



Tier 1 models and reporting considerations

A. Using this publication

Financial reporting periods ending on or after
31 December 2021

A. Using this publication



This section introduces the 31 December 2021 models and reporting considerations and provides an overview of using the document.

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Important information about this document

This document is an extract from the complete *Tier 1 models and reporting considerations* publication. Links to cross references from this extract to other parts of the overall publication will not work.

Other extracts and the complete publication are available at www.deloitte.com/au/models.

A1 Introduction

Effective communication for December 2021 financial reporting

As the Australian and global communities and economies emerge from the COVID-19 pandemic, financial reporting continues to face challenges and opportunities.

There are few new and amended financial reporting requirements to be applied in the current financial reporting period. This presents the opportunity for entities to focus on their existing financial reporting and clearly articulate their financial performance and financial position, and also to focus on issues such as climate change.

ASIC continues to focus on disclosures made in the financial report and is increasing surveillance of material risk disclosures in the operating and financing review (OFR). Entities can continue to expect regulatory scrutiny to be rigorous. Early planning and timely preparation of position papers will enable management and directors to make informed decisions on key estimates and judgments, which will support the quality of the financial information provided to the market.

We believe that the factors below can contribute to effective communication through financial reporting in the current period:

- Ensure that profit is correctly reflected, e.g. by correctly responding to the IFRIC agenda decisions on **Software-as-a-Service (SaaS) arrangements** and net realisable value of inventories, ensuring material government grants are clearly disclosed and explained, and that non-IFRS measures are reconciled to statutory measures and follow ASIC guidance
- Disclose **key judgements and estimation uncertainties** to assist users of the financial statements to understand asset values and how they were calculated, including consistency with historical performance and information outside the financial statements, the use of probability weighted assessments in areas such as impairment assessments, expected credit loss calculations, unlisted investment valuations and the recoverability of inventories
- Transparently communicate the **liquidity** of the entity and its impacts on the entity's future prospects, by providing easy to understand analyses of how risk is managed, details of key aspects of arrangements such as the impact of covenants, disclosing clearly understandable maturity analysis of financial liabilities and movement schedules of borrowings and focused disclosure of other key matters such as supplier financing or debtor securitisation, set-off and hedging.

In early November 2021, the COP 26 climate change conference saw continued emphasis on the impacts of climate change, including financial and climate reporting. The formation of the International Sustainability Standards Board (ISSB) and its intended urgent progress on standard setting provides additional evidence that this issue is of crucial importance to investors and others. Entities should be enhancing disclosures about **climate risks** in their OFR, focusing on the entity's governance process, its strategy, how the entity manages the associated risks, and key metrics and targets.

November 2021



“Effective communication relies on transparent and informative entity-specific information written in plain English”

Alison White
National Leader
Accounting Technical

A2 Using the Tier 1 model annual report

This model annual report can be used as a guide in achieving best practice outcomes in annual reports of 'Tier 1' entities.

Roadmap to this section

Topic	What is covered	Who does it apply to?
A2.1 Purpose	Brief overview of who is required to prepare "Tier 1" financial statements under Australian Accounting Standards	Entities preparing GPFS
A2.2 Who should use this model annual report?	Understanding who is required, or chooses, to prepare Tier 1 financial statements	Entities preparing Tier 1 GPFS
A2.3 Other considerations	Other information about using the model annual report	Entities preparing Tier 1 GPFS
A2.4 Effective date	Effective date of this model annual report i.e. 31 December 2021	Entities using this model annual report
A2.5 Abbreviations	Abbreviations used in this model annual report	Entities using this model annual report

A2.1 Purpose

The Deloitte IFRS model financial statements contained in the main section of this document (i.e. section *Core model financial statements*) illustrate the presentation and disclosure requirements of IFRS Standards for the year ended 31 December 2021 by an entity that is not a first-time adopter of IFRS Standards and are also applicable for the ended 31 December 2021. They comprise consolidated financial statements which illustrate the impact of the application of IFRS Standards that are mandatorily effective for the annual period beginning on 1 January 2021.

The Deloitte model IFRS financial statements, however, do not illustrate the presentation and disclosure requirements specific to annual reports prepared in Australia. Therefore, Appendix 2 to the model financial statements has been designed by Deloitte Australia to assist users with the preparation of annual reports in Australia in accordance with:

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

The information in the core model financial statements has been presented for a financial year ending on 31 December 2021, consistent with the date of Deloitte IFRS model financial statements. However, these illustrative disclosures are designed to be used in conjunction with the Australian-specific information in Appendix 2, which has been updated and presented as relevant for the year ended 31 December 2021. Appendix 2 also includes additional considerations for Tier 1 financial reports for the year ended 31 December 2021 for Australian not-for-profit and public sector entities. Entities with differing year ends will need to ensure that they include the relevant dates when preparing their financial reports.

Not-for-profit and public sector entities

Illustrative disclosures and guidance specific to not-for-profit and public sector entities have been highlighted in this document by being shaded using teal colouring as illustrated here.

A2.2 Who should use this model annual report?

A2.2.1 Overview

These financial statements are designed for entities required to comply with 'Tier 1' financial reporting requirements, as set out in AASB 1053 *Application of Tiers of Australian Accounting Standards*.

AASB 1053 outlines the categories of entities that are required to comply with Tier 1 requirements (AASB 1053.11-12):

- For-profit private sector entities that have public accountability and are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards
- Australian Government, State, Territory and Local governments
- Subject to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, general government sector financial statements of the Australian Government and State and Territory Governments.

Other entities may be required to comply with Tier 1 reporting requirements under other legislation, regulatory or legal requirements.

Other entities can choose to comply with Tier 1 or Tier 2 reporting requirements.



More information about Australia's differential reporting framework can be found in the *Australian financial reporting guide*, available at www.deloitte.com/au/models

A2.2.2 Tier 1 and Tier 2 reports

Entities preparing Tier 2 GPFS – Reduced Disclosure Requirements (RDR) are exempt from some of the disclosure requirements set out in Australian Accounting Standards as illustrated in this model annual report. 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 is being replaced by 'Australian Accounting Standards – Simplified Disclosures' (Tier 2 (SD)) with effect from annual reporting periods beginning on or after 1 July 2021.

These International GAAP Holdings Limited model financial statements include disclosures that apply to Tier 1 general purpose financial statements and do **not** illustrate the disclosures applicable to Tier 2 general purpose financial statements.



Entities applying Tier 2 (RDR) should refer to earlier editions of our model financial statements, and those applying Australian Accounting Standards – Simplified Disclosures should refer to our Tier 2 Simplified Disclosures model financial statements. These models are available at www.deloitte.com/au/models

A2.3 Other considerations

A2.3.1 Amounts

The model financial statements are intended to illustrate the presentation and disclosure requirements of Australian Accounting Standards without the use of any actual numbers. They also contain additional disclosures considered to be best practice, particularly where such disclosures are included in illustrative examples provided within a specific Standard.

A2.3.2 Additional disclosures included

This model annual report includes line items that are not applicable to International GAAP Holdings Limited to illustrate items that are commonly encountered in practice. This does not mean that we have illustrated all possible disclosures, nor should it be taken to mean that entities are required to display such line items in practice.

A2.3.3 Limitations

We have developed the Deloitte model financial reports and the *Australian financial reporting guide* (available at www.deloitte.com/au/models) to assist you to meet the general financial reporting requirements applying to many entities reporting under the Corporations Act. General guidance cannot cover all possibilities, or deal with every possible permutation. We have not dealt with specific industries and types of entities, including:

- Entities that are investment entities under AASB 10 *Consolidated Financial Statements*
- Entities where the parent company or its subsidiaries are entities whose functional currency is the currency of a hyperinflationary economy
- Not-for-profit and public sector entities (other than the information provided in Appendix 2 – Australian-specific disclosures which is highlighted by being shaded using teal colouring)
- Entities subject to the regulatory requirements of Australian Charities and Not-for-profits Commission (ACNC)
- Australian financial services licences (AFSL) holders
- Entities subject to the regulatory requirements of the Australian Prudential Regulation Authority (APRA)
- Stapled entities
- Notified foreign passport funds.

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

A2.3.4 Pronouncements

Unless otherwise specified, this model annual report only includes references to Standards not yet effective (and not early adopted) in the context of illustrating the disclosures specified by AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The model financial statements do not illustrate the early adoption of any Australian Accounting Standards or Interpretations that are not mandatory as at 31 December 2021 unless otherwise noted. Furthermore, this model annual report does not illustrate the disclosure requirements of the following Australian Accounting Standards and Interpretations:

Reference	Title / comment
AASB 1	<i>First-time Adoption of Australian Accounting Standards</i>
AASB 4	<i>Insurance Contracts</i>
AASB 6	<i>Exploration for and Evaluation of Mineral Resources</i>
AASB 14	<i>Regulatory Deferral Accounts</i>
AASB 17	<i>Insurance Contracts</i>
AASB 129	<i>Financial Reporting in Hyperinflationary Economies</i>
AASB 134	<i>Interim Financial Reporting</i>
AASB 141	<i>Agriculture</i>
AASB 1004	<i>Contributions</i>
AASB 1023	<i>General Insurance Contracts</i>
AASB 1038	<i>Life Insurance Contracts</i>
AASB 1039	<i>Concise Financial Reports</i> (other than as noted)
AASB 1049	<i>Whole of Government and General Government Sector Financial Reporting</i>
AASB 1050	<i>Administered Items</i>




Reference	Title / comment
AASB 1051	<i>Land Under Roads</i>
AASB 1052	<i>Disaggregated Disclosures</i>
AASB 1053	<i>Application of tiers of Australian Accounting Standards</i>
AASB 1055	<i>Budgetary Reporting</i>
AASB 1056	<i>Superannuation Entities</i>
AASB 1060	<i>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities</i>
Int 2	<i>Members Shares in Co-operative Entities and Similar Instruments</i>
Int 7	<i>Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies</i>
Int 10	<i>Interim Financial Reporting and Impairment</i>
Int 12	<i>Service Concession Arrangements</i>
Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Int 129	<i>Service Concession Arrangements: Disclosures</i>
Int 1019	<i>The Superannuation Contributions Surcharge</i>
Int 1003	<i>Australian Petroleum Resource Rent Tax</i>
Int 1019	<i>The Superannuation Contributions Surcharge</i>
Int 1038	<i>Contributions by Owners Made to Wholly-Owned Public sector Entities</i>
Int 1042	<i>Subscriber Acquisition Costs in the Telecommunications Industry</i>
Int 1047	<i>Professional Indemnity Claims Liabilities in Medical Defence Organisations</i>
Int 1055	<i>Accounting for Road Earthworks</i>

A2.3.5 Source references

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

A2.3.6 Icons used in the core model financial statements

The following icons are used throughout the core model financial statements to indicate the following:

Icon	Meaning
	Indicates that an Australian-specific consideration applies. Additional information and cross reference to the relevant section of Appendix 2 is noted.
	Indicates places where the model financial statements could be impacted by the effects of the COVID-19 pandemic.
	Indicates disclosures that might need to be adapted to explain how the group impacts or/and is impacted by climate change.

The tables in Appendix 1 give an overview of all areas impacted by climate change and/or COVID-19 and Appendix 2 provides additional and/or modified illustrative disclosures applicable to Tier 1 financial statements prepared for Australian entities.

A2.4 Effective date

This model annual report includes reporting obligations and illustrative disclosures that are effective for financial years ending on 31 December 2021.

Unless otherwise noted, the information in this guide has been updated for developments to 19 November 2021.

A2.5 Abbreviations

The following abbreviations are used in this guide:

Abbreviation	Description
AASB	Australian Accounting Standards Board
ACNC	The Australian Charities and Not-for-profits Commission
AGM	Annual general meeting
AUASB	Australian Auditing and Assurance 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 <i>Corporations Act 2001</i>
ASIC-RG	Australian Securities and Investments Commission Regulatory Guide
ASX	Australian Securities Exchange
ASX-LR	Australian Securities Exchange Limited Listing Rule
ASX-GN	Australian Securities Exchange Limited Guidance Note
ATO	Australian Tax Office
Corporations Act	<i>Corporations Act 2001</i>
ED	Exposure Draft issued by the Australian Accounting Standards Board or the International Accounting Standards Board
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GPFS	General purpose financial statements
IASB	International Accounting Standards Board (IASB®)
IBOR	Interest Rate Benchmark Reform
IFRIC	IFRS Interpretations Committee
IFRS Standards	International Financial Reporting Standards issued by the International Accounting Standards Board
Int	Interpretation issued by the Australian Accounting Standards Board
ITAA 1997	<i>Income Tax Assessment Act 1997</i>
OCI	Other comprehensive income
s.	Section of the <i>Corporations Act 2001</i>
SPFS	Special purpose financial statements
Tax Administration Act	<i>Tax Administration Act 1953</i>
Reg	Regulation of the <i>Corporations Regulations 2001</i>

Understanding source references in this model annual report

The source references included in the core model financial statements generally refer to the international versions of pronouncements, rather than their Australian equivalents. Accordingly:

- References to "IFRS X" should instead be read as a reference to the Australian equivalent "AASB X"
- References to "IAS X" should instead be read as a reference to the Australian equivalent "AASB 10X" (where X is less than 10) or "AASB 1X" (otherwise)
- References to "IFRIC X" should instead be read as a reference to the Australian equivalent "Interpretation X"
- References to "SIC X" should instead be read as a reference to the Australian equivalent "Interpretation 10X" (where X is less than 10) or "Interpretation 1X" (otherwise).



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