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Australian financial reporting guide

10th Edition (June 2021)

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IMPORTANT INFORMATION

The information in this document is current as of 31 May 2021. Entities should ensure any developments occurring after this date are appropriately taken into account. This publication is updated on a regular, 'as needed' basis. The latest edition can be found at www.deloitte.com/au/models.

Looking for what's new in financial reporting for a particular reporting period?

As this document is only updated on an 'as needed' basis, it does not contain our summary of new and updated pronouncements and guidance. This analysis is now included in our Tier 1 model financial statements, which can be accessed at www.deloitte.com/au/models.

1 Introduction

Welcome to the tenth edition of our guide to financial reporting in Australia

Financial reporting in Australia is governed through legislation, regulations, accounting standards, professional standards and more.

Australia's continued compliance with International Financial Reporting Standards (IFRS) is critical in global capital markets. The Australian Accounting Standards Board also sets accounting standards for various categories of entities, which results in a more comprehensive reporting framework.

Recent changes in Australia's differential framework to move away from the reporting entity concept will perhaps see one of the more significant changes in the financial reporting landscape over the coming months and years.

The interaction of all of these requirements can be complex and this guide is designed be an adjunct to corporate governance frameworks to assist entities understand and respond to their financial reporting obligations.

In this edition, we've made the following updates:

- Improved section 4 by presenting the discussion on reporting mandates by type of entity. This includes discussion of the need to prepare financial reports, have them audited, and whether the financial report needs to be lodged 'all in one place' for each type of entity, making it easier to follow and apply
- Provided further updates throughout the Guide for the new Simplified Disclosures regime which comes into effect for annual reporting periods beginning on or after 1 July 2021 (with early adoption permitted)
- Numerous updates for newly issued pronouncements and other guidance, and to provide further examples, information and explanation of key requirements.

We trust you continue to find the Guide a useful tool.

May 2021

"This guide is designed to help you navigate the sometimes complex Australian financial reporting framework"

Alison White
National Leader
Accounting Technical

2 About this guide

This guide provides a comprehensive analysis of the financial reporting framework in Australia, to allow entities to understand and efficiently meet financial reporting obligations

2.1 How to use this guide

We have developed this *Australian financial reporting guide* (guide) has been developed to assist in understanding the general financial reporting requirements applying to the majority of entities reporting in Australia under the *Corporations Act 2001*. 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 ASX Listing Rules, '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 latter is being removed for many for-profit entities for reporting periods beginning on or after 1 July 2021)
- The differential reporting framework arising under Australian Accounting Standards, which introduces different types of general purpose financial statements.

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*, Australian Accounting Standards and other regulations. More information can be found in **Section 6 *Preparation of annual financial reports*** and **Section 7 *Preparation of half-year 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, concise financial reports, climate related disclosures and relevant financial reporting. More information on these topics is in **Section 8 *Other financial reporting considerations***.

Step 6. Access the relevant model financial statements

Based on the analysis performed, obtain the relevant model financial statements to provide illustrative examples of the presentation and disclosure requirements applicable to the entity. Guidance on choosing the version of the model financial statements to use can be found in **Section 9 *Deloitte model financial statements***.

Still unsure? You can find an index to the publication starting on page 145.

2.2 Effective date

Unless otherwise noted, the information in this guide has been updated for developments to and including 31 May 2021.

2.3 Abbreviations

The following abbreviations are used in this guide:

Abbreviation	Description
AASB	Australian Accounting Standards Board
Australian Accounting Standards	Australian Accounting Standards issued by the Australian Accounting Standards Board
ASA	Australian Auditing Standard issued by the Auditing and Assurance Standards Board
ASIC	Australian Securities & Investments Commission
ASIC-CO/ ASIC-CI	Australian Securities and Investments Commission Class Order/Corporations Instrument issued pursuant to s.341(1) of the *Corporations Act 2001*
ASIC-RG	Australian Securities and Investments Commission Regulatory Guide
ASX	Australian Securities Exchange
ASX-LR	Australian Securities Exchange Listing Rule
ASX-GN	Australian Securities Exchange Guidance Note
ATO	Australian Tax Office
Corporations Act	The *Corporations Act 2001* (as amended)
Deloitte model financial statements	The model financial statements summarised in section 9 of this guide
ED	Exposure Draft issued by the Australian Accounting Standards Board
GPFS	General purpose financial statements
IASB	International Accounting Standards Board
IFRS Standards	IFRS® Standards issued by the IASB®
Int	Interpretation issued by the Australian Accounting Standards Board
ITAA 1997	*Income Tax Assessment Act 1997*
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*
Tier 1	Financial reporting requirements applying to entities with public accountability and other entities choosing to apply Tier 1 reporting requirements in accordance with AASB 1053 *Tiers of Australian Accounting Standards* (see section 5.3.1)
Tier 2 (SD)	Financial reporting requirements applying to entities applying Australian Accounting Standards – Simplified Disclosures in accordance with AASB 1053 *Tiers of Australian Accounting Standards* (see section 5.6)
Tier 2 (RDR)	Financial reporting requirements applying to entities applying Australian Accounting Standards – Reduced Disclosure Requirements in accordance with AASB 1053 *Tiers of Australian Accounting Standards* (see section 5.3.3)

3 Types and classifications of entities

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

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

Topic	What is covered
3.1 Companies	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
3.2 Not-for-profit entities	A high-level overview of the registration and reporting by not-for-profit entities
3.3 Other types of entities	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 • Registered schemes • Crowd-source funded entities • Passport funds • Mutual entities • Stapled entities • Australian Financial Services Licence (AFSL) holders.

3.1 Companies

3.1.1 Types of companies

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

Type of company	Public companies*	Proprietary companies
Limited by shares A company formed on the principle of having the liability of its members limited to the amount (if any) unpaid on the shares respectively held by them (s.9).	✓	✓
Limited by guarantee A company formed on the principle of having the liability of its members limited to the amounts that the members undertake to contribute to the property of the company if it is wound up (s.9).	✓	-
Unlimited with share capital A company whose members have no limit placed on their liability (s.9) and which is incorporated with a share capital.	✓	✓
No liability company A company may only register as a no liability company if: • The company has a share capital • The company's constitution states that its sole objects are mining purposes (as defined in s.9 of the Corporations Act) • The company has no contractual right under its constitution to recover calls made on its shares from a shareholder who fails to pay them (s.112(2)).	✓	-

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

3.1.2 Proprietary companies

Companies registered under the Corporations Act as proprietary companies must:

- Be limited by shares or an unlimited company with share capital, which means that companies limited by guarantee and no liability companies cannot be proprietary companies
- Not have more than 50 non-employee shareholders, although shareholders connected with 'CSF offers' (i.e. crowd-sourced funding) do not count for this purpose (s.113(1), (2))
- 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 (s.113(3)) (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 amended 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[1]:

Condition	Value – Large	Value - Small
Consolidated revenue for the financial year of the company and the entities it controls (if any)	$50 million or more	Less than $50 million
Value of the **consolidated gross assets** at the end of the financial year of the company and the entities it controls	$25 million or more	Less than $25 million
Number of **employees** of the company and the entities it controls at the end of the financial year	100 or more	Less than 100

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 Australian Accounting Standards in force at the relevant time (even if the standards do not otherwise apply to the company).

See section 4.4.1 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[2]:
  - Where the company is not required by the Australian 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 Australian 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 of the Corporations Act requires that revenue and consolidated revenue be calculated in accordance with Australian Accounting Standards in force at the relevant time (even if the standards do not otherwise apply to the company).

[1] For financial years beginning prior to 1 July 2019, the amounts of each of the values in the table below were halved, i.e. consolidated revenue of $50 million, consolidated gross assets of $12.5 million and 50 employees. These are the amounts included in s.45A but which are amended by Corporations Regulations from 1 July 2019.
[2] Section 45B(2) of the Corporations Act notes that the amounts specified may be varied by the Corporations Regulations. At the time of publishing this document, no specified amounts have been varied by the Regulations.

3.1.4 Foreign companies

In general, a foreign company is a body corporate that is incorporated outside Australia (except for a corporation sole or exempt public authority) or an unincorporated body formed outside Australia (in certain circumstances) (s.9).

A foreign company that carries on business in Australia must be registered under the Corporations Act. For this purpose, s.601CD explains when a foreign company carries on business in Australia.

See section 8.3 for a discussion on the reporting requirements for foreign companies.

3.2 Not-for-profit entities

3.2.1 Types of not-for-profit entities

Currently, Australian Accounting Standards define a not-for-profit entity as an entity whose principal objective is not the generation of profit. Generally, a not-for-profit entity is an organisation that does not operate for the profit, personal gain or other benefit of particular people (for example, its members, the people who run it or their friends or relatives). 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.

3.2.2 Reporting obligations for ACNC registered entities

Current reporting obligations

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 current relevant thresholds are as follows (refer below for discussion on proposed changes):

Total annual revenue	Classification	Annual information statements required	Annual financial report required
Under $250,000	Small	Yes	Optional (cash or accrual basis)
$250,000 or more, but under $1 million	Medium	Yes	Yes (reviewed or audited)
$1 million or more	Large	Yes	Yes (audited)

ACNC legislative review

The Government is required to undertake a review of the *Australian Charities and Not for profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission (Consequential and Transitional) Act 2012* after their first five years of operation. This review presents an opportunity to evaluate the performance of the legislative framework, the regulation of the sector and to identify any improvements that can be made.

A review panel was established to conduct the review. The final report was tabled on 22 August 2018 and contained 30 recommendations. The Government response was released on 6 March 2020.

The three key financial reporting changes (among the 30 recommendations put forward by the panel) are covered below:

- Key change 1: New revenue thresholds
- Key change 2: Disclosure of related party transactions
- Key change 3: Disclosure of compensation paid to responsible persons and senior executives (key management personnel).

Key change 1: Proposals for changes in thresholds expected to be announced by 30 June 2021
The ACNC legislative review panel recommended increasing the financial reporting thresholds for ACNC-registered charities. The Commonwealth Government supported the recommendation but committed to consult with the States on the appropriate level of revenue thresholds for minimum reporting requirements, before proceeding with legislative change.

As a result, the Commonwealth Treasurer has established the Thresholds Working Group to develop the framework. In February 2021, the Treasury issued a consultation paper seeking views on increasing financial reporting thresholds for ACNC-registered charities.

As a result, the Commonwealth Treasurer has established the Thresholds Working Group to develop the framework. The table below shows a comparison between the current revenue thresholds against the new revenue thresholds originally proposed by the ACNC panel in 2018 and the new proposed revenue thresholds currently proposed by Treasury in 2021:

Charity size	Revenue thresholds			Minimum ACNC reporting requirement
	Current	Proposed by ACNC panel in 2018	Proposed by Treasury in 2021	
Small	Less than $250,000	Less than $1 million	Less than $500,000	Annual information statement
Medium	$250,000 or more and less than $1 million	$1 million or more and less than $5 million	$500,000 or more and less than $3 million	Annual information statement and reviewed financial report
Large	$1 million or more	$5 million or more	$3 million or more	Annual information statement and audited financial report

Comments closed on 21 March 2021 and the Council on Federal Financial Relations intends to announce the new ACNC financial reporting thresholds and the commencement date for their implementation by 30 June 2021.

Key changes 2 and 3: Compensation paid to responsible persons and senior executives (key management personnel) and related party transactions disclosures
In addition to the proposed change in thresholds above, the other two key proposed financial reporting changes relate to amendments to disclosure requirements for ACNC registered entities.

These enhanced disclosures recommendations were supported by the Commonwealth Government and include:

- Registered entities are required to disclose related party transactions. To minimise the compliance burden, small registered entities are required to provide a simplified disclosure involving a brief description of the related party transactions; and
- Large registered entities are required to disclosure the remuneration paid to responsible persons and senior executives on an aggregated basis. This disclosure will only be required for entities with two or more key management personnel to accommodate privacy concerns.

The Government will implement the above recommendations via a change to regulations. The start date for these measures will align with any change to the revenue thresholds for financial reporting requirements as described in the earlier discussion.

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 for a discussion on the reporting mandate for disclosing entities.

3.3.2 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
- 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

Originally announced in the 2016-17 Budget, the Federal Government announced as part of its 2021-2022 Budget that it will proceed with the introduction of a tax and regulatory framework for corporate collective investment vehicles (CCIV) with a revised commencement date of 1 July 2022. The CCIV regime would act as an optional alternative to the managed investments scheme regime currently in the Corporations Act.

A CCIV would be an investment vehicle with a corporate structure that provides flow-through tax treatment for investors. The initial proposed Bill to implement the regime was released for consultation in early 2019. Under that Bill, a CCIV would be a company limited by shares with registered sub-funds. The CCIV could issue shares and debentures that are referable to only one sub-fund, including redeemable ordinary shares. A CCIV would be required to prepare an annual financial report for each sub-fund, but would prepare only one directors' report for the CCIV as a whole, and not separate reports for each sub-fund. Half-year financial and directors' reports would be prepared for sub-funds with enhanced disclosure (ED) securities on issue.

The legislation to enact the new regime has not been enacted at the date this publication was finalised (31 May 2021).

3.3.3 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 (s.738H(2)):

Condition	Value
Value of consolidated gross assets of the company and all its related parties[3]	*Less than* $25 million*
Consolidated annual revenue of the company and all of its related parties	*Less than* $25 million*

* 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) 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 4.3.2**

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

3.3.4 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 3.3.2) 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.

Australian passport funds are subject to the financial reporting requirements for disclosing entities and/or registered schemes (see section 4.2).

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.

Notified foreign passport funds are governed by the financial reporting and other requirements of the Corporations Act, albeit in a modified form. More information about the financial reporting requirements for notified foreign passport funds can be found in section 4.6.

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[4]. ASIC is the regulator of the financial service industry.

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

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

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

4 Reporting mandate

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

Roadmap to this section

Topic	What is covered	Who does it apply to?
Corporations Act requirements		
4.1 Overview of the requirements of the Corporations Act	An overview of the key financial reporting requirements of the Corporations Act and general ASIC concessions for wholly-owned entities	All entities captured by the Corporations Act
4.2 Disclosing entities and registered schemes	Preparation, audit and lodgement of financial reports	Disclosing entities and registered schemes under the Corporations Act
4.3 Public companies	Preparation, audit and lodgement of financial reports	Public companies under the Corporations Act (that are not disclosing entities)
4.4 Large proprietary companies	Preparation, audit and lodgement of financial reports	Proprietary companies meeting the definition of a large proprietary company under the Corporations Act
4.5 Small proprietary companies	Preparation, audit and lodgement of financial reports	Proprietary companies meeting the definition of a small proprietary company under the Corporations Act
4.6 Notified foreign passport funds	Reporting requirements for notified foreign passport funds	Passport funds that have been registered as notified foreign passport funds under the Corporations Act
Other considerations		
4.7 ASIC	Information about how ASIC modifies the operation of financial reporting and allied requirements of the Corporations Act	All entities which are subject to the Corporations Act, depending on each entity's circumstances
4.8 ASX	The additional financial reporting obligations arising under the ASX Listing Rules and how they interact with the Corporations Act	Entities that have securities listed on the ASX
4.9 General purpose financial statements for country-by-country reporting entities	Additional requirements for general purpose financial statements arising under section 3CA of the Tax Administration Act	'Country by country reporting entities' (broadly, entities or groups with more than A$1 billion in income) where the entity has not lodged general purpose financial statements with ASIC

4.1 Overview of the requirements of the Corporations Act

4.1.1 General requirements of the Corporations Act

Overview

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
- Auditing the annual financial report
- Lodging the annual report with ASIC
- Preparing, auditing and lodging half year reports and directors' reports with ASIC (discussed in section 7).

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 Australian Accounting Standards (discussed in section 5).

Requirement to prepare annual financial reports

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.

Requirement for the annual report to be audited

In general, an entity that is required to prepare a financial report 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
- Small 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 Orders and Corporations Instruments.

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 some limited exemptions in the Corporations Act itself, and additional ASIC Corporations Instruments and Class Orders that provide relief from the requirement to lodge financial reports with ASIC.

Requirement to prepare half-year financial reports

The Corporations Act has specific requirements for the preparation of half-year financial reports by disclosing entities. Disclosing entities broadly include listed entities and listed registered schemes, entities and registered schemes which raise funds pursuant to a prospectus and other widely held entities (see section 3.3.1 for more information).

More information about half-year financial reporting can be found in section 7.

4.1.2 Summary of annual reporting requirements by type of entity

The following table summarises the information in the following sections:

Type of entity	Financial report required?	Audit of financial report required?	Lodgement of financial report with ASIC required?
Disclosing entities and registered schemes (section 4.2)	Yes	Yes	Yes (unless lodged with the ASX)
Public companies (section 4.3)			
• Public companies granted relief from the requirement to prepare a financial report (e.g. ASIC-CI 2016/785)	No	-	-
• Small company limited by guarantee subject to ASIC or member request (s.294A and s.294B)	Yes	Only if requested by ASIC or the shareholders	Only if requested by ASIC
• Other small companies limited by guarantee	No	-	-
• Public companies limited by guarantee meeting the requirements of s.301(3) which have elected for the financial report to be reviewed	Yes	Review rather than audit	Yes
• 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[5]	Yes	Only where the company has raised $3 million or more from all crowd-sourced funding offers it has made	Yes
• All other public companies	Yes	Yes	Yes
Large proprietary companies (section 4.4)			
• Large proprietary companies granted relief from the requirement to prepare a financial report (e.g. ASIC-CI 2016/785)	No	-	-
• Large proprietary companies that are 'grandfathered' under s.319(4) or ASIC-CI 2015/840	Yes	Yes	No
• All other large proprietary companies	Yes	Yes	Yes
Small proprietary companies (section 4.5)			
• Small proprietary companies raising funds pursuant to the crowd sourced funding provisions of the Corporations Act	Yes	Only where the company has raised $3 million or more from all crowd-sourced funding offers it has made	Yes
• Small proprietary companies controlled by foreign company where the entity has been granted relief (e.g. ASIC- CI 2016/784, ASIC-CI 2017/204)	No	-	-

[5] 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).

Type of entity	Financial report required?	Audit of financial report required?	Lodgement of financial report with ASIC required?
• Other small proprietary companies controlled by foreign companies	Yes	Yes	Yes
• Small proprietary companies where ASIC or shareholders have requested the preparation of a financial report	Yes	Only if requested by ASIC or the shareholders	Only if requested by ASIC
• All other small proprietary companies	No	-	-
Notified foreign passport funds (section 4.6)	Yes (using home jurisdiction requirements)	Yes (using home jurisdiction requirements)	Yes

4.1.3 Reporting deadlines

Section 319 of the Corporations Act requires a disclosing entity, registered scheme and notified foreign passport fund to lodge financial reports with ASIC 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 4.9).

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

4.1.4 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 and entities obtaining relief under that Class Order continue to be able to obtain relief under the Corporations Instrument. 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.

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 gross 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 dead 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 (as amended, 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 January 2021 (both inclusive) or between 23 June 2021 and 7 July 2021 (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.

4.1.5 General relief for entities under external administration

ASIC consultation on possible changes to relief

In January 2021, ASIC released Consultation Paper 337 *Externally administered companies: extending financial reporting and AGM relief*, which proposed to amend the relief available in ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251. The proposals extend the period of deferral of financial reporting obligations available for certain externally administered companies and provide AGM deferral relief to public companies in external administration to align with the financial reporting relief.

Comments on the proposals closed on 11 March 2021. At the date of finalisation of this publication, the amendments have not been finalised.

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 *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 in respect 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 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.

4.1.6 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 4.9 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 Australian 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 Disclosing entities and registered schemes

4.2.1 Preparation of annual financial report

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)
- The continuous disclosure obligations arising under s.675 and s.676 (see section 8.1)

***ASIC Relief for entities ceasing to be disclosing entities before the annual reporting deadline*[6]**

Under *ASIC Corporations (Disclosing Entities) Instrument 2016/190*, companies or registered schemes that stop being disclosing entities are not required to apply the 'disclosing entity provisions' of the Corporations Act.

In order for the relief to apply, the entity must cease to be a disclosing entity within the following timeframes:

Type of entity	Latest date to stop being a disclosing entity to be eligible for relief
Company	Before the earlier of three months after the end of the relevant financial year and 21 days before the date of the next Annual General Meeting (where required) after the end of that year
Registered scheme	Before the day three months after the end of the relevant financial year

If the entity meets these deadlines, in order to take advantage of the relief:

- The directors must resolve (before the relevant dates noted above) that there are no reasons to believe that the entity may become a disclosing entity before the end of the financial year immediately after the relevant financial year
- The entity must comply with the financial reporting requirements of the Corporations Act as if it were not a disclosing entity. For instance, if the entity is a public company, it would generally have a requirement to prepare and lodge a financial report with ASIC unless other exemptions or relief applies (see section 4.3). However, such entities would not be required to prepare a remuneration report in those financial statements as this requirement only applies to disclosing entities (see section 6.1.2).

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 4.1.5). Where the registered scheme is also a disclosing entity, it may be eligible for the relief in *ASIC Corporations (Disclosing Entities) Instrument 2016/190* in certain cases (discussed above).

4.2.2 Audit of annual financial report

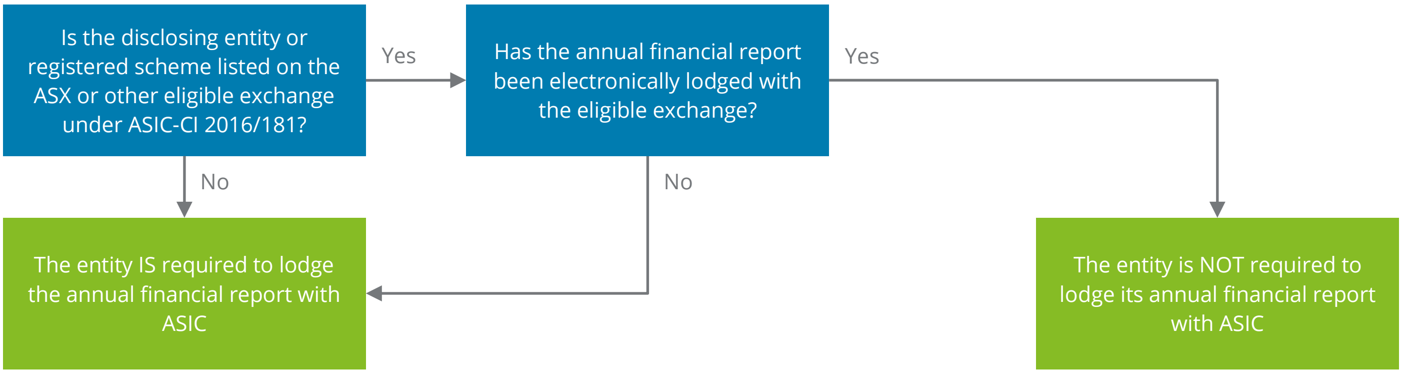
Disclosing entities and registered schemes must have their financial report audited and obtain an auditor's report (s.301(1)).

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)).

[6] See section 7.1 for a discussion of the impacts on half-year financial reporting under the Corporations Act.

4.2.3 Lodging the annual financial report with ASIC

Summary flowchart – lodgement of the financial report



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.

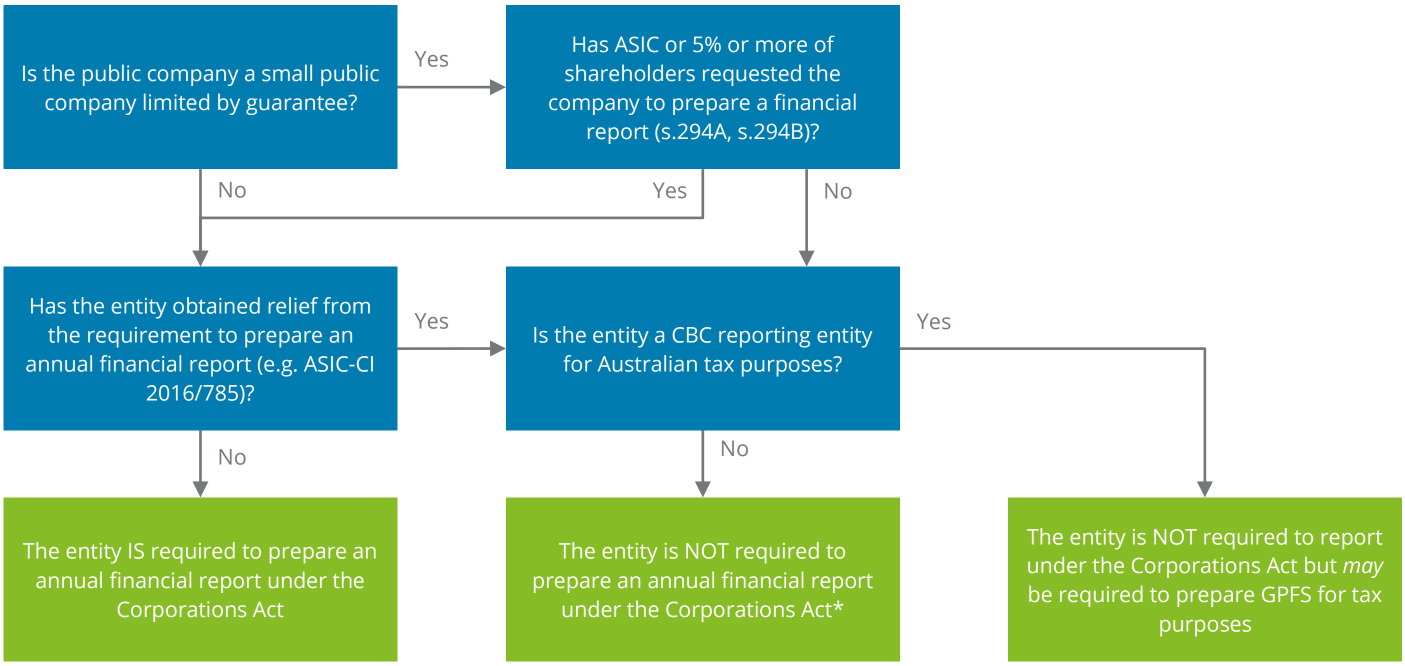
Dual lodgement relief for listed entities

In accordance with *Corporations (Electronic Lodgement of Financial Reports) Instrument 2016/181*, listed companies or registered schemes are relived 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.

4.3 Public companies

4.3.1 Preparation of annual financial report

Summary flowchart – preparation of a financial report



* The entity may be required to prepare financial statements in other circumstances (see section 4.1.6)

General requirements

Public companies (see section 3.1) 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 4.1.4) or *ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251* (see section 4.1.5).

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[7] that is captured by the GPFS requirements (see section 4.9)
- 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.

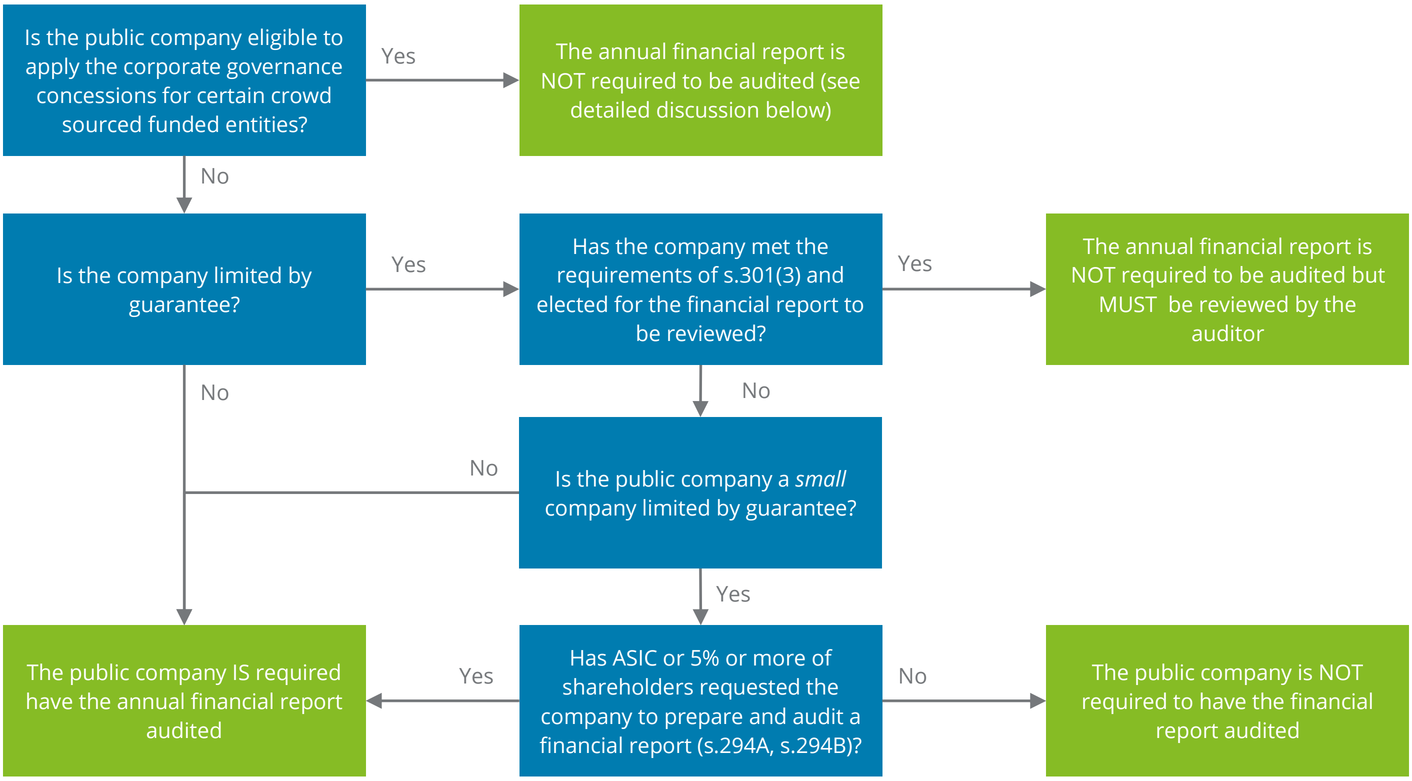
If 5% or more of the members request that a financial report be prepared (s.294A), a directors' report need not be prepared and the financial report need not be prepared in accordance with Australian Accounting Standards if the members' request specifies that a directors' report is not required and that Australian 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 Australian Accounting Standards or be subject to audit.

[7] 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.

4.3.2 Audit of the annual financial report

Summary flowchart – audit of the annual financial report



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 3.3.3), 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 3.3.3). 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 than $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 is no longer 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 6.7.4 for more information about these concessions.

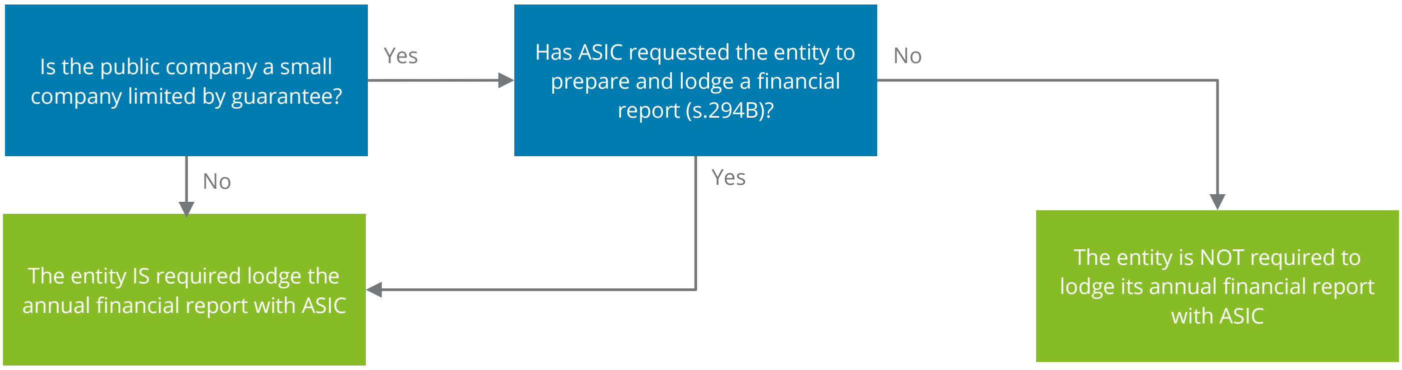
Audit relief for certain companies limited by guarantee
Under s.301(3), a company limited by guarantee may have its financial report for a financial year reviewed, rather than audited, if:

- The company is *not* one of the following:
  - A Commonwealth company for the purposes of the Public Governance, Performance and Accountability Act 2013[8]
  - 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 Australian 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 Australian 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.

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

4.3.3 Lodging the annual financial report with ASIC

Summary flowchart– lodgement of the financial report



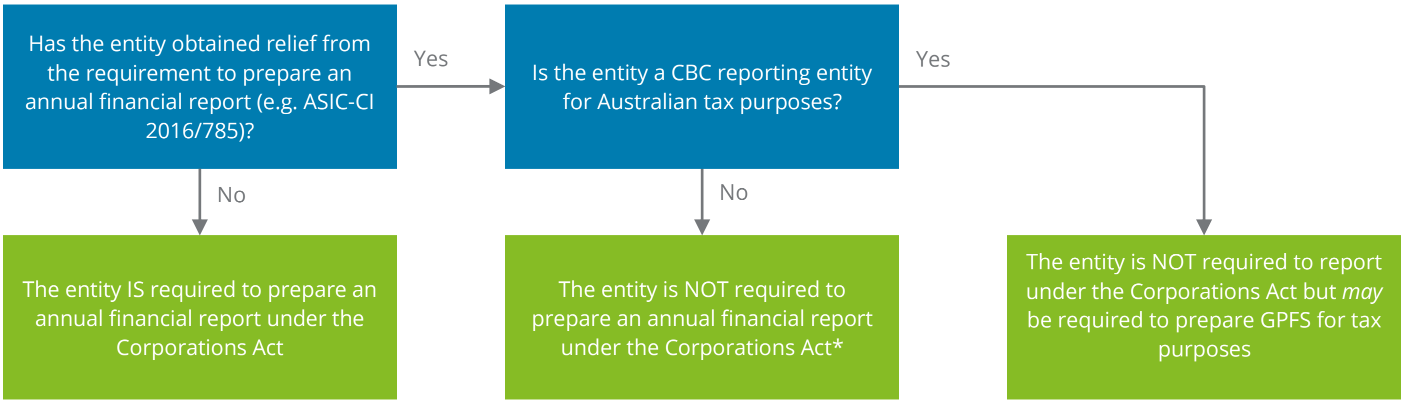
General requirements

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)). 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). ASIC may request the annual financial report to be lodged (s.294B(4)).

4.4 Large proprietary companies

4.4.1 Preparation of annual financial report

Summary flowchart – preparation of a financial report



* The entity may be required to prepare financial statements in other circumstances (see section 4.1.6)

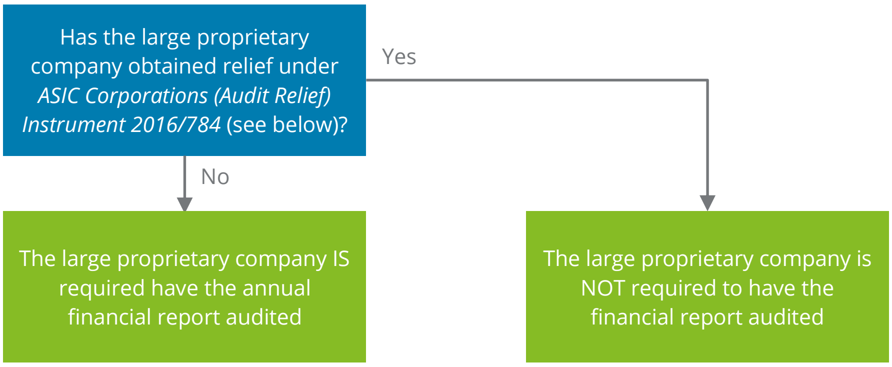
General requirements

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 2016/785* (see section 4.1.3) or *ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251* (see section 4.1.5).

Even though a large proprietary company 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 4.9).

4.4.2 Audit of the annual financial report

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 (see section 4.4.1) and to have the financial report audited.

However, the requirement to have the financial report audited is 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 relieves large proprietary companies that were not audited for a financial year ending during 1993, or in any later financial year[9], 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 28*)*
- Borrowers in relation to debentures
- Guarantors of borrowers in relation to debentures
- A financial services licensee.

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

[9] ASIC Regulatory Guide 115 *Audit relief for proprietary companies*, (available at asic.gov.au) notes "relief under the instrument is only available to companies that have not had an audit in 1993 or a later year. This may include companies that have been registered or incorporated since 1993 and that have not had an audit since registration or incorporation" (RG 115.93). Accordingly, newly incorporated entities that have not previously had an audit may be eligible for relief where all the conditions of the instrument are met.

- 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 any deed of cross guarantee under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, that total consolidated liabilities did not exceed 70% of the total consolidated tangible assets in respect of either the closed group or extended closed group
- 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

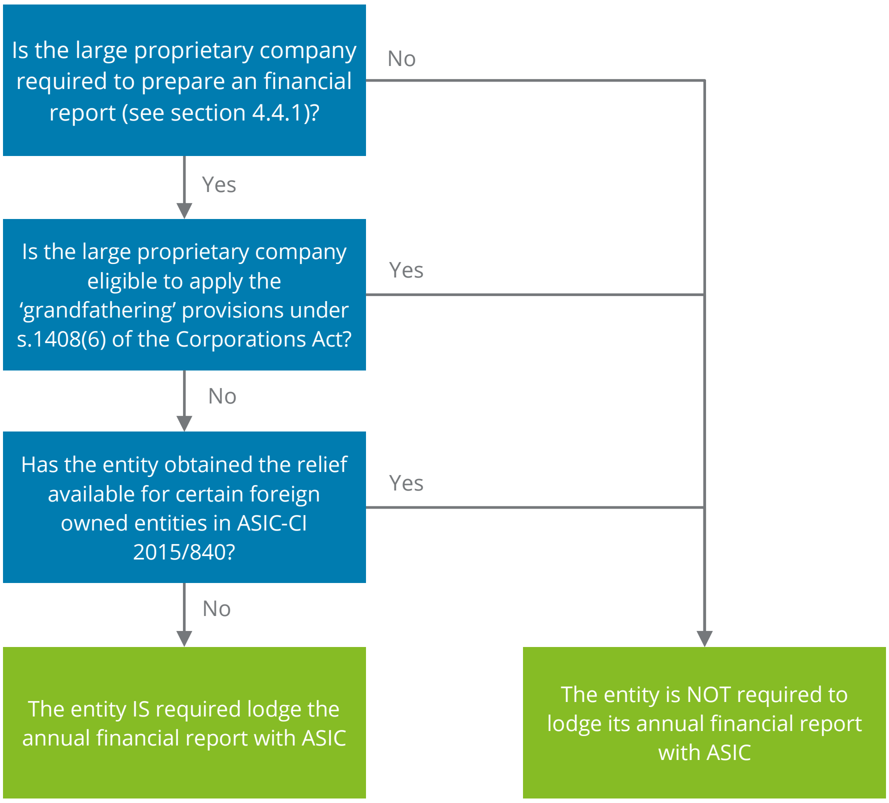
In addition, the company must comply with the following requirements:

- 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).

The full text of the latest version of *ASIC Corporations (Audit Relief) Instrument 2016/784* can be found at www.legislation.gov.au. Further guidance is available in ASIC Regulatory Guide 115 *Audit relief for proprietary companies*, available at asic.gov.au.

4.4.3 Lodging the annual financial report with ASIC

Summary flowchart– lodgement of the financial report



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)).

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

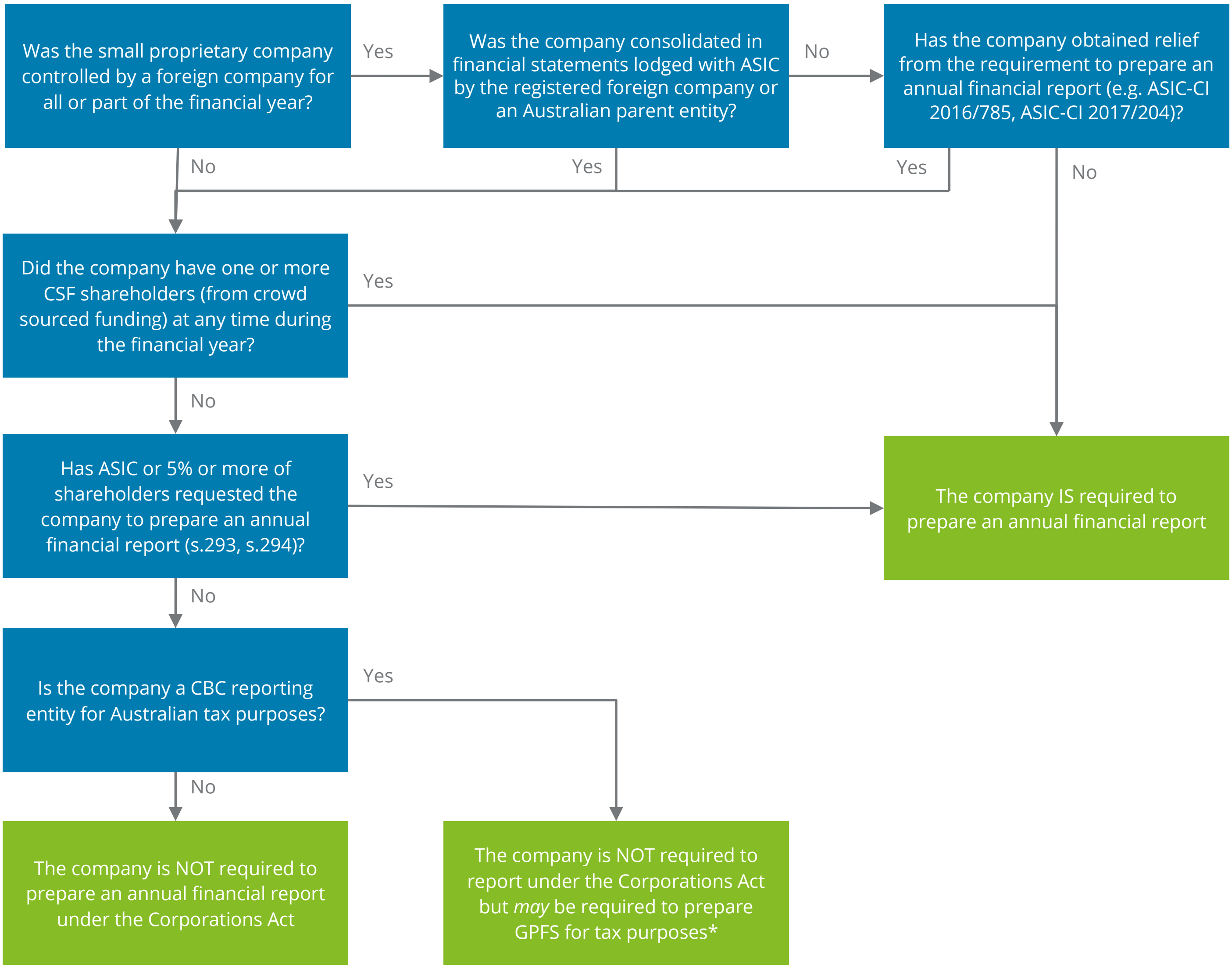
ASIC Corporations (Exempt Proprietary Companies) Instrument 2015/840 (dated 18 September 2015), provides similar lodgement relief to that available for 'grandfathered' proprietary companies to large proprietary companies in which an ownership interest is held by a foreign company, provided the ownership 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).

4.5 Small proprietary companies

4.5.1 Preparation of annual financial report

Summary flowchart – preparation of a financial report



* The entity may be required to prepare financial statements in other circumstances (see section 4.1.6)

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 Australian Accounting Standards if the shareholders' request specifies that a directors' report is not required and that Australian 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 Australian 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 4.9).

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 8.3). 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 is not a registered foreign company 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):

Condition	Value (from 1 July 2019)[10]
Combined **revenue** of the group for the relevant financial year	$50 million or greater
Combined value of the **gross assets** of the group at the end of the relevant financial year	$25 million or greater
Number of **employees** of the group (part time employees being counted as an appropriate fraction of a full-time equivalent) at the end of the financial year	100 or more

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

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

Determining the combined revenue, gross assets and number of employees 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.

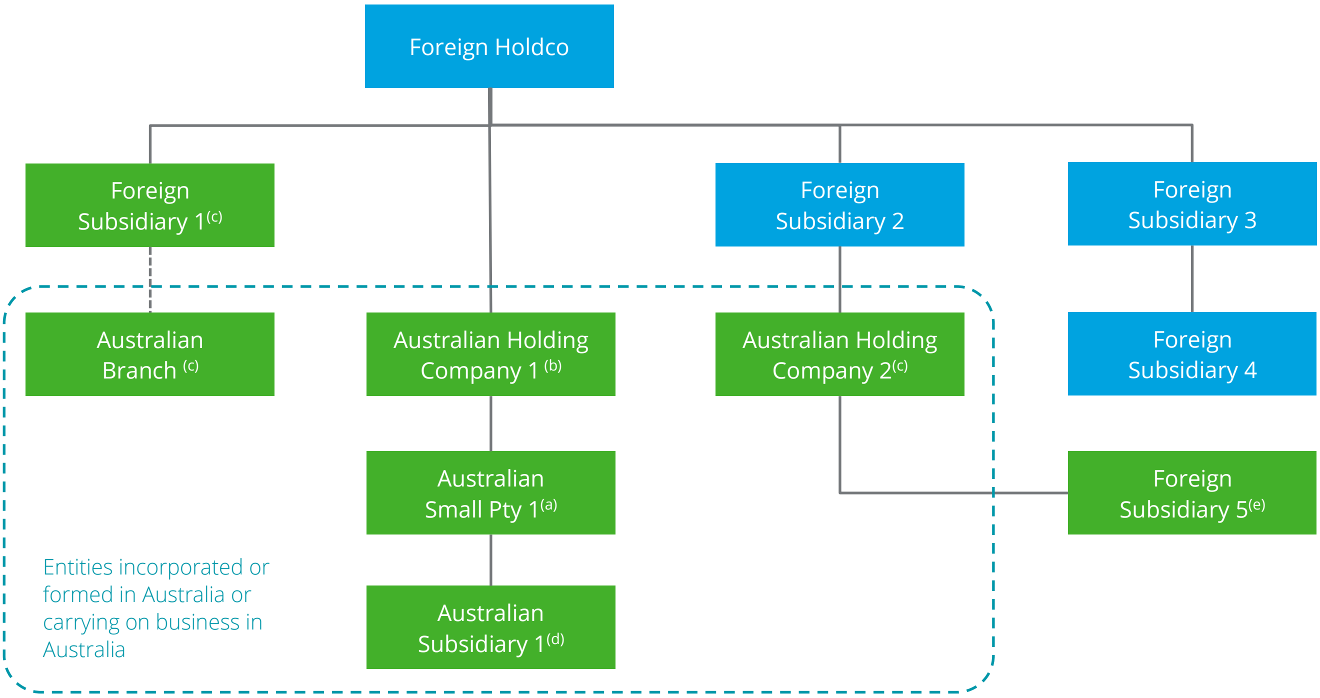
In order to qualify for relief, all the following conditions must be met:

- 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.

[10] 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). For financial years beginning before 1 July 2019 the thresholds listed were half of the amounts (i.e. consolidated revenue of $25 million, consolidated assets of $12.5 million and 50 employees).

Example

In the group structure below, entities that are coloured green would be included in the 'group' for the purposes of *ASIC Corporations (Foreign-Controlled Company Reports) Instrument 2017/204*. The combined revenue, gross assets and employees of those entities would be tested against the thresholds in the instrument. If two or more of the thresholds are exceeded, then the group would be a 'large group' and the small proprietary company (Australian Small Pty 1) would not be able to avail itself of the relief in the instrument and would therefore be required to prepare an annual financial report under Part 2M.3 of the Corporations Act (unless other relief is available). The instrument has no impact on the financial reporting obligations of other Australian entities in the group (i.e. Australian Holding Company 1, Australian Holding Company 2, Australian Subsidiary 1 and the Australian Branch).



The notes attached in the diagram above are in respect of Australian Small Pty 1:

(a) The entity in question (Australian Small Pty 1).

(b) Any other entity which controlled the entity at any time during, or at the end of, the financial year and which was registered or formed in Australia or carries on business in Australia (in its own right) (Australian Holding Company 1[11]).

(c) Any other entity (a corresponding 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 (Foreign Subsidiary 1 [including Australian Branch] and Australian Holding Company 2)[12].

(d) Any entity which is controlled at any time during, or at the end of, the financial year by the entity (Australian Subsidiary 1).

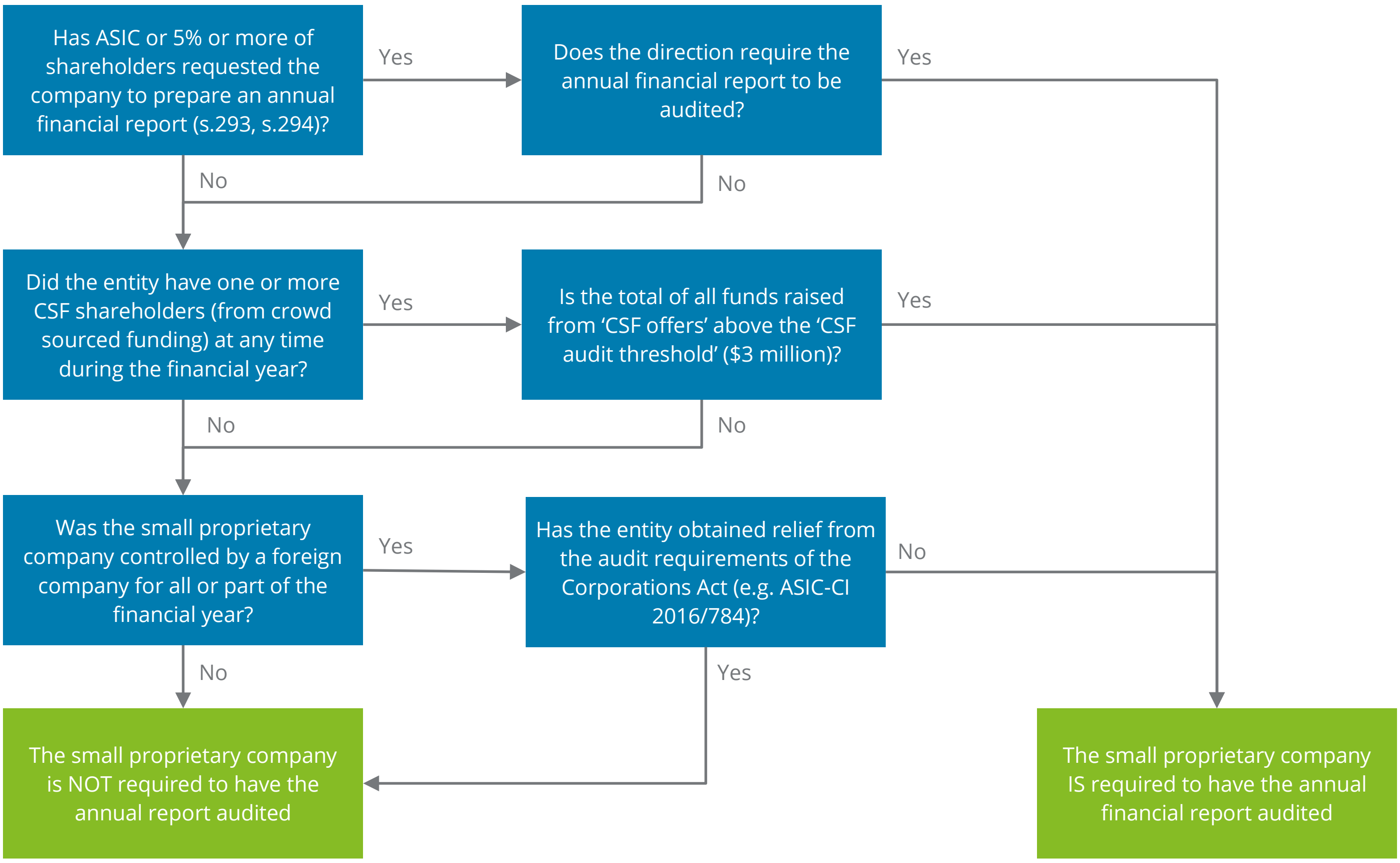
(e) Any entity which is controlled by any corresponding entity in (c) during that part of the financial year when the corresponding entity is controlled by the same foreign company that controls the entity (Foreign Subsidiary 5).

[11] Note that if Australian Holding Company 1 prepares consolidated financial statements and lodges them with ASIC, in which Australian Small Pty 1 and Australian Subsidiary 1 are consolidated, there would be no requirement for Australian Small Pty 1 to prepare a financial report under the Corporations Act (see 'General requirements' earlier in this section), and accordingly the ASIC instrument would not need to be considered.

[12] For this purpose, a branch is not an entity in its own right and accordingly, where a foreign entity operates a branch in Australia, it is the entire foreign entity that is considered to be an entity for the purposes of the instrument. Accordingly, in this example, it is Foreign subsidiary 1 (which includes Australian Branch) that is included in the assessment and its total revenue, gross assets and employees are included in the large/small assessment under the instrument.

4.5.2 Audit of the annual financial report

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 4.4.3.

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:

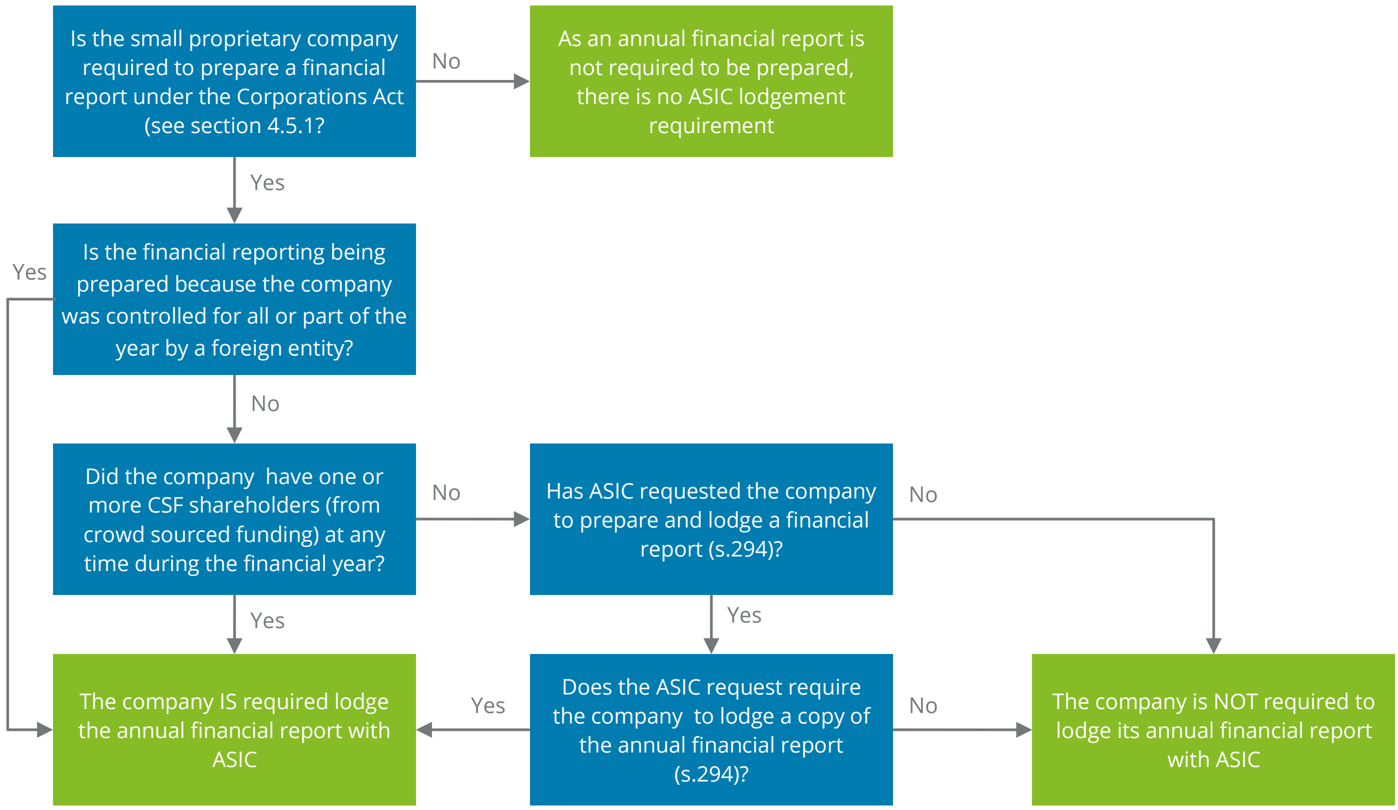
- The 'CSF audit threshold' is $3 million, or such other amount as is prescribed by the Corporations Regulations (no such amount has currently been prescribed)
- 'CSF offers' are fundraising offers made by the company under the crowd source funding provisions of the Corporations Act (i.e. Part 6D.3A).

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)).

4.5.3 Lodging the annual financial report with ASIC

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 4.5.1):

Reason the small proprietary company is preparing an annual financial report	Circumstances in which the financial report must be lodged with ASIC
Members requested the annual financial report be prepared (s.293)	Not required
ASIC requested an annual financial report be prepared (s.294)	Depends on the nature of the request from ASIC, i.e. the request will stipulate if lodgement is required
The entity 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 (and the relief in *ASIC Corporations (Foreign-Controlled Company Reports) Instrument 2017/204* was not available to the entity, or not applied by the entity)	The annual financial report must always be lodged with ASIC
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 4.5.2).

4.6 Notified foreign passport funds

4.6.1 Preparation of annual financial report

Notified foreign passport funds (see section 3.3.3) 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)).

4.6.2 Audit of annual financial report

Notified foreign passport funds are required to obtain an auditor's report relating to the report prepared in accordance with the financial reporting requirements applying to the fund under the passport rules for the home economy for the fund.

4.6.3 Lodging the annual financial report with ASIC

Under s.319(1AA), a notified foreign passport fund 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.

4.7 ASIC

4.7.1 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.

4.7.2 Corporations Instruments and Class Orders

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 Corporations Instruments and Class Orders 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/.

Release number	Issue date	Subject
Class Orders		
13/1050	20/12/2013	***Financial Reporting by Stapled Entities*** 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

Release number	Issue date	Subject
Corporations Instruments		
2015/251	27/05/2015	***ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251*** 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 4.1.5, text of the instrument
2015/838	18/09/2015	***ASIC Corporations (Stapled Group Reports) Instrument 2015/838*** 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
2015/839	18/09/2015	***ASIC Corporations (Related Scheme Reports) Instrument 2015/839*** 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. More information: text of the instrument
2015/840 2020/396 2020/452 2020/1080	18/09/2015 22/04/2020 20/5/2020 25/11/2020	***ASIC Corporations (Exempt Proprietary Companies) Instrument 2015/840*****,** ***ASIC Corporations (Amendment) Instrument 2020/396*****,** ***ASIC Corporations (Amendment) Instrument 2020/452*****,** ***ASIC Corporations (Amendment) Instrument 2020/1080*** **and** ***ASIC Corporations (Amendment) Instrument 2021/315*** 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. These conditions include that the company was an exempt proprietary company within the meaning of the Law on 30 June 1994, has met the definition of an exempt proprietary company at all time from 30 June 1994 until the deadline for reporting to members and that financial statements and financial reports for the financial year ending during 1993 and each later financial year have been audited before the deadline for reporting to members. *Note: ASIC-CI 2020/396, ASIC-CI 2020/452, ASIC-CI 2020/1080 and ASIC-CI 2021/315 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 January 2021 (both inclusive) or between 23 June 2021 and 7 July 2021 (both inclusive). This temporary relief was provided in response to the COVID-19 crisis.* More information: text of the instrument
2015/841	18/09/2015	***ASIC Corporations (Non-Reporting Entities) Instrument 2015/841*** Allows non-reporting entities to take advantage of concessions or other modifications of the recognition and measurement requirements of Australian 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. More information: text of the instrument

Release number	Issue date	Subject
2015/842	18/09/2015	***ASIC Corporations (Post Balance Date Reporting) Instrument 2015/842*** 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. More information: text of the instrument
2016/181	24/03/2016	***ASIC Corporations (Electronic Lodgment of Financial Reports) Instrument 2016/181*** 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. More information: text of the instrument
2016/186	24/03/2016	***ASIC Corporations (Foreign Licensees and ADIs) Instrument 2016/186*** 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. More information: text of the instrument
2016/187	15/08/2016	***ASIC Corporations (Uncontactable Members) Instrument 2016/187*** 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. More information: text of the instrument
2016/188	15/08/2016	***ASIC Corporations (Directors' Report Relief) Instrument 2016/188*** 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. More information: text of the instrument
2016/189	15/08/2016	***ASIC Corporations (Synchronisation of Financial Years) Instrument 2016/189*** 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. More information: section 6.2.4, text of the instrument
2016/190	15/08/2016	***ASIC Corporations (Disclosing Entities) Instrument 2016/190*** 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. More information: text of the instrument

Release number	Issue date	Subject
2016/191	24/03/2016	***ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*** Permits rounding off in the directors' report and financial report where total assets exceed $10 million, $1,000 million and $10,000 million. More information: section 6.5.2, text of the instrument
2016/784	28/09/2016	***ASIC Corporations (Audit Relief) Instrument 2016/784*** 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. These conditions include that the company has not had its financial report audited for any financial year ending during 1993 or since, the directors and members must have passed unanimous resolutions dispensing with an audit, the company must be well managed and in sound financial condition. More information: section 4.4.2, text of the instrument
2016/785 2016/1211	28/09/2016 13/12/2016	***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, ASIC-CI 2020/1080 and ASIC-CI 2021/315 extend the relevant deadlines in the instrument for one month for financial years ending between 31 December 2019 and 7 January 2021 (both inclusive) or between 23 June 2021 and 7 July 2021 (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 4.1.3, text of the instrument.
2017/204	23/3/2017	***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 4.5.1 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 8.3.2). More information: text of the instrument

Release number	Issue date	Subject
2020/395 2020/452 2020/1080 2021/315	22/4/2020 20/5/2020 25/11/2020 26/04/2021	***ASIC Corporations (Extended Reporting and Lodgment Deadlines—Unlisted Entities) Instrument 2020/395, ASIC Corporations (Amendment) Instrument 2020/452*** **and** ***ASIC Corporations (Amendment) Instrument 2020/1080*** **and** ***ASIC Corporations (Amendment) Instrument 2021/315*** 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 financial years ending between 31 December 2019 and 7 January 2021 (both inclusive) or between 23 June 2021 and 7 July 2021 (both inclusive). More information: text of ASIC CI 2020/395, text of ASIC CI 2020/452, text of ASIC-CI 2020/1080, text of ASIC-CI 2021/315
2020/451 2020/1080 2021/315	20/5/2020 25/11/2020 26/04/2021	***ASIC Corporations (Extended Reporting and Lodgment Deadlines—Listed Entities) Instrument 2020/451, ASIC Corporations (Amendment) Instrument 2020/1080*** **and** ***ASIC Corporations (Amendment) Instrument 2021/315*** 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. The relief under these Instruments together apply to certain listed entities for financial years ending between 31 December 2019 and 7 January 2021 (both inclusive) or between 23 June 2021 and 7 July 2021 (both inclusive). More information: text of ASIC-CI 2020/451, text of ASIC-CI 2020/1080, text of ASIC-CI 2021/315
2021/152	24/03/2021	***ASIC Corporations (COVID-19 Email Lodgement Service—ASIC Corporations (Wholly-owned Companies) Instrument 2016/785) Instrument 2020/612*** Facilitates the electronic lodgement of documents for the purposes of relief under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*. Under this instrument, deeds of cross guarantee, variation deeds, assumption deeds, revocation deeds, notices of disposal, certificates and opt-in and opt-out notices can be lodged by email. However, this instrument does not facilitate electronic execution of deeds, which must be executed under s.127 of the Corporations Act. More information: text of the instrument
2021/195	24/03/2021	***ASIC Corporations (Parent Entity Financial Statements) Instrument 2021/195*** Allows entities to present consolidated financial statements and single entity financial statements in one financial report, and to remove the requirement to include parent entity information specified by regulation 2M.3.01 of the Corporations Regulations. This relieves the entity from the unreasonable burden of incurring costs in preparing, and in some cases having audited, two separate financial reports. This instrument replaces ASIC Class Order [CO 10/654] which 'sunset' on 1 April 2021. More information: section 6.5.3, text of the instrument

Release number	Issue date	Subject
2021/75	26/04/2021	***ASIC Corporations (Auditor Independence) Instrument 2021/75*** Provides relief to the lead auditor from reporting in the auditor's independence declaration, minor financial interests in an entity audited by an audit firm where the interest is held by any other partner of the firm or their close family members. More information: text of the instrument
2021/219	26/04/2021	***ASIC Corporations (Licence Conditions – Treatment of Lease Assets) Instrument 2021/219* and *ASIC Corporations (Amendment) Instrument 2021/230*** Deems that a right-of-use asset arising under a lease is not included in the definition of 'excluded assets' and, therefore, will be included in an Australian financial services licensee's adjusted assets calculation. More information: text of ASIC-CI 2021/219, text of ASIC-CI 2021/230

4.7.3 Entity specific relief

A company may apply to ASIC under s.340 for accounting and audit 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), which explains how ASIC may exercise its powers to grant relief from the financial reporting and audit requirements of Pt 2M.2, 2M.3 and 2M.4 of the Corporations Act
- ASIC Regulatory Guide 51 *Applications for relief* (available at www.asic.gov.au), which provides more general guidance on the types of applications that can be made, how to submit applications, ASIC's general approach to applications for relief, and the types of relief available.

4.8 ASX

4.8.1 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.

4.8.2 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 March 2021, the ASX released its detailed Consultation Response to its November 2020 consultation paper *Proposed Listing Rules changes: online forms, notification of security issues and corporate action timetables*. The changes will come into effect from 5 June 2021. More information can be found in Listed@ASX Compliance Update 02/21, available at www.asx.com.au. The information below has been updated to reflect the updated ASX Listing Rules and guidance (where relevant).

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:

Requirement	Summary	Timing
General requirements		
Preliminary final report (Listing Rule 4.3A-4.3B)	Following the end of the financial year of an entity, the entity (in the case of a trust, the responsible entity) must give 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)	No later than two months after the end of the accounting period
Copy of annual reporting documents (Listing Rule 4.5)	The entity must also give the ASX a copy of the documents lodged with ASIC under s.319 of the Corporations Act if it is a disclosing entity, or otherwise provide the information lodged under s.601CK of the Corporations Act	No later than three months after the end of the accounting period

Requirement	Summary	Timing
Copy of annual report (Listing Rule 4.7)	The entity must give the ASX a copy of the annual report, and any concise report, given to shareholders under s.314 of the Corporations Act, or for entities not established in Australia, a copy of the annual report provided to its shareholders under the law of the place of its establishment	Earlier of the first day the entity sends the document to security holders and the last day for the document to be given to security holders (under s.315 of the Corporations Act or other law)
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	As immediately above
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).	Mining exploration entities and oil and gas exploration entities - no later than 75 days after the end of the accounting period Other entities – no later than two months after the end of the accounting period
Appendix 4D (Listing Rule 4.2A.3)	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.	No later than two months after the end of the accounting period
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.	Within two months after the end of the 12 months period since its previous balance date
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)[13] (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.	Within one month after the end of each quarter
Quarterly activity reports (Listing Rule 4.7C)14	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.	Within one month after the end of each quarter

[13] 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.

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

Requirement	Summary	Timing
Disclosures where securities are the main asset (Listing Rule 4.8)	If a listed entity's main asset are securities in an unlisted entity, the listed entity is required to give the ASX the latest accounts of the unlisted entity, together with any auditor's report or statement, when it gives the ASX its annual report.	Earlier of the first day the entity sends the document to security holders and the last day for the document to be given to security holders (under s.315 of the Corporations Act or other law)
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.	On ASX request
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	Within five business days of the end of each month
Net tangible asset backing for investment entities (Listing Rule 4.12)	An investment entity[15] 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).	No later than one month after the end of each quarter
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).	In conjunction with the relevant market announcement or annual report
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).	In conjunction with the relevant market announcement or annual report

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

[15] 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.

4.8.3 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.

4.8.4 Continuous disclosure

See section 8.1 for a discussion on an entity's continuous disclosure obligations under inter alia ASX Listing Rule 3 *Continuous disclosure.*

4.8.5 Other exchanges

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

Stock exchange	Comment
National Stock Exchange of Australia (NSX)	NSX is a stock exchange that caters specifically for the listing of small to medium enterprises. It is owned by NSX Limited which is listed on ASX. Entities listed on the NSX are required to comply with the NSX listing rules which prescribe the requirements for obtaining and maintaining a listing of securities on the NSX.
Chi-X-Australia	Chi-X Australia is a stock exchange and derivatives market operator licensed and regulated by ASIC. It provides an alternate to trading on the ASX and potential for lower costs. Chi-X Australia is owned by Chi X Global, which also operates Chi-X Canada and Chi-X Japan. Entities listed on Chi-X Australia are required to comply with the Chi-X Australia operating rules and procedures.
SIM Venture Securities Exchange Limited (SIM VSE)	SIM VSE is an Australian market licensed equity market which provides specialised capital market services for clean-tech and green-tech companies. It is a joint venture between Financial and Energy Exchange Limited (FEX) and the National Stock Exchange of Australia Limited (NSX). Entities listed on the SIM VSE are required to comply with the listing rules.
Sydney Stock Exchange Limited (SSX)	SSX is a securities exchange in Australia that provides opportunities for growth oriented companies to raise the capital for expansion from a range of domestic and international investors, especially from the Asia-Pacific region. In accordance with the requirements of the Corporations Act, entities listed on the SSX are required to comply with the SSX operating rules.

The NSX listing rules are available at www.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

4.9 General purpose financial statements for country-by-country reporting entities

4.9.1 Legislative changes effective from income years beginning on or after 1 July 2019

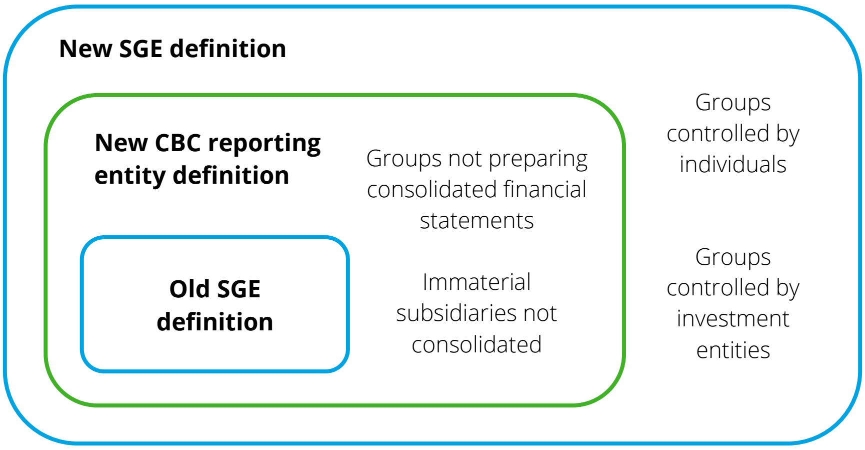
In May 2020, the Federal Parliament made *Treasury Laws Amendment (2020 Measures No.1) Act 2020* (available at www.legislation.gov.au). This Act amends the Income Tax Assessment Act and Tax Administration Act to extend the definition of a significant global entity (SGE) and introduce a new concept of a 'Country-by-Country reporting entity' (which the legislation also terms a 'CBC reporting entity'').

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 SGE and CBC reporting entity definitions 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).



Entities identified as SGEs prior to 1 July 2019 will generally 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 have a GPFS requirement (e.g. immaterial subsidiaries that have not been consolidated previously).

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

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*.

Further resources on the tax legislation changes

We have released a *Clarity* newsletter that more fully explains the tax legislation changes, and its impact on the GPFS requirements. The newsletter is available at www.deloitte.com/au/clarity. For more details of the broader tax legislation changes and its impacts on SGEs, see our Tax Insight publication, available at www.deloitte.com.au..

4.9.2 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 4.1.3), 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[16].

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 4.9.3
- **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 4.9.4
- **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 4.9.5.

[16] *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.

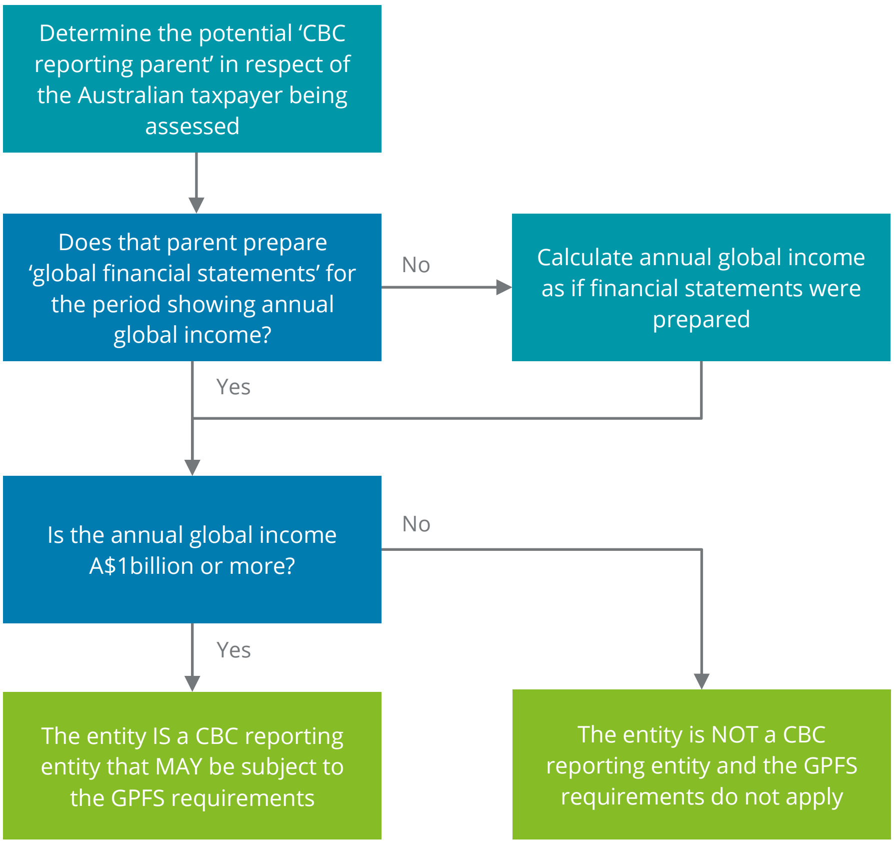
The ATO's guidance on applying the GPFS requirements is available at www.ato.gov.au.

4.9.3 Determine 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 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 or under the assumption that one of the members of the group was a listed company). In other words, the annual global income must be determined even if global financial statements are not prepared and determined on a consolidated basis even if financial statements are not prepared on a consolidated basis.

Consideration of the wider 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 guidance on significant global entities[17] 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 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. Such gains are included as part of income on a net basis in accordance the applicable accounting standards. Furthermore, the ATO guidance states that "the term 'income' for the purposes of annual global income includes the net amount *(whether positive or negative),* as long as that net amount is in accordance with the applicable accounting standards" (emphasis added). Therefore, in some cases, net losses may be included in (i.e. *reduce*) the overall annual global income.

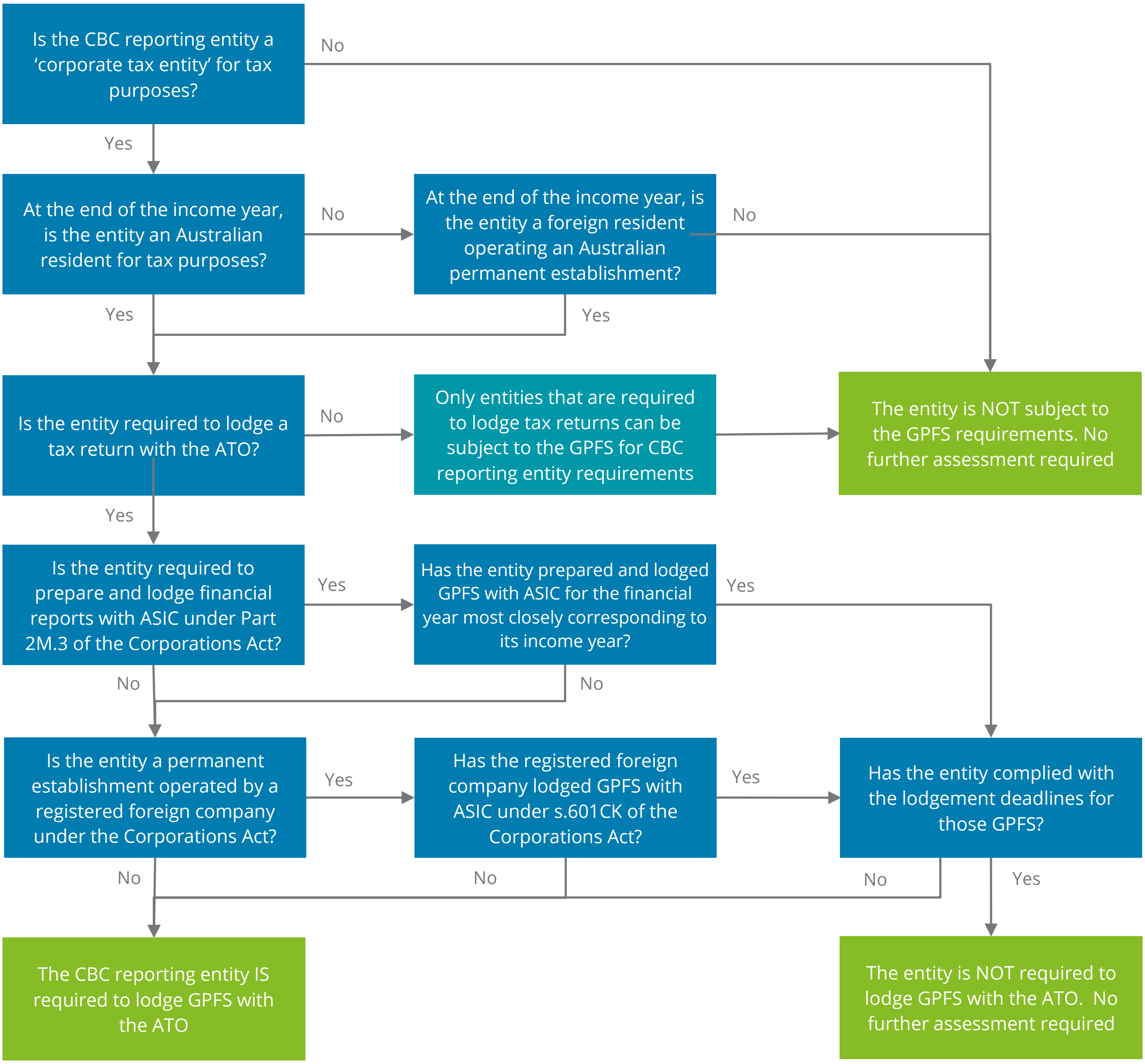
Because net gains or losses may be one off or variable in nature, they may cause entities to move in and out of the CBC reporting entity definition from period to period as transactions occur.

Nothing in the definition of annual global income requires the entity to operate on a global basis. Accordingly, an Australian based entity that only operates 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).

[17] Available at www.ato.gov.au. This guidance is also relevant for determining the annual global income for CBC reporting entities as the income concepts are effectively the same for both the significant global entity and CBC reporting entity definitions (as is confirmed in the ATO guidance on country-by-country reporting entities), the key difference being which consolidation exemptions are ignored for each definition, and which entities can be the ultimate parent. For the purposes of determining whether an entity is a significant global entity, the investment entity consolidation exemption is ignored when determining annual global income, and an individual can be a global parent entity. However, these do not apply when determining whether an entity is a CBC reporting entity, as the investment entity consolidation exemption is applied and the CBC parent entity cannot be an individual (but can be a company, trust, partnership or other entity). Furthermore, under both definitions, immaterial subsidiaries not consolidated, and the lack of consolidated financial statements of a parent, do not preclude the entity from meeting the definition.

4.9.4 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 *Income Tax Assessment Act 1997* includes the following types of entities as being 'corporate tax entities' (ITAA 1997 s.960-115):

- Companies
- Corporate limited partnerships
- Public trading trusts.

Only these types of entities can be captured by the GPFS requirements[18]. 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 if 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 8.3). 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[19].

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

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 guidance contains administrative relief for late lodgement with ASIC. Under this relief, the ATO will accept that a CBC reporting 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 provided 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

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[18] Note that the broader CBC reporting requirements under tax law can still apply to CBC reporting entities that are not corporate tax entities. For more information about the broader CBC reporting requirements, see www.ato.gov.au.

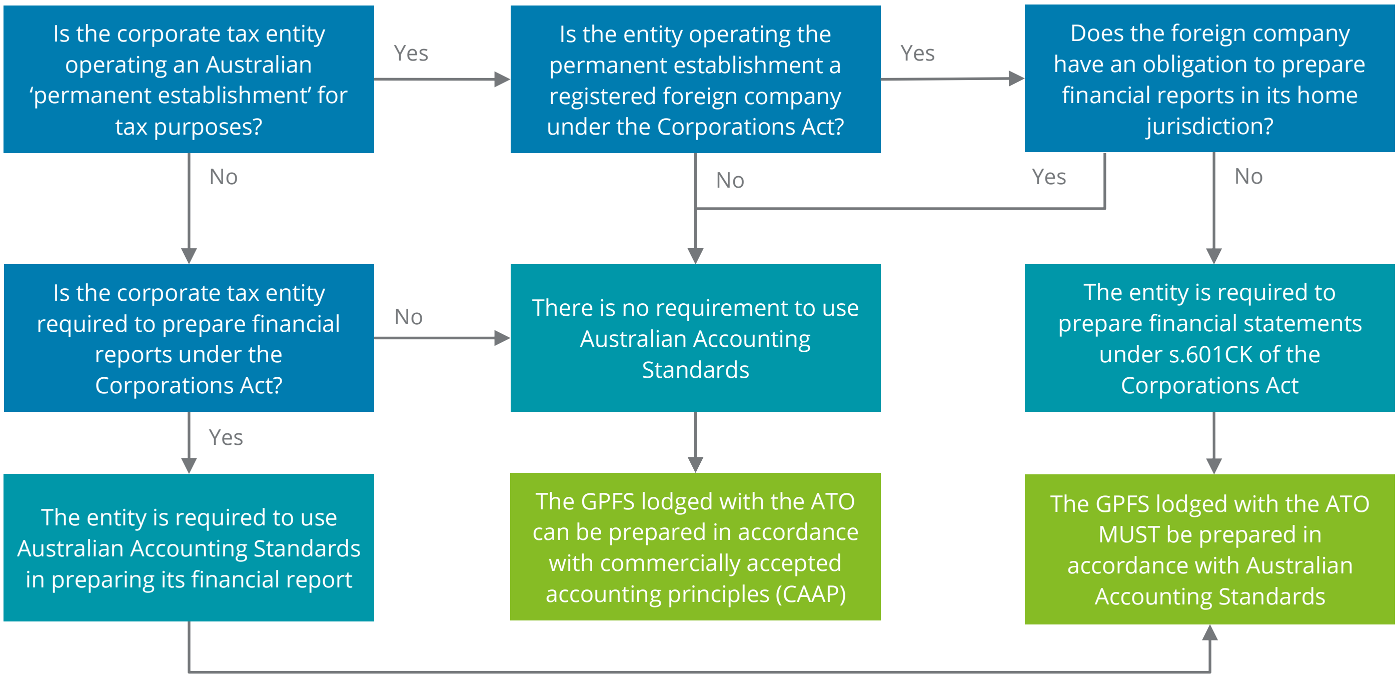
[19] This is confirmed in ASIC Regulatory Guide 58 *Reporting by registered foreign companies and Australian companies with foreign shareholders* (available at asic.gov.au, see RG 58.11).

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.

4.9.5 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 *Tax Administration Act 1953* and the ATO's guidance. This section also deals with determining the entity for which GPFS are prepared, as the two concepts are linked.



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" concept 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 sets 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, due to requirements of s.296[20].

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.

The ATO guidance takes the view that Australian Accounting Standards 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[21]. In these cases, the GPFS lodged *will* have to comply with Australian Accounting Standards. However, where an entity is relieved by ASIC from preparing financial reports for other reasons, GPFS must be prepared in accordance with CAAP.

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 entity 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 8.3.2). 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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[20] 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.

[21] The ATO guidance was updated in April 2021 to clarify these requirements. Previously, only entities eligible for ASIC relief "because your parent lodges with ASIC consolidated financial statements prepared in accordance with Australian Accounting Standards incorporating your financial position and performance" were *required* to prepare GPFS in accordance with Australian Accounting Standards. The amendments made in April 2021 effectively broadened the requirement to use Australian Accounting Standards in GPFS lodged with the ATO to *any* entity that is relieved by an ASIC Corporations Instrument or Class Order from a requirement to report under Part 2M.3 of the Corporations Act.

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[22]
- **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:

- 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
- 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.

[22] 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.

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 Australian Accounting Standards.

Roadmap to this section

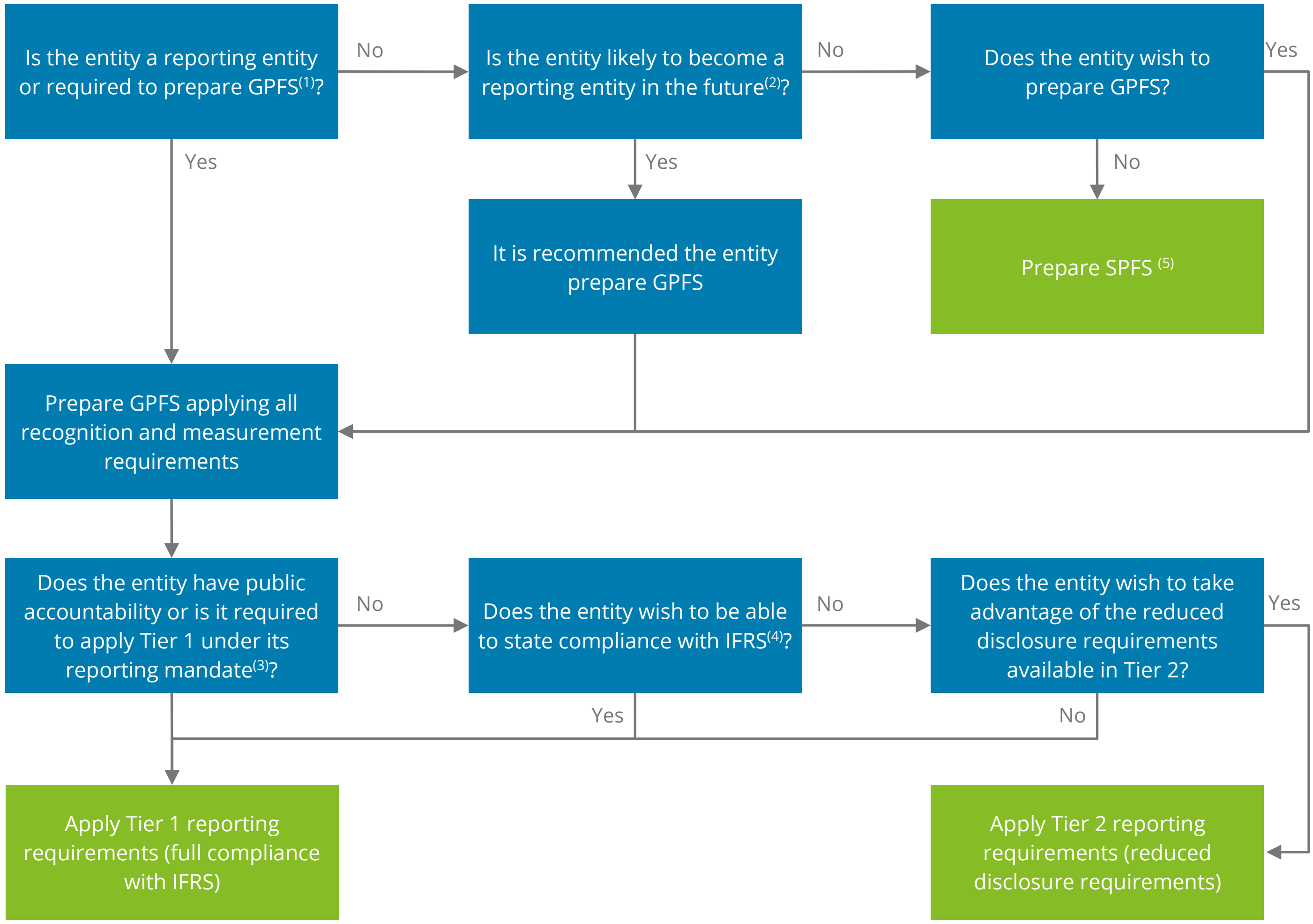
Topic	What is covered	Who does it apply to?
5.1 Overview	An overview of determining which financial reporting requirements apply.	All entities
5.2 The reporting entity concept	A discussion on the reporting entity concept and how to identify reporting entities.	All entities
5.3 General purpose financial statements	An overview of GPFS and the two Tier reporting framework	Entities that prepare GPFS
5.4 Transitioning between reporting frameworks	The transition requirements when moving between Tiers and from SPFS to GPFS Tier 1 or Tier 2 (RDR).	Entities moving to a different Tier of reporting or from SPFS to GPFS Tier 1 or Tier 2 (RDR).
5.5 Special purpose financial statements	The reporting requirements of SPFS.	Entities preparing SPFS.
5.6 New financial reporting framework applying from 1 July 2021	The new differential reporting framework applying from 1 July 2021 (with early adoption permitted), requiring many for-profit entities to prepare GPFS, and the Tier 2 (SD) requirements replacing Tier 2 (RDR) from that date	For profit entities currently preparing SPFS and entities preparing Tier 2 GPFS

5.1 Overview

Once an entity determines it is required to prepare financial statements, the entity then needs to decide the form and content of those financial statements. This requires the entity 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 is 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 4.9.

Furthermore, the reporting entity concept will be removed for many for-profit private sector entities with effect for annual reporting periods beginning on or after 1 July 2021. More information about these changes can be found in section 5.6.



Key

(1) The reporting entity concept is discussed in section 5.2
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 lodgement of GPFS by CBC reporting entities which applies to income years beginning on or after 1 July 2016 (and modified for income years beginning on or after 1 July 2019) is discussed in section 4.9. 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 for a discussion on the two tier reporting framework and section 5.6 for a discussion on the new requirements applying to annual reporting periods beginning on or after 1 July 2021.

(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 SPFS.

5.2 The reporting entity concept

Removal of the reporting entity concept

The AASB has made AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*. This Australian Accounting Standard removes the 'reporting entity' concept discussed in this section for many private sector for-profit entities. The new requirements apply to annual reporting periods beginning on or after 1 July 2021. For more information, see section 5.6.

5.2.1 Definition of reporting entity

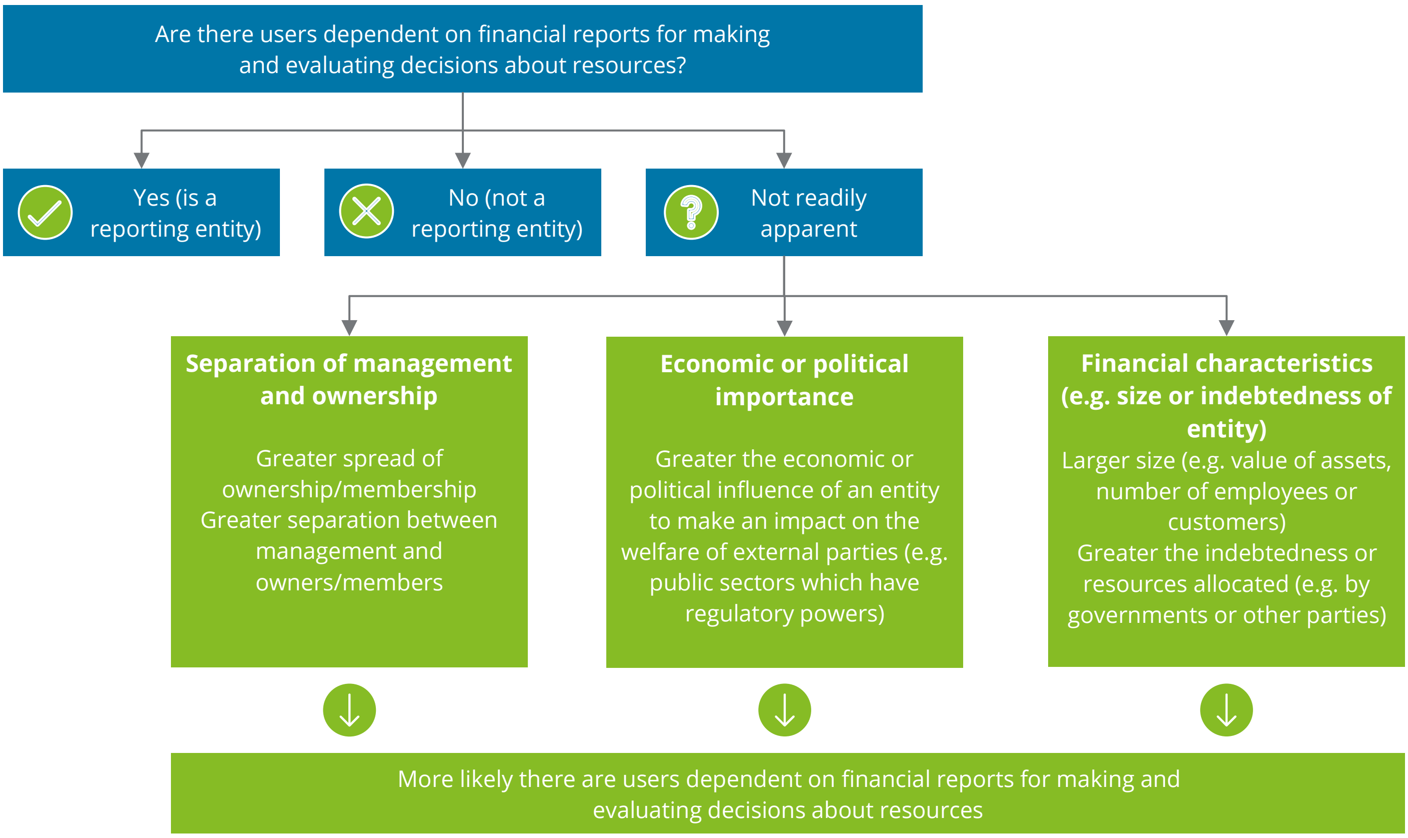
A 'reporting entity' is defined in AASB 101 as "*an entity in respect of which it is reasonable to expect the existence of users dependent on general purpose financial reports for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources. A 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 Australian Accounting Standards. Under this concept, 'reporting entities' are required to prepare a financial report in compliance with all Australian Accounting Standards and Interpretations, referred to as GPFS.

'Non-reporting entities', have the option to prepare SPFS in compliance with those Australian 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 from SAC 1. This is discussed in further detail below.



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 exist, 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 above. (SAC 1.19).

In developing the amendments introduced by AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*, the AASB identified a number of problems with the application of the reporting entity concept and the preparation of SPFS. The AASB noted evidence that clearly indicates the existence of users who would benefit from having access to GPFS including (AASB 2020-2.BC40):

- Regular purchases of copies of financial statements lodged with ASIC
- Data aggregators relying on publicly available information to asset their clients with determining the viability, capacity and credit risk associated with a company
- Expectations from Federal Treasury that there is an expectation that there are users dependent on the GPFS of large proprietary companies.

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 GPFS apply the two 'Tiers':

- **Tier 1**: *Australian Accounting Standards* – incorporates IFRSs issued by the IASB and includes requirements that are specific to Australian entities. Most for-profit entities applying Tier 1 Australian Accounting Standards make an unreserved statement of compliance with IFRS in the notes to the financial statements. Entities reporting under the Corporations Act are also required to include reference to the statement of compliance in the directors' declaration
- **Tier 2**: *Australian Accounting Standards – Reduced Disclosure Requirements* – comprises 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 choose to comply with Tier 1 or Tier 2 reporting requirements.

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

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

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

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 *IFRS for SMEs*® Standard.

In accordance with AASB 1053 *Application of Tiers of Australian Accounting Standards*, an entity has public accountability if (AASB 1053, Appendix A):

- its 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 (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

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

Definition inclusion	Examples
The entity's debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market*	Entities listed (debt or equity) on the ASX, National Stock Exchange of Australia (NSX) or Bendigo Stock Exchange (BSX) or any global stock exchange Entities with American Depository Receipts (ADRs) on issue Entities listed on the Alternative Investment Market (AIM) of the London Stock Exchange
The entity holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses	Banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks (AASB 1053.B4)

* A public market is 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 (AASB 1053.B2):

- 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).

Some entities may also hold assets in a fiduciary capacity for a broad group of outsiders because they hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity. However, if they do so for reasons incidental to a primary business (as, for example, may be the case for travel or real estate agents, schools, charitable organisations, co-operative enterprises requiring a nominal membership deposit and sellers that receive payment in advance of delivery of the goods or services such as utility companies), that does not make them publicly accountable (AASB 1053.B3).

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 was largely guided by the IASB's approach in developing the disclosure requirements for the *IFRS for SMEs* Standard.

The AASB has utilised the following principles in determining the Tier 2 disclosures[23]:

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

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

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

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

[23] See section 5.6 for a discussion of the developments in relation to Tier 2 financial statements.

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 about 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 Australian 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 that recognition and measurement requirements of all Australian Accounting Standards should be followed as a consequence of the requirements of the Corporations Act and the mandatory Australian Accounting Standards which must be applied.

The creation of the RDR then created the need for transitional arrangements and 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 Australian 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, Australian 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 Australian Accounting Standards in accordance with AASB 108 *Accounting Policies, Changes in Estimates and Errors*.

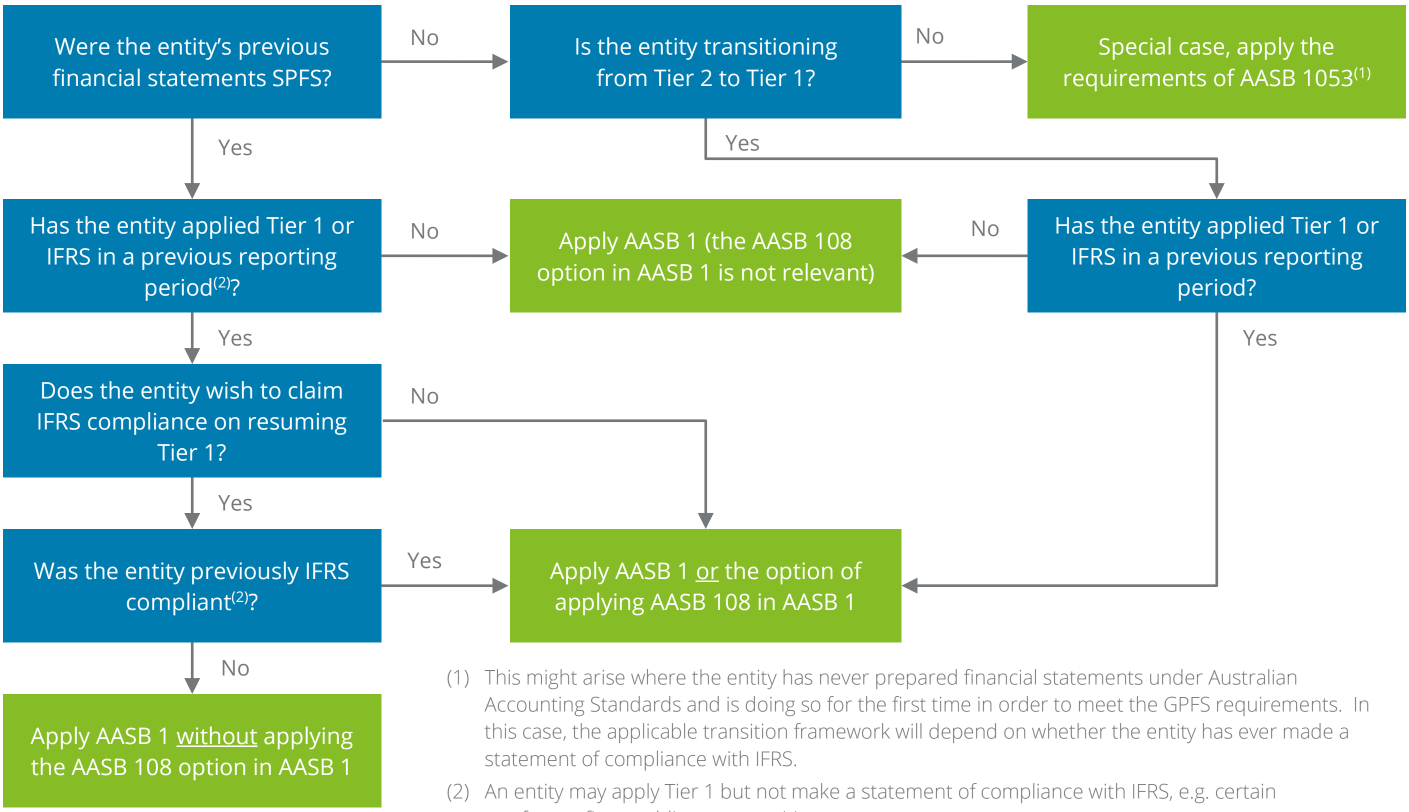
The application of AASB 1 is required even if the entity's previous reports, prepared as SPFS or Tier 2 reports, were fully compliant with the recognition and measurement requirements of IFRS. As a result, the AASB's transitional requirements need to be considered in light of the requirements of IFRS 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 when transitioning between reporting frameworks.

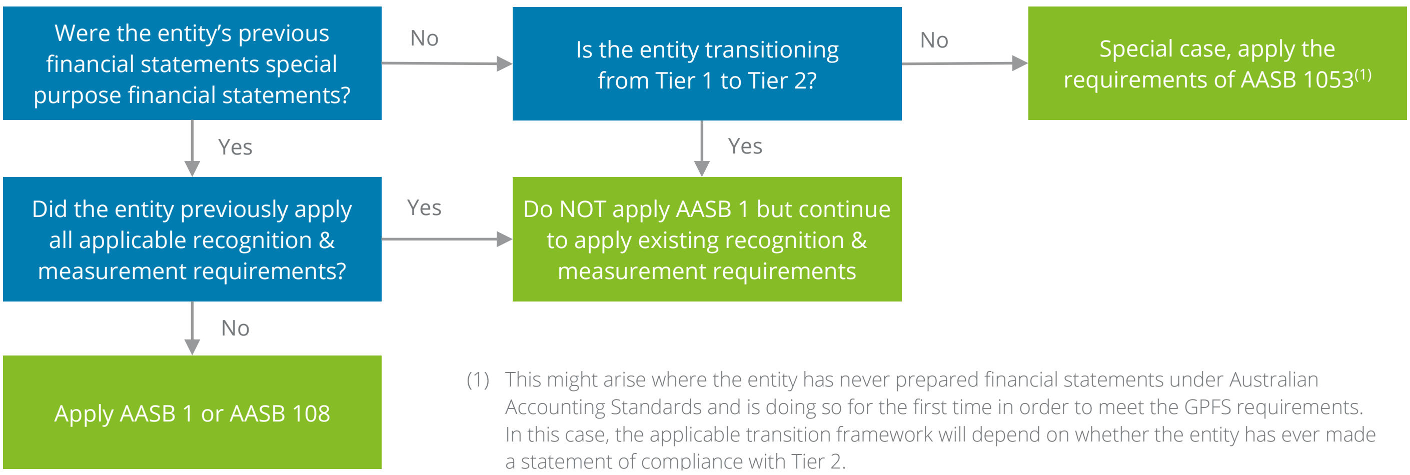
Adopting Tier 1



(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.

(2) An entity may apply Tier 1 but not make a statement of compliance with IFRS, e.g. certain not-for-profit or public sector entities.

Adopting Tier 2 (RDR)[24]



(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.

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[24] This flowchart does not apply where an entity is transitioning to Tier 2 (Simplified Disclosures). For more information, see section 5.6.6 for more information about transitioning to Tier 2 (Simplified Disclosures).

5.4.3 Transition scenarios

The table below summarises the transitional provisions arising under AASB 1053 when moving between various reporting frameworks. These scenarios apply for reporting periods beginning before 1 July 2021.

Source	Reporting framework applied in the most recent previous financial statements	Extent of application of recognition and measurement requirements in the most recent previous financial statements[25]	Statement of compliance in the most recent previous financial statements	Applicable transition requirement in the current period
	Transition to Tier 1 reporting requirements:			
AASB 1053.18	SPFS	Recognition and measurement requirements of Australian Accounting Standards applied or not applied	N/A	Apply all the requirements of AASB 1
AASB 1053.21	Tier 2 reporting requirements	All recognition and measurement requirements of Australian 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
	Transition to Tier 2 (RDR) reporting requirements[26]:			
AASB 1053.18A(a)	SPFS	Recognition and measurement requirements of Australian 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 Australian Accounting Standards applied	N/A	Do not apply AASB 1 and continue to apply the recognition and measurement requirements
	Resumption of Tier 1 reporting requirements:			
AASB 1053.19	Tier 2 reporting requirements or SPFS	All recognition and measurement requirements of Australian Accounting Standards applied *or* Recognition and measurement requirements of Australian Accounting Standards not applied or selectively applied	Did not contain an explicit and unreserved statement of compliance with Tier 1 reporting requirements	• Apply all requirements of AASB 1, or • Apply Tier 1 requirements retrospectively in accordance with AASB 108[27]

[25] Most recent previous reporting period refers to the period immediately before an entity transitioned to the relevant Tier of reporting requirement in the current year.
[26] This section of the table does not apply where an entity is transitioning to Tier 2 (Simplified Disclosures). For more information, see section 5.6.6 for more information about transitioning to Tier 2 (Simplified Disclosures).
[27] An entity that is to claim IFRS compliance on resuming Tier 1 reporting requirements under AASB 1 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 (AASB 1053.19A).

Source	Reporting framework applied in the most recent previous financial statements	Extent of application of recognition and measurement requirements in the most recent previous financial statements[25]	Statement of compliance in the most recent previous financial statements	Applicable transition requirement in the current period
	Resumption of Tier 2 (RDR) reporting requirements[26]:			
AASB 1053.19B(d)	SPFS	Did not apply all recognition and measurement requirements of Australian 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
AASB 1053.19B(e)	Tier 1 or SPFS	Applying all recognition and measurement requirements of Australian Accounting Standards	Did not contain an explicit and unreserved statement of compliance with Tier 2 reporting requirements	Do not apply AASB 1 or the AASB 1 option for retrospective application in accordance with AASB 108[28]

5.4.4 Differences between AASB 1 and AASB 108 on transition

Where entities are required to apply AASB 108, they are generally required to fully retrospectively apply changes in accounting policies that are required by the application of the relevant Australian Accounting Standards (subject to any overriding transitional provisions of individual Australian Accounting Standards where applicable).

AASB 1 contains a number of optional or mandatory exceptions to full retrospective application of all Australian Accounting Standards that can be applied by entities on transition. These exceptions may be attractive in many cases. Some examples of exceptions include:

- A deemed cost based on fair value at the date of transition or based on a previous revaluation can be adopted for property, plant and equipment, investment property measured using the cost model, right of use assets and certain intangibles (AASB 1.D5-D8)
- A 'short-cut' consolidation method that permits the goodwill in respect of previously unconsolidated subsidiaries to be determined as the difference between the carrying amount of the investment in the subsidiary and the investor's share of the net assets of the subsidiary at the date of transition(AASB 1.C4(j))[29]
- The cumulative translation differences for all foreign operations can be deemed to be zero at the date of transition (AASB 1.D13)
- Fair value adjustments and goodwill arising in respect of foreign operations arising in business combinations occurring before the date of transition can be measured using the entity's functional currency (so are not impacted by future foreign exchange movements) (AASB 1.C2).

The application of AASB 1 can be particularly useful where an entity with subsidiaries is moving from unconsolidated financial statements to consolidated GPFS, as the application of many of the AASB 1 exemptions to full retrospective restatement can substantially reduce the work required.

[28] 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 (AASB 1053.24).

[29] Entities also have the ability to take advantage of the other transitional provisions in respect of past business combinations and acquisitions of investments in associates, interests in joint ventures and interests in joint operations that are outlined in Appendix C of AASB 1. This results in past transactions not being retrospectively restated. However, where any business combination is restated, all subsequent business combinations and acquisitions of investments in associates and joint ventures must also be restated.

5.4.5 Moving from stand-alone SPFS to consolidated Tier 2 RDR 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 (to financial reporting periods beginning before 1 July 2021) 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[30]. 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.

5.4.6 Considering additional disclosures on transition

An entity preparing GPFS for the first time need not only consider which Australian 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 in Tier 1 GPFS, 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 and Tier 2 (SD) GPFS.

Similarly, where accounting policies change when applying AASB 108, additional disclosures are required under that Standard (or, for entities applying Tier 2 (SD), AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

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.

[30] 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* (to the extent they are applicable). Whilst we understand the preferred view is that AASB 108 or AASB 1 can be applied in these circumstances, there may be other views. For entities transitioning to Tier 2 (Simplified Disclosures), the AASB has amended AASB 1053 to explain that moving from stand-alone SPFS to consolidated Tier 2 (Simplified Disclosures) GPFS will permit the entity to apply either AASB 108 or AASB 1 on transition.

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 Australian 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.

Changes effective for reporting periods beginning on or after 1 July 2021

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* 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 consist of (s.295(1):

- Financial statements as required by the Australian 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 Australian Accounting Standards
- A directors' declaration.

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

5.5.3 Minimum compliance requirements

In accordance with AASB 1057 *Application of Australian Accounting Standards*, the following Australian 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 Australian Accounting Standards have to be included in the financial statements.

For any other Australian 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 is 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 Application of recognition and measurement requirements

In ASIC Regulatory Guide 85 *Reporting requirements for non-reporting entities* (July 2005), ASIC notes that the Australian 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 Australian 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 Australian Accounting Standards and Interpretations must be applied in order to determine profit or loss and financial position.

The recognition and measurement requirements of Australian 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 Australian 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 are able to take advantage of concessions or other modifications of the recognition and measurement requirements of Australian 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 SPFS 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)
- 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 the requirements in AASB 10 *Consolidated Financial Statements* or AASB 128 *Investments in Associates and Joint Ventures*), disclose an indication of how it does not comply; or that such an assessment has not been made
- 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 were open for comment until 11 September 2020 and are intended to apply to annual reporting periods ending on or after 30 June 2021.

At its November 2020 meeting, the AASB, the Board decided it will proceed with the proposals in ED 302. In finalising its views, the Board decided to:

- Delay the effective date of the final amendments to apply to reporting periods beginning on or after 1July 2021, with early adoption permitted
- In doing so, exclude entities within the scope of AASB 2020-2 *Amendments to Australian Accounting Standards –Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*. Entities within the scope of AASB 2020-2 are for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards, and other for-profit private sector entities that are required only by their constituting document or another document to comply with Australian Accounting Standards (provided that document was created or last amended on or after 1 July 2021)
- Require entities to comply with the disclosure requirements in paragraphs 8 and 9 of AASB 1054 *Australian Additional Disclosures* (i.e. disclosure of an entity's reporting framework and whether the statements are general purpose financial statements or special purpose financial statements).

An amending Standard was originally expected to be issued by the end of 2020 but has not been issued as at 31 May 2021.

5.6 New financial reporting framework applying from 1 July 2021

5.6.1 Background

In March 2020, the AASB finalised and issued new Australian 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).

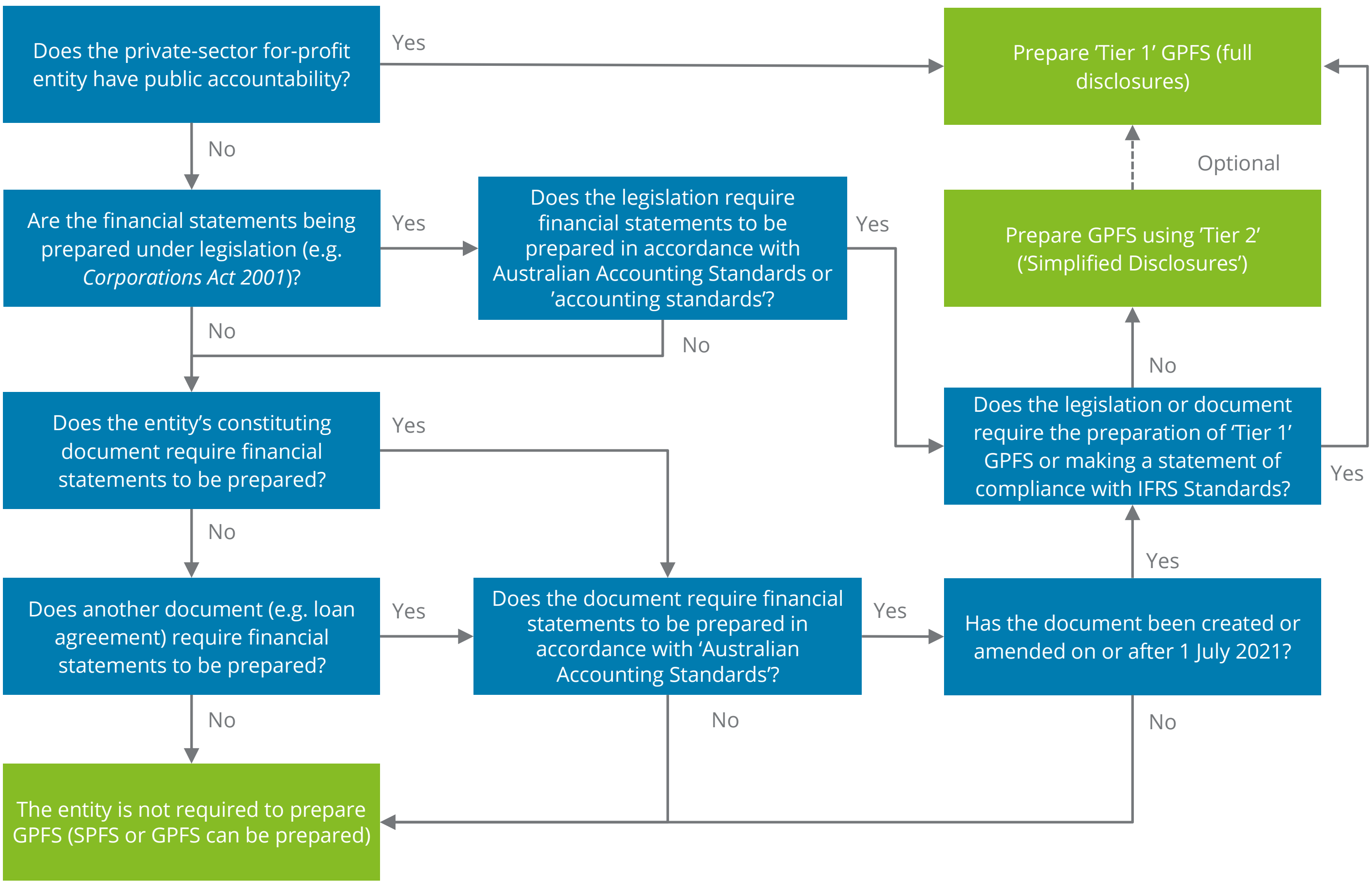
The new requirements apply to periods beginning on or after 1 July 2021. Entities may early adopt the requirements, and this may be attractive for some categories of entities.

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 for **private sector for-profit entities** to determine if GPFS are required and of so, 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 the 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 prepared as 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.

Further guidance can be found in this AASB staff paper.

'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, 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 (where that agreement is created or amended on or after 1 July 2021).

5.6.3 Requirement for consolidation and equity accounting

The requirement to prepare GPFS in accordance with the recognition and measurement requirements of all Australian 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, mean 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:

- For-profit private sector 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
- 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 Australian 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 *IFRS for SMEs* Standard. 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* Standard and existing Australian Accounting Standards (which themselves are compliant with IFRS for private sector for-profit entities). Disclosure requirements in AASB 1060 are crossed referenced to the relevant paragraph in the *IFRS for SMEs* Standard where they are based on that Standard.

Comparison between reporting frameworks

The table below illustrates, at a very high level, some of the differences between the various reporting frameworks to assist entities currently preparing SPFS to identify the broad areas where disclosure requirements may change on transition from SPFS to GPFS. Whilst not exhaustive or comprehensive, it illustrates some of the disclosure impacts of moving from SPFS to GPFS under Tier 1, Tier 2 (RDR) or Tier 2 (SD).

Element	Level of compliance under various frameworks			
	SPFS(1)	GPFS (Tier 2 SD)	GPFS (Tier 2 RDR)	GPFS (Tier 1)
Primary financial statements				
- Statement of profit or loss and other comprehensive income (one or two statements)	Full(2)	Full(3)	Full	Full
- Statement of income and retained earnings	Not permitted	In some cases	Not permitted	Not permitted
- Statement of financial position	Full(2)	Full	Full	Full
- Statement of changes in equity	Full(2)	Full(3)	Full	Full
- Statement of cash flows	Full(2)	Full	Full	Full
Breakdowns of material and significant balances into component parts (by way of notes)	Some	Full	Full	Full
General information about the entity	Full(2)	Full	Full	Full
Significant accounting policies	Full(2)	Full	Full	Full
Impact of new and revised Accounting Standards and Interpretations on issue but not yet adopted	Full(2)	None	None	Full
Critical accounting judgements and key sources of estimation uncertainty	Full(2)	Full	Full	Full
Information about the revenue of the entity	None	Full	Full	Full
Segment information	None	None(4)	None	In some cases
Information about income taxes	None	Some	Limited	Full

Element	Level of compliance under various frameworks			
	SPFS(1)	GPFS (Tier 2 SD)	GPFS (Tier 2 RDR)	GPFS (Tier 1)
Information about discontinued operations and assets held for sale	Limited	Limited	Limited	Full
Information about specified components of profit or loss for the year	Limited	Limited	Limited	Full
Information about impairment losses	Limited	Limited	Limited	Full
Information about fair value measurements	None	Limited	Limited	Full
Earnings per share	None	None(4)	None	In some cases
Reconciliations of movements in non-current assets	None	Limited	Limited	Full
Information about investments in other entities	None	Limited	Limited	Full
Information about financial instruments (including risk management)	None	Limited	Limited	Full
Information about leases	None	Limited	Limited	Full
Information about defined benefit plans	None	Limited	Limited	Full
Information about related party transactions	None	Limited	Limited	Full
Information about share based payments	None	Limited	Limited	Full
Acquisitions and disposals of businesses	Full(2)	Limited	Limited	Full
Further information about cash	Full(2)	Limited	Limited	Full
Contingent liabilities and contingent assets	None	Limited	Limited	Full
Remuneration of auditors	Full(2)	Full	None	Full
Information about imputation (franking) credits	Full(2)	Full	None	Full

(1) Prepared for lodgement under Part 2M.3 of the *Corporations Act 2001*. Where necessary to provide a true and fair view of the financial report, additional information would be disclosed even if it was not explicitly required by a particular Australian Accounting Standard. In addition, AASB 101 *Presentation of Financial Statements* (which is applicable in SPFS) has certain overriding requirements in relation to judgements, estimates and additional information that result in additional disclosures in some cases.

(2) 'Full' in this context refers to the disclosure requirements of those Australian Accounting Standards which are mandatorily applicable in SPFS prepared to meet the requirements of Part 2M.3 of the *Corporations Act 2001* (AASB 1057.7). In particular, entities preparing SPFS are required to comply with 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* and AASB 1057 *Application of Australian Accounting Standards*. In some cases, the requirements applying to GPFS will be more extensive in these topic areas due to additional requirements in other Australian Accounting Standards which are not mandatory in SPFS.

(3) An entity may choose to present a statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity if the only changes to its equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy (AASB 1060.26, 62).

(4) An entity choosing to make these disclosures is required to apply the relevant standards in preparing and presenting the information: AASB 8 *Operating Segments*, AASB 133 *Earnings Per Share*, or where interim financial reports are prepared, AASB 134 *Interim Financial Reporting* (AASB 1060.33).

5.6.6 Transition requirements

Summary of alternatives

The table below outlines the transition requirements and optional relief for private sector for-profit entities:

Transitional approach	When it is available?	Who is eligible?
Application of AASB 1 *First-time Adoption of Australian Accounting Standards* (AASB 1)	When the new requirements are adopted (moving from SFPS to GPFS)	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)
Direct application of AASB 1060 and its transitional requirements in the context of AASB 108	When the new requirements are adopted (moving to Tier 2 (SD))	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)
Optional relief from restating comparative information in primary financial statements	Reporting periods beginning **before 1 July 2021** (i.e. early adoption)	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)
Optional relief from providing comparative information for new note disclosures	Reporting periods beginning **before 1 July 2021** (i.e. early adoption)	Entities moving from SPFS to Tier 2 (SD)
Optional relief from distinguishing errors from changes in accounting policy	Reporting periods beginning **before 1 July 2022** (i.e. first year of mandatory application)	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)

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 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 (AASB 1.4A-4B).

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) have the option of applying AASB 1 or AASB 108 (even if the stand-alone SPFS otherwise complied will all recognition and measurement requirements). These entities are also entitled to additional relief (as noted in the table earlier in this section).

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). 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" (ASIC RG 85:5.5).

The table below summarises the relief available for various types of entities, depending on 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.

Type of SPFS previously prepared	Transitional approach to adopt[(1)]	Error vs. accounting policy relief[(2)]?	Options if early adopted	
			Comparatives relief in primary statements?	New disclosure relief?
Entities with subsidiaries but exempt from consolidation under the new requirements[(3)]				
Stand-alone with full recognition and measurement	AASB 1060 and AASB 108	No	No	Yes
Stand-alone without full recognition and measurement	AASB 1 or AASB 108	Yes	Yes	Yes
Entities with subsidiaries requiring consolidated GPFS under the new requirements[(4)]				
Consolidated with full recognition and measurement	AASB 1060 and AASB 108	No	No	Yes
Consolidated without full recognition and measurement	AASB 1 or AASB 108	Yes	Yes	Yes
Stand-alone with full recognition and measurement	AASB 1 or AASB 108	Yes	Yes	Yes
Stand-alone without full recognition and measurement	AASB 1 or AASB 108	Yes	Yes	Yes
Entities without subsidiaries				
Stand-alone with full recognition and measurement	AASB 1060 and AASB 108	No	No	Yes
Stand-alone without full recognition and measurement	AASB 1 or AASB 108	Yes	Yes	Yes

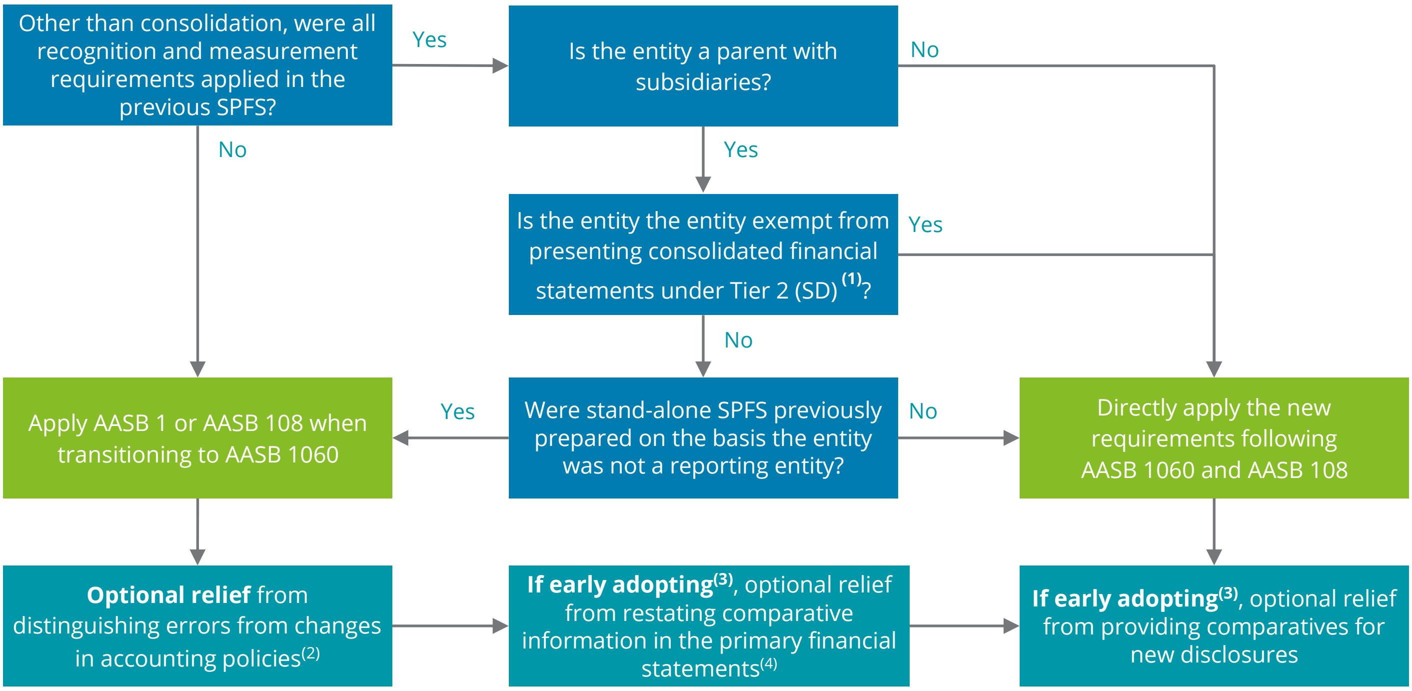
(1) See section 5.4.4 for an overview of the differences between applying AASB 1 and AASB 108 on transition.

(2) 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.

(3) 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.

(4) 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 Australian 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 for for-profit private sector entities transitioning from SFPS to Tier 2 (SD):



(1) Not all entities that are parents are required to present consolidated financial statements when applying Tier 2 (SD). For example, if the entity is an investment entity that is not permitted to present consolidated financial statements under Tier 2 (SD), whether the entity was previously considered a reporting entity or not does not result in a new requirement to consolidate on Transition to Tier 2 (SD). Accordingly, such entities continue to measure their subsidiaries at fair value and cannot apply AASB 1. Similarly, entities are not required to present (but may choose to present) consolidated financial statements where they meet the requirements of paragraphs 4-Aus4.2 of AASB 10 *Consolidated Financial Statements*, including (among other requirements) that an ultimate or any intermediate parent produces financial statements available for public use that comply with International Financial Reporting Standards, Australian Accounting Standards or Australian Accounting Standards – Simplified Disclosures. However, an ultimate Australian parent must present consolidated financial statements in all cases, unless it is an investment entity, in which case it must measure all subsidiaries at fair value through profit or loss (AASB 10.Aus4.2).

(2) Only applies to periods beginning before 1 July 2022.

(3) AASB 1060 applies to annual reporting period beginning on or after 1 July 2021. The early adoption requirements would only apply where AASB 1060 is applied to a reporting period beginning before 1 July 2021.

(4) Relief from restating comparative information on early adoption is only available to a for-profit private sector entity that applies AASB 1 on transition. Where AASB 108 is being applied, comparative information must be fully restated.

Moving from Tier 2 (RDR) to Tier 2 (SD)

For-profit entities

AASB 1053 does not contain specific provisions dealing with for-profit entities moving from the existing Tier 2 (RDR) to the new Tier 2 (SD). These entities are already required to apply all recognition and measurements requirements of Australian Accounting Standards.

However, some of these entities may have prepared stand-alone Tier 2 (RDR) GPFS if they were not considered a reporting entity and had a foreign parent that prepared consolidated financial statements in accordance with IFRS. For instance, subsidiaries of global multinationals may adopt this approach in meeting the GPFS for CBC reporting entity requirements (see section 4.9).

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 early adoption of the new requirements.

Not-for-profit entities

Some not-for-profit entities are required to prepare GPFS under their reporting mandate, consider themselves to be reporting entities, or choose to prepare GPFS for other reasons. Where these entities have previously prepared Tier 2 (RDR) GPFS, these entities will be required to transition to Tier 2 (SD) for reporting periods beginning on or after 1 July 2021.

Amendments made by the AASB in early 2021[31] provide not-for-profit entities transitioning from Tier 2 (RDR) to Tier 2 (SD) with limited transitional provisions that only apply on early adoption of AASB 1060. These entities may elect not to present comparative information in the notes to the financial statements if the entity did not disclose the comparable information in its most recent previous GPFS (AASB 1060.B1(c)).

[31] The amendments were made by AASB 2021-1 *Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities*.

6 Preparation of annual financial reports

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

Roadmap to this section

Topic	What is covered	Who does it apply to?
6.1 Basic requirements of annual financial reports under the Corporations Act	The Corporations Act requirements for the contents of an annual report, which includes the financial report, directors' report (including the remuneration report for listed entities), the auditor's independence declaration and the audit report.	Entities reporting under the Corporations Act
6.2 Financial years	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	Entities reporting under the Corporations Act
6.3 Primary financial statements	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	Entities reporting under the Corporations Act and/or preparing reports in accordance with Australian Accounting Standards
6.4 Specific Australian Accounting Standard requirements	Additional disclosures and requirements which are specific to entities reporting under the Australian Accounting Standards such as tax consolidation accounting, accounting for goods and services tax and specific disclosures required by AASB 1054 *Australian Additional Disclosures.*	Entities reporting under the Corporations Act and/or preparing reports in accordance with Australian Accounting Standards
6.5 Other Australian specific considerations	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	Entities reporting under the Corporations Act
6.6 ASX Listing Rule requirements	An overview of the requirements of the ASX Listing Rules applicable to entities with securities listed on the ASX.	Entities listed on the ASX
6.7 Reporting deadlines	Reporting deadlines for entities reporting under the Corporations Act and entities listed on the ASX	Entities reporting under the Corporations Act or listed on the ASX

6.1 Basic requirements of 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[32] (s.295(1)).

Compliance with Australian Accounting Standards

A financial report for a financial year must comply with Australian 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 Australian 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 'CFS shareholders' at any time during the financial year, 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 Australian Accounting Standards if the direction specifies that the report does not have to comply with those standards (s.296(1B).

All other entities preparing financial reports under the Corporations Act are required to comply with Australian Accounting Standards. However, not all Australian 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 the disclosure requirements of a subset of Australian Accounting Standards (see section 5.5.3)[33].

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 Australian Accounting Standards unless Australian 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 Australian Accounting Standards require it 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[34] (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 Australian 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 Australian Accounting Standards (including in paragraph Aus4.2 of AASB 10) is removed for certain private sector for-profit entities with effect from periods beginning on or after 1 July 2021. This will mean that ultimate

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

[33] 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".

[34] If an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are providing services that relate to the investment entity's investment activities, it consolidates that subsidiary and applies the requirements of AASB 3 *Business Combinations* to the acquisition of any such subsidiary (AASB 10.31).

Australian parent entities impacted by these changes will always be required to prepare consolidated financial statements unless they are an investment entity that is required to measure all of its subsidiaries at fair value (see section 5.6).

If Australian Accounting Standards require the entity to prepare consolidated financial statements, then technically the financial report of the entity can only include the consolidated financial statements and cannot also include single entity financial statements (s. 295(2)(b)). In response to this requirement, ASIC has made *ASIC Corporations (Parent Entity Financial Statements) Instrument 2021/195*[35] to allow a parent entity which is required to include consolidated financial statements in its financial report to also include its single entity financial statements in that report (see section 4.7.2).

Examples of circumstances where an entity might apply the ASIC relief to include both the consolidated and single entity financial statements in their financial report include:

- Where an entity is required to present single entity financial statements by its constitution, other Federal or State/Territory legislation, the Australian Prudential Regulation Authority, another regulator, a lender, or a royalty agreement or other contractual arrangement
- Where the directors consider the single entity financial statements provides useful information to the users of the financial report
- Where the entity is an Australian financial services (AFS) licensee.

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 Australian 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 included in the various editions of our model financial statements, which are available at www.deloitte.com/au/models.

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)).

[35] *ASIC Corporations (Parent Entity Financial Statements) Instrument 2021/195* replaced ASIC Class Order 10/654 *Inclusion of parent entity financial statements in financial reports* which expired on 1 April 2021.

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 funds[36].

Requirement	Listed entities	Unlisted registered schemes	Wholly-owned public company subsidiaries	Other public companies	Other entities
General information about the entity					
The entity's principal activities during the year and any significant changes in the nature of those activities	Yes	Yes	Yes	Yes	Yes
Review of operations and results of those operations	Yes	Yes	Yes	Yes	Yes
General information about the entity (continued)					
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	Yes	No	No	No	No
Details of any significant changes in the entity's state of affairs	Yes	Yes	Yes	Yes	Yes
Details of matters or circumstances that have arisen since the end of the financial year impacting the entities operations, results or state of affairs	Yes	Yes	Yes	Yes	Yes
Likely developments in the entity's operations in future financial years[37]	Yes	Yes	Yes	Yes	Yes
Unissued shares or interests under option at the day the directors' report is made	Yes	Yes	Yes	Yes	Yes
Details of the entity's performance in relation to any particular and significant environmental regulations	Yes	Yes	Yes	Yes	Yes

[36] 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 is required to be included in the report. Notified foreign passport funds are subject to separate reporting requirements (see section 4.6)

[37] These disclosures are not required where they would result in unreasonable prejudice to the entity. Guidance on when any information should be omitted in the case of 'unreasonable prejudice' can be found in ASIC Regulatory Guide RG 247 *Effective disclosure in an operating and financial review*, which is available at asic.gov.au.

Requirement	Listed entities	Unlisted registered schemes	Wholly-owned public company subsidiaries	Other public companies	Other entities
Information about directors and officers					
Names of each person who has been a director at any time during or since the end of the financial year	Yes	Yes	Yes	Yes	Yes
Details of each director's qualifications, experience and special responsibilities, and details of the meetings held and attended	Listed public companies only	No	No	Yes	No
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	Yes	No	No	No	No
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	Listed companies only	No	No	No	No
Directorships of other listed companies held by any director at any time in the 3 years before the end of the financial year	Listed companies only	No	No	No	No
Remuneration report	Listed companies only	No	No	No	No
Names of any officer that was a partner in an audit firm or director of an audit company that audited the entity	Yes	Yes	Yes	Yes	Yes
Details of indemnities given to current or former officers or auditors	Yes	No	Yes	Yes	Companies only
Equity/interest transactions and holdings					
Details of options granted during or since the end of the financial 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)	Yes	Yes	Yes	Yes	Yes
Details of each director's interests in shares, debentures, rights or options of the company or any related body corporate	Listed companies only	No	No	No	No
Details of relevant interests, or rights or options in the scheme, or contracts with the scheme, owned by or involving a director of the responsible entity	Listed registered schemes only	No	No	No	No
Other information					
Details of distributions paid and those recommended or declared but not yet paid during the financial year	Yes	Yes	Yes	Yes	Yes

Requirement	Listed entities	Unlisted registered schemes	Wholly-owned public company subsidiaries	Other public companies	Other entities
Details of non-audit services, auditor independence, and other information about individual auditors and registered company auditors in certain circumstances	Listed companies only	No	No	No	No
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	Listed registered schemes only	Yes	No	No	No
Details of any proceedings on behalf of the company	Listed companies only	No	Yes	Yes	Companies only

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 in a separate and clearly identified section of the report. Commonly this is achieved using the heading '*Remuneration report*'.

An illustrative example of a directors' report is included in the various editions of our model financial statements, which are available at www.deloitte.com/au/models. Our Tier 1 model financial statements also include an illustrative example of a remuneration report.

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), (1AB)). 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 4.3.2) (s.298(1AC)).

An illustrative example of an auditor's independence declaration is included in the various editions of our model financial statements, which are available at www.deloitte.com/au/models.

6.1.4 Independent audit report

The auditor who audits the financial report for a financial year must give a report to the members of the entity with an opinion on the financial report (s.308(1)).

If the directors' report for the financial year includes a remuneration report, the auditor must also report to members on whether the auditor is of the opinion that the remuneration report complies with section 300A. If not of that opinion, the auditor's report must say why (s.308(3C)).

Guidance on the independent audit report is included in the various editions of our model financial statements, which are available at www.deloitte.com/au/models.

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 3.3.3) are contained in s.323DAA of the Act (see section 6.2.9).

In general, the financial year of an company, registered scheme or disclosing 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 (s.323D(2A)).

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 (see section 6.2.9):

Circumstance	When available	Length
Initial financial year of an entity	When an entity is incorporated or registered	Maximum of 18 months
Subsequent financial year	Every financial year after the initial financial year of the entity	12 months ± 7 days
Synchronisation with an Australian parent	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)	Maximum of 18 months
Synchronisation with a foreign parent	Where the foreign law applicable to the parent *requires* the foreign entity to synchronise financial years of its subsidiaries	Maximum of 18 months
Change in financial year once every 5 years	Where the entity has not changed its financial year in the previous 5 years and the change is made in good faith in the best interests of the entity	Less than 12 months

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 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 Regulatory Guide 51 *Applications for relief* (also available at www.asic.gov.au).

6.2.8 Disclosure

AASB 101 *Presentation of Financial Statements* contains explicit requirements where an entity 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 4.6.3).

6.3 Primary financial statements

6.3.1 Key standards for presentation

Tier 1 and Tier 2 (RDR)

The following are the key standards outlining the requirements for the presentation of the primary financial statements

Accounting Standard	Key matters dealt with
AASB 101 *Presentation of Financial Statements*	• General features of the financial statements – including use of Australian Accounting Standards, going concern, offsetting, comparative information, and consistency of presentation • Structure and content of financial statements • Statement of financial position requirements – including specific items to be presented on the face, current/non-current distinction (and the option of presentation based on liquidity) and additional information to be disclosed in the notes • Statement of profit or loss and other comprehensive income requirements – including alternatives in how the statement can be presented, specific information to be presented on the face and/or in the notes and the presentation of other comprehensive income • Statement of changes in equity requirements – including items to be presented on the face of the statement or in the notes and other information (such as dividends) • Requirements for the notes – including general requirements for the layout of the notes, the disclosure of accounting policies, judgements made and sources of estimation uncertainty and capital
AASB 107 *Statement of Cash Flows*	• Requirements for the presentation of a statement of cash flows – including cash flows from operating activities, investing activities and financing activities • Options and requirements for the reporting of cash flows from operating activities • Requirements on when cash flows can be reported on a net basis, how foreign currency cash flows should be reported, the treatment of interest and dividends, taxes and the components of cash and cash equivalents • Additional disclosures regarding changes in ownership interests, non-cash transactions, changes in liabilities arising from financing activities
AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*	• Requirements for presenting discontinued operations • Requirements for the presentation of a non-current asset or disposal group classified as held for sale

Tier 2 (SD)

Disclosures made in Tier 2 financial statements are detailed in AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

However, the presentation requirements of the following Australian Accounting Standards also apply to Tier 2 (SD) financial statements as set out in the table below (as listed in AASB 1060.IG1):

Australian Accounting Standard or Interpretation	Paragraphs applicable
AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*	Paragraphs 31, 32, 32A, 34, 36 and 37-40
AASB 6 *Exploration for and Evaluation of Mineral Resources*	Paragraphs 15-17
AASB 15 *Revenue from Contracts with Customers*	Paragraphs 105-109
AASB 16 *Leases*	Paragraphs 47-50, 88
AASB 112 *Income Taxes*	Paragraphs 71-78
AASB 119 *Employee Benefits*	Paragraphs 131-134
AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*	Paragraphs 24-31

Australian Accounting Standard or Interpretation	Paragraphs applicable
AASB 132 *Financial Instruments: Presentation*	Entire Australian Accounting Standard
AASB 1050 *Administered Items*	Paragraphs 9-21 and 23-25
AASB 1055 *Budgetary Reporting*	Paragraphs 9-15
Interpretation 17 *Distributions of Non-cash Assets to Owners*	Paragraphs 23-41

6.3.2 Australian specific considerations

Presentation of the statement of financial position

Current and non-current assets and 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. With the exception of this guidance, the Australian 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 generally 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.

An Australian-specific example of the presentation of the statement of financial position can be found in the various editions of our model financial statements, available at www.deloitte.com/au/models.

6.4 Specific Australian Accounting Standard requirements

Entities applying Tier 2 (SD)

Entities applying AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* are required to apply the disclosure requirements in that Australian Accounting Standard instead of the disclosure requirements contained in other Australian Accounting Standards. Accordingly, disclosure requirements outlined in this section may not apply to entities applying Tier 2 (SD). The recognition and measurement requirements, and many presentation requirements, of all Australian Accounting Standards do apply in Tier 2 (SD) financial statements.

The Tier 2 (SD) requirements apply to annual reporting periods beginning on or after 1 July 2021 but may be early adopted. For more information, see section 5.6.

6.4.1 Overview of differences between Australian Accounting Standards and IFRS for Tier 1 entities

Australian Accounting Standards require additional disclosures specific to entities reporting under Australian Accounting Standards, i.e. in addition to those required by IFRS. These additional disclosures (which are listed below) are discussed in this section and illustrative disclosures are provided in various editions of our model financial statements (available at www.deloitte.com/au/models).

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 allocates current taxes to entities in the group on an arbitrary basis, for example on the basis of sales revenue, total assets, net assets or operating profits without adjustment for material items that are not assessable or deductible for tax purposes.

The following table outlines how the various methods are applied:

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

Accounting by the head entity

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

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

Disclosures

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 requirements of the Interpretation, the name the head entity of the tax-consolidated group, and an explanation as to 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[38].

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, and therefore the amounts that would be disclosed in accordance with AASB 112.81(e) and 81(f), will 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 deferred tax note in meeting the requirements of AASB 112 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 which are discussed below.

'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.

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

The alternative approach of calculating the tax base of the investment is to calculate it as the aggregate of all the 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.

'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.

For an illustrative example of the disclosure requirements of Interpretation 1052, see our Tier 1 model financial statements (the Australian-specific disclosures in Appendix 2), available at www.deloitte.com/au/models.

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:

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

Entities preparing Tier 1 financial statements may wish to include additional disclosures in respect of GST, specifically an accounting policy and separate presentation in the notes of material amounts of GST recoverable or payable. Illustrative disclosures can be found in our Tier 1 model financial statements, available at www.deloitte.com/au/models.

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 Standards. The standard is applicable to (AASB 1057.7)[39]:

- Not-for-profit entities that are required to prepare financial reports under the Part 2M.3 of the Corporations Act
- General purpose financial statements of not-for-profit entities that are reporting entities
- Entities that elect to prepare financial statements that are, or are held out to be, 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
- 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.

Compliance with AASB 1054 is required in Tier 1 financial statements. Such compliance is not needed for compliance with IFRSs, but is necessary in order to make a statement of compliance with Australian Accounting Standards. In addition, SPFS prepared for lodgement under the Corporations Act must fully comply with AASB 1054.

Many of the disclosures included in AASB 1054 are not required to be complied with in Tier 2 (RDR) financial statements. The disclosures are not included in Tier 2 (Simplified Disclosures) financial statements. However, AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* does include equivalent disclosures in some cases (e.g. statement of compliance, and the disclosure of audit fees and imputation credits).

[39] The application paragraphs of AASB 1054 have been amended by AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*, applicable to annual reporting periods beginning on or after 1 July 2021. The application paragraphs stated in this section are as amended. Prior to annual reporting periods beginning on or after 1 July 2021, AASB 1054 applies to entities that are required to prepare financial reports under the Part 2M.3 of the Corporations Act, GPFS of reporting entities, financial statements that are, or are held out to be, GPFS and for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards.

Below is an overview of the disclosures required AASB 1054:

Disclosure	Requirements	Tier 1	Tier 2 (RDR)	Tier 2 (SD)
Compliance with Australian Accounting Standards	An entity whose financial statements comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements shall make an explicit and unreserved statement of such compliance in the notes.	Yes	Yes	n/a (AASB 1060)[40]
Reporting framework	Disclose the basis under which the financial statements are prepared and whether the financial statements are prepared for a for-profit or not-for-profit entity.	Yes	Yes	n/a (AASB 1060)[40]
GPFS or SPFS	Disclose in the notes whether the financial statement are GPFS or SPFS.	Yes	Yes	n/a
Information about SPFS *(not-for-profit private sector entities, for annual periods ending on or after 30 June 2020)*	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).	n/a	n/a	n/a
Audit fees	Disclose audit fees separately for the audit or review of financial statements and all other services (including the nature of the services) performed during the reporting period.	Yes	No	n/a (AASB 1060)[40]
Imputation credits	Disclose the amount of imputation credits available for use in subsequent reporting periods. The disclosures shall be made separately in respect of New Zealand and Australian imputation credits.	Yes	No	n/a (AASB 1060)[40]
Reconciliation of net operating cash flow to profit (loss)	When an entity uses the direct method to present its statement of cash flows, the financial statements shall provide a reconciliation of the net cash flow from operating activities to profit (loss).	Yes	No	n/a
Information about IFRS issued by the IASB but not the AASB	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.	Yes	No	n/a

For an illustrative example of the disclosure requirements of AASB 1054, see our Tier 1 model financial statements (specifically the Australian-specific disclosures in Appendix 2), available at www.deloitte.com/au/models.

[40] The disclosure requirements of AASB 1054 do not apply in Tier 2 (SD) financial statements, but this requirement is duplicated in AASB 1060.

6.4.5 Australian specific disclosures

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

There are not many 'Aus' paragraphs included in Australian 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 Tier 2 (RDR) (see section 5.3.3) or Tier 2 (SD)
- Limited amendments to the requirements to IFRS Standards without affecting a for-profit private sector entity's ability to make an unreserved statement of compliance with IFRS Standards[41], e.g.:
  - A prohibition on many entities from making a departure from the requirements of Australian Accounting Standards that is contemplated in AASB 101 *Presentation of Financial Statements* (AASB 101.Aus19.1)
  - For 'AusCF entities' (i.e. not-for-profit entities and for-profit entities that are not applying the *Conceptual Framework for Financial Reporting*), 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) (AASB 10.AusCFAus4.2)[42]
  - For for-profit entities applying the *Conceptual Framework for Financial Reporting*, requiring an ultimate Australian parent to present consolidated financial statements that consolidate its investments in subsidiaries in accordance with AASB 10 *Consolidated Financial Statements* (unless the entity is an investment entity) (AASB 10.Aus4.2)
  - 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 (AASB 6.Aus7.1-Aus7.3)
  - 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*[43]
- 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 and to disclose the name of the ultimate controlling entity incorporated in Australia (AASB 124.Aus13.1)
  - 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 (AASB 6.Aus24.1)
  - Additional Australian disclosures included in AASB 1023 and AASB 1038.

Each Australian Accounting Standard (where relevant) includes additional provisions in respect of Tier 2 (RDR) or Tier 2 (SD) and an appendix of any text deleted from IFRS Standards when making the Australian Accounting Standard.

Our Tier 1 model financial statements include an illustrative example of the 'Aus' requirements in AASB 124 *Related Party Disclosures*. These models are available at www.deloitte.com/au/models.

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

[42] This requirement is effectively amended with effect to annual reporting periods beginning on or after 1 July 2021. Because most for-profit entities will be required to apply the *Conceptual Framework for Financial Reporting* from this date as a result of the amendments made by AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*, ultimate Australian parent entities can no longer avoid preparing consolidated financial statements from that date on the basis they are not a reporting entity and have a parent entity preparing financial statements in accordance with IFRS Standards (see section 5.6).

[43] AASB 4 is being replaced by AASB 17 *Insurance Contracts*, which is applicable to annual reporting periods beginning on or after 1 January 2023.

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 Australian 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 Australian 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.

Furthermore, AASB 101 *Presentation of Financial Statements* does not permit a departure from an Australian Accounting Standard by entities required to prepare financial reports under Part 2M.3 of the Corporations Act, private and public sector not-for-profit entities and entities applying Tier 2 (RDR) (AASB 101.Aus19.1).

Similarly, entities applying Tier 2 (SD) are not permitted to depart from a requirement in an Australian Accounting Standard, including AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060.12).

However, 'AusCF entities' (essentially not-for-profit entities and for-profit entities that are not applying the *Conceptual Framework for Financial* Reporting) are required, 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, to depart from that requirement in the manner set out in paragraph AusCF20 of AASB 101 or AusCF13 of AASB 1060 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure (AASB 101.AusCF19.1, AASB 1060.AusCF13).

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 'eligible financial report' depends upon the amount of total assets of the company, registered scheme, disclosing entity or financial services licensee[44].

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

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

Rounding is not allowed where it 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.

[44] The Corporations Instrument also permits rounding in the profit and loss and balance sheet required to be lodged by financial services licensees in accordance with s.989B of the Corporations Act. This report (prepared under s.989B), together with the director's report and financial report (under Part 2M.3 of the Corporations Act), are referred to as the 'relevant eligible report' throughout the instrument.

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(1)(g), s.300(8), s.300(9), s.300(11B), s.300(11C), s.300(13)(a), s.300A(1)(c) and s.300A(1)(e) of the Corporations Act[45]
- 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.

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.

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.

Entities with assets of less than $10 million

Entities with assets less than $10 million can round to the nearest dollar except where a different rounding factor is specified for a particular item (ASIC-CI 2016/191 definition of "rounding factor", subsection (e)).

This is confirmed by ASIC Report 488 *Response to submissions on CP 240 'Remaking ASIC class orders on rounding and other matters* (REP 488, available at asic.gov.au). ASIC states that the Corporations Instrument "specifies that entities with total assets of less than $10 million can round to the nearest dollar except where a different rounding factor is specified for a particular period" (REP 488.17).

This also means that entities with assets less than $10 million which round to the nearest dollar (where permitted) should also include the necessary disclosures required under the Corporations Instrument (as discussed below).

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.

Comparative information

The level of rounding applied under the Corporations Instrument is based on the amount of total assets at "the end of the relevant period". Accordingly, the rounding in the 'relevant eligible report', including comparative information, should be presented in accordance with the level of rounding permitted and used in the current period.

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

This is consistent with ASIC Report 488 *Response to submissions on CP 240 'Remaking ASIC class orders on rounding and other matters* (REP 488, available at asic.gov.au). In this Report, ASIC states its view that "if different quantitative thresholds are met in the current and comparative periods, the amounts presented as comparatives will need to be restated to reflect the current period rounding factor" (REP 488.18).

Disclosures

An entity that is eligible to apply the Corporations Instrument must ensure that the 'relevant eligible report':

- States that the entity is an entity to which the instrument applies and that amounts have been rounded off in accordance with the instrument
- Clearly discloses on each page where amounts have been rounded the extent to which those amounts have been rounded.

For illustrative disclosures of the requirements of *ASIC Corporations (Wholly owned Companies) Instrument 2016/785* in the director's report and financial report, see the various editions of our model financial statements, available at www.deloitte.com/au/models.

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 Australian Accounting Standards to prepare financial statements in relation to a consolidated entity.

For an illustrative disclosure of the parent entity note, see our Tier 1 model financial statements and Tier 2 model financial statements, available at www.deloitte.com/au/models.

Providing parent entity information together with consolidated financial information

ASIC has made *ASIC Corporations (Parent Entity Financial Statements) Instrument 2021/195*[46] to allow a parent entity which is required to include consolidated financial statements in its financial report to also include its single entity financial statements in the report. This instrument also removes the requirement to include parent entity information in the notes to the financial statements specified by regulation 2M.3.01 of the Corporations Regulations (see section 4.7.2).

6.5.4 Deed of cross guarantee

As discussed under section 4.1.3, *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.

For disclosures that illustrate the requirements of *ASIC Corporations (Wholly owned Companies) Instrument 2016/785* in consolidated financial statements, see our Tier 1 model financial statements and Tier 2 model financial statements, available at www.deloitte.com/au/models.

[46] *ASIC Corporations (Parent Entity Financial Statements) Instrument 2021/195* replaced ASIC Class Order 10/654 *Inclusion of parent entity financial statements in financial reports* which expired on 1 April 2021.

6.6 ASX Listing Rule requirements

6.6.1 Requirements for the Appendix 4E

As noted in section 4.8.2, listed entities are required to provide an Appendix 4E preliminary final report to the ASX for each annual reporting period.

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

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

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

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

Source	Requirement
	Details of the reporting period
ASX Appendix 4E, Item 1	Details of the reporting period and the previous corresponding period.
	Results for announcement to the market
ASX Appendix 4E, Item 2	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. The information required above must be placed at the beginning of the report. The other information may be presented in whatever way is most convenient, e.g. combined with the body of the report, combined with notes to the accounts, or set out separately.
	Financial statements
ASX Appendix 4E, Items 3-6	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
	• A statement of retained earnings, or a statement of changes in equity, showing movements
ASX Appendix 4E, Item 6	**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
ASX Appendix 4E, Item 10	**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
ASX Appendix 4E, Item 11	**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.
ASX Appendix 4E, Item 12	**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.
ASX Appendix 4E, Item 13	**Foreign entities** For foreign entities, the report must state which set of accounting standards is used in compiling the report.
ASX Appendix 4E, Item 14	**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. • A discussion of trends in performance. • 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.

Source	Requirement
	Audit information
ASX Appendix 4E, Items 15-17	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

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 to not 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.

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 first mandatorily applied to financial years ending on or after 30 June 2021. For December reporting entities, the fourth edition would be first mandatorily applied to financial years ending on or after 31 December 2020.

For more information about the requirements of Corporate Governance Principles and Recommendations, see Appendix 2 in our Tier 1 model financial statements, available at www.deloitte.com/au/models.

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. These extensions apply for unlisted entities for financial years and half-years ending between 31 December 2019 and 7 January 2021 (both inclusive) or between 23 June 2021 and 7 July 2021 (both inclusive). For listed entities, the extensions apply for financial years and half-years ending between 21 February 2020 and 7 January 2021 (both inclusive) or between 23 June 2021 and 7 July 2021 (both inclusive).

In addition, ASIC has adopted a 'no action' position where public companies do not hold their Annual General Meetings (AGMs) within five months after the end of financial years that end up to 7 July 2021, but do so up to seven months after year end.

The deadlines immediately below have **not** been adjusted to reflect the updated lodgement and AGM deadlines, however our model financial statements provide a summary of deadlines for each reporting period (adjusted where relief has been granted). The model financial statements are available at www.deloitte.com/au/models.

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

Source	Requirement	Listed disclosing entities	Non-listed disclosing entities	Public companies	Proprietary companies	Registered schemes and notified foreign passport funds
Annual financial reporting						
ASX 4.3A, ASX 4.3B	Lodgement of Appendix 4E with the ASX	As soon as available (and no later than 2 months after the year end)[47]	n/a	n/a	n/a	n/a
ASX 4.5, ASX 4.5.1	Lodgement of the Corporations Act financial report and concise report with the ASX	As soon as available (and no later than 3 months after the year end)	n/a	n/a	n/a	n/a
ASX 4.7.1 ASX 4.7.2	Lodgement of the Corporations Act annual report and concise report with the ASX	First day sent to the members (and the earlier of 21 days before the next AGM or 4 months after the end of the financial year (s.315))[48]	n/a	n/a	n/a	n/a

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

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

Source	Requirement	Listed disclosing entities	Non-listed disclosing entities	Public companies	Proprietary companies	Registered schemes and notified foreign passport funds
ASX 4.7.3, ASX 4.7.4	Lodgement of the Appendix 4G with the ASX (and Corporate governance statement (to the extent not included in the annual report)	Same time as annual report distributed to the members	n/a	n/a	n/a	n/a
s.314 s.315	Sending of financial report to members	Earlier of 21 days before the next AGM or 4 months after the end of the financial year	Earlier of 21 days before the next AGM or 4 months after the end of the financial year	Earlier of 21 days before the next AGM or 4 months after the end of the financial year	Within 4 months after the end of the financial year	Within 3 months after the end of the financial year
Annual financial reporting (continued)						
s.319	Lodgement of the Corporations Act annual report and concise report with ASIC[49], [50]	n/a (ASIC-CI 2016/181)	Within 3 months after the year end	Within 4 months after the year end	Within 4 months after the year end	Within 3 months after the year end
Annual general meetings						
s.250N	Hold the AGM	Within 5 months after the year end (if a public company)	Within 5 months after the year end (if a public company)	Within 5 months after the year end (unless exempted), [51]	n/a	n/a

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.

[49] 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.

[50] 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).

[51] 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 4.3.2).

6.7.3 Special considerations for certain small companies

With the exception of certain foreign controlled small proprietary companies (see section 4.5.1) 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 required to prepare an annual financial report under Part 2M.3 of the Corporations Act) or a small company limited by guarantee is requested by 5% or more of the shareholders to prepare and distribute an annual financial report, the deadline for the distribution is the later of (s.315(2), s.316A(4)):

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

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 Australian Accounting Standards where the shareholders' request specifies that a directors' report is not required to be prepared and that compliance with Australian 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)).

6.7.4 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 as the need to convert from a proprietary company to a public company in order to take advantage of the crowd-sourced funding provisions is no longer required.

For details of when the concessions are available, see section 4.3.2.

Modified reporting to members

A company that satisfies the general eligibility criteria to claim the concessions (as noted in section 3.3.3) 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)).

6.7.5 Signing the annual 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.

6.7.6 Notice of members' meetings

In relation to proprietary companies and unlisted public companies, 21 days notice must be given for all members' meetings (unless a longer notice period is specified in the company's constitution) (s.249H(1)). 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 (s.249H(2)-(4)).

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 (s.249HA).

7 Preparation of half-year financial reports

Some entities have a mandatory obligation to prepare half-year financial reports, or otherwise choose to do so.

Roadmap to this section

Topic	What is covered	Who does it apply to?
7.1 Requirement for half-year financial reports	An overview of who is required to prepare half-year financial reports under the Corporations Act, and where other reporting mandates for interim reports may arise.	Disclosing entities and other entities required to, or choosing to, prepare interim reports
7.2 Preparation of half-year financial reports	A discussion of the general requirements of the Corporations Act in relation to half-year financial reports, an overview of the requirements of AASB 134 *Interim Financial Reports*, and the interaction of the requirements with entities preparing Tier 1 and Tier 2 financial reports.	Disclosing entities and other entities required to, or choosing to, prepare interim reports
7.3 Requirement to lodge half-year financial reports	A summary of the requirements to lodge financial reports with ASIC and the ASX and when relief is available.	Disclosing entities
7.4 Additional requirements for ASX listed disclosing entities	Discussion of the additional half-year reporting requirements arising under the ASX Listing Rules.	Disclosing entities listed on the ASX
7.5 Reporting deadlines	A summary of the reporting deadlines applying to half-year financial reports under the Corporations Act and ASX Listing Rules	Disclosing entities

7.1 Requirement for half-year financial reports

7.1.1 Disclosing entities under the Corporations Act

The Corporations Act has specific requirements for the preparation of half-year financial reports by disclosing entities. Disclosing entities broadly include listed entities and listed registered schemes, entities and registered schemes which raise funds pursuant to a prospectus and other widely held entities (see section 3.3.1 for more information).

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.

However, entities that cease to be disclosing entities at the time lodgement is due (see section 7.5) are not required to prepare half-year financial reports.

For example, a listed entity with a June financial year where a takeover by another entity is completed during January would not have an obligation to prepare half-year financial reports for the preceding December[52]. Further, any requirements under the ASX Listing Rules would need to be considered (as the deadline lodging half-year reports with the ASX is generally shorter than under the Corporations Act).

7.1.2 ASIC relief for short financial years

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 (i.e. of 8 months or less), *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 in that first financial year.

Listed disclosing entities seeking to take advantage of the relief in the instrument must give notice 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.

7.1.3 Other reasons to prepare half-year (or other interim) financial reports

Entities may be required to prepare half-year financial reports for reasons other than being classified as a disclosing entity under the Corporations Act. For instance, the entity may have a requirement for half-year reports under its constitution, a financing or legal agreement, shareholders' agreement or other document.

Additionally, an entity that is not a disclosing entity may nevertheless choose to prepare half-year reports, or interim reports for shorter or longer periods.

In all of these cases, the reporting mandate – mandatory or voluntarily – will determine the form and content of the half-year or other interim report and how it is to be distributed. Accordingly, entities in these situations would not necessarily need to follow the rest of the guidance in this Section 7.

[52] Note that similar relief is provided for annual reporting periods under *ASIC Corporations (Disclosing Entities) Instrument 2016/190* (see section 4.2.3), rather than being direct legislative relief in the Corporations Act itself.

7.2 Preparation of half-year financial reports

7.2.1 General requirements under the Corporations Act

Under s.304, half year reports must comply with Australian Accounting Standards and regulations and therefore must be prepared in accordance with AASB 134 *Interim Financial Reporting* as this is the Accounting Standard dealing with interim financial reports.

7.2.2 Overview of AASB 134

AASB 134 prescribes the minimum content of an interim financial report and the principles for recognition and measurement in complete or condensed financial statements for an interim period.

In general, the intention of AASB 134 is to provide an 'update' the financial information and other disclosures included in the entity's most recent annual financial report.

In the interest of timeliness and cost considerations and to avoid repetition of information previously reported, AASB 134 may require or an entity may elect to provide less information at interim dates as compared with its annual financial statements (AASB 134.6).

Entities applying AASB 134 have a choice between presenting complete or condensed interim financial statements (AASB 134.7).

An interim financial report (including a half-year financial report) has the following minimum requirements (AASB 134.8-8A):

- A condensed statement of financial position
- A condensed statement or condensed statements of profit or loss and other comprehensive income (if the entity presented items of profit or loss in a separate statement in its previous annual financial statements, it should also present interim condensed information in a separate statement)
- A condensed statement of changes in equity
- A condensed statement of cash flows
- Selected explanatory notes.

Where condensed financial statements are presented in an interim financial report, the financial statements must include the headings and subtotals that were included in its most recent annual financial statements and the selected explanatory notes as required by AASB 134 (AASB 134.10).

When an entity takes the alternative of presenting a complete set of interim financial statements, the form and content of the financial statements must conform to the requirements of AASB 101 for a complete set of financial statements, in addition to complying with the requirements of AASB 134.

Use of the term 'condensed'

The requirements of AASB 134 will result in the presentation of at least some statements that include all of the line items, headings and subtotals that were presented in the most recent annual financial statements. The question then arises as to whether such statements should, in practice, be described as 'condensed'.

Given that the notes supplementing the interim financial statements are limited, the presentation package taken together is condensed from what would be reported in a complete set of financial statements under AASB 101 and other Australian Accounting Standards.

In such circumstances, the information presented in the statement(s) of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows is condensed – even if the appearance of the statements has not changed. If these interim financial statements were not described as 'condensed', a user might infer that they constitute a complete set of financial statements under AASB 101, which they do not. A complete set of financial statements must include a full note presentation consistent with the annual presentation.

For the full requirements of AASB 134, refer to the Standard, which can be found at www.aasb.gov.au.

7.2.3 Tier 2 entities

As only disclosing entities are required to prepare half-year financial reports under the Corporations Act and are Tier 1 entities by definition, the need for Tier 2 entities to prepare half-year financial reports (or other interim reports) is likely to occur less often. Furthermore, the form and content of those interim reports will depend on the reporting mandate as noted in section 7.1.3.

Tier 2 (RDR)

Where entities are required to, or choose to, prepare Tier 2 (RDR) half-year financial reports, they are not required to include some of the disclosure requirements set out in AASB 134. AASB 134 sets out disclosure requirements from which Tier 2 (RDR) entities are exempt by shading the exempted requirements and adding special 'RDR' paragraphs.

These disclosures in AASB 134 that are *not* required in Tier 2 (RDR) half-year (or other interim) financial reports include:

- The presentation of a third statement of financial position
- Segment disclosures
- Disclosure of compliance with Australian 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 Australian Accounting Standards.

Tier 2 (SD)

The presentation of interim financial reports by Tier 2 entities required to, or choosing to, apply Tier 2 (SD), do not directly apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* in the preparation of those interim financial reports.

As AASB 1060 does not directly address interim financial reports, it instead requires the entity to apply the relevant Australian Accounting Standards (i.e. AASB 134) in preparing and presenting interim financial information (AASB 1060.33).

Accordingly, entities applying Tier 2 (SD) will apply the same requirements as Tier 1 entities if they prepare interim financial reports.

7.3 Requirement to lodge half-year financial reports

7.3.1 Corporations Act requirements

Under s.320 of the Corporations Act, an entity that has to prepare or obtain a report for a half-year is required to lodge the report with ASIC within 75 days after the end of the half-year.

7.3.2 ASX listed disclosing entities

Under ASX Listing Rule 4.2A, a listed disclosing entity is required to give a copy of the documents the disclosing entity is required to lodge with ASIC under s.320 of the Corporations Act. The deadline for meeting this requirement is earlier than that required under the Corporations Act for many entities (see section 7.5).

Similar requirements apply for entities that are not established in Australia. Where such an entity is not required to prepare half-year accounts, it is required to nonetheless prepare and lodge with the ASX equivalent accounts as those required for an Australian entity (ASX Listing Rule 4.2.1.2A).

7.3.3 ASIC dual lodgement relief for listed entities

ASIC Corporations (Electronic Lodgment of Financial Reports) Instrument 2016/181) allows entities listed on ASX Limited (ASX), National Stock Exchange of Australia Limited (formerly Stock Exchange of Newcastle Limited) (NSX), SIM Venture Securities Exchange Limited (SIM VSE) and Sydney Stock Exchange Limited (formerly Asia Pacific Stock Exchange Limited) (SSX) to lodge reports electronically with the relevant market operator without also having to separately lodge the reports with ASIC.

ASIC Regulatory Guide 28 *Relief from dual lodgement of financial reports* (RG 28) sets out the arrangements ASIC has agreed with ASX to avoid the need for dual lodgement of the reports.

Half-year reports (prepared under Division 2 of Part 2M.3 of the Corporations Act) are eligible for this relief.

7.4 Additional requirements for ASX listed disclosing entities

7.4.1 ASX Listing Rule requirements

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

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 4.8.2)).

7.4.2 Information to be included in Appendix 4D

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

Source	Requirement
ASX-LR 4.2A.3	ASX listed entities (other than mining exploration entities and oil and gas exploration entities) must provide the following information to the ASX under ASX Listing Rule 4.2A.3:
	Results for announcement to the market
ASX Appendix 4D, Item 2	• 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
	General information
ASX Appendix 4D, Item 1	• Details of the reporting period and the previous corresponding period
ASX Appendix 4D, Item 3	• Net tangible assets per security with the comparative figure for the previous corresponding period
	Investments
ASX Appendix 4D, Item 4	• 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

Source	Requirement
	Distributions
ASX Appendix 4D, Item 5	• 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
ASX Appendix 4D, Item 6	• 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
ASX Appendix 4D, Item 9	• 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
ASX Appendix 4D, Item 8	• 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.

7.5 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 for various reporting periods considering the COVID-19 crisis.

The deadlines below (in section 7.5.1) have **not** been adjusted to reflect the updated deadlines, however our half-year model financial statements provide a summary of deadlines for each reporting period (adjusted where relief has been granted). The model financial statements are available at www.deloitte.com/au/models. In addition, we have published an edition of our Clarity publication, *June 2021 reporting deadlines*, which is available at www.deloitte.com/au/clarity.

7.5.1 Summary of deadlines for half-years

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

Source	Requirement	Listed disclosing entity	Non-listed disclosing entity
ASX 4.2A, ASX 4.2A.3, ASX 4.2B	Lodgement of Appendix 4D with the ASX	As soon as available (no later than when half-year reports are lodged with ASIC, and no later than 2 months after the half-year end)[53]	n/a
ASX 4.2A, ASX 4.2A.1, ASX 4.2B , ASX Operating Rules[54]	Lodgement of the Corporations Act half-year report with the ASX	As soon as available (no later than when half-year reports are lodged with ASIC, and no later than 2 months after the half-year end, or 75 days after half-year end in respect of certain entities)[55]	n/a
s.320	Lodgement of the Corporations Act half-year report with ASIC	n/a (ASIC-CI 2016/181)	Within 75 days after the half-year end

[53] 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 4.8.2).

[54] 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 auditor's reports) that the issuer is required to lodge with ASIC under the *Corporations Act 2001*. Because these deadlines are linked to the *Corporations Act 2001*, the revised ASIC deadlines apply to these issuers.

[55] 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 4.8.2) 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).

8 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

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

8.1 Continuous disclosure

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

Possible amendments to continuous disclosure obligations under the Corporations Act

As part of its COVID-19 response, the Federal Government had enacted *Corporations (Coronavirus Economic Response) Determination (No. 2) 2020* (available at www.legislation.gov.au) and *Corporations (Coronavirus Economic Response) Determination (No. 4) 2020* (available at https://www.legislation.gov.au), which together effectively modified the continuous disclosure requirements under the *Corporations Act 2001* for the period from 26 May 2020 to 23 March 2021.

The Federal Parliament is currently considering *Treasury Laws Amendment (2021 Measures No. 1) Bill 2021*. Part of this Bill seeks to introduce permanent changes to the continuous disclosure obligations arising under the Corporations Act. The Bill would amend the Corporations Act to ensure that, in determining whether a listed disclosing entity contravenes its existing continuous disclosure obligations, its state of mind is taken into account (for both civil contraventions and criminal contraventions). Similarly, entities and officers would not liable for misleading and deceptive conduct in circumstances where the continuous disclosure obligations have been contravened unless the requisite mental element (state of mind) has been proven.

More information about the Bill can be found at aph.gov.au. At the date of this publication, the Bill had been referred to the Senate Economics References Committee and had not been passed by the Parliament. The information in this section has not been updated for the impacts of the Bill.

8.1.1 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 a reasonable person would expect, if it were generally available, to have a material effect on the price or value of an entity's securities.

8.1.2 Continuous disclosure obligations arising under the ASX Listing Rules

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 (ASX Listing Rule 3.1A):

- 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 the conversion of convertible securities, proposed and actual issues of equity and debt securities, calls, instalments or other amounts paid up on partly paid equity securities, reorganisations of capital, and the issue or cessation of securities issued under employee incentive schemes or otherwise)
- 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.

8.1.3 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.

8.2 Concise reports

8.2.1 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[56].

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.

8.2.2 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 8.2.4)
- 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.

8.2.3 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.

[56] Certain concessions are available for eligible public companies using crowd-sourced funding (see section 4.3.2)

8.2.4 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.

8.3 Foreign companies

8.3.1 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 have a local agent in Australia.

8.3.2 Corporations Act reporting requirements

General requirements

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

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

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

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

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.

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 4.7.2).

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.

8.3.3 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 4.8.2). 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 4.8.2). 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 Act[57].

8.3.4 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 ATO.

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

More information about the GPFS requirement can be found in section 4.9.

[57] However, where the entity is not required to prepare half-year reports under the law in its home jurisdiction, it is required to prepare such reports under Chapter 4 of the ASX Listing Rules

8.4 Climate disclosures

8.4.1 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.

During 2020, the following developments occurred:

- The World Economic Forum (WEF) issued a publication *Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation* which discusses the new environmental, social, and governance (ESG) disclosure framework developed by the Big Four accounting firms (report, press release)
- Five internationally significant framework- and standard-setting institutions (CDP, CDSB, GRI, IIRC, and SASB) published a statement of intent to work together towards a comprehensive corporate reporting system (press release, statement of intent)
- The International Federation of Accountants (IFAC) released *Enhancing Corporate Reporting: The Way Forward* calling for the creation of a new sustainability standards board that would exist alongside the IASB under the IFRS Foundation (access to report)
- The IFRS Foundation Trustees have released a *Consultation Paper on Sustainability Reporting*, in which it outlines how the IFRSF might establish a Sustainability Standards Board (SSB) and provide for its governance and oversight under the IFRSF's existing arrangements (IFRS in Focus, Consultation Paper, press release, Deloitte statement)
- The IFRS Foundation published educational material to highlight how existing requirements in IFRS Standards require companies to consider climate-related matters when their effect is material to the financial statements (educational material, press release).

During 2021, the following developments have occurred (to the date of this publication):

- The IFRS Foundation set up a sustainability working group which is intended to provide structured engagement with initiatives focused on enterprise value reporting with a view to facilitating consolidation and reducing fragmentation in sustainability reporting standards (press release)
- The IFRS Foundation released an exposure draft *Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards*, which proposes amendments

to the IFRS Foundation Constitution to include revisions to the objectives of the Foundation and the institutional arrangements for an International Sustainability Standards Board (ISSB) (IFRS in Focus, proposals, press release)
- The International Organization of Securities Commissions (IOSCO) announced the establishment of a new Technical Expert Group (TEG) under its Sustainable Finance Task Force (STF) that will work closely with the IFRS Foundation's working group on its sustainability project (press release)
- The International Integrated Reporting Council (IIRC) published revisions to the International <IR> Framework, originally released in 2013, to enable more decision-useful reporting (press release, reviewed framework)
- The European Commission proposed a Corporate Sustainability Reporting Directive (CSRD) which aims to improve sustainability reporting to better exploit the potential of the European single market and to contribute to the transition to a fully sustainable and inclusive economic and financial system in line with the European Green Deal and the UN Sustainable Development Goals (Business Reporting in Focus, proposals, press release)
- The Finance Ministers and Central Bank Governors of the G7, met virtually on 28 May 2021, and Finance Ministers met in London on 4-5 June 2021, joined by the Heads of the International Monetary Fund (IMF), World Bank Group, Organisation for Economic Cooperation and Development (OECD), Eurogroup, and Financial Stability Board (FSB). Included in the Communique from the meeting is support for:
  - Moving towards mandatory climate-related financial disclosures that provide consistent and decision-useful information for market participants that are based on the Task Force on Climate-related Financial Disclosures (TCFD) framework
  - The International Financial Reporting Standards Foundation's programme of work to develop baseline global reporting standards for sustainability under robust governance and public oversight, built from the TCFD framework and the work of sustainability standard-setters.

Further information

There has been an increase in investor demand for sustainability disclosures and climate related risk disclosures. In order to track and analyse important developments in this crucial area, we have launched a new publication series, *Purpose-driven Business Reporting in Focus*

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 considering APS 2, 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.

8.4.2 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.

Governance	Strategy	Risk management	Metrics and targets
Disclose the organisation's governance around climate-related risks and opportunities.	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.	Disclose how the organisation identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
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 the organisation's processes for managing climate-related risks • Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	**Recommended disclosures** • Disclose 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.

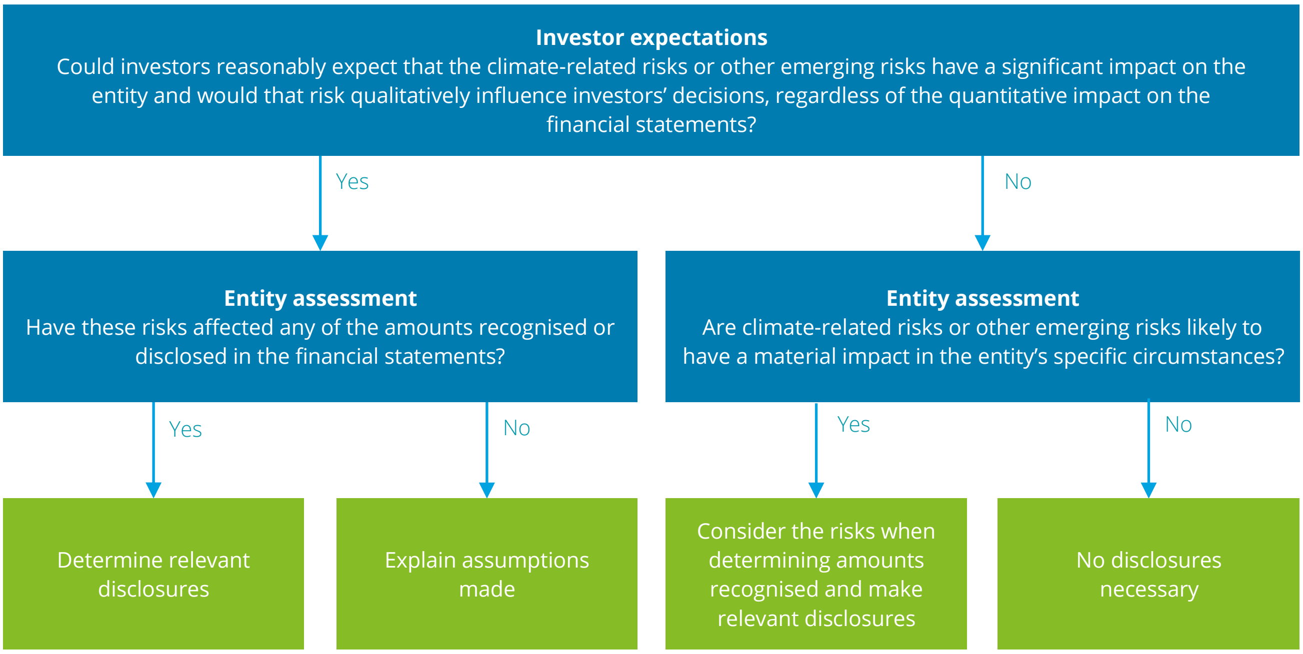
8.4.3 AASB/AuASB bulletin views on impacts of climate change on financial reporting

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 Australian 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:

Impact on financial reporting	Relevant Australian Accounting Standards	Thinking it through
Asset impairment	AASB 136 *Impairment of Assets*	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.
Changes in the useful life of assets	AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*	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.
Changes in the fair-valuation of assets	AASB 13 *Fair Value Measurement*	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.

Impact on financial reporting	Relevant Australian Accounting Standards	Thinking it through
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 Australia 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.

Further information

We have prepared a *Clarity* publication, which more fully explores the disclosure of climate-related risks. The publication is available at www.deloitte.com/au/clarity.

8.5 Relevant financial reporting

8.5.1 The purpose of financial reporting

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

There has been a continued 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 it encourages 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'.

8.5.2 Impact of the IASB disclosure initiative

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

AASB 101 *Presentation of Financial Statements* notes that entities are able to use judgements when applying an Australian Accounting Standard when determining what information to disclose in their financial statements. The Standard provides guidance 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 requirements of 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).

Furthermore, the IASB and AASB have released further amendments to AASB 101/IAS 1 *Presentation of Financial Statements* and AASB 108/IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to clarify the definition of accounting estimates and to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements (AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates)*. In particular, the amendments require companies to disclose their material accounting policy *information* rather than their significant accounting *policies* and provide guidance on how to apply the concept of materiality to accounting policy disclosures.

For example, standardised information or information that only duplicates or summarises the requirements of Australian Accounting Standards are less useful to users of financial statements. However, an entity is likely to consider accounting policy information material to its financial statements if that information relates to material transactions, other events or conditions and the accounting policy:

- Has changed during the period

- Was chosen from alternatives permitted by Australian Accounting Standards
- Was developed in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in the absence of an Australian Accounting Standard that specifically applies
- Relates to an area for which the entity is required to make significant judgements and assumptions
- Relates to complex accounting, and users of the entity's financial statements would otherwise not understand the relating transactions, other events or conditions.

Except for the amendments to AASB Practice Statement 2 (which provide non-mandatory guidance and therefore do not have an effective date), the amendments made by AASB 2021-2 are applicable to annual reporting period beginning on or after 1 January 2023. Early adoption is available and may be attractive for many entities seeking to reduce the amount of accounting policy information included in their financial reports[58].

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

8.5.3 Techniques that entities can use

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

Shrink

- Remove 'boiler-plate' accounting policy narrative that is not applicable to the client (particularly where the amendments in AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* are applied). Do not disclose accounting policies that might only become relevant in the future
- Only discuss Australian 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.

[58] At the time of finalising this publication (31 May 2021), equivalent amendments had not been made to AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. Accordingly, entities applying Tier 2 (SD) may not be able to adopt these amendments until AASB 1060 is also amended. However, such entities can continue to apply the existing materiality guidance in AASB 1060 in order to reduce accounting policy disclosures.

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.

8.5.4 Illustrative disclosure

In order to assist entities applying the techniques outlined in this section to create relevant financial reports, below is an illustrative disclosure of Note 19 - *Property, plant and equipment* presented in our Tier 1 model financial statements for financial years ending on 31 December 2020.

The example below is suitable as a **guide** only. Entities should consider their respective circumstances and amend and adapt the disclosures as necessary. We recommend that you compare the below illustrative disclosure with the illustrative disclosure in Note 19 of our Tier 1 model financial statements in order to better understand the differences between the two illustrative disclosures.

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

Source		Land and buildings $'000	Plant and machinery $'000	Fixtures and fittings $'000	Total $'000
AASB 116.73(a) AASB 116.73(d),(e) AASB 116.74 (b)					
	Year ended 31 December 20X0				
	At 1 January 20X0				
AASB 116.73(d)	Gross carrying amount				
AASB 116.73(d)	Accumulated depreciation and impairment loss				
AASB 13.93(e)	Carrying amount				
	Additions				
	Disposals				
	Depreciation				
	Exchange differences				
	Others [describe]				
AASB 13.93(e)	***Balance at 31 December 20X0***				

Note 19. Property, plant and equipment (continued)

AASB 116.73(a)
AASB 116.73(d),(e)
AASB 116.74 (b)

		Land and buildings at fair value $'000	Plant and machinery at cost $'000	Fixtures and fittings at cost $'000	Total $'000
	Year ended 31 December 20X1				
	At 1 January 20X1				
AASB 116.73(d)	Gross carrying amount				
AASB 116.73(d)	Accumulated depreciation and impairment loss				
AASB 13.93(e)	Carrying amount				
	Additions				
	Disposals				
	Transferred as consideration for acquisition of subsidiary				
	Derecognition on disposal of subsidiary				
	Acquisitions through business combinations				
	Reclassified as held for sale				
	Revaluation increase				
	Depreciation				
AASB 136.126(a)	Impairment losses recognised in profit or loss				
AASB 136.73(e)(viii)	Effect of foreign currency exchange differences				
	Others [describe]				
AASB 13.93(e)	***Balance at 31 December 20X1***				
	Balance at 31 December 20X1				
	Gross carrying amount				
	Accumulated depreciation and impairment loss				

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).

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:

AASB 116.73(d)
- The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period

AASB 116.73(e)
- 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 Australian 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

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

Freehold land and buildings are measured at fair value 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

AASB 116.74(a)

Freehold land and buildings with a carrying amount of $ ____ (20X0: $ ____) 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 $ ____ (20X0: $ ____), 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.

Note 19. Property, plant and equipment (continued)

The Deloitte Tier 1 model 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

AASB 136.130(a)-(g) During the year, as the result of the unexpected poor performance of a manufacturing plant, the Group carried out a review of the recoverable amount of that manufacturing plant and the related equipment. These assets are used in the Group's [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 20X1 as there was no indication of impairment.

AASB 136.131 Additional impairment losses recognised in respect of property, plant and equipment in the year amounted to $ ____. 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.

AASB 136.126(a) The impairment losses have been included in profit or loss in the (other expenses/cost of sales] line item.

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

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

AASB 101.125, 129 **Key estimates**

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

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

Year ending	$'000s
20X1	
20X2	
20X3	
20X4	

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).

9 Deloitte model financial statements

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

Roadmap to this section

Topic	What is covered	Who does it apply to?
9.1 Summary of Deloitte model financial statements	A summary of the various editions of our model financial statements	Entities preparing financial reports
9.2 Other considerations	Other considerations in relation to model financial statements, including a discussion of entities applying Tier 2 (RDR) and the availability of global resources	Entities preparing financial reports

9.1 Summary of Deloitte model financial statements

The table below summarises our available model financial statements:

Series	Applicable to	When updated
Tier 1 model financial statements	Entities with public accountability (see section 5.3.2) and other entities choosing to apply Tier 1	For December (with update of Australian-specific information for June)
Tier 2 model financial statements *(Tier 2 (RDR), see section 9.2.1)*	Entities adopting Tier 2 financial reporting and applying AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Entities*	For December
Half-year model financial statements	Listed entities and other disclosing entities (see section 3.3.1) and other entities choosing to apply AASB 134 *Interim Financial Reporting*	For December
Special purpose model financial statements	Prior to July 2021, entities that are not reporting entities (see section 5.2). From July 2021, certain not-for-profit entities that are not reporting entities and certain private sector for-profit entities that meet specific criteria (see section 5.6.4)	As needed
Illustrative AASB 1056 financial report for superannuation entities	Superannuation entities applying AASB 1056 *Superannuation Entities*	As needed
Model managed investment scheme annual report	Managed investment schemes	As needed

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

9.2 Other considerations

9.2.1 Entities applying Tier 2 (RDR)

Entities preparing Tier 2 (RDR) are exempt from some of the disclosure requirements applicable to Tier 1 entities as set out in Australian Accounting Standards (as illustrated in the Tier 1 model financial statements).

The Australian Accounting Standards set out disclosure requirements from which Tier 2 entities applying RDR are exempt by shading the exempted requirements and adding special 'RDR' paragraphs. RDR has been replaced by 'Australian Accounting Standards – Simplified Disclosures' with effect from annual reporting periods beginning on or after 1 July 2021 (see section 5.6).

Recent editions of our Tier 1 model financial statements include disclosures that apply to Tier 1 GPFS. They **do not** illustrate the disclosures applicable to Tier 2 (RDR) GPFS.

Entities interested in applying Tier 2 (RDR) should refer to the 2019 and earlier editions of our model financial statements, which are available at www.deloitte.com/au/models

9.2.2 IFRS model financial statements and checklists

In addition to the Australian model financial statements discussed in this section, global IFRS model financial statements and comprehensive IFRS checklists are available. These resources provide guidance that Australian entities may find useful as a reference in preparing their own financial statements.

The global editions of our IFRS model financial statements and checklists are available at www.iasplus.com/models.

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