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Australian Securities & Investments Commission

Media and information releases

06-012 Australian companies on track with smooth AIFRS transition

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Mr Jeffrey Lucy, Chairman of the Australian Securities and Investments Commission (ASIC) today released the findings of ASIC's latest review of financial report disclosures made by listed entities explaining the impact of adopting the Australian equivalents to International Financial Reporting Standards (AIFRS).

AIFRS apply for financial reporting periods beginning on or after 1 January 2005.

'Transition to AIFRS has been an important issue for companies, auditors, investors, and the market. We're pleased to see corporate Australia rising to this challenge and continuing the smooth transition,' Mr Lucy said.

ASIC reviewed the disclosures made in financial reports by over 1250 listed entities with balance dates between 30 June 2005 and 31 July 2005.

All entities reviewed had successfully provided the required disclosure under AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' by providing a narrative explanation of the key differences in accounting policies they expected to arise as a result of adopting AIFRS.

ASIC found only 19 entities of the 1250 reviewed concluded there would be no material impact arising from adopting AIFRS so did not list key differences.

The ASIC review also found that, in most cases, entities had been able to quantify or disclose the financial impact of the adoption of AIFRS in their financial reports. About 700 of the entities provided disclosure of the quantitative impact for each of the key differences. A further 480 entities had quantified some of the key differences they identified.

Of the 700 entities, 170 had chosen to apply the first time adoption exemption available to defer the date of transition of AIFRS relating to financial instruments to 1 July 2005, recognising that the new standards applying to financial instruments are a significant challenge.

While the overall result of the review was very positive, ASIC also noted 50 entities had not quantified the impact of any of the key differences they had identified. A further 20 entities had not finalised their determination of the impact of the key differences.

'It is encouraging that a large number of entities have quantified the expected impact of AIFRS to enable users of their financial report to understand the nature and extent of the significant impacts of AIFRS, especially given these entities are required to prepare their first

AIFRS accounts in the next few months', Mr Lucy said.

'However, we strongly encourage the Boards and audit committees of those entities yet to quantify the impact of key differences, along with the remainder who have only quantified some of their key differences, to complete the assessments to determine the impact of all of the key differences in accounting policies that will arise when they adopt AIFRS.'

Mr Lucy said that as these entities complete this work, and where the impact of AIFRS is known or reliably estimable, entities should carefully consider if, and when, any impact triggers a continuous disclosure obligation.

'ASIC will look closely at any entities whose first financial reports under AIFRS include impact surprises that had not been identified in their AASB 1047 disclosure or subsequent market announcements,' he said.

'While it is apparent some entities still have work to do, there is nothing overall to suggest that companies are having particular difficulty in meeting the timetable for a smooth and timely adoption of AIFRS.'

Background

In July 2002 the Financial Reporting Council (FRC), the oversight body for the independent standard setter, to the Australian Accounting Standards Board (AASB), issued a broad strategic direction that Australia would adopt international accounting standards by 1 January 2005.

Companies and entities required to prepare financial reports under the requirements of Chapter 2M of the Corporations Act are required to comply with AIFRS for reporting periods beginning on or after 1 January 2005.

Entities with 30 June year ends will publish their first AIFRS financial reports for the half-year ended 31 December 2005 and for the year ended 30 June 2006.

Australian Accounting Standard AASB 1047, 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' requires entities to explain how the transition to the AIFRS is being managed and a narrative explanation of the key differences in accounting policies that are expected to arise from adoption of AIFRS.

ASIC outlined its views about the nature and extent of disclosures required by AASB 1047 in [Information Release \[IR 05-16\]](#) *ASIC Guidance on disclosing the impact of AIFRS for full-year financial reports* (26 April 2005). ASIC believes that, in most cases, entities would have been able to quantify AIFRS impacts in their 30 June 2005 full year financial reports.

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