</td>
<td>Lease term and useful life of leasehold improvements</td>
<td>November 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td>IAS 19 Employee Benefits</td>
<td>Effect of a potential discount on plan classification</td>
<td>June 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td>IAS 21 The Effects of Changes in Foreign Exchange Rates</td>
<td>Determination of the exchange rate when there is a long-term lack of exchangeability</td>
<td>September 2018</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Cumulative exchange differences before a foreign operation becomes hyperinflationary</td>
<td>March 2020</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Presenting comparative amounts when a foreign operation becomes hyperinflationary</td>
<td>March 2020</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Translation of hyperinflationary foreign operation – presenting exchange differences</td>
<td>March 2020</td>
<td>Agenda decision</td>
</tr>
<tr>
<td>IAS 23 Borrowing Costs</td>
<td>Expenditures on qualifying assets</td>
<td>September 2018</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Borrowing costs on land</td>
<td>September 2018</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Over time transfer of constructed good</td>
<td>March 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td>IAS 27 Separate Financial Statements</td>
<td>Investments in a subsidiary accounted for at cost: step acquisition</td>
<td>January 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Investments in a subsidiary accounted for at cost: partial disposal</td>
<td>January 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td>IAS 29 Financial Reporting in Hyperinflationary Economies</td>
<td>Cumulative exchange differences before a foreign operation becomes hyperinflationary</td>
<td>March 2020</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Presenting comparative amounts when a foreign operation becomes hyperinflationary</td>
<td>March 2020</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Translation of hyperinflationary foreign operation – presenting exchange differences</td>
<td>March 2020</td>
<td>Agenda decision</td>
</tr>
<tr>
<td>IAS 37 Provisions, Contingent Liabilities and Contingent Assets</td>
<td>Deposits relating to taxes other than income tax</td>
<td>January 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td>IAS 38 Intangible Assets</td>
<td>Customer’s right to receive access to the supplier’s software host on the cloud</td>
<td>March 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Holdings of cryptocurrencies</td>
<td>June 2019</td>
<td>Agenda decision</td>
</tr>
<tr>
<td></td>
<td>Player transfer payments</td>
<td>June 2020</td>
<td>Agenda decision</td>
</tr>
<tr>
<td>IAS 41 Agriculture</td>
<td>Subsequent expenditure on biological assets</td>
<td>September 2019</td>
<td>Agenda decision</td>
</tr>
</tbody>
</table>
8.6.9 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 June 2019, no agenda decisions have been published by the AASB.

8.6.10 Corporations Act 2001 developments
The following amendments and regulations relevant to financial reporting have been recently made:

<table>
<thead>
<tr>
<th>Development</th>
<th>When effective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Treasury Laws Amendment (Mutual Reforms Act) 2019</strong></td>
<td>6 April 2019</td>
</tr>
<tr>
<td>Introduces a new definition of a 'mutual entity' in the Corporations Act, being a company registered under the Act that has a constitution that provides that each member of the company has no more than one vote at a general meeting of the company for each capacity in which the person is a member. Mutual entities are eligible to issue equity instruments (MCIs) that are a bespoke share for the mutual sector (see section 3.3.5).</td>
<td></td>
</tr>
<tr>
<td><strong>Corporations Amendment (Proprietary Company Thresholds) Regulations 2019</strong></td>
<td>Financial years beginning on or after 1 July 2019</td>
</tr>
<tr>
<td>Increases the thresholds under s.45A, used for determining whether proprietary companies are small or large (see section 3.1.2)</td>
<td></td>
</tr>
<tr>
<td><strong>Corporations (Coronavirus Economic Response) Determination (No. 1) 2020</strong></td>
<td>In effect for six months from the day after which the instrument is registered (5 May 2020)</td>
</tr>
<tr>
<td>Temporarily amends the provisions of the Corporations Act dealing with meetings and document signatures that are not compatible with public health requirements for social distancing during the coronavirus pandemic. The Determination permits meetings, such as annual general meetings, to be conducted using technology rather than face-to-face meetings, allowing quorum, votes, notices and the asking of questions to be filed electronically. It also gives certainty that when company officers sign a document electronically (including an electronic document), the document has been validly executed.</td>
<td></td>
</tr>
<tr>
<td><strong>Corporations (Coronavirus Economic Response) Determination (No.2) 2020</strong></td>
<td>In effect for six months from the day after which the instrument is registered (25 May 2020)</td>
</tr>
<tr>
<td>Modifies the operation of the civil penalty provisions in subsection 674(2), 674(2A), 675(2) and 675(2A) of the Corporations Act to establish a temporary test based on a disclosing entity or its officers' knowledge, recklessness or negligence with respect to whether certain information would have a material effect on the price or value of its enhanced disclosure securities and therefore should be disclosed under section 674 or 675 of the Act.</td>
<td></td>
</tr>
</tbody>
</table>
8.6.11 ASIC
New ASIC pronouncements, guides and other materials

The table below outlines financial reporting related ASIC instruments, regulatory guides and other guidance which has been issued or updated since 1 July 2019. Links are to the ASIC website, or www.legislation.gov.au.

<table>
<thead>
<tr>
<th>Document</th>
<th>Effective date</th>
<th>Link to document</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASIC RG 247 <em>Effective disclosure in an operating and financial review</em></td>
<td>Published on 12 August 2019</td>
<td>Download</td>
</tr>
<tr>
<td>This guide is designed for listed entities and their directors and sets out guidance for directors on providing useful and meaningful information to shareholders or unit holders when preparing an operating and financial review (OFR) in a directors’ report. The guidance has been updated to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Highlight climate change as a systematic risk that could impact an entity’s financial prospects for future years and that may need to be disclosed in an OFR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Reinforce that disclosures made outside of the OFR (such as under the voluntary G20 Financial Stability Board’s Taskforce on Climate Related Financial Disclosures (TCFD) framework or in a sustainability report) should not be inconsistent with disclosures made in the OFR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• To make it clear that ASIC’s general view that the risk of directors being found liable for a misleading or deceptive forward-looking statement in an OFR is minimal provided the statements are based on the best available evidence at the time, have a reasonable basis and there is ongoing compliance with the continuous disclosure obligations when events overtake the relevant statement made in the OFR.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASIC RG 58 <em>Reporting by registered foreign companies and Australian companies with foreign shareholders</em></td>
<td>Published on 19 June 2020</td>
<td>Link to ASIC website</td>
</tr>
<tr>
<td>This is an updated version of this guide with minor updates to reflect the revised definition of a large proprietary company.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASIC RG 115 <em>Audit relief for proprietary companies</em></td>
<td>Published on 19 June 2020</td>
<td>Link to ASIC website</td>
</tr>
<tr>
<td>This is an updated version of this guide with minor updates to reflect the revised definition of a large proprietary company.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASIC RG 261 <em>Crowd-sourced funding: Guide for companies</em></td>
<td>Published on 19 June 2020</td>
<td>Link to ASIC website</td>
</tr>
<tr>
<td>This is an updated version of this guide with minor updates to reflect the revised definition of a large proprietary company and an increase in the maximum number of penalty units for directors who do not do everything reasonably necessary to appoint an auditor.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implements temporary measures aimed at facilitating financial reporting by unlisted entities whose reporting processes take additional time due to remote work arrangements, travel restrictions and other impacts of COVID-19. The temporary measures are intended to allow unlisted entities up to one additional month to complete financial reports and have those reports audited, in compliance with the financial reporting and audit requirements of the Corporations Act.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For further background, see ASIC’s press releases: 20-084MR ASIC to provide additional time for unlisted entity financial reports and 20-113MR ASIC to further extend financial reporting deadlines for listed and unlisted entities and amends ‘no action’ position for AGMs.
<table>
<thead>
<tr>
<th>Document</th>
<th>Effective date</th>
<th>Link to document</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASIC Corporations (Amendment) Instrument 2020/396 (as amended by ASIC Corporations (Amendment) Instrument 2020/452)</strong></td>
<td>Amends the relief in ASIC Corporations (Exempt Proprietary Companies) Instrument 2015/840 to provide eligible entities an additional month to send the financial report to members as temporary relief in response to the COVID-19 crisis. Financial years ending between 31 December 2019 and 7 July 2020 (both inclusive)</td>
<td>ASIC-CI 2020/396 ASIC-CI 2020/452</td>
</tr>
<tr>
<td><strong>ASIC Corporations (Extended Reporting and Lodgment Deadlines—Listed Entities) Instrument 2020/451</strong></td>
<td>Implements temporary measures aimed at facilitating financial reporting by listed entities whose reporting processes take additional time due to current remote work arrangements, travel restrictions and other impacts of COVID-19. The temporary measures are intended to allow listed entities up to one additional month to complete financial reports and have those reports audited, in compliance with the financial reporting and audit requirements of the Corporations Act. Financial years ending between 31 December 2019 and 7 July 2020 (both inclusive)</td>
<td>ASIC-CI 2020/451</td>
</tr>
<tr>
<td><strong>ASIC Information Sheet INFO 245 Board oversight of executive variable pay decisions during the COVID-19 pandemic</strong></td>
<td>This information sheet sets out practical guidance to support board oversight and the exercise of discretion on the variable pay outcomes of large listed companies’ most senior executives (cash and/or equity). However, governance is scalable and many remuneration governance principles can be adopted by a broader range of listed companies and in any market. The high-level guidance is informed by ASIC’s review of remuneration governance practices across 21 ASX 100 companies. In addition to providing feedback directly to these companies, ASIC chose to release this information sheet to assist boards of other listed companies to navigate decisions on executive variable pay in the context of the COVID-19 pandemic. n/a (Information sheet)</td>
<td>INFO 245</td>
</tr>
</tbody>
</table>

For further background, see ASIC press release 20-113MR ASIC to further extend financial reporting deadlines for listed and unlisted entities and amends ‘no action’ position for AGMs.

For further background, see ASIC press release 20-133MR Info sheet 245: Board oversight and discretion in executive variable pay schemes.
ASIC focus areas for financial reporting in light of COVID-19
In its frequently asked questions (FAQs) relating to the COVID-19 implications for financial reporting and audit, ASIC notes that key focus areas for financial reports for years ended 31 March 2020 to 30 June 2020 include:

- **Recognition and measurement** – including the values of assets (including intangibles, property, inventories, receivables/loans, investments, other financial assets, contract assets and deferred tax assets) and liabilities including provisions for onerous contracts, financial guarantees and restructuring
- **Disclosures** – sources of estimation uncertainty, key assumptions and sensitivity analysis and the operating and financial review (OFR) (underlying drivers of results, business strategies, risks and future prospects)
- **Other areas** – including going concern assessments and solvency.

Other matters to consider may include hedge effectiveness, sales returns, off-balance sheet exposures, and credit and liquidity risks associated with financial instruments.

Companies, directors and auditors should also be mindful of the new lease accounting requirements.

The full text of the ASIC FAQs is available at [www.asic.gov.au](http://www.asic.gov.au).

Results from prior ASIC financial report reviews
In February 2020, ASIC announced the results from a review of 30 June 2019 financial reports that covered 200 entities.

The top areas where enquiries were raised from the review were:

- Impairment and other asset values – including regarding assessments of the carrying values of assets (goodwill, exploration and evaluation property, plant and equipment), focused on the reasonableness of cash flow and assumptions, the carrying value of cash-generating units, the use of fair value, application of impairment indicators and inadequate disclosure of sensitivity analyses, key assumptions and fair value techniques and inputs used
- Revenue recognition – particularly arrangements involving multiple performance obligations, lack of disaggregation of revenue and lack of clarity in accounting policies
- Tax accounting – adequacy of tax expense and whether it is probable that future taxable income will be sufficient to enable recovery of deferred tax assets
- Provisions – adequacy of provisions for rehabilitation, warranty claims and onerous contracts
- Expense deferral – whether amounts deferred as assets should have been expensed

The full text of the findings can be found in ASIC media release 20—26MR ASIC review of 30 June 2019 financial reports, which is available at [www.asic.gov.au](http://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

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

<table>
<thead>
<tr>
<th>Model financial report</th>
<th>Overview</th>
<th>Section to refer to for further discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>International GAAP Holdings Limited Model financial statements for the year ended 31 December 2019</td>
<td>IFRS consolidated model financial statements of International GAAP Holdings Limited which illustrate the presentation and disclosure requirements of IFRS for the year ended 31 December 2019 by an entity that is not a first-time adopter of IFRS.</td>
<td>9.2 and 9.3</td>
</tr>
<tr>
<td>Model half-year report Half-years ending on or after 31 December 2019</td>
<td>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 Interim Financial Reporting paragraph 8 for the half-year ending 31 December 2019 by an entity that is not a first time adopter of Australian Accounting Standards.</td>
<td>9.4</td>
</tr>
<tr>
<td>Model special purpose report Special purpose report for the year ended 31 December 2019</td>
<td>Model financial report of International GAAP Holdings Limited which illustrate the presentation and disclosure requirements of Accounting Standards for the year ended 31 December 2019 by an entity that:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Prepares SPFS under the Corporations Act</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Is not a first-time adopter of Australian Accounting Standards.</td>
<td></td>
</tr>
<tr>
<td>Model managed investment scheme annual report for the year ending 30 June 2019</td>
<td>Model managed investment scheme annual report which illustrates the presentation and disclosure requirements of Accounting Standards for the year ended 30 June 2019 by scheme that is not a first-time adopter of Australian Accounting Standards.</td>
<td>9.6</td>
</tr>
<tr>
<td>Illustrative AASB 1056 financial report for superannuation entities for the financial year ending 30 June 2018</td>
<td>Designed to comply with Accounting Standard AASB 1056 Superannuation Entities.</td>
<td>9.6</td>
</tr>
</tbody>
</table>

The model financial statements referred to in the above table are available at [www.deloitte.com/au/models](http://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 2019 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 2018.

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:

- 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.

- The illustrative disclosures in section 10 Illustrative disclosures.
- ASX disclosures 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 (the second column).

<table>
<thead>
<tr>
<th>Component</th>
<th>Where to find the example</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors’ report</td>
<td>This guide (page 206)</td>
<td>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 Illustrative disclosures of this Guide</td>
</tr>
<tr>
<td>Auditor’s independence declaration</td>
<td>This guide (page 234)</td>
<td>Entities preparing financial reports under the Corporations Act must include the auditor’s independence declaration (see section 0). An example of an auditor’s independence declaration is available in section 10 Illustrative disclosures of this Guide</td>
</tr>
<tr>
<td>Independent auditor’s report</td>
<td>This guide (page 236)</td>
<td>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 Illustrative disclosures of this Guide</td>
</tr>
<tr>
<td>Directors’ declaration</td>
<td>This guide (page 239)</td>
<td>Entities preparing financial reports under the Corporations Act must include a directors’ declaration. An example of an directors’ declaration is available in section 10 Illustrative disclosures of this Guide</td>
</tr>
<tr>
<td>Component</td>
<td>Where to find the example</td>
<td>Considerations</td>
</tr>
<tr>
<td>-----------</td>
<td>---------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td><strong>Primary financial statements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated statement of profit or loss and other comprehensive income</td>
<td>Deloitte model IFRS financial statements</td>
<td>Additional guidance on the compilation of the statement can be found in section 6.3.2</td>
</tr>
<tr>
<td>- Alt 1 – Presentation as two statements, with expenses analysed by function</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Alt 2 – Single statement presentation, with expenses analysed by nature</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated statement of financial position</td>
<td>Deloitte model IFRS financial statements</td>
<td>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 <em>Illustrative disclosures</em> of this Guide (see page 240). 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 6.3.3</td>
</tr>
<tr>
<td>Consolidated statement of changes in equity</td>
<td>Deloitte model IFRS financial statements</td>
<td>Additional guidance on the compilation of the statement can be found in section 6.3.4</td>
</tr>
<tr>
<td>Consolidated statement of cash flows</td>
<td>Deloitte model IFRS financial statements</td>
<td>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 <em>Illustrative disclosures</em> of this guide. Additional guidance on the compilation of the statement can be found in section 6.3.5.</td>
</tr>
<tr>
<td>- Alt 1 – Indirect method of reporting cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Alt 2 – Direct method of reporting cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Notes to the consolidated financial statements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 General information</td>
<td>Deloitte model IFRS financial statements</td>
<td>Additional information is required in relation to compliance with Australian Accounting Standards. See Note 1.1 of section 10 <em>Illustrative disclosures</em> of this Guide</td>
</tr>
<tr>
<td>2 Adoption of new and revised Standards</td>
<td>This guide (page 247)</td>
<td>An updated and Australian-specific version of this note is available in Note 2 section 10 <em>Illustrative disclosures</em> of this Guide</td>
</tr>
<tr>
<td>3 Significant accounting policies</td>
<td>Deloitte model IFRS financial statements</td>
<td>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 <em>Illustrative disclosures</em> of this Guide</td>
</tr>
<tr>
<td>4 Critical accounting judgements and key sources of estimation uncertainty</td>
<td>Deloitte model IFRS financial statements</td>
<td>No additional considerations for this note.</td>
</tr>
<tr>
<td>5 Revenue</td>
<td>Deloitte model IFRS financial statements</td>
<td>No additional considerations for this note.</td>
</tr>
<tr>
<td>6 Operating segments</td>
<td>Deloitte model IFRS financial statements</td>
<td>No additional considerations for this note.</td>
</tr>
<tr>
<td>Component</td>
<td>Where to find the example</td>
<td>Considerations</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Notes to the consolidated financial statements (continued)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7    Restructuring costs</td>
<td>Deloitte model IFRS financial statements</td>
<td>No additional considerations for this note.</td>
</tr>
<tr>
<td>8    Profit for the year</td>
<td>Deloitte model IFRS financial statements</td>
<td>Specific considerations apply in relation to rounding under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 for certain share-based payment information. Details can be found in section 6.5.2</td>
</tr>
<tr>
<td>9    Employee benefit expense</td>
<td>Deloitte model IFRS financial statements</td>
<td>Specific considerations apply in relation to rounding under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 for certain share-based payment information. Details can be found in section 6.5.2</td>
</tr>
<tr>
<td>10   Finance income</td>
<td>Deloitte model IFRS financial statements</td>
<td>No additional considerations for this note.</td>
</tr>
<tr>
<td>11   Other gains and losses</td>
<td>Deloitte model IFRS financial statements</td>
<td>No additional considerations for this note.</td>
</tr>
<tr>
<td>12   Finance costs</td>
<td>Deloitte model IFRS financial statements</td>
<td>No additional considerations for this note.</td>
</tr>
<tr>
<td>13   Income tax</td>
<td>Deloitte model IFRS financial statements</td>
<td>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 Illustrative disclosures section of this Guide</td>
</tr>
<tr>
<td>14   Discontinued operations</td>
<td>Deloitte model IFRS financial statements</td>
<td>No additional considerations for this note.</td>
</tr>
<tr>
<td>15   Dividends</td>
<td>Deloitte model IFRS financial statements</td>
<td>Specific considerations apply in relation to rounding under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 for certain share-based payment information. Details can be found in section 6.5.2. Australian entities are required to provide information about imputation credits (franking credits). See the example in Note 15 of section 10 Illustrative disclosures of this Guide</td>
</tr>
<tr>
<td>16   Earnings per share</td>
<td>Deloitte model IFRS financial statements</td>
<td>Specific considerations apply in relation to rounding under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 for earnings per share information. Details can be found in section 6.5.2 of this Guide</td>
</tr>
<tr>
<td>17   Goodwill</td>
<td>Deloitte model IFRS financial statements</td>
<td>No additional considerations for this note.</td>
</tr>
<tr>
<td>18   Other intangible assets</td>
<td>Deloitte model IFRS financial statements</td>
<td>No additional considerations for this note.</td>
</tr>
<tr>
<td>19   Property, plant and equipment</td>
<td>Deloitte model IFRS financial statements</td>
<td>No additional considerations for this note.</td>
</tr>
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<td>20   Investment property</td>
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<td>Entities applying ASIC Class Order 98/1418, ASIC Corporations (Wholly owned Companies) Instrument 2016/785, or with tax-consolidated groups may need to provide additional information. See the Illustrative Note 21 in the Illustrative disclosures section of this Guide.</td>
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<td>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 6.4.3</td>
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<td>38 Trade and other payables</td>
<td>Deloitte model IFRS financial statements</td>
<td>Specific considerations apply in relation to rounding under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 for certain share-based payment information. Details can be found in section 6.5.2. 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 6.4.3.</td>
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<td>42 Share premium account</td>
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<td>Under the Corporations Act, Australian entities generally do not have a par value for issued shares and accordingly, this note may not be relevant</td>
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<td>55 Notes to the cash flow statement</td>
<td>Deloitte model IFRS financial statements</td>
<td>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 illustrative disclosures of this guide. Additional guidance on the compilation of the statement can be found in section 6.3.5.</td>
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<td>Additional information is required for Australian entities in relation to parent entities. Example disclosures are included in Note 64 of section 10 <em>Illustrative disclosures</em> of this Guide. In addition, the specific considerations apply in relation to rounding under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 for certain related party information, including remuneration of key management personnel. Details can be found in section 6.5.2.</td>
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<td>Deloitte model IFRS financial statements</td>
<td>No additional considerations for this note.</td>
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<tr>
<td>67 Parent entity information</td>
<td>This guide (page 283)</td>
<td>This additional note is required where consolidated financial reports are prepared under the Corporations Act. Note 64A is available in section 10 <em>Illustrative disclosures</em> of this Guide (see page 283)</td>
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<td>68 Remuneration of auditors</td>
<td>This Australian specific disclosure is required for entities applying Tier 1. Note 66 is available in section 10 <em>Illustrative disclosures</em> of this Guide</td>
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<td>ASX Corporate Governance Statement</td>
<td>This guide (page 112)</td>
<td>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 6.6.2</td>
</tr>
<tr>
<td>ASX disclosures</td>
<td>This guide (page 286)</td>
<td>Entities listed on the ASX are required to provide additional information in their annual reports. Illustrative disclosures can be found in section 10 <em>Illustrative disclosures</em> of this Guide</td>
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### 9.2.4 Transition to AASB 16 Leases

An appendix to the Deloitte model IFRS financial statements is available for entities that have transitioned to AASB 16 *Leases* using the cumulative catch-up approach.

The AASB 16 appendix to the Deloitte model IFRS financial statements is included in the Australian version of those models available at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

### 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 GPFS) is also applicable to entities preparing Tier 2 financial reports. However, as discussed under section 5.3.3 above entities preparing Tier 2 GPFS 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 2019. It illustrates the presentation and disclosure requirements of Accounting Standards for the half-year ended 31 December 2019 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:

- The Deloitte model half-year report which comprises a model half-year report
- The following sections of this guide for additional information:
  - 4.2.2 Disclosing entities
  - 6.6 ASX Listing Rule requirements
  - 7.2 Half-year reports
  - 8 What's new in financial reporting?
  - 10 Illustrative disclosures (to the extent relevant)

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 Corporations Instruments/Class Orders, 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 2019. It illustrates the presentation and disclosure requirements of Accounting Standards for the year ended 31 December 2019 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:

- The Deloitte model SPFS which comprises Model SPFS
- The following sections of this guide for additional information:
  - 4.2 Requirement to prepare annual financial reports under the Corporations Act
  - 4.3 Requirement for the annual report to be audited under the Corporations Act
  - 4.4 Requirement to lodge the annual financial report with ASIC
  - 5 The Australian differential reporting framework
  - 6.7 Reporting deadlines
  - 7.6 Relevant financial reporting
  - 8 What's new in financial reporting?

*The Deloitte model SPFS are available at [www.deloitte.com/au/models](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 year ended 30 June 2019. It illustrates the presentation and disclosure requirements of Accounting Standards for the year ended 30 June 2019 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.deloitte.com/au/models.

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 2018 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 Other considerations

9.7.1 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
- Notified foreign passport funds.

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.

9.7.2 Illustrative amounts and line items
The illustrative disclosures included in this guide include amounts that are independent of the Deloitte model IFRS financial statements. Furthermore, this guide (and the Deloitte model IFRS financial statements) include line items for which no amounts are shown, to illustrate items that, although perhaps 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 any ‘nil’ amounts.

9.7.3 Other pronouncements to consider
This guide, or the various editions of the model financial statements, do not illustrate the early adoption of any Accounting Standards or Interpretations that are not mandatory as at 30 June 2020. Furthermore, this guide does not illustrate the disclosure requirements of the following Accounting Standards and Interpretations:

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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*.

### 9.7.4 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.
10  Illustrative disclosures
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 most entities meet their general financial reporting requirements.

This section contains illustrative disclosures that are suitable for use as a guide only and will not be appropriate for use by all entities. Each entity should consider its respective circumstances and amend the disclosures as necessary.

The illustrative disclosures in this section only illustrate additional Australian specific disclosures and requirements that are in addition to, or instead of, the disclosures included in the Deloitte model IFRS financial statements.

Section 9 provides an explanation on how to use these illustrative disclosures in conjunction with the Deloitte model IFRS financial statements. In particular, section 9.2.2 illustrates how a complete financial report can be constructed using the information in this guide and 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).

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 various editions of our model financial statements 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 2020, 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 may have different year ends. Entities with differing year ends will need to ensure that they include the relevant dates when preparing their financial reports.
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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, 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 2020. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors

The names and particulars of the directors of the company during or since the end of the financial year are:

<table>
<thead>
<tr>
<th>Name [all entities]</th>
<th>Particulars [public companies only]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr C.J. Chambers</td>
<td>Chairman, Chartered Accountant, joined the Board in 2012 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.</td>
</tr>
<tr>
<td>Mr P.H. Taylor</td>
<td>Chief Executive Officer, joined the Board in 2010. Mr P.H. Taylor was previously the CEO at a large manufacturing company.</td>
</tr>
<tr>
<td>Ms F.R. Ridley</td>
<td>Chartered Accountant, joined the Board in 2014 in a non-executive capacity. Ms F.R. Ridley is a member of the nomination and remuneration committee, and of the audit committee.</td>
</tr>
<tr>
<td>Mr A.K. Black</td>
<td>Industrial Engineer, joined the Board on 17 July 2019. He previously held various senior management positions in manufacturing and wholesale companies.</td>
</tr>
</tbody>
</table>
Source

<table>
<thead>
<tr>
<th>Name [all entities]</th>
<th>Particulars [public companies only]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr B.M. Stavrinidis</td>
<td>Director of Merchant Bank Limited, joined the Board in 2013 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.</td>
</tr>
<tr>
<td>Mr W.K. Flinders</td>
<td>Practicing Solicitor, joined the Board in 2011 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.</td>
</tr>
<tr>
<td>Ms S.M. Saunders</td>
<td>Practicing Solicitor, joined the Board on 3 August 2019 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.</td>
</tr>
</tbody>
</table>

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 2019
- Ms S.M. Saunders – appointed 3 August 2019, resigned 16 July 2020
- Mr A.K. Black – appointed 17 July 2019

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

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

Directorships of other listed companies [listed companies only]

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Company</th>
<th>Period of directorship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr C.J. Chambers</td>
<td>Eastwood Limited</td>
<td>Since 2015</td>
</tr>
<tr>
<td></td>
<td>Yarwood Limited</td>
<td>2014 – 2020</td>
</tr>
</tbody>
</table>

For 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(11a), (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:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Fully paid ordinary shares Number</th>
<th>Share options Number</th>
<th>Convertible notes Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.J. Chambers</td>
<td>5,000</td>
<td>-</td>
<td>3,000</td>
</tr>
<tr>
<td>P.H. Taylor</td>
<td>50,000</td>
<td>88,000</td>
<td>15,000</td>
</tr>
<tr>
<td>A.K. Black</td>
<td>9,000</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Illustrative disclosures | Directors' report

Source

s.608 Directors are considered to have a relevant interest where the director:
- Is the holder of the securities
- Has power to exercise, or control the exercise of, a right to vote attached to the securities, or
- 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
The directors’ report should include details of options that are:
- Granted over unissued shares or unissued interests during or since the end of the financial year
- Granted to any of the directors or any of the 5 most highly remunerated officers of the company (other than the directors)
- Granted to them as part of their remuneration.

The disclosures required by s.300(1)(d) cover:
- Options over unissued shares and interests of the company, registered scheme or disclosing entity
- 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.

The details of an option granted during or since the end of the financial year should include:
- The identity of the company, registered scheme or disclosing entity granting the option
- The name of the person to whom the option is granted
- The number and class of shares or interests over which the option is granted.

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 remuneration:

49 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).
### Illustrative disclosures | Directors’ report

#### Source

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

#### Company secretary [public companies only]

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 2016 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.

#### Principal activities

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 [describe] 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 [describe] business. Details of the planned disposal are contained in note 11 to the financial statements.

#### Review of operations

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

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 operations of the consolidated entity
- The financial position of the consolidated entity
- The business strategies, and prospects for future financial years, of the consolidated entity.

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.
Source

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 at 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.

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 (available at asic.gov.au) 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.

In addition, entities may wish to refer to ASX Guidance Note 10 Review of Operations and Activities: Listing Rule 4.10.17 and to the attached G100’s Guide to Review of Operations and Financial Condition (both available at www.asx.com.au), 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 reporting period and 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 contain 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:

• An overview of the consolidated entity and its strategy
• A review of operations, considering both short and longer-term value creation in the context of the consolidated entity’s strategy
• Information on investments made to enhance future value creating potential
• A review of the consolidated entity’s financial condition
• 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:

• Consolidated entity overview and strategy:
  – Explaining the objectives of the consolidated entity and how they are to be achieved
  – 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)
  – 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
• Review of operations:
  – 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
Source

- 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

- 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

- Review of financial conditions:
  - Capital structure of the consolidated entity including capital funding and treasury policies and objectives
  - Cash from operations and other sources of capital
  - 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
  - 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
  - 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

- Risk management and corporate governance practices, including management of both financial and non-financial risks.

Non-IFRS financial information

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 misleading50.

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.

50 Non-IFRS financial information is financial information presented other than in accordance with all relevant accounting standards.
Illustrative disclosures | Directors' report

Source

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 4 August 2020, 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 $___ 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.

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.

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
Source

- 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 2019, as detailed in the directors' report for that financial year, a final dividend of ____ cents per share franked to ____% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on [insert date].

s.300(1)(a) In respect of the financial year ended 30 June 2020, an interim dividend of ____ cents per share franked to ____% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on [insert date].

s.300(1)(a) In respect of the financial year ended 30 June 2020, a dividend of ____ cents per share franked to ____% at 30% corporate income tax rate was paid to the holders of convertible non-participating preference shares on [insert date].

s.300(1)(a) In respect of the financial year ended 30 June 2020, an interim dividend of ____ cents per share franked to ____% at 30% corporate income tax rate was paid to the holders of redeemable cumulative preference shares on [insert date].

s.300(1)(b) In respect of the financial year ended 30 June 2020, the directors recommend the payment of a final dividend of ____ cents per share franked to ____% at 30% corporate income tax rate on 7 October 2020 to the holders of fully paid ordinary shares on 18 September 2020.

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 recognised 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:

- 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
- Unissued shares or interests under option as at the date of the directors' report.

The disclosures required by s.300(1)(e) and s.300(1)(f) cover:

- Options over unissued shares and interests of the company, registered scheme or disclosing entity
- 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.

The details of unissued shares or interests under option should include:

- The company, registered scheme or disclosing entity that will issue shares or interests when the options are exercised
- The number and classes of those shares or interests
- The issue price, or the method of determining the issue price, of those shares or interests
- The expiry date of the options
Source

- 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:

- The company, registered scheme or disclosing entity issuing the shares or interests
- The number of shares or interests issued
- 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
- The amount unpaid on each of those shares or interests
- 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:

<table>
<thead>
<tr>
<th>Issuing entity</th>
<th>Number of shares under option</th>
<th>Class of shares</th>
<th>Exercise price of option</th>
<th>Expiry date of options</th>
</tr>
</thead>
<tbody>
<tr>
<td>International GAAP Holdings Limited</td>
<td>136,000</td>
<td>Ordinary</td>
<td>$1.00</td>
<td>(insert date)</td>
</tr>
<tr>
<td>International GAAP Holdings Limited</td>
<td>60,000</td>
<td>Ordinary</td>
<td>$1.00</td>
<td>(insert date)</td>
</tr>
</tbody>
</table>

(a) These share options can only be exercised once the share price of International GAAP Holdings Limited exceeds $4.00.

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:

<table>
<thead>
<tr>
<th>Issuing entity</th>
<th>Number of shares issued</th>
<th>Class of shares</th>
<th>Amount paid for shares</th>
<th>Amount unpaid on shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>International GAAP Holdings Limited</td>
<td>314,000</td>
<td>Ordinary</td>
<td>$1.00</td>
<td>$nil</td>
</tr>
</tbody>
</table>

Indemnification of officers and auditors

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’ report

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.

<table>
<thead>
<tr>
<th>Directors</th>
<th>Board of directors</th>
<th>Nomination &amp; remuneration committee</th>
<th>Audit committee</th>
<th>Risk management committee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Held</td>
<td>Attended</td>
<td>Held</td>
<td>Attended</td>
</tr>
<tr>
<td>C.J. Chambers</td>
<td>12</td>
<td>12</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>P.H. Taylor</td>
<td>12</td>
<td>10</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>F.R. Ridley</td>
<td>12</td>
<td>11</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>A.K. Black</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B.M. Stavrinidis</td>
<td>12</td>
<td>12</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>W.K. Flinders</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>S.M. Saunders</td>
<td>10</td>
<td>9</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

s.300(10)

Disclosure of directors’ meetings is not required for a public company which is a wholly-owned controlled entity of another company.

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:

- Their relevant interests in the scheme
- Their rights or options over interests in the scheme
- 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:

- The fees paid to the responsible entity and its associates out of scheme property during the financial year
- The number of interests in the scheme held by the responsible entity or its associates as at the end of the financial year
- Interests in the scheme issued during the financial year
- Withdrawals from the scheme during the financial year
- The value of the scheme’s assets as at the end of the financial year, and the basis for the valuation
- 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:

- The person’s name
- The names of the parties to the proceedings
- 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]

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 67 to the financial statements.

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.

The directors are of the opinion that the services as disclosed in note 64A to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- 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.

The statements under s.300(11B)(b) and (c) must be made in accordance with:

- Advice provided by the listed company's audit committee if the company has an audit committee, or
- A resolution of the directors of the listed company if the company does not have an audit committee.

A statement is taken to be made in accordance with advice provided by the company's audit committee only if:

- The statement is consistent with that advice and does not contain any material omission of material included in that advice
- The advice is endorsed by a resolution passed by the members of the audit committee
- 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

The auditor's independence declaration is included after this report on page 234.

Extension of audit rotation period [listed companies only]

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.

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.

Note 64A is included in this guide on page 229
Illustrative disclosures | Directors' report

**Source**

**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:

- 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
- Specify where that additional information can be found in the financial statements.

**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.

Where the conditions of the Corporations Instrument are met, entities may round to the nearest thousand dollars, nearest hundred thousand dollars, or to the nearest million dollars, depending upon the total assets of the entity. The appropriate rounding should be included in the disclosure below:

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 / hundred thousand / million] dollars, unless otherwise indicated.

ASIC-CI 2016/191

Where the Corporations Instrument is applied, certain amounts in the financial report are required to be rounded to differing levels of precision (see section 6.5.2). It is important to ensure these amounts are shown using the correct level of precision and column headings and narrative information uses the correct level of rounding as required by the Corporations Instrument.
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

**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.

Closely related party of a member of the key management personnel for an entity is defined to include:

- A spouse or child of the member
- A child of the member's spouse
- A dependant of the member or of the member's spouse
- 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
- A company the member controls
- A person prescribed by the regulations for the purposes of this paragraph.

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.

**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.

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 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).
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.

<table>
<thead>
<tr>
<th>Prescribed details in relation to remuneration</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>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:</td>
<td></td>
</tr>
<tr>
<td>• If consolidated financial statements are required – each member of the key management personnel for the consolidated entity, or</td>
<td></td>
</tr>
<tr>
<td>• If consolidated financial statements are not required – each member of the key management personnel for the company.</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>

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 2020. 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.

<table>
<thead>
<tr>
<th>Key management personnel</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The directors and other key management personnel of the consolidated entity during or since the end of the financial year were:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-executive directors</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.J. Chambers</td>
<td>Chairman, Non-executive director</td>
</tr>
<tr>
<td>F.R. Ridley</td>
<td>Non-executive director</td>
</tr>
<tr>
<td>A.K. Black (appointed 17 July 2019)</td>
<td>Non-executive director</td>
</tr>
<tr>
<td>B.M. Stavrinidis</td>
<td>Non-executive director</td>
</tr>
<tr>
<td>W.K. Flinders (resigned 3 August 2019)</td>
<td>Non-executive director</td>
</tr>
<tr>
<td>S.M. Saunders (appointed 3 August 2019, resigned 16 July 2020)</td>
<td>Non-executive director</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Executive officers</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>P.H. Taylor</td>
<td>Executive Director, Chief Executive Officer</td>
</tr>
<tr>
<td>W.L. Lee</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>L.J. Jackson</td>
<td>Chief Marketing Officer</td>
</tr>
<tr>
<td>C.P. Daniels (resigned 20 July 2019)</td>
<td>Chief Operations Officer</td>
</tr>
<tr>
<td>N.W. Wright (resigned 17 December 2019)</td>
<td>General Manager – [describe]</td>
</tr>
<tr>
<td>T.L. Smith (appointed 15 July 2019)</td>
<td>General Manager – [describe]</td>
</tr>
</tbody>
</table>

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

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
   (d) Any other relevant matter.
Illustrative disclosures

<table>
<thead>
<tr>
<th>Source</th>
<th>s.300A(1)(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Source</th>
<th>s.300A (1AA), (1AB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>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 2020:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>30 Jun 20</th>
<th>30 Jun 18</th>
<th>30 Jun 17</th>
<th>30 Jun 16</th>
<th>30 Jun 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Net profit before tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit after tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>30 Jun 20</th>
<th>30 Jun 18</th>
<th>30 Jun 17</th>
<th>30 Jun 16</th>
<th>30 Jun 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share price at start of year</td>
<td>$2.65</td>
<td>$2.59</td>
<td>$2.61</td>
<td>$2.54</td>
</tr>
<tr>
<td>Share price at end of year</td>
<td>$3.37</td>
<td>$2.65</td>
<td>$2.59</td>
<td>$2.61</td>
</tr>
<tr>
<td>Interim dividend(i)</td>
<td>17.85cps</td>
<td>12.71cps</td>
<td>12.71cps</td>
<td>10.00cps</td>
</tr>
<tr>
<td>Final dividend(ii)</td>
<td>26.31cps</td>
<td>19.36cps</td>
<td>18.93cps</td>
<td>15.00cps</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>132.2cps</td>
<td>137.0cps</td>
<td>133.0cps</td>
<td>123.5cps</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>115.5cps</td>
<td>130.5cps</td>
<td>127.5cps</td>
<td>118.4cps</td>
</tr>
</tbody>
</table>

\(i\) Franked to ____% 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 ____ thousand shares for $____ thousand. The shares were repurchased at the prevailing market price on the date of the buy-back.

Remuneration of key management personnel

<table>
<thead>
<tr>
<th>Reg2M.3.03(1)</th>
<th>(Item 6-9, 11)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>2019</th>
<th>Short-term employee benefits</th>
<th>Post-employment benefits</th>
<th>Long-term employee benefits</th>
<th>Share-based payments</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary &amp; fees</td>
<td>Cash bonus</td>
<td>Non-monetary</td>
<td>Other</td>
<td>Super-annuation</td>
</tr>
<tr>
<td>Non-executive directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.J. Chambers</td>
<td>76,000</td>
<td>-</td>
<td>28,050</td>
<td>1,250</td>
<td>-</td>
</tr>
<tr>
<td>F.R. Ridley</td>
<td>65,000</td>
<td>-</td>
<td>25,091</td>
<td>854</td>
<td>-</td>
</tr>
<tr>
<td>B.M. Stavrinidis</td>
<td>65,000</td>
<td>-</td>
<td>26,800</td>
<td>685</td>
<td>-</td>
</tr>
<tr>
<td>W.K. Flinders</td>
<td>4,000</td>
<td>-</td>
<td>800</td>
<td>200</td>
<td>-</td>
</tr>
<tr>
<td>S.M. Saunders</td>
<td>65,000</td>
<td>-</td>
<td>15,159</td>
<td>689</td>
<td>-</td>
</tr>
<tr>
<td>Executive officers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P.H. Taylor</td>
<td>261,600</td>
<td>-</td>
<td>66,280</td>
<td>1,240</td>
<td>30,000</td>
</tr>
<tr>
<td>W.L. Lee</td>
<td>183,712</td>
<td>10,000</td>
<td>6,796</td>
<td>-</td>
<td>17,937</td>
</tr>
<tr>
<td>L.J. Jackson</td>
<td>187,928</td>
<td>-</td>
<td>16,481</td>
<td>-</td>
<td>20,000</td>
</tr>
<tr>
<td>C.P. Daniels</td>
<td>185,500</td>
<td>-</td>
<td>14,805</td>
<td>-</td>
<td>20,000</td>
</tr>
<tr>
<td>N.W. Wright</td>
<td>184,000</td>
<td>-</td>
<td>12,761</td>
<td>-</td>
<td>17,708</td>
</tr>
<tr>
<td>T.L. Smith</td>
<td>180,000</td>
<td>-</td>
<td>4,734</td>
<td>-</td>
<td>16,716</td>
</tr>
</tbody>
</table>

| Total $ | 1,971,799 |
### Illustrative disclosures

#### Source

Reg2M.3.03(1)
(Item 6-9, 11)

<table>
<thead>
<tr>
<th>Short-term employee benefits</th>
<th>Post-employment benefits</th>
<th>Long-term employee benefits</th>
<th>Share-based payments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>Salary &amp; fees $</td>
<td>Cash bonus $</td>
<td>Non-monetary $</td>
<td>Other $</td>
</tr>
<tr>
<td>Non-executive directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.J. Chambers</td>
<td>65,125</td>
<td>-</td>
<td>25,400</td>
<td>1,125</td>
</tr>
<tr>
<td>F.R. Ridley</td>
<td>62,000</td>
<td>-</td>
<td>23,162</td>
<td>850</td>
</tr>
<tr>
<td>B.M. Stavrinidis</td>
<td>62,000</td>
<td>-</td>
<td>24,350</td>
<td>860</td>
</tr>
<tr>
<td>W.K. Flinders</td>
<td>62,000</td>
<td>-</td>
<td>24,350</td>
<td>680</td>
</tr>
<tr>
<td>O.H. O’Brien</td>
<td>36,750</td>
<td>-</td>
<td>20,120</td>
<td>312</td>
</tr>
<tr>
<td>Executive officers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P.H. Taylor</td>
<td>229,860</td>
<td>-</td>
<td>53,800</td>
<td>1,125</td>
</tr>
<tr>
<td>W.L. Lee</td>
<td>179,372</td>
<td>-</td>
<td>5,980</td>
<td>-</td>
</tr>
<tr>
<td>L.J. Jackson</td>
<td>180,690</td>
<td>-</td>
<td>14,503</td>
<td>-</td>
</tr>
<tr>
<td>C.P. Daniels</td>
<td>171,250</td>
<td>-</td>
<td>13,028</td>
<td>-</td>
</tr>
<tr>
<td>N.W. Wright</td>
<td>173,738</td>
<td>-</td>
<td>11,230</td>
<td>-</td>
</tr>
<tr>
<td>E.P Hart</td>
<td>179,375</td>
<td>-</td>
<td>12,500</td>
<td>-</td>
</tr>
</tbody>
</table>

(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:

<table>
<thead>
<tr>
<th>Fixed remuneration</th>
<th>Remuneration linked to performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Non-executive directors</td>
<td></td>
</tr>
<tr>
<td>C.J. Chambers</td>
<td>100%</td>
</tr>
<tr>
<td>F.R. Ridley</td>
<td>100%</td>
</tr>
<tr>
<td>B.M. Stavrinidis</td>
<td>100%</td>
</tr>
<tr>
<td>W.K. Flinders</td>
<td>100%</td>
</tr>
<tr>
<td>O.H. O’Brien</td>
<td>100%</td>
</tr>
<tr>
<td>Executive officers</td>
<td></td>
</tr>
<tr>
<td>P.H. Taylor</td>
<td>77.5%</td>
</tr>
<tr>
<td>W.L. Lee</td>
<td>92.5%</td>
</tr>
<tr>
<td>L.J. Jackson</td>
<td>96.8%</td>
</tr>
<tr>
<td>C.P. Daniels</td>
<td>97.8%</td>
</tr>
<tr>
<td>N.W. Wright</td>
<td>97.7%</td>
</tr>
<tr>
<td>E.P Hart</td>
<td>95.9%</td>
</tr>
</tbody>
</table>

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) Equitysettled share based payment transactions, showing separately:
  (ii) Shares and units
  (iii) Options and rights
  (iv) Cashsettled 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
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
Cash bonuses
W.L. Lee was granted a cash bonus of $10,000 on [date]. 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.
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.

Terms and conditions of share-based payment arrangements affecting remuneration of key management personnel in the current financial year or future financial years:

<table>
<thead>
<tr>
<th>Options series</th>
<th>Grant date</th>
<th>Grant date fair value</th>
<th>Exercise price</th>
<th>Expiry date</th>
<th>Vesting date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 3</td>
<td>30/03/17</td>
<td>$1.20</td>
<td>$1.00</td>
<td>30/03/20</td>
<td>Vests at the date of grant.</td>
</tr>
<tr>
<td>Series 4</td>
<td>30/09/18</td>
<td>$1.05</td>
<td>$1.00</td>
<td>30/09/20</td>
<td>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</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Name</th>
<th>Option series</th>
<th>No. granted</th>
<th>No. vested</th>
<th>% of grant vested</th>
<th>% of grant forfeited</th>
</tr>
</thead>
<tbody>
<tr>
<td>P.H. Taylor</td>
<td>Series 3</td>
<td>88,000</td>
<td>88,000</td>
<td>100%</td>
<td>n/a</td>
</tr>
<tr>
<td>W.L. Lee</td>
<td>Series 3</td>
<td>6,250</td>
<td>6,250</td>
<td>100%</td>
<td>n/a</td>
</tr>
<tr>
<td>L.J. Jackson</td>
<td>Series 3</td>
<td>6,250</td>
<td>6,250</td>
<td>100%</td>
<td>n/a</td>
</tr>
<tr>
<td>C.P. Daniels</td>
<td>Series 3</td>
<td>4,167</td>
<td>4,167</td>
<td>100%</td>
<td>n/a</td>
</tr>
<tr>
<td>N.W. Wright</td>
<td>Series 3</td>
<td>4,167</td>
<td>4,167</td>
<td>100%</td>
<td>n/a</td>
</tr>
<tr>
<td>T.L. Smith</td>
<td>Series 4</td>
<td>32,036</td>
<td>nil</td>
<td>nil</td>
<td>nil</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Name</th>
<th>No. of options exercised</th>
<th>No. of ordinary shares of International GAAP Holdings Limited issued</th>
<th>Amount paid</th>
<th>Amount unpaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>P.H. Taylor</td>
<td>50,000</td>
<td>50,000</td>
<td>$50,000</td>
<td>$nil</td>
</tr>
<tr>
<td>W.L. Lee</td>
<td>6,250</td>
<td>6,250</td>
<td>$6,250</td>
<td>$nil</td>
</tr>
<tr>
<td>L.J. Jackson</td>
<td>6,250</td>
<td>6,250</td>
<td>$6,250</td>
<td>$nil</td>
</tr>
<tr>
<td>C.P. Daniels</td>
<td>4,167</td>
<td>4,167</td>
<td>$4,167</td>
<td>$nil</td>
</tr>
<tr>
<td>N.W. Wright</td>
<td>4,167</td>
<td>4,167</td>
<td>$4,167</td>
<td>$nil</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Name</th>
<th>Value of options granted at the grant date (i)</th>
<th>Value of options exercised at the exercise date (ii)</th>
</tr>
</thead>
<tbody>
<tr>
<td>P.H. Taylor</td>
<td>105,600</td>
<td>88,000</td>
</tr>
<tr>
<td>W.L. Lee</td>
<td>7,500</td>
<td>15,750</td>
</tr>
<tr>
<td>L.J. Jackson</td>
<td>7,500</td>
<td>15,750</td>
</tr>
<tr>
<td>C.P. Daniels</td>
<td>5,000</td>
<td>10,501</td>
</tr>
<tr>
<td>N.W. Wright</td>
<td>5,000</td>
<td>10,501</td>
</tr>
<tr>
<td>T.L. Smith</td>
<td>33,638</td>
<td>-</td>
</tr>
</tbody>
</table>

(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.

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:

<table>
<thead>
<tr>
<th>Name</th>
<th>Financial year in which the options were granted</th>
<th>No. of options lapsed during the current year</th>
</tr>
</thead>
<tbody>
<tr>
<td>[name]</td>
<td>[year]</td>
<td>-</td>
</tr>
</tbody>
</table>
Source

Compensation

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:

- The grant date
- The nature of the compensation
- The service and performance criteria used to determine the amount of compensation
- 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)
- 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
- 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
- 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
- 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

A disclosure required by Regulation 2M.3.03(1)(Items 15-19) must:

- Be separated into each class of equity instrument
- Identify each class of equity instrument by:
  - The name of the disclosing entity or the relevant subsidiary that issued the equity instrument
  - The class of equity instrument
  - If the instrument is an option or right – the class and number of equity instruments for which it may be exercised.

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:

- The number of options and the number of rights that, during the reporting period:
  - Have been granted
  - Have vested
- The terms and conditions of each grant made during the reporting period, including:
  - The fair value per option or right at grant date
  - The exercise price per share or unit
  - The amount, if any, paid or payable, by the recipient
  - The expiry date
  - The date or dates when the options or rights may be exercised
  - A summary of the service and performance criteria that must be met before the beneficial interest vests in the person.
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:

- The number of equity instruments
- 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
- The amount paid per instrument
- The amount unpaid per instrument.

**Alterations and modifications**

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:

- The date of the alteration
- The market price of the underlying equity instrument at the date of the alteration
- The terms of the grant of compensation immediately before the alteration, including:
  - The number and class of the underlying equity instruments, exercise price
  - The time remaining until expiry
  - Each other condition in the terms that affects the vesting or exercise of an option or other right
- The new terms
- The difference between:
  - The total of the fair value of the options or other rights affected by the alteration immediately before the alteration
  - The total of the fair value of the options or other rights immediately after the alteration.

**Key terms of employment contracts**

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:

- 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
- 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:
  - How the amount of compensation in the current reporting period was determined
  - How the terms of the contract affect compensation in future periods.

**Loans to key management personnel**

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.

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.’
Source

Reg2M.3.03(1) (Item 20)

<table>
<thead>
<tr>
<th>Balance at 1/7/2019</th>
<th>Interest charged</th>
<th>Arm’s length interest differential (i)</th>
<th>Allowance for doubtful receivables</th>
<th>Balance at 30/06/2020</th>
<th>Number of key management personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>$33,167</td>
<td>$2,420,000</td>
<td>$3</td>
<td></td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

(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:
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 amounts in relation to loans above $100,000 made to key management personnel of the Group:

Reg2M.3.03(1) (Item 21)

<table>
<thead>
<tr>
<th>Name</th>
<th>Balance at 1/7/2019</th>
<th>Interest charged</th>
<th>Arm’s length interest differential (i)</th>
<th>Allowance for doubtful receivables</th>
<th>Balance at 30/06/2020</th>
<th>Highest loan balance during the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>F.R. Ridley</td>
<td>8,977</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,345,000</td>
<td>1,345,000</td>
</tr>
<tr>
<td>B.M. Stavrinidis</td>
<td>8,070</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>269,000</td>
<td>269,000</td>
</tr>
<tr>
<td>C.P. Daniels</td>
<td>16,120</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>806,000</td>
<td>806,000</td>
</tr>
</tbody>
</table>

(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)

<table>
<thead>
<tr>
<th>Name</th>
<th>Balance at 1/7/2019</th>
<th>Granted as compensation</th>
<th>Received on exercise of options</th>
<th>Net other change</th>
<th>Balance at 30/06/2020</th>
<th>Balance held nominally</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.J. Chambers</td>
<td>5,000</td>
<td>-</td>
<td>-</td>
<td>(1500)</td>
<td>5,000</td>
<td>-</td>
</tr>
<tr>
<td>P.H. Taylor</td>
<td>1,500</td>
<td>-</td>
<td>50,000</td>
<td>(8000)</td>
<td>50,000</td>
<td>-</td>
</tr>
<tr>
<td>A.K. Black</td>
<td>9,000</td>
<td>-</td>
<td>6,250</td>
<td>(1,500)</td>
<td>12,270</td>
<td>3,500</td>
</tr>
<tr>
<td>W.L. Lee</td>
<td>2,520</td>
<td>-</td>
<td>6,250</td>
<td>(1,500)</td>
<td>8,751</td>
<td>-</td>
</tr>
<tr>
<td>L.J. Jackson</td>
<td>1,250</td>
<td>-</td>
<td>6,250</td>
<td>(1,500)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.P. Daniels</td>
<td>4,584</td>
<td>-</td>
<td>4,167</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Convertible notes of International GAAP Holdings Limited

Reg2M.3.03(1) (Item 21)

<table>
<thead>
<tr>
<th>Name</th>
<th>Balance at 1/7/2019</th>
<th>Granted as compensation</th>
<th>Received on exercise of options</th>
<th>Net other change</th>
<th>Balance at 30/06/2020</th>
<th>Balance held nominally</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.J. Chambers</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,000</td>
<td>3,000</td>
<td>-</td>
</tr>
<tr>
<td>P.H. Taylor</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,000</td>
<td>15,000</td>
<td>-</td>
</tr>
</tbody>
</table>
Source

Reg2M.3.03 (1)
(Item 17)

Illustrative disclosures | Directors’ report

Share options of International GAAP Holdings Limited

<table>
<thead>
<tr>
<th>Name</th>
<th>Bal at 1/7/2019</th>
<th>Granted as compensation</th>
<th>Exercised</th>
<th>Net other change</th>
<th>Bal at 30/06/2020</th>
<th>Vested but not exercisable</th>
<th>Vested and exercisable</th>
<th>Options vested during year</th>
</tr>
</thead>
<tbody>
<tr>
<td>P.H. Taylor</td>
<td>50,000</td>
<td>88,000</td>
<td>-</td>
<td>-</td>
<td>88,000</td>
<td>88,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>W.L. Lee</td>
<td>-</td>
<td>6,250</td>
<td>(6,250)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,250</td>
</tr>
<tr>
<td>L.J. Jackson</td>
<td>-</td>
<td>4,167</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,167</td>
</tr>
<tr>
<td>C.P. Daniels</td>
<td>-</td>
<td>4,167</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>N.W. Wright</td>
<td>-</td>
<td>32,036</td>
<td>-</td>
<td>-</td>
<td>32,036</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>T.L. Smith</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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 2018 and 2017 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:

- Involves an equity instrument issued or issuable by the disclosing entity or any of its subsidiaries
- Has occurred, during the reporting period, between the disclosing entity or any of its subsidiaries and any of the following:
  - A key management person
  - A close member of the family of that person
  - 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:

- The nature of each different type of transaction
- For each transaction, the terms and conditions of the transaction.
**Illustrative disclosures | Directors' report**

**Other transactions with key management personnel of the Group**

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 [insert date].

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:

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>Consolidated revenue includes the following amounts arising from transactions with key management personnel of the Group or their related parties:</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>Interest revenue</td>
<td>20,833</td>
</tr>
<tr>
<td>-</td>
<td>Dividend revenue</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>Other</td>
<td>-</td>
</tr>
<tr>
<td>22-24</td>
<td>Consolidated profit includes the following expenses arising from transactions with key management personnel of the Group or their related parties:</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>Interest expense</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>Net amounts written-off and allowances for doubtful receivables</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>Other</td>
<td>-</td>
</tr>
</tbody>
</table>

Total assets arising from transactions other than loans and amounts receivable in relation to equity instruments with key management personnel or their related parties:

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>Current</td>
<td>500,000</td>
</tr>
<tr>
<td>-</td>
<td>Allowance for doubtful receivables</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>Non-current</td>
<td>-</td>
</tr>
</tbody>
</table>

Total liabilities arising from transactions other than compensation with key management personnel or their related parties:

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>Current</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>Non-current</td>
<td>-</td>
</tr>
</tbody>
</table>

**Source**

Reg 2M.3.03 (1) (Item 22)

Reg 2M.3.03 (1) (Item 22-24)

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:

- 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
- 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
- The transaction is trivial or domestic in nature.
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, 16 September 2020
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 2020, 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.
Illustrative disclosures | Auditor’s independence declaration

**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:

- No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit or review
- 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:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the audit or review, or
- 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:

- 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
- A director signs the directors’ report within 7 days after the declaration is given to the directors
- The auditors’ report on the financial statements is made within 7 days after the directors’ report is signed
- The auditors’ report includes either of the following statements:
  - 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
  - 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:

- 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)
- 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 4.3.3).
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.
Source

Duty to report
s.308(3A)
s.308(3B)
The auditor is required to report any defect or irregularity in the financial statements.

The audit report must include any statements or disclosures required by the auditing standards.

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.

Duty to inform
s.311(c)
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:
- 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
- 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:
- Law or regulation precludes public disclosure about the matter, or
- 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.
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.

**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:

- Why the matter was considered to be one of most significance in the audit and therefore determined to be a key audit matter
- 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)

Where the entity and its closely-held entities have entered into a deed of cross guarantee pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (see section 4.1.2), the following statements must be included in order to be compliant with the conditions of the Instrument:

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 21 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.

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, 16 September 2020
## Consolidated statement of financial position

as at 30 June 2020

### Source

<table>
<thead>
<tr>
<th>AASB 101.10(a), (ea), (f)</th>
<th>AASB 101.5(d), (e)</th>
</tr>
</thead>
</table>

### Notes

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<tr>
<th>Assets</th>
<th>30/06/2020 $'000</th>
<th>30/06/2019 $'000 (restated)*</th>
<th>1/1/2018 $'000 (restated)*</th>
</tr>
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<tbody>
<tr>
<td><strong>Current assets</strong></td>
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<tr>
<td>AASB 101.54(d), 55</td>
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<td>Assets classified as held for sale</td>
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<td><strong>Non-current assets</strong></td>
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<td><strong>Total non-current assets</strong></td>
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<td><strong>Total assets</strong></td>
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### Illustrative disclosures

#### Consolidated statement of financial position

<table>
<thead>
<tr>
<th>Source AASB 101.10(a)(ea),(f) 51(b),(c), 113</th>
<th>Notes</th>
<th>30/06/2020 $’000</th>
<th>30/06/2019 $’000 (restated)*</th>
<th>1/1/2018 $’000 (restated)*</th>
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<tbody>
<tr>
<td><strong>Liabilities</strong></td>
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<tr>
<td><strong>Current liabilities</strong></td>
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<td><strong>Total non-current liabilities</strong></td>
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<td><strong>Total liabilities</strong></td>
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<td><strong>Net assets</strong></td>
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<tr>
<td><strong>Equity</strong></td>
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<tr>
<td><strong>Capital and reserves</strong></td>
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</table>

*The comparative information has been restated as a result of the initial application of AASB 16 Leases as discussed in note 2*
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:

- It applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and
- 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.
Notes to the financial statements

**Source**

1. **General information**

   **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 other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), 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 Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

**Summary of requirements**

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:

- The statutory basis or other reporting framework, if any, under which the financial statements are prepared
- 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 1054.9A A not-for-profit private sector entity that prepares special purpose financial statements shall:

- Disclose the basis on which the decision to prepare special purpose financial statements was made
- Where the entity has interests in other entities – disclose either:
  - Whether or not its subsidiaries and investments in associates or joint ventures have been consolidated or equity accounted in a manner consistent with the requirements set out in AASB 10 *Consolidated Financial Statements* or AASB 128 *Investments in Associates and Joint Ventures*, as appropriate. If the entity has not consolidated its subsidiaries or equity accounted its investments in associates or joint ventures consistently with those requirements, it shall disclose that fact, and the reasons why, or
  - That the entity has not determined whether its interests in other entities give rise to interests in subsidiaries, associates or joint ventures, provided it is not required by legislation to make such an assessment for the purpose of assessing its financial reporting requirements and has not made such an assessment;
1. General information (continued)

Statement of compliance (continued)

Summary of requirements (continued)

- For each material accounting policy applied and disclosed in the financial statements that does not comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128), disclose an indication of how it does not comply; or if such an assessment has not been made, disclose that fact.

- Disclose whether or not the financial statements overall comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128) or that such an assessment has not been made.

Note: The above disclosures apply to annual reporting periods ending on or after 30 June 2020.

Entities applying ‘Tier 2’ (RDR) reporting requirements

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 (RDR) 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.

Moving from SPFS to ‘Tier 2’ (RDR)

Where the entity is moving from preparing stand-alone SPFS to preparing consolidated ‘Tier 2’ (RDR) financial statements, the disclosure requirements of either AASB 108 Accounting Polices, Changes in Accounting Estimates and Errors or AASB 1 First-time Adoption of Australian Accounting Standards (as applicable) should be considered. These illustrative disclosures do not include example disclosures for these standards in these circumstances.

The following additional statement should be made where:

- Stand-alone-SPFS were previously prepared following all recognition and measurement requirements of Accounting Standards and a stand-alone ‘Tier 2’ (RDR) report is being prepared for the first time, or
- Consolidated SPFS were previously prepared following all recognition and measurement requirements of Accounting Standards and a consolidated ‘Tier 2’ (RDR) report is being prepared for the first time.

The company previously prepared special purpose financial statements and in doing so applied the recognition and measurement requirements of all Australian Accounting Standards. The comparative information in this financial report has been re-presented in order to comply with the relevant presentation and disclosure requirements of all relevant Australian Accounting Standards – Reduced Disclosure Requirements.
1. General information (continued)

Statement of compliance (continued)

Suggested disclosures for SPFS of private sector for-profit entities

In June 2020, the AASB issued ED 302 Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities (available at www.aasb.gov.au).

The proposals in ED 302 would apply to:

- for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards – the ability of these entities to prepare SPFS is temporary as these entities will be required to prepare general purpose financial statements for annual periods beginning on or after 1 July 2021 in accordance with AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities
- Other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards – the ability of these entities to prepare special purpose financial statements is limited to circumstances where the constituting or other document requiring compliance with Australian Accounting Standards was created or last amended before 1 July 2021.

ED 302 proposes to add the following disclosures to AASB 1054 Australian Specific Disclosures, which would require the above entities that preparing SPFS to:

- Disclose the basis on which the decision to prepare SPFS was made
- Disclose information about the material accounting policies applied in the SPFS, including information about changes in those policies
- Where the entity has interests in other entities – disclose whether or not its subsidiaries and investments in associates or joint ventures have been consolidated or equity accounted in a manner consistent with the requirements set out in AASB 10 Consolidated Financial Statements or AASB 128 Investments in Associates and Joint Ventures, as appropriate. If the entity has not consolidated its subsidiaries or equity accounted its investments in associates or joint ventures consistently with those requirements, it would be required to disclose that fact, and the reasons why
- For each material accounting policy applied and disclosed in the financial statements that does not comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128), disclose an indication of how it does not comply
- Disclose whether or not the financial statements overall comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128).

The proposals in ED 302 are open for comment until 11 September 2020 and are intended to apply to annual reporting periods ending on or after 30 June 2021. However, the AASB is encouraging entities to apply the proposed disclosures earlier than that, e.g. the 2019/20 financial year.

Accordingly, entities preparing SPFS may wish to consider including the suggested disclosures in their financial statements at 30 June 2020. The ED contains a number of illustrative examples which can be used as a basis for the disclosures if required.
1. General information (continued)

**Presentation currency and rounding**

These financial statements are presented in Australian Dollars ($). Foreign operations are included in accordance with the policies set out in note 3.

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.

Where the conditions of the Corporations Instrument are met, entities may round to the nearest thousand dollars, nearest hundred thousand dollars, or to the nearest million dollars, depending upon the total assets of the entity. The appropriate rounding should be included in the disclosure below.

ASIC-Cl 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 the financial report are rounded off to the nearest [thousand / hundred thousand / million] dollars, unless otherwise indicated.

ASIC-Cl 2016/191

Where the Corporations Instrument is applied, certain amounts in the financial statements are required to be rounded to differing levels of precision (see section 6.5.2). It is important to ensure these amounts are shown using the correct level of precision and column headings and narrative information uses the correct level of rounding as required by the Corporations Instrument.
2. Application of new and revised Australian Accounting Standards

How to use this section in conjunction with the Deloitte IFRS model financial statements

Note 2 of the Deloitte model IFRS financial statements sets out new and amended IFRS Standards that are effective for the current year and new and revised IFRS Standards in issue but not yet effective.

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 period, i.e. for the year ending 30 June 2020
- New and revised AASB accounting standards that are not mandatorily effective (but allow early application) for the year ending 30 June 2020
- IASB Standards and IFRIC Interpretations for which equivalent Australian 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 26 June 2020. 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.

The following example wording has been provided in order to assist with compliance of the requirements of AASB 108.28. The disclosures required by AASB 108.28 are only provided where the effect on the current period or any prior period is material.

Consideration of these disclosures in half year reports

AASB 134 Interim Financial Reporting requires half-year financial reports to contain a statement that the same accounting policies and methods of computation have been followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies have been changed, a description of the nature and effect of the change.

The disclosures below illustrate disclosures that would be required in an annual reporting period in accordance with AASB 108 Accounting Policies, Changes in Estimates and Errors. Whilst the disclosure requirements of AASB 108 may be considered to exceed those required under AASB 134, such disclosures may be considered best practice in half-year financial reports when major new standards are being applied for the first time. However, the impact of each new pronouncement will differ for each entity, and the disclosures outlined below should be considered guidance only. Each entity should develop disclosures that are relevant to their circumstances.

For more information about disclosing the new adoption of Accounting Standards in interim financial statements, see our Clarity newsletter, which is available at www.deloitte.com/au/clarity.
2. Application of new and revised Australian Accounting Standards (continued)

2.1 New and amended Accounting Standards that are effective for the current year

There is no requirement to present a full listing of mandatorily effective standards. Disclosures should only include Accounting Standards, amendments to Accounting Standards and other pronouncements that:

- Are mandatorily effective for the current period
- Are applicable to the entity's circumstances
- Have a material impact on the entity, or where the information disclosed is material.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 16 Leases
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement
- AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements
- Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments

Pronouncements effective for half years at 30 June 2020

The following pronouncements are effective for half year:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
2. Application of new and revised Australian Accounting Standards (continued)

2.1 New and amended Accounting Standards that are effective for the current year (continued)

Pronouncements effective in the current period for not-for-profit entities

The following pronouncements are relevant for the annual reporting period of not-for-profit entities:

- AASB 15 Revenue from Contracts with Customers and related amending Standards
- AASB 1058 Income of Not-for-Profit Entities and related amending Standards
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors
- AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities
- AASB 2019-4 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements
- AASB 2019-6 Amendments to Australian Accounting Standards – Research Grants and Not-for-Profit Entities
- AASB 2019-8 Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases
- Interpretation 22 Foreign Currency Transactions and Advance Consideration.

The following pronouncements are relevant for not-for-profit entities for half-years ending 30 June 2020:


Illustrative disclosures for these pronouncements are not included in the information that follows as they are not relevant to the Group.

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52 Although this Amending Standard is effective from 1 January 2019, it has the effect of deferring the application of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities in respect of research grants to annual reporting periods beginning on or after 1 July 2019 instead of 1 January 2019. Accordingly, not-for-profit entities preparing full-year financial reports at December 2019 will not have to apply AASB 15 and AASB 1058 to research grants.
2. Application of new and revised Australian Accounting Standards (continued)

2.1 New and amended Accounting Standards that are effective for the current year (continued)

**AASB 16 Leases**

The example below illustrates the disclosures required when the entity adopts the full retrospective approach on application of AASB 16 Leases. Where the entity adopts the modified retrospective approach, illustrative disclosures can be found in an appendix to our IFRS model financial statements which is available at www.deloitte.com/au/models.

AASB 108.28

In the current year, the Group has applied AASB 16 Leases, which is effective for annual periods that begin on or after 1 January 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3. The impact of the adoption of AASB 16 on the Group’s consolidated financial statements is described below.

AASB 16.C2

The date of initial application of AASB 16 for the Group is 1 July 2019.

AASB 108.28(d) AASB 16.C2, C5

The Group has applied AASB 16 using the full retrospective approach, with restatement of the comparative information.

**Impact of the new definition of a lease**

AASB 108.28(e) AASB 16.C4

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease will continue to be applied to those contracts entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on ‘risks and rewards’ in AASB 117 and Interpretation 4.

The Group applies the definition of a lease and related guidance set out in AASB 16 to all contracts entered into or changed on or after 1 July 2019. In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition in AASB 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.
2. Application of new and revised Australian Accounting Standards (continued)

2.1 New and amended Accounting Standards that are effective for the current year (continued)

**AASB 16 Leases (continued)**

**Impact on lease accounting**

*Former operating leases*

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

**Impact on lease accounting (continued)**

*Former operating leases (continued)*

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis. Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 Impairment of Assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within ‘other expenses’ in profit or loss.

**Former finance leases**

The main differences between AASB 16 and AASB 117 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. This change did not have a material effect on the Group’s consolidated financial statements.

**Impact on lessor accounting**

AASB 16 does not change substantially how a lessor accounts for leases. Under AASB 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, AASB 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under AASB 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under AASB 117).

Because of this change, the Group has reclassified certain of its sub-lease agreements as finance leases. As required by AASB 9 Financial Instruments, an allowance for expected credit losses has been recognised on the finance lease receivables.
2. Application of new and revised Australian Accounting Standards (continued)

2.1 New and amended Accounting Standards that are effective for the current year (continued)

**AASB 16 Leases (continued)**

Financial impact of the initial application of AASB 16

Unlike other recent Standards (e.g. AASB 15), for entities that adopt the new Standard using a full retrospective approach, AASB 16 does not provide an exception from the requirement of AASB 108.28(f) to present the effect of the new Standard on the current period amounts.

The tables below show the amount of adjustment for each financial statement line item affected by the application of AASB 16 for the current and prior years.

### Impact on profit or loss

<table>
<thead>
<tr>
<th>30/06/2020 $000s</th>
<th>30/06/2019 $000s</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Impact on profit/(loss) for the year</strong></td>
<td></td>
</tr>
<tr>
<td>Decrease in operating sub-lease income (6)</td>
<td></td>
</tr>
<tr>
<td>Increase in finance income (6)</td>
<td></td>
</tr>
<tr>
<td>Increase in depreciation of right-of-use asset (1)</td>
<td></td>
</tr>
<tr>
<td>Increase in finance costs (1)</td>
<td></td>
</tr>
<tr>
<td>Decrease in other expenses (1), (5)</td>
<td></td>
</tr>
</tbody>
</table>

**Increase/(decrease) in profit for the year**

| | |
| | |

### Impact on assets, liabilities and equity as at 1 July 2019

<table>
<thead>
<tr>
<th></th>
<th>As previously reported $000s</th>
<th>AASB 16 adjustments $000s</th>
<th>As restated $000s</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property, plant and equipment (2), (6)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Right-of-use assets (1), (2)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Finance lease receivables (6)</strong></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Net impact on total assets**

| | |
| | |

| | |
| | |

**Obligations under finance leases (3)**

**Lease liabilities (1), (3)**

**Provisions (4)**

**Trade and other payables (5)**

**Net impact on total liabilities**

| | |
| | |

**Retained earnings**
Source

2. Application of new and revised Australian Accounting Standards (continued)
2.1 New and amended Accounting Standards that are effective for the current year (continued)

AASB 16 Leases (continued)
Financial impact of the initial application of AASB 16 (continued)

Impact on assets, liabilities and equity as at 1 July 2019

<table>
<thead>
<tr>
<th>As previously reported $000s</th>
<th>AASB 16 adjustments $000s</th>
<th>As restated $000s</th>
</tr>
</thead>
</table>

Property, plant and equipment (2), (6)
Right-of-use assets (1), (2)
Finance lease receivables (6)  

Net impact on total assets

Obligations under finance leases (3)
Lease liabilities (1), (3)
Provisions (4)
Trade and other payables (5)  

Net impact on total liabilities

Retained earnings

For tax purposes the Group receives tax deductions in respect of the right-of-use assets and the lease liabilities in a manner consistent with the accounting treatment.

The Group as a lessee:

(1) The application of AASB 16 to leases previously classified as operating leases under AASB 117 resulted in the recognition of right-of-use assets of $ ___ and lease liabilities of $ ___. It also resulted in a decrease in other expenses of $ ___ and an increase in depreciation of $ ___ and interest expense of $ ___.

(2) Equipment under finance lease arrangements previously presented within ‘Property, plant and equipment’ of $ ___ is now presented within the line item ‘Right-of-use assets’. There has been no change in the amount recognised.

(3) The lease liability on leases previously classified as finance leases under AASB 117 and previously presented within ‘Obligations under finance leases’ of $ ___ is now presented in the line ‘Lease liabilities’. There has been no change in the liability recognised.

(4) The provision for onerous lease contracts of $ ___ required under AASB 117 has been derecognised.

(5) Lease incentives liability of $ ___ previously recognised with respect to operating leases have been derecognised and the amount was factored into the measurement of the right-of-use assets and lease liabilities.

Group as a lessor:

(6) The Group, as a lessor, has reclassified certain of its sub-lease agreements as finance leases. The leased assets of $ ___ have been derecognised and finance lease receivables have instead been recognised. This change in accounting treatment changes the timing of recognition of the related revenue (recognised in finance income).
2. Application of new and revised Australian Accounting Standards (continued)

2.1 New and amended Accounting Standards that are effective for the current year (continued)

**AASB 16 Leases (continued)**

Financial impact of the initial application of AASB 16 (continued)

The application of AASB 16 has an impact on the consolidated statement of cash flows of the Group.

Under AASB 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by AASB 107 (the Group has opted to include interest paid as part of financing activities)
- Cash payments for the principal portion for a lease liability, as part of financing activities.

Under AASB 117, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by $____ (2018: $____), being the lease payments, and net cash used in financing activities has increased by the same amount.

**AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions**

The illustrative disclosures below may be included where the entity elects to early adopt the amendments in AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions and has applied those amendments in accounting for COVID-19 related rent concessions (as a result of being a lessee).

In the current year, the directors have elected to apply AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions before its mandatory application date. AASB 2020-4 amends AASB 16 Leases and is effective for annual periods that begin on or after 1 June 2020.

COVID-19 has led many lessors to provide relief to lessees by deferring or relieving them of amounts that would otherwise be payable. In some cases, this is through negotiation between the parties, but can also be as a consequence of a government encouraging or requiring that the relief be provided.

AASB 16 requires lessees to assess whether changes to lease contracts are lease modifications as this term is defined in the Standard and, if so, the lessee must remeasure the lease liability using a revised discount rate.

The amendment is intended to provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19, by including an additional practical expedient in AASB 16 that permits entities to elect not to account for some or all of these rent concessions as modifications.
2. Application of new and revised Australian Accounting Standards (continued)

2.1 New and amended Accounting Standards that are effective for the current year (continued)

**AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions (continued)**

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021).
- There is no substantive change to other terms and conditions of the lease.

The Group has elected to apply the practical expedient to all of the COVID-19-related rental concessions it has obtained as lessee.

**Impact on accounting for changes in lease payments applying the exemption**

In applying the practical expedient the Group has:

- Recognised a reduction in lease payments as a negative variable lease payment in profit or loss in the period of CU__.
- Deregistered part of the lease liability that has been extinguished by the forgiveness of lease payments, consistent with the requirements of paragraph 9.3.3.1 of AASB 9 Financial Instruments.
- Recognised a change in lease payments that reduces payments in the period to [date] by CU__ and a proportionate increases in payments in the period to [date] by CU__ such that there is no change to the overall consideration.

In accordance with the transitional provisions, the Group has applied the amendment retrospectively in accordance with AASB 108 Accounting Policies, Changes in Estimates and Errors, and has not restated prior period figures. As the rental concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 July 2019 on initial application of the amendment.

**Other pronouncements adopted for the first time in the current period**

In the current year, the Group has applied a number of amendments to Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the Board) that are effective for an annual period that begins on or after 1 July 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

**AASB 17**

The Group has adopted the amendments to AASB 17 Revenue from Contracts with Customers for the first time in the current year. The amendments clarify that the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.
2. Application of new and revised Australian Accounting Standards (continued)

2.1 New and amended Accounting Standards that are effective for the current year (continued)

Other pronouncements adopted for the first time in the current period (continued)

AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures

The Group has adopted the amendments to AASB 128 Investments in Associates and Joint Ventures for the first time in the current year. The amendment clarifies that AASB 9 Financial Instruments, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. The Group applies AASB 9 to such long-term interests before it applies AASB 128. In applying AASB 9, the Group does not take account of any adjustments to the carrying amount of long-term interests required by AASB 128 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with AASB 128).

AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle

The Group has adopted the amendments included in AASB 2008-1 for the first time in the current year. The Standard include amendments to four Standards:

- **AASB 112 Income Taxes** – The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.
- **AASB 123 Borrowing Costs** – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.
- **AASB 3 Business Combinations** – The amendments clarify that when the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.
- **AASB 11 Joint Arrangements** - The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not remeasure its previously held interest in the joint operation.
2. Application of new and revised Australian Accounting Standards (continued)

2.1 New and amended Accounting Standards that are effective for the current year (continued)

Other pronouncements adopted for the first time in the current period (continued)

AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement

The Group has adopted the amendments to AASB 119 Employee Benefits for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). AASB 119 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Group will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under AASB 119:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements

The amendments made by AASB 2018-3 only impact ‘Tier 2’ (RDR) financial statements. The amendments introduce reduced disclosure requirements in respect of AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities.

The example disclosures below only consider the impacts on the disclosure requirements of AASB 16 as AASB 1058 is only applicable to not-for-profit entities. For-profit entities preparing ‘Tier 2’ (RDR) financial statements may wish to include this disclosure as part of the disclosures for AASB 16 above.

These disclosures not relevant in the context of ‘Tier 1’ financial statements as the amendments to do not apply in those financial statements.

AASB 2018-3 establishes the disclosure requirements of AASB 16 Leases in financial statements prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (RDR). These disclosure requirements have been applied by the Group in presenting and disclosing information in these financial statements.
2. Application of new and revised Australian Accounting Standards (continued)

2.1 New and amended Accounting Standards that are effective for the current year (continued)

Other pronouncements adopted for the first time in the current period (continued)

Interpretation 23 Uncertainty over Income Tax Treatments

The Group has adopted Interpretation 23 for the first time in the current year. Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- Determine whether uncertain tax positions are assessed separately or as a group
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings
  - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.
2. Application of new and revised Australian Accounting Standards (continued)

2.1 New and amended Accounting Standards that are effective for the current year (continued)

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:

- The title of the Accounting Standard
- When applicable, that the change in accounting policy is made in accordance with its transitional provisions*
- The nature of the change in accounting policy
- When applicable, a description of the transitional provisions*
- When applicable, the transitional provisions that might have an effect on future periods*
- For the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
  - For each financial statement line item affected
    - If AASB 133 *Earnings per Share* applies to the entity, for basic and diluted earnings per share*
    - The amount of the adjustment relating to periods before those presented, to the extent practicable
- 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.

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.

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) (the amount of the adjustment for each financial statement line item affected) or 28(g) (the amount of the adjustment relating to periods before those presented).
2. Application of new and revised Australian Accounting Standards (continued)

2.1 New and amended Accounting Standards that are effective for the current year (continued)

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:

- The nature of the change in accounting policy
- The reasons why applying the new accounting policy provides reliable and more relevant information
- For the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
  - For each financial statement line item affected
    - If AASB 133 Earnings per Share applies to the entity, for basic and diluted earnings per share
    - The amount of the adjustment relating to periods before those presented, to the extent practicable
- 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.

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.

Changes in accounting policy

A change in accounting policy, other than one for which the transition is specified by a new Accounting Standard, shall be reflected by:

- 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
- 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.
### 2. Application of new and revised Australian Accounting Standards (continued)

#### 2.2 New and revised Australian Accounting Standards and Interpretations on 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 26 June 2020. The potential impact of the application of any new and revised Accounting Standards issued by the AASB or IASB after 26 June 2020 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 8.6.2).

**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 IFRS 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:

- This fact
- 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:

- The title of the new Accounting Standard
- The nature of the impending change or changes in accounting policy
- The date by which application of the Accounting Standard is required
- The date as at which it plans to apply the Accounting Standard initially
- Either:
  - A discussion of the impact that initial application of the Accounting Standard is expected to have on the entity's financial report, or
  - If that impact is not known or reasonably estimable, a statement to that effect.

The illustrative disclosures below do not include examples of disclosures that would be made (where relevant) by not-for-profit entities.
2. Application of new and revised Australian Accounting Standards (continued)

2.2 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective (continued)

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:

<table>
<thead>
<tr>
<th>Standard/amendment</th>
<th>Effective for annual reporting periods beginning on or after</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 17 Insurance Contracts</td>
<td>1 January 2021</td>
</tr>
<tr>
<td>AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,</td>
<td>1 January 2022</td>
</tr>
<tr>
<td>AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</td>
<td>1 January 2018</td>
</tr>
<tr>
<td>AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business</td>
<td>1 January 2020</td>
</tr>
<tr>
<td>AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material</td>
<td>1 January 2020</td>
</tr>
<tr>
<td>AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework</td>
<td>1 January 2020</td>
</tr>
<tr>
<td>AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform</td>
<td>1 January 2020</td>
</tr>
<tr>
<td>AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia</td>
<td>1 January 2020</td>
</tr>
<tr>
<td>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</td>
<td>1 January 2022</td>
</tr>
<tr>
<td>AASB 2020-2 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</td>
<td>1 January 2022</td>
</tr>
<tr>
<td>AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*</td>
<td>1 June 2020</td>
</tr>
</tbody>
</table>

* Where AASB 2020-4 is early adopted in the current period, it should not be included in this table.

The IASB and AASB are currently consulting on a proposal to delay the effective date of these amendments by one year to annual reporting periods beginning on or after 1 January 2023.
2. Application of new and revised Australian Accounting Standards (continued)

2.2 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective (continued)

In addition, at the date of authorisation of the financial statements the following IASB Standards and IFRS Interpretations Committee Interpretations were on issue but not yet effective, but for which Australian equivalent Standards and Interpretations have not yet been issued:

<table>
<thead>
<tr>
<th>Standard/amendment</th>
<th>Effective for annual reporting periods beginning on or after</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendment to IFRS 17</td>
<td>Defers the application of IFRS 17 to 1 January 2023</td>
</tr>
<tr>
<td>Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)</td>
<td>Defers the application of IFRS 9 to 1 January 2023 (eligible insurers only)</td>
</tr>
</tbody>
</table>

* The requirements of AASB 1054.17 where introduced as a result of the amendments made by AASB 2019-5 ‘Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia’ and are applicable to annual reporting periods beginning on or after 1 January 2020. However, these requirements are illustrated as these disclosures were routinely disclosed in Tier 1 GPFS prior to paragraph 17 being added to AASB 1054.

Changes to the differential reporting framework

The following Standards are not included in the above lists, as they do not impact ‘Tier 1’ financial statements:

- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Entities
- AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.

Entities preparing special purpose financial statements under the Corporations Act are required to comply with AASB 108 Accounting Policies, Changes in Accounting Policies and Errors. Accordingly, where the entity’s financial statements are expected to be impacted by the above pronouncements, they may wish to include appropriate disclosure in their financial statements of the expected impact of the above standards.

The impacts of the above changes are discussed in section 5.6.

General guidance

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 standard will have on the entity’s financial statements in the period of initial application.

The regulatory requirements in the various jurisdictions may differ as to how detailed the disclosures need to be; some regulators may require both qualitative and quantitative information to be disclosed whereas others may consider that qualitative information (e.g. key areas that may be affected by the new or revised standards) suffices in many circumstances. For this reason, relevant regulatory guidance should also be considered in preparing the disclosure.

This applies to all new or revised Accounting Standards and Interpretations that have been issued but are not yet effective.
2. Application of new and revised Australian Accounting Standards (continued)

2.2 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective (continued)

**AASB 17 Insurance Contracts**

The effective date of AASB 17 shown below (annual reporting periods beginning on or after 1 January 2023) is based on IFRS 17 Insurance Contracts, as amended by Amendments to IFRS 17 issued by the IASB in late June 2020.

At the date of finalisation of this publication, the AASB had not made equivalent amendments to AASB 17 and the effective date remained annual reporting periods beginning on or after 1 January 2021. Entities should refer to the earlier date if the AASB has not made an equivalent amendment at the time of authorisation of their financial statements.

The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes AASB 4 Insurance Contracts.

The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The implementation of the Standard is likely to bring significant changes to an entity’s processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and IT.

The Standard is effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The directors of the Company do not anticipate that the application of the Standard in the future will have an impact on the Group’s consolidated financial statements.
2. Application of new and revised Australian Accounting Standards (continued)

2.2 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective (continued)

**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 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections**

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 AASB 2017-5 and now applies for annual reporting periods beginning on or after 1 January 2022 (however the editorial corrections in AASB 2017-5 apply 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.

**AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business**

Amends AASB 3 Business Combinations to clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs
- Add an optional 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

This Standard applies to annual reporting periods beginning on or after 1 January 2020. The directors of the Company do not anticipate that the application of this Standard will have a material impact on the Group's consolidated financial statements, but may have an impact on the assessment and accounting for of future business combinations.
2. Application of new and revised Australian Accounting Standards (continued)

2.2 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective (continued)

**AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material**

Makes amendments intended to address concerns that the wording in the definition of ‘material’ was different in the *Conceptual Framework for Financial Reporting*, AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The amendments address these concerns by:

- Replacing the term ‘could influence’ with ‘could reasonably be expected to influence’
- Including the concept of ‘obscuring information’ alongside the concepts of ‘omitting’ and ‘misstating’ information in the definition of material
- Clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework
- Aligning the definition of material across Australian Accounting Standards and other publications.

This Standard applies to annual reporting periods beginning on or after 1 January 2020. The directors of the Company do not anticipate that the application of this Standard will have a material impact on the Group’s consolidated financial statements.

**AASB 2019-1 Amendment to Australian Accounting Standards – References to the Conceptual Framework**

Makes amendments to various Accounting Standards to reflect the issue of the revised *Conceptual Framework for Financial Reporting*. This Standard updates references to, or quotations from, previous versions of the Framework contained in many Accounting Standards.

This Amending Standard applies to for-profit sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards and other for-profit entities that elect to apply the Conceptual Framework, for annual reporting periods beginning on or after 1 January 2020. The directors of the Company do not anticipate that the application of this Standard will have a material impact on the Group’s consolidated financial statements.

The AASB’s revised *Conceptual Framework for Financial Reporting* updates a number of definitions and guidance, introduces new guidance on a number of topics including the reporting entity and presentation and disclosure, and clarifies a number of other matters. If an analysis of the impacts of the new Conceptual Framework has not been performed, the last sentence above can be substituted with a statement similar to the following:

The potential effect of the Amending Standard, and the *Conceptual Framework for Financial Reporting* to which it refers, on the Group’s financial statements has not yet been determined.

These illustrative disclosures do not show example disclosures for new and amending pronouncements that are not relevant to International GAAP Holdings Limited, for example amending standards applying to not-for-profit entities. Entities should ensure that review section 8.6 to determine all pronouncements for which disclosures should be made.
2. Application of new and revised Australian Accounting Standards (continued)

2.2 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective (continued)

**AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform**

The amendments affect entities that apply the hedge accounting requirements of AASB 9 Financial Instruments or AASB 19 Financial Instruments: Recognition and Measurement to hedging relationships directly affected by the interest rate benchmark reform.

The amendments would mandatorily apply to all hedging relationships that are directly affected by the interest rate benchmark reform and modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

This Amending Standard applies to annual reporting periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of these amendments may have an impact on the Group’s consolidated financial statements, as the Group will be able to continue to apply hedge accounting to hedges that are eligible for the relief in the amendments.

**AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia**

Amends AASB 1054 Australian Additional Disclosures to add a requirement for entities that intend to be compliant with IFRS standards to disclose the information required by AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (specifically paragraphs 30 and 31) for the potential effect of each IFRS pronouncement that has not yet been issued by the IASB.

This Amending Standard applies to annual reporting periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of the Amending Standard will not have an impact on the Group’s consolidated financial statements, as the Group already includes the disclosures required by the Amending Standard.

**AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current**

Amends AASB 101 Presentation of Financial Statements to:

- Clarify that the classification of liabilities as current or non-current is based on rights that in existence at the end of the reporting period
- Specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- Explain that rights are in existence if covenants are complied with at the end of the reporting period
- Introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

This Amending Standard applies to annual reporting periods beginning on or after 1 January 2022. The directors of the Company have not yet assessed the impact that the application of this Standard will have on the Group’s consolidated financial statements.

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54 The IASB and AASB are currently consulting on a proposal to delay the effective date of these amendments by one year to annual reporting periods beginning on or after 1 January 2023.
Source

2. Application of new and revised Australian Accounting Standards (continued)

2.2 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective (continued)

AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018–2020 and Other Amendments (continued)

Amends numerous Standards to effect of number of minor changes, as set out below. The amendments apply to annual reporting periods beginning on or after 1 January 2022 (apart from the amendments to AASB 16 which affect the Illustrative Examples which accompanying but are not part of the Standard and so do not have an effective date).

Annual Improvements

The annual improvements amend the following standards:

- AASB 1 First-time Adoption of International Financial Reporting Standards to permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs
- AASB 9 Financial Instruments to clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of AASB 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf are included
- AASB 16 Leases to amend Illustrative Example 13 to remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example
- AASB 141 Agriculture to remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company anticipate that the application of the amendments will not have an impact on the Group’s consolidated financial statements, as many of the amendments either do not affect the Group’s existing accounting policies, or apply to situations, transactions and events that the Group does not undertake.

Property, Plant and Equipment — Proceeds before Intended Use

The amendments to AASB 116 Property, Plant and Equipment to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company anticipate that the application of the amendments will likely impact on the Group’s accounting policies in respect of the construction of assets, as certain proceeds of selling items produced whilst bringing assets under construction are currently deducted from the cost of the asset. However, the directors have not assessed the financial effect of this change in accounting policy.
Source

2. Application of new and revised Australian Accounting Standards (continued)

2.2 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective (continued)

**AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments (continued)**

**Onerous Contracts — Cost of Fulfilling a Contract**

The amendments to AASB 137 Provisions, Contingent Liabilities and Contingent Assets to specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company anticipate that the application of the amendments may impact on the Group’s accounting policies in respect of the determination of when contracts are onerous, and the measurement of provision for onerous contracts recognised. However, the directors have not assessed the financial effect of this change in accounting policy.

**AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions**

Entities that are impacted by COVID-19 related rent concessions may wish to early adopt the amendments made by this Amending Standard. Illustrative disclosures of the impact of early adoption have been illustrated on page 254.

Amends AASB 16 Leases to provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19, by including an additional practical expedient in the standard.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying AASB 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021).
- There is no substantive change to other terms and conditions of the lease.

The amendments apply to annual reporting periods beginning on or after 1 June 2020. The directors of the Company do not anticipate that the amendments will have a material impact on the Group.
3. Significant accounting policies

...  

**Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- 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
- 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.
15. Dividends

AASB 1054 disclosures to be provided in addition to those provided in note 15 of the Deloitte model IFRS financial statements:

On 29 August 2020, 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 2020 to be paid to shareholders on 7 October 2020. 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 18 September 2020. The total estimated dividend to be paid is $____.

<table>
<thead>
<tr>
<th>Company</th>
<th>30/06/2020</th>
<th>30/06/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
</tbody>
</table>

AASB 1054.13
AASB 112.81(i)

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.

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 1054.14

For the purposes of determining the amount required to be disclosed (in accordance with paragraph 13 of AASB 1054), entities may have:

- Imputation credits that will arise from the payment of the amount of the provision for income tax
- Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date
- 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.
Illustrative disclosures | Notes to the financial statements

Source

21. Subsidiaries

The disclosures below 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 note 21 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

<table>
<thead>
<tr>
<th>Name of subsidiary</th>
<th>Principal activity</th>
<th>Place of incorporation and operation</th>
<th>Proportion of ownership interest and voting power held by the Group</th>
<th>30/06/2020</th>
<th>30/06/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subzero Limited</td>
<td>Manufacture of toys</td>
<td>A Land</td>
<td>Nil 100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subone Limited</td>
<td>Manufacture of electronic equipment</td>
<td>A Land</td>
<td>90% 100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtwo Limited</td>
<td>Manufacture of leisure goods</td>
<td>A Land</td>
<td>45% 45%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subthree Limited (ii), (iii)</td>
<td>Construction of residential properties</td>
<td>A Land</td>
<td>100% 100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subfour Limited</td>
<td>Manufacture of leisure goods</td>
<td>B Land</td>
<td>70% 70%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subfive Limited</td>
<td>Manufacture of electronic equipment and bicycles</td>
<td>C Land</td>
<td>100% 100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsix Limited</td>
<td>Manufacture of leisure goods</td>
<td>A Land</td>
<td>80% Nil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subseven Limited (ii), (iii)</td>
<td>Manufacture of leisure goods</td>
<td>A Land</td>
<td>100% Nil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C Plus Limited</td>
<td>Manufacture of electronic equipment</td>
<td>A Land</td>
<td>45% 45%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 2017.

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.

Financial support

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.
21. Subsidiaries (continued)

Consolidated income statement, consolidated statement of financial position and movements in consolidated retained earnings of entities party to the deed of cross guarantee

The consolidated income statement and consolidated statement of financial position of the entities which are parties to the deed of cross guarantee are:

<table>
<thead>
<tr>
<th>Year ended</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30/06/2020</td>
<td>30/06/2019</td>
</tr>
<tr>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
</tbody>
</table>

**Statement of comprehensive income**

Revenue
Finance income – interest income
Finance income - other
Changes in inventories of finished goods and work in progress
Raw materials and consumables used
Employee benefits expense
Depreciation and amortisation expense
Finance costs
Transport costs
Advertising costs
Impairment of property, plant and equipment
Impairment of goodwill
Other expenses
Restructuring costs
Share of results of associates
Share of results of joint ventures
Gains and losses arising from the derecognition of financial assets measured at amortised costs
Gains and losses on reclassification of financial assets from amortised cost to fair FVTPL
Impairment losses (including reversals) on financial assets and contract assets
Gains and losses on reclassification of financial assets from FVTOCI to FVTPL
Other gains and losses

**Profit before tax**

Income tax expense

**Profit for the year from continuing operations**

Loss for the year from discontinued operations

**Profit for the year**
### 21. Subsidiaries (continued)

**Other comprehensive Income**

*Items that will not be reclassified subsequently to profit or loss:*
Gains/(losses) on property revaluation
Remeasurement of net defined benefit liability
Fair value gain/(loss) on investments in equity instruments designated as FVTOCI
Fair value gain/(loss) on financial liabilities designated as FVTPL attributable to changes in credit risk
Share of other comprehensive income of associates
Share of other comprehensive income of joint ventures
Income tax relating to items that will not be reclassified subsequent to profit or loss

*Items that may be reclassified subsequently to profit or loss:*
Debt instruments measured at FVTOCI
- Fair value gain/(loss) on investments in debt instruments classified as at FVTOCI reclassified to profit or loss upon disposal
- Less: Cumulative (gain)/loss on investments in debt instruments classified as at FVTOCI reclassified to profit or loss upon disposal
- Less: Cumulative (gain)/loss on investments in debt instruments classified as at FVTOCI reclassified to profit or loss upon recategorisation from FVTOCI to FVTPL

Cash flow hedges:
- Fair value gain/(loss) arising on hedging instruments during the period
- Less: Cumulative (gain)/loss arising on hedging instruments reclassified to profit or loss

Foreign currency translation, net of investment hedges of a foreign operation:
- Foreign exchange differences on translation of foreign operations
- Less: (Gain)/loss reclassified to profit or loss on disposal of foreign operation
- Gain/(loss) arising on hedging instruments designated in hedges of the net assets in foreign operation
- Less: (Gain)/loss on hedging instruments reclassified to profit or loss on disposal of foreign operation

<table>
<thead>
<tr>
<th></th>
<th>30/06/2020 $'000</th>
<th>30/06/2019 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other comprehensive Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified subsequently to profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains/(losses) on property revaluation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurement of net defined benefit liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value gain/(loss) on investments in equity instruments designated as FVTOCI</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value gain/(loss) on financial liabilities designated as FVTPL attributable to changes in credit risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of other comprehensive income of associates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of other comprehensive income of joint ventures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax relating to items that will not be reclassified subsequent to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt instruments measured at FVTOCI</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Fair value gain/(loss) on investments in debt instruments classified as at FVTOCI reclassified to profit or loss upon disposal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Less: Cumulative (gain)/loss on investments in debt instruments classified as at FVTOCI reclassified to profit or loss upon disposal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Less: Cumulative (gain)/loss on investments in debt instruments classified as at FVTOCI reclassified to profit or loss upon recategorisation from FVTOCI to FVTPL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow hedges:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Fair value gain/(loss) arising on hedging instruments during the period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Less: Cumulative (gain)/loss arising on hedging instruments reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation, net of investment hedges of a foreign operation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Foreign exchange differences on translation of foreign operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Less: (Gain)/loss reclassified to profit or loss on disposal of foreign operation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Gain/(loss) arising on hedging instruments designated in hedges of the net assets in foreign operation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Less: (Gain)/loss on hedging instruments reclassified to profit or loss on disposal of foreign operation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 21. Subsidiaries (continued)

Cost of hedging:
- Changes in the fair value during the period in relation to transaction-related hedged items
- Changes in the fair value during the period in relation to time-period related hedged items
- Less: Cumulative (gain)/loss arising on changes in the fair value in relation to transaction-related hedged items reclassified to profit or loss
- Less: Amortisation to profit or loss of cumulative (gain)/loss arising on changes in the fair value in relation to time-period related hedged item

<table>
<thead>
<tr>
<th>30/06/2020 $’000</th>
<th>30/06/2019 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Share of other comprehensive income of associates  
Share of other comprehensive income of joint ventures  
Income tax relating to items that may be reclassified subsequently to profit or loss

**Other comprehensive income for the year, net of income tax**

**Total comprehensive Income for the year**

<table>
<thead>
<tr>
<th>30/06/2020 $’000</th>
<th>30/06/2019 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 21. Subsidiaries (continued)

#### Statement of financial position

**Current assets**
- Cash and bank balances
- Inventories
- Investments
- Rights to returned goods asset
- Contract assets
- Contract costs
- Financial lease receivables
- Trade and other receivables
- Derivative financial instruments

Assets classified as held for sale

**Total current assets**

**Non-current assets**
- Goodwill
- Other intangible assets
- Property, plant and equipment
- Right-of-use assets
- Investments property
- Investments in associates
- Investments in joint ventures
- Investments in financial assets
- Finance lease receivables
- Deferred tax asset
- Derivative financial assets
- Contract assets
- Contract costs

**Total non-current assets**

**Total assets**

<table>
<thead>
<tr>
<th></th>
<th>30/06/2020 $'000</th>
<th>30/06/2019 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 21. Subsidiaries (continued)

<table>
<thead>
<tr>
<th><strong>Current liabilities</strong></th>
<th>30/06/2020 $'000</th>
<th>30/06/2019 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income – government grant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refund liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities directly associated with non-current assets classified as held for sale</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convertible loan notes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement benefit obligations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income – government grant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liability for share-based payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>30/06/2020 $'000</td>
<td>30/06/2019 $'000</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings*</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>30/06/2020 $'000</td>
<td>30/06/2019 $'000</td>
</tr>
<tr>
<td><strong>Movement in retained earnings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Retained earnings as at beginning of the financial year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends provided for or paid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share buy-back</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Retained earnings as at end of the financial year</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
21. 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:

- Where the consolidated financial statements cover entities which are not members of the ‘closed group’, additional consolidation information in respect 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 holding entity and those entities which are parties to the deed of cross guarantee and controlled by the holding entity
- 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).

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.

32. Trade and other receivables

<table>
<thead>
<tr>
<th></th>
<th>30/06/2020 $'000</th>
<th>30/06/2019 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss allowance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred consideration for the disposal of [name of subsidiary]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Good and services tax recoverable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other [describe]</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above disclosure is an updated disclosure for note 32 included in the Deloitte model IFRS financial statements. Refer to the Deloitte model IFRS financial statements note 32 for the remainder of the disclosures for Trade and other receivables.
## 55. Notes to the cash flow statement

### 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 must provide a reconciliation of the net cash flow from operating activities to profit or loss.

<table>
<thead>
<tr>
<th>Year ended 30/06/2020</th>
<th>Year ended 30/06/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>CU'000</td>
<td>CU'000</td>
</tr>
</tbody>
</table>

### Profit for the year

**Adjustments for:**
- Share of profit of associates
- Share of profit of joint ventures
- Finance income
- Other gains and losses
- Finance costs
- Income tax expense
- Gain on disposal of discontinued operation
- Depreciation of property, plant and equipment
- Impairment loss on fixtures and equipment
- Impairment losses, net of reversals, on financial assets
- Amortisation of intangible assets
- Impairment of goodwill
- Share-based payment expenses
- Fair value gain/loss on investment property
- Gain on disposal of property, plant and equipment
- Increase/(decrease) in provisions
- Fair value gain/loss on derivatives and other financial assets held for trading
- Difference between pension funding contributions paid and the pension cost charge

### Operating cash flows before movements in working capital

**Movements in working capital:**
- (Increase)/decrease in inventories
- (Increase)/decrease in trade and other receivables
- (Increase)/decrease in contract assets
- (Increase)/decrease in contract costs
- (Increase)/decrease in right to returned goods assets
- (Increase)/decrease in trade and other payables
- Increase/(decrease) in provisions
- Increase/(decrease) in contract liabilities
- (Increase)/decrease in refund liability
- (Increase)/decrease in deferred income

### Cash generated from operations

- Interest paid
- Income taxes paid

### Net cash generated by operating activities

---

For the year ended 30/06/2020,

**CU'000**

- Profit for the year
- Adjustments for:
  - Share of profit of associates
  - Share of profit of joint ventures
  - Finance income
  - Other gains and losses
  - Finance costs
  - Income tax expense
  - Gain on disposal of discontinued operation
  - Depreciation of property, plant and equipment
  - Impairment loss on fixtures and equipment
  - Impairment losses, net of reversals, on financial assets
  - Amortisation of intangible assets
  - Impairment of goodwill
  - Share-based payment expenses
  - Fair value gain/loss on investment property
  - Gain on disposal of property, plant and equipment
  - Increase/(decrease) in provisions
  - Fair value gain/loss on derivatives and other financial assets held for trading
  - Difference between pension funding contributions paid and the pension cost charge

- Operating cash flows before movements in working capital
  - Movements in working capital:
    - (Increase)/decrease in inventories
    - (Increase)/decrease in trade and other receivables
    - (Increase)/decrease in contract assets
    - (Increase)/decrease in contract costs
    - (Increase)/decrease in right to returned goods assets
    - (Increase)/decrease in trade and other payables
    - Increase/(decrease) in provisions
    - Increase/(decrease) in contract liabilities
    - (Increase)/decrease in refund liability
    - (Increase)/decrease in deferred income

- Cash generated from operations
  - Interest paid
  - Income taxes paid

- Net cash generated by operating activities

---
65. 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 is also disclosed.

When any of the parent entities and/or ultimate controlling parties named above is incorporated or otherwise constituted outside Australia, an entity:

- Identifies which of those entities is incorporated overseas and where
- Discloses the name of the ultimate controlling entity incorporated within Australia.
## 67. 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 6.5.2 for a discussion on *ASIC-CI* 2016/191).

### Source

**ASIC-CI 2016/191**

### Deloitte and related network firms*

Audit or review of financial reports:
- Group
- Subsidiaries and joint operations

Statutory assurance services required by legislation to be provided by the auditor

Other assurance and agreed-upon procedures under other legislation or contractual arrangements

### Other auditors and their related network firms

Audit or review of financial reports:
- Subsidiaries and joint operations
- Other [*describe*]

Statutory assurance services required by legislation to be provided by the auditor

Other assurance and agreed-upon procedures under other legislation or contractual arrangements

### Table

<table>
<thead>
<tr>
<th>Service Type</th>
<th>30/06/2020 ($)</th>
<th>30/06/2019 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deloitte and related network firms*</td>
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</tr>
<tr>
<td>AASB 1054.10(a)</td>
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<td></td>
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<tr>
<td>AASB 1054.10(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>s.300(11B)(a)</td>
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<td></td>
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<tr>
<td>s.300(11B)(a)</td>
<td></td>
<td></td>
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<td>s.300(11B)(a)</td>
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</tr>
<tr>
<td>s.300(11B)(a)</td>
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<td></td>
</tr>
<tr>
<td>s.300(11B)(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other auditors and their related network firms</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 1054.10(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 1054.10(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>s.300(11B)(a)</td>
<td></td>
<td></td>
</tr>
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<td>s.300(11B)(a)</td>
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<td></td>
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<tr>
<td>s.300(11B)(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>s.300(11B)(a), (11C)(a)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*The auditor of International GAAP Holdings Limited is Deloitte Touche Tohmatsu*

# These line items are provided by way of example only. The disclosures should provide sufficient detail of the amounts paid or payable to the auditor for each non-audit service.
67. Remuneration of auditors (continued)

Suggested changes to disclosures

In February 2020, the Federal Parliamentary Joint Committee on Corporations and Financial Services released Regulation of Auditing in Australia: Interim Report (available at parlinfo.aph.gov.au). Included in this interim report is a recommendation to introduce defined categories and associated fee disclosure requirements in relation to audit and non-audit services.

In the meantime, we encourage entities to provide transparent and expanded disclosures in their financial reports at 30 June 2020. Potential categories of disclosure may include:

- Fees to group auditor for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of any controlled entities (including joint operations)
- Fees for assurance services that are required by legislation to be provided by the auditor (e.g. for certain reporting to APRA, Queensland Building & Construction Commission reports, AFSL Form FS 71)
- Fees for other assurance and agreed-upon procedures under other legislation or contractual arrangements (e.g. assurance on revenue information under a royalty agreement, comfort letters or agreed-upon procedures on other reports) when there is discretion as to whether the service is provided by the auditor or another firm
- Fees for other services (e.g. tax compliance).

Additional guidance

Remuneration of international associates of Deloitte Touche Tohmatsu Australia are disclosed under ‘Fees to Deloitte and related network firm’.

The nature and amount of each category of other services provided by a network firm of the auditor of a parent entity shall be disclosed in the notes to the financial statements.

‘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 sole practitioner, partnership, corporation or other entity of professional accountants
- An entity that controls such parties through ownership, management or other means
- An entity controlled by such parties through ownership, management or other means, or
- 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.
67. Remuneration of auditors (continued)

**Listed companies**

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.

68. 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**

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.

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.
### 68. Parent entity information (continued)

#### Financial position

<table>
<thead>
<tr>
<th></th>
<th>30/06/2020 $’000</th>
<th>30/06/2019 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reg2M.3.01(a),(k)</td>
<td>Current assets</td>
<td></td>
</tr>
<tr>
<td>Reg2M.3.01(b),(k)</td>
<td>Non-current assets</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reg2M.3.01(c),(k)</td>
<td>Current liabilities</td>
<td></td>
</tr>
<tr>
<td>Reg2M.3.01(d),(k)</td>
<td>Non-current liabilities</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reg2M.3.01(e),(k)</td>
<td>Issued capital</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Retained earnings</td>
<td></td>
</tr>
<tr>
<td></td>
<td>General reserve</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Asset revaluation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Investments revaluation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Equity-settled employee benefits</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Option premium on convertible notes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other [describe]</td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td></td>
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</tbody>
</table>

#### Financial performance

<table>
<thead>
<tr>
<th></th>
<th>30/06/2020 $’000</th>
<th>30/06/2019 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reg2M.3.01(f),(k)</td>
<td>Profit for the year</td>
<td></td>
</tr>
<tr>
<td>Reg2M.3.01(g),(k)</td>
<td>Other comprehensive income</td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

<table>
<thead>
<tr>
<th></th>
<th>30/06/2020 $’000</th>
<th>30/06/2019 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reg2M.3.01(h),(k)</td>
<td>Guarantee provided under the deed of cross guarantee (i)</td>
<td></td>
</tr>
</tbody>
</table>

(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.
68. Parent entity information (continued)

Contingent liabilities of the parent entity

<table>
<thead>
<tr>
<th></th>
<th>30/06/2020</th>
<th>30/06/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>[describe]</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Commitments for the acquisition of property, plant and equipment by the parent entity

<table>
<thead>
<tr>
<th></th>
<th>30/06/2020</th>
<th>30/06/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
</tbody>
</table>

**Plant and equipment**

- Not longer than 1 year
- Longer than 1 year and not longer than 5 years
- Longer than 5 years

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 (1) must be calculated in accordance with accounting standards in force in the financial year to which the disclosure relates.

(3) In the 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 16 September 2020

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

___ fully paid ordinary shares are held by ___ individual shareholders.

___ partly paid ordinary shares, paid to ___ cents, are held by ___ individual shareholders. ___ 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

Preference share capital

___ ___ % converting non-participating preference shares are held by ___ individual shareholders.

___ ___ % redeemable cumulative preference shares are held by ___ 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

___ ___ % fully paid convertible notes are held by ___ individual noteholders.

ASX-LR 4.10.6

Convertible notes do not carry a right to vote.

ASX-LR 4.10.5

Options

___ options are held by ___ 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**

<table>
<thead>
<tr>
<th>Fully paid ordinary shares</th>
<th>Partly paid ordinary shares</th>
<th>Redeemable preference shares</th>
<th>Converting non-participating preference shares</th>
<th>Convertible notes</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1,000</td>
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<td></td>
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<td>1,001 – 5,000</td>
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<td></td>
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<td>5,001 – 10,000</td>
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<td>10,001 – 100,000</td>
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<td>100,001 and over</td>
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<td></td>
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</table>

ASX-LR 4.10.8

Holding less than a marketable parcel

ASX-LR 4.10.4

**Substantial shareholders**

<table>
<thead>
<tr>
<th>Ordinary shareholders</th>
<th>Fully paid ordinary shares</th>
<th>Partly paid ordinary shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>X Holdings Limited</td>
<td></td>
<td></td>
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<tr>
<td>XYZ Nominees Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>White Pty Ltd</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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:

- The total votes attached to voting shares in the body, or voting interests in the scheme, in which they or their associates:
  - Have relevant interests
  - 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
- 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 right to vote while a dividend (or part of a dividend) in respect of the share is unpaid
- A right to vote on a proposal to reduce the body's share capital
- A right to vote on a resolution to approve the terms of a buy-back agreement
- A right to vote on a proposal that affects the rights attached to the share
- A right to vote on a proposal to wind the body up
- A right to vote on a proposal for the disposal of the whole of the body's property, business and undertaking
- A right to vote during the body's winding up.
**Illustrative disclosures**  |  **ASX disclosures**
--- | ---

**Source**  
ASX-LR 4.10.9

### Twenty largest holders of quoted equity securities

<table>
<thead>
<tr>
<th>Ordinary shareholders</th>
<th>Fully paid ordinary shares</th>
<th>Partly paid ordinary shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percentage</td>
</tr>
<tr>
<td>X Holdings Limited</td>
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<tr>
<td>Woodstock Nominees Limited</td>
<td></td>
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<tr>
<td>White Pty Ltd</td>
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<tr>
<td>The Perri Family Trust</td>
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<tr>
<td>Vente Nominees Limited</td>
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<td></td>
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<tr>
<td>P.T. Young</td>
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<td>ELC Superannuation Trust</td>
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<td>Inkerman Pty Limited</td>
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<tr>
<td>Vente Nominees Limited</td>
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<tr>
<td>P.H. Taylor</td>
<td></td>
<td></td>
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<tr>
<td>C.W. Gouday</td>
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<td>K.B. Cai</td>
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<td>T.P. Kowood</td>
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<td>W.L. Yeo Family Trust</td>
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<td>Stock Pty Limited</td>
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<td>D.E. Portier</td>
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<td>A.L. Lauff</td>
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<td>P.D. Kimm</td>
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<td>C.P. Daniels</td>
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<td>C.J. Chambers</td>
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<tr>
<td>Simichy Nominees Limited</td>
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</table>

### Convertible notes

<table>
<thead>
<tr>
<th>Convertible noteholders</th>
<th>Number</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Woodstock Nominees Limited</td>
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<tr>
<td>Kowski Nominees Limited</td>
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<tr>
<td>White Pty Ltd</td>
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<tr>
<td>Smith Trust</td>
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<tr>
<td>Giles Nominees Limited</td>
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<td>P.T. Young</td>
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<td>Insurance Company Limited</td>
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<td>P.H Taylor Family Trust</td>
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<tr>
<td>Vente Nominees Limited</td>
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<tr>
<td>C.W. Gouday</td>
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<td>T.P. Saw</td>
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<td>Stock Pty Limited</td>
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<td>Hill Nominees Limited</td>
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<td>A.L. Lauff</td>
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<td>P.C. Ford</td>
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<tr>
<td>Hanky Pty Limited</td>
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<td></td>
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<td>D.E. Rendall</td>
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<td>Motter Trust</td>
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<tr>
<td>Simichy Nominees Limited</td>
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<td></td>
</tr>
</tbody>
</table>
Illustrative disclosures | ASX disclosures

Source
ASX-LR 4.10.16

Unquoted equity security holdings greater than 20%

Converting non-participating preference shares
Y Holdings Limited

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.

Company secretary
Mr A.B. Grey

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

Share registry
ELC Share Registry Services
Level 1
225 George St
SYDNEY NSW 2000
Tel: (02) 9322 7000

Other ASX information
All listed entities

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.

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.

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.

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:

- The total number of securities purchased during the reporting period
- The average price per security at which the securities were purchased during the reporting period.

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

For listed investment entities

Listed investment entities must disclose:

- A list of all investments held by it and its child entities at the balance date
- The level 1, level 2 and level 3 inputs used to value its investments in accordance with Australian Accounting Standard AASB 13 *Fair Value Measurement*
- The net tangible asset backing of its quoted securities at the beginning and end of the reporting period and an explanation of any change therein over that period
- The total number of transactions in listed and unlisted securities and derivatives during the reporting period, together with the total brokerage paid or accrued during the period
- The total management fees paid or accrued during the reporting period, together with a summary of any management agreement.

*This can be disclosed in the financial statements in the entity's annual report*

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.

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.

Annual reporting

A mining exploration entity must include in its annual report:

- The mining tenements held by the mining exploration entity and its child entities and their location
- The percentage interest it or they held in each mining tenement.

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.
For listed oil and gas companies
Statements in the annual report of oil and gas companies must comply with Listing Rules 5.25 to 5.44.

Annual reporting
An oil and gas exploration entity must include in its annual report:

- The petroleum tenements held by the oil and gas exploration entity and its child entities and their locations
- The percentage interest it or they held in each petroleum tenement.

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.

Except where the above exception applies, an oil and gas entity must include a reserves statement in its annual report including the following information:

- 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.

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.

For recently listed entities
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.
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