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Special Purpose Model Annual Report

Putting together the A-IFRS puzzle



Section A – Introduction

Financial years ending on or after 30 June 2007

Technical expertise at your door

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The Australian accounting technical team is committed to the continual improvement of your financial reporting knowledge through timely communications advising of developments in financial reporting, and the issue of thought leadership publications.

Take advantage of the technical expertise Deloitte can offer.

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The *2007 Special Purpose Annual Report* has been designed to provide clients, partners and staff with an up-to-date framework indicating the minimum disclosure requirements required for a Special Purpose Annual Report prepared in accordance with:

- Provisions of the Corporations Act 2001;
- Accounting Standards effective for annual reporting periods ending 30 June 2007 (other than as noted);
- Interpretations issued up to 1 March 2007 (except as noted); and
- Other requirements and guidelines current as at the date of issue, including Australian Securities and Investments Commission ('ASIC') Class Orders, Practice Notes, Policy Statements and Media Releases.

Having now completed the transition to A-IFRS, the greatest challenge for entities will be in remaining up-to-date with newly issued Accounting Standards and Interpretations. Some of the most recent implementations include:

- AASB 8 'Operating Segments'
- Interpretation 11 'AASB 2 – Group and Treasury Share Transactions'
- Interpretation 12 'Service Concession Arrangements'

Further significant proposed changes are also on the horizon for entities, including:

- a AASB Standard resulting from ED 151 'Australian Additions to, and Deletions from, International Financial Reporting Standards'
 - the AASB has reversed its decision not to include certain international options in the AASBs
- the proposed changes to company reporting obligations (among others) as part of the Treasury's Corporate and Financial Services Regulation Review Proposals Paper
 - the proposals include raising the threshold for the large proprietary test, trying to resolve duplicate disclosure of director and executive remuneration, and removal of existing lodgement relief for 'grandfathered' large proprietary companies. You can read more about the proposals in Section A of this publication.

Incorporated into this edition of the Special Purpose Model Annual Report is guidance about how a Standard resulting from ED 151 may benefit you. The Standard is expected in the second quarter of 2007, and may be early adopted for financial years ending 30 June 2007.

We trust that you will find the *2007 Special Purpose Model Annual Report* a useful tool in the preparation of your special purpose annual reports.



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Deloitte

Special Purpose Model Annual Report

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Section A

Introduction

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Changes in reporting requirements

Significant changes in Australian reporting requirements affecting financial reporting periods beginning on or after 1 July 2006 include:

New/Revised Standards applicable to reporting periods beginning 1 January 2006

AASB 119 'Employee Benefits' and AASB 2004-3 'Amendments to Australian Accounting Standards'

A revised version of AASB 119 was issued in December 2004 and applies to annual reporting periods beginning on or after 1 January 2006. The revised Standard supersedes the July 2004 version of AASB 119.

The key changes to the requirements specified by superseded AASB 119 are as follows. The revised Standard:

- (a) allows a choice of three methods for recognising actuarial gains and losses: full recognition through profit or loss, the "corridor" approach, or full recognition directly in retained earnings;
- (b) specifies the accounting for defined benefit group plans by group entities in their separate financial statements; and
- (c) requires extensive additional disclosures to be made in relation to defined benefit plans in annual financial reports.

Consequential amendments to other Australian Accounting Standards are specified in AASB 2004-3, and include requiring that an entity recognising actuarial gains and losses directly in retained earnings be required to prepare a statement of recognised income and expense, and specifying the contents of such a statement.

Illustrative examples

The disclosure requirements of AASB 119 are not illustrated as this model annual report is intended to illustrate the minimum information to be disclosed in a special purpose financial report of a proprietary company in order to satisfy the reporting requirements of the Corporations Act 2001.

AASB 2005-1 'Amendments to Australian Accounting Standards' – forecast intragroup transactions

AASB 2005-1 was issued in May 2005 and applies to annual reporting periods beginning on or after 1 January 2006. The Standard amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in consolidated financial statements provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction, and provided that the foreign currency risk will affect consolidated profit and loss.

Where such a hedge qualifies for hedge accounting, any gain or loss recognised in equity is reclassified into profit or loss in the same period(s) during which the foreign currency risk of the hedged transaction affects consolidated profit or loss.

The amendment allows hedge accounting to be applied retrospectively in certain circumstances.

Illustrative examples

AASB 2005-1 does not contain any disclosure requirements.

AASB 2005-4 'Amendments to Australian Accounting Standards' – the fair value option

AASB 2005-4 was issued in June 2005 and applies to annual reporting periods beginning on or after 1 January 2006. The Standard makes amendments to the July 2004 versions of:

- AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards';
- AASB 132 'Financial Instruments: Disclosure and Presentation';
- AASB 139 'Financial Instruments: Recognition and Measurement'; and
- AASB 1023 'General Insurance Contracts'

AASB 139 (July 2004) permitted an entity to designate any financial asset or financial liability at fair value with gains or losses recognised in profit or loss with the exception of equity instruments that did not have a quoted market price in an active market, and whose price could not be reliably measured. As a result of concerns raised by the prudential regulators in Europe, the IASB and thus the AASB have limited the use of this option.

AASB 2005-4 amends the Accounting Standards listed above to permit an entity to designate a financial asset or financial liability as 'at fair value through profit or loss' only when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces an accounting mismatch i.e. a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with the documented risk management or investment strategy.

In addition, an entity may designate any contract that contains one or more embedded derivatives as 'at fair value through profit or loss' unless the embedded derivative:

- (a) does not significantly modify the cash flows that would otherwise be required by the contract; or
- (b) would be considered closely related to the host contract after little or no analysis.

Different transitional provisions apply depending on when the amendment is adopted. If an entity adopts the amendment after first-time adoption of Australian equivalents to International Financial Reporting Standards ('A-IFRS') then it shall:

- (a) de-designate any financial asset or financial liability previously designated as 'at fair value through profit or loss' only if it no longer qualifies for such designation;
- (b) not designate as 'at fair value through profit or loss' any previously recognised financial assets or financial liabilities;
- (c) disclose the fair value of any financial asset or financial liability de-designated at the date of de-designation and their new classification; and
- (d) restate comparative information as applicable.

Illustrative examples

The disclosure requirements of AASB 2005-4 are not illustrated as this model annual report is intended to illustrate the minimum information to be disclosed in a special purpose financial report of a proprietary company in order to satisfy the reporting requirements of the Corporations Act 2001.

AASB 2005-5 'Amendments to Australian Accounting Standards' – consequential amendments due to Interpretation 4 and Interpretation 5

AASB 2005-5 was issued in June 2005 and applies to annual reporting periods beginning on or after 1 January 2006. The Standard makes consequential amendments to AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' and AASB 139 'Financial Instruments: Recognition and Measurement' arising from the approval of Interpretation 4 'Determining whether an Arrangement contains a Lease' and Interpretation 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'.

The Standard:

- (a) amends AASB 1 to allow a first-time adopter to determine whether an arrangement existing at the date of transition to A-IFRS contains a lease on the basis of facts and circumstances at that date – otherwise, the arrangement would have to be assessed as at its inception and subsequently reassessed as required by Interpretation 4 in the periods before transition to A-IFRS; and
- (b) amends the scope of AASB 139 to exclude rights to reimbursement for expenditure required to settle either provisions recognised in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' or liabilities that had been originally recognised as provisions in accordance with AASB 137, such that a contractual right to receive such reimbursement in the form of cash will be accounted for in the same way as other forms of rights to such reimbursement, rather than in accordance with AASB 139.

Illustrative examples

AASB 2005-5 does not contain any disclosure requirements.

AASB 2005-6 'Amendments to Australian Accounting Standards' – common control transactions

AASB 2005-6 was issued in June 2005 and applies to annual reporting periods beginning on or after 1 January 2006. The Standard amends AASB 3 'Business Combinations' by:

- (a) removing the definition of 'contributions by owners'; and
- (b) adopting the IFRS 3 'Business Combinations' scope exclusion for business combinations involving entities or businesses under common control.

Illustrative examples

An example accounting policy for business combinations involving entities or businesses under common control is illustrated in note 3(a) to the Consolidated Model Annual Report, available from your nearest Deloitte Touche Tohmatsu office. However, this is only one such policy, and Deloitte can provide further information on accounting policy choices for business combinations.

AASB 2005-9 'Amendments to Australian Accounting Standards' – financial guarantee contracts

AASB 2005-9 was issued in September 2005 and applies to annual reporting periods beginning on or after 1 January 2006. The Standard makes consequential amendments to the following accounting standards:

- AASB 4 'Insurance Contracts';
- AASB 132 'Financial Instruments: Disclosure and Presentation';
- AASB 139 'Financial Instruments: Recognition and Measurement'; and
- AASB 1023 'General Insurance Contracts'.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts may have various legal forms, such as guarantees, some types of letters of credit, a credit default contract or an insurance contract. The accounting treatment does not depend on the legal form of the guarantee.

The Standard amends the accounting standards listed above to:

- (a) require financial guarantee contracts issued to be included within the scope of AASB 139 (even though they may satisfy the definition of an insurance contract in AASB 4), except where the issuer has previously asserted explicitly that it regards such contracts as insurance contracts and has applied the accounting applicable to insurance contracts, in which case the issuer may elect to apply either AASB 139 and AASB 132, or AASB 1023, to such financial guarantee contracts. The issuer may make that election on a contract by contract basis, but the election for each contract is irrevocable;

- (b) require, subsequent to initial recognition, financial guarantee contracts issued and commitments to provide a loan at a below-market interest rate under the scope of AASB 139 to be measured at the higher of:
- i. the amount determined in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' (i.e. the best estimate of the expenditure required to settle the obligation); and
 - ii. the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with AASB 118 'Revenue'.
- This treatment applies unless:
- i. the entity designates the liability as 'at fair value through profit or loss' in accordance with the fair value option, in which case the liability is measured at fair value with gains and losses arising on re-measurement recognised in profit or loss;
 - ii. the liability arises due to the transfer of a financial asset that does not result in derecognition or is accounted for using the continuing involvement approach (financial guarantee contracts only); and
- (c) clarify that the scope of AASB 139 includes loan commitments that can be settled net in cash or by delivering or issuing another financial instrument (such loan commitments are derivatives), and commitments to provide a loan at a below-market interest rate. A loan commitment is not regarded as settled net merely because the loan is paid out in instalments.

Illustrative examples

AASB 2005-9 does not contain any specific amendments to the disclosure requirements in other accounting standards.

New/Revised Standards applicable to reporting periods ending 31 December 2006

AASB 2006-1 'Amendments to Australian Accounting Standards' – net investment in a foreign operation

AASB 2006-1 was issued in January 2006 and applies to annual reporting periods ending on or after 31 December 2006. AASB 2006-1 amends AASB 121 to clarify that a monetary item forming part of an entity's net investment in a foreign operation may be receivable from, or payable to, any subsidiary in the group, and that it may be denominated in any currency.

Illustrative examples

AASB 2006-1 does not contain any disclosure requirements.

New/Revised Standards applicable to reporting periods beginning 1 January 2007

AASB 101 'Presentation of Financial Statements'

A revised version of AASB 101 was issued in October 2006 and applies to annual reporting periods beginning on or after 1 January 2007. The AASB revised the Standard in order to progress the Board's policy of making the requirements in A-IFRS accounting standards the same as those in the International Financial Reporting Standards. The revised Standard includes some text from IAS 1 'Presentation of Financial Statements' that is not in the existing AASB 101 and has fewer additional Australian disclosure requirements than the existing AASB 101.

Significant changes to the Standard include the:

- (a) removal of the Australian illustrative financial statement formats;
- (b) removal of the majority of the Australian implementation guidance;
- (c) removal of the requirement to disclose the reason and justification for not using the Australian currency as the presentation currency;
- (d) removal of the requirement to disclose the length of the operating cycle where assets and liabilities are presented in a current/non-current format and there is an identifiable operating cycle that is greater than 12 months;
- (e) removal of the explicit requirement to disclose retained earnings attributable to the parent on the face of the balance sheet;
- (f) removal of the requirement to disclose the name of the entity on which there is an economic dependency and the nature of that economic dependency; and
- (g) addition of the requirement to disclose information that enables users to evaluate the entity's objectives, policies and processes for managing capital (as inserted by AASB 2005-10, refer below).

Illustrative examples

The disclosure requirements of revised AASB 101 are not illustrated in this model annual report as the Standard only applies to annual reporting periods beginning on or after 1 January 2007.

AASB 7 'Financial Instruments: Disclosures'

AASB 7 was issued in August 2005 and applies to annual reporting periods beginning on or after 1 January 2007. It replaces AASB 130 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure requirements specified by AASB 132 'Financial Instruments: Disclosure and Presentation'. It also results in consequential amendments to a number of other AASB standards (refer AASB 2005-10 below).

AASB 7 seeks to improve the information on financial instruments provided in an entity's financial report. It achieves this by requiring disclosure of both the significance of financial instruments to an entity's financial position and performance and the nature, extent and management of the resulting risk inherent in that exposure.

AASB 7 requires more substantial risk-related disclosures to be made. Both qualitative and quantitative risk-related disclosures are required, including minimum disclosures relating to credit, liquidity and market risk. Qualitative disclosures include a description of management's objectives, policies and processes for managing those risks while the quantitative disclosures relate to the extent to which the entity is exposed to risk.

AASB 7 is broader in scope than both AASB 130 and AASB 132, applying to all types of financial instruments of all types of entities (with some specified exceptions e.g. financial instruments relating to subsidiaries, employee benefits, and share-based payments) and requires more extensive disclosures. It also does not contain the parent entity disclosure relief previously contained in AASB 130 and 132. However, AASB 7 does not replicate the presentation requirements for banks and other financial institutions contained in AASB 130.

Significant changes from existing requirements

A number of the disclosures required by AASB 7 have been taken directly from AASB 132 and AASB 130 with minor wording changes. There are several significant additional disclosures that are introduced by the Standard, namely:

- (a) disclosures in respect of loans and receivables and financial liabilities classified as 'at fair value through profit or loss';
- (b) reconciliations of impairment allowances where the allowance is not netted off against the financial asset;
- (c) disclosure of ineffectiveness recognised in profit or loss in respect of cash flow hedges and hedges of net investments in foreign operations;
- (d) disclosure of all adjustments arising from fair value hedges;
- (e) the carrying amount and net gain or loss recognised for each class of financial asset;
- (f) details of sensitivity analyses for each type of market risk;
- (g) undiscounted liquidity analysis for all financial liabilities;
- (h) present quantitative information based on the information reported internally to key management personnel; and
- (i) removal of the disclosure exemption granted to parent entities where their separate financial statements are contained in the same financial report as the consolidated financial statements.

Disclosures in respect of loans and receivables and financial liabilities classified as 'at fair value through profit or loss'

Concerns raised by various regulators about the potential misuse of the fair value option in AASB 139 'Financial Instruments: Recognition and Measurement' indicated the need for more relevant disclosure where instruments are designated into this category. AASB 7 requires additional disclosure around the fair values.

Where a financial liability is classified as fair value through profit or loss increased disclosure is required to identify changes in the fair value of that financial liability that arose during the period and cumulatively since initial recognition of the liability. In addition to this disclosure, an entity is required to disclose the component of fair value change that is not attributable to changes in market conditions that give rise to market risk. AASB 132 required disclosure of changes not attributable to changes in the benchmark interest rate. The appendix to AASB 7 provides detailed guidance on how to calculate the amount that now needs to be disclosed.

Reconciliations of impairment provisions where it is not netted off against the financial asset

When financial assets are impaired by credit losses and the entity uses an allowance account rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets.

Disclosure of ineffectiveness recognised in profit or loss in respect of cash flow hedges and hedges of net investments in foreign operations

An entity shall disclose the ineffectiveness recognised in profit or loss that arises from cash flow hedges and from hedges of net investments in foreign operations.

Disclosure of all adjustments arising from fair value hedges

An entity should disclose the period movements in fair value of the hedging instrument as well as the adjustment in the period to the hedged item attributable to the hedged risk.

Carrying amount and net gain or loss recognised for each class of financial asset and financial liability

This disclosure is required for each class of financial asset and financial liability.

Details of sensitivity analysis for each type of market risk

AASB 7 provides a number of mandatory disclosures that are required to assist users identify and quantify the exposures of financial instruments to market risks.

Entities are required to disclose a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing:

- (a) how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;
- (b) the methods and assumptions used in preparing the sensitivity analysis; and
- (c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.

AASB 7 also includes a number of other requirements to enable a user to understand the exposure to market risks that are included in financial instruments.

Undiscounted liquidity analysis for all financial liabilities

Entities are required to disclose a maturity analysis showing the contractual maturity of financial liabilities in time bands that are appropriate to the entity. The amounts disclosed in that analysis will differ from the amounts included in the balance sheet as the balance sheet amounts are based on discounted cash flows.

Present quantitative information based on the information reported internally to key management personnel

AASB 7 requires an entity to report information to external users based on the type of information reported internally to key management personnel.

Removal of the disclosure exemption granted to parent entities where their separate financial statements are contained in the same financial report as the consolidated financial statements

AASB 132 states that 'If a financial report contains both the separate financial statements of the parent and the consolidated financial statements of an entity the disclosures required by paragraphs 51-93, Aus94.1, and 94 and 95 need be presented only for the consolidated financial statements.'. A similar exemption has not been included in AASB 7 and therefore all entities, even those that previously took this exemption under AASB 132, will be required to comply with AASB 7 in the separate financial statements of the parent, including comparative information.

Illustrative examples

The disclosure requirements of AASB 7 are not illustrated as this model annual report is intended to illustrate the minimum information to be disclosed in a special purpose financial report of a proprietary company in order to satisfy the reporting requirements of the Corporations Act 2001.

AASB 2005-10 'Amendments to Australian Accounting Standards' – consequential amendments due to AASB 7

As noted above, the release of AASB 7 resulted in a number of consequential amendments required to other AASB standards. AASB 2005-10 was issued in September 2005 and applies to annual reporting periods beginning on or after 1 January 2007.

AASB 2005-10 amends the following accounting standards:

- AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards';
- AASB 4 'Insurance Contracts';
- AASB 101 'Presentation of Financial Statements';
- AASB 114 'Segment Reporting';
- AASB 117 'Leases';
- AASB 132 'Financial Instruments: Disclosure and Presentation';
- AASB 133 'Earnings per Share';
- AASB 139 'Financial Instruments: Recognition and Measurement';
- AASB 1023 'General Insurance Contracts'; and
- AASB 1038 'Life Insurance Contracts'.

A number of the amendments are editorial to update references in the various accounting standards to refer to AASB 7. The key amendments to the accounting standards include:

- (a) AASB 132 – the title of AASB 132 is amended to AASB 132 'Financial Instruments – Presentation' and various paragraphs in the standard and the accompanying appendix have been amended or deleted in keeping with the transfer of all disclosure requirements to AASB 7;
- (b) AASB 101 – new requirements have been added to AASB 101 to require for-profit reporting entities to disclose information about its capital management, namely:
 - i. the entity's objectives, policies and processes for managing capital;
 - ii. quantitative data about what the entity regards as capital;
 - iii. any changes in i. and ii. from the previous period; and
 - iii. whether the entity has complied with any externally imposed capital requirements and if it has not complied, the consequences of such non-compliance.
- (c) AASB 1 – a voluntary exemption from the requirement to provide comparative disclosures for AASB 7 is introduced; and
- (d) AASB 4, AASB 1023, AASB 1038 – further disclosures about the nature and extent of risks arising from insurance contracts are required.

Illustrative examples

With the exception of amendments to AASB 101, the disclosure requirements of AASB 2005-10 are not illustrated as this model annual report is intended to illustrate the minimum information to be disclosed in a special purpose financial report of a proprietary company in order to satisfy the reporting requirements of the Corporations Act 2001.

New/Revised Standards applicable to reporting periods beginning 1 March 2007

AASB 2007-1 'Amendments to Australian Accounting Standards' – consequential amendments due to Interpretation 11

The AASB released Interpretation 11 'AASB 2 – Group and Treasury Share Transactions' in February 2007 and at the same time issued AASB 2007-1 'Amendments to Australian Accounting Standards' resulting in amendments to AASB 2 'Share-based Payment'.

The amendments to AASB 2 include a series of transitional provisions relevant to an entity applying the Standard for the first time. These were initially deleted by the AASB when drafting the Australian equivalents to IFRS, as transitional provisions were included as part of AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'. The inclusion of these provisions allows Interpretation 11 to have the same transitional provisions as IFRIC 11.

Illustrative examples

The disclosure requirements of AASB 2007-1 are not illustrated as this model annual report is intended to illustrate the minimum information to be disclosed in a special purpose financial report of a proprietary company in order to satisfy the reporting requirements of the Corporations Act 2001.

Proposed new standard applicable to reporting periods beginning 1 July 2007

AASB Exposure Draft 151 'Australian Additions to, and Deletions from, IFRSs'

The AASB released Exposure Draft ED 151 'Australian Additions to, and Deletions from, IFRSs' in November 2006 for comment by 31 January 2007. The exposure draft proposes that a resulting Standard be effective for annual reporting periods beginning on or after 1 July 2007, with early adoption permitted. A Standard resulting from the exposure draft is not expected until the second quarter of 2007.

ED 151 is part of the AASB's decision to make Australian accounting requirements for for-profit entities the same as IFRS. To this end, the exposure draft proposes reinstating various accounting policy options that were previously deleted in making the existing suite of A-IFRS, and removing Australian-specific disclosures that are not considered to be particularly relevant in the Australian reporting environment.

It does not appear that the AASB are intending to issue revised versions of the existing Standards in the manner of revised AASB 101 'Presentation of Financial Statements' (refer page A3). Rather, it appears that the AASB will release one amending Standard, most likely in the form of the 2007-XX series. Accordingly, entities should consider the effect of all the proposed changes before making a decision as to whether to early adopt the Standard. Entities should also consider whether to early adopt revised AASB 101 at the same time, in order to obtain the full benefits.

A summary of the proposals is included in the following table. Note that many of these disclosures are not illustrated as noted in 'exclusions' at the start of Section B.

Topic	Proposal(s)
Biological assets	<ul style="list-style-type: none"> remove Australian-included additional requirement to disclose the nature of biological assets and an estimate or relevant indication of their physical quantity, separately classified between 'plants' and 'animals' and sub-classified as appropriate to the circumstances of the entity, including separate disclosure of biological assets subject to a lease arrangement remove Australian-included additional disclosures of biological assets for which the entity's use or capacity to sell is subject to restrictions imposed by regulations or other external requirements that have a significant impact on their total fair value less point-of-sale costs
Cash flow statement	<ul style="list-style-type: none"> allow the option to disclose cash flows from operating activities using the 'indirect method' (refer page B25 for discussion of the indirect method). An illustrative cash flow statement prepared using the indirect method will be included in the Standard no longer require a reconciliation in the notes to the financial statements between profit and the net cash flow from operating activities (illustrated on page B66) no longer require dividends paid be classified as a financing cash outflow – allow dividends to be classified as an operating cash outflow
Changes in accounting policies	<ul style="list-style-type: none"> remove requirement to disclose the nature of a change in accounting policy made during the final current interim period of the annual reporting period and the financial effect of that change on prior interim financial reports of the current annual reporting period, where a separate interim financial report is not published for that final current interim period
Exemption from the requirement to present consolidated financial statements	<ul style="list-style-type: none"> remove Australian-included paragraph specifying which entities are required to present consolidated financial statements and reinstate deleted paragraphs in AASB 127 'Consolidated and Separate Financial Statements' to allow entities meeting certain criteria not to present consolidated financial statements. Such entities will be required to disclose information about their parent entity, subsidiaries, associates and joint ventures. However, ED 151 also proposes including a new Australian paragraph requiring the ultimate Australian parent to present consolidated financial statements when either the parent or the group is a reporting entity notwithstanding that it may meet the criteria to not do so reinsert deleted paragraphs in AASB 128 'Investments in Associates' and AASB 131 'Interests in Joint Ventures' to allow entities meeting certain criteria not to equity account their associates remove Australian-included paragraph specifying how investors who are exempted from equity accounting their associates should treat such investments
Subsidiaries, associates and interests in joint ventures	<ul style="list-style-type: none"> remove Australian-included requirement to disclose details of subsidiaries where parent entity financial statements are not prepared remove Australian-included requirement to disclose the reasons why control exists when the parent entity does not hold more than half the voting power remove Australian-included requirement to disclose details of each associate, the investor's share of profit or loss before income tax expense, share of income tax expense, impairment losses recognised and reversals thereof

Topic	Proposal(s)
	<ul style="list-style-type: none"> • remove Australian-included disclosures about jointly controlled operations and assets and reinstate deleted disclosure paragraph in IAS 31 'Interests in Joint Ventures' requiring disclosure of a listing and description of interests in significant joint ventures • remove Australian-included disclosures about jointly controlled entities and reinstate deleted disclosure paragraph in IAS 31 'Interests in Joint Ventures' requiring disclosure of a listing and description of interests in significant joint ventures, the proportion of ownership interest held in jointly controlled entities, and the aggregate amounts of each of current assets, long-term assets, current liabilities, long-term liabilities, income and expenses related to interests in joint ventures
Earnings per share	<ul style="list-style-type: none"> • extend scope of AASB 133 to also apply to entities that have on issue, or who are in the process of listing for issue, only potential ordinary shares • remove requirement to present an additional EPS calculation using an alternative denominator when there had been a major capital restructuring during the period • remove requirement to disclose converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted EPS
Employee benefits	<ul style="list-style-type: none"> • remove statement that Australia does not have a sufficiently active and liquid market for high quality corporate bonds and the direction that market yields on government bonds be used to discount post-employment obligations denominated in Australian dollars. However, include an Australian requirement for not-for-profit public sector entities to determine the appropriate discount rate in this manner • remove Australian-included additional disclosures in relation to defined benefit plans
Financial instruments	<ul style="list-style-type: none"> • remove requirement to disclose details of credit standby arrangements and a summary of used and unused loan facilities. However, disclosure of similar information is encouraged by AASB 107 'Cash Flow Statements' • for financial institutions, remove Australian-included additional disclosure in relation to the requirement to present an analysis of interest income and expense for each major category of interest-bearing asset and interest-bearing liabilities, identification of the classes of assets and liabilities that must be presented in a maturity analysis, details about restructured loans and assets acquired through the enforcement of security, and the nature and extent of fiduciary activities
Government grants – for-profit entities only	<ul style="list-style-type: none"> • allow entities receiving a government grant in the form of a transfer of a non-monetary asset for its use the option of initially recognising both the asset and the grant at a nominal amount • allow entities receiving a government grant related to assets the option of presenting the grant as an offset against the carrying amount of those assets • allow entities receiving a government grant related to income the option of presenting the grant as a deduction from the related expense
Income taxes	<ul style="list-style-type: none"> • remove of the requirement to disclose the reasons for classifying exchange differences on deferred foreign tax assets and liabilities as part of deferred tax expense or income • allow entities the option to provide an explanation of the relationship between accounting profit and tax expense by way of a reconciliation between the average effective tax rate and the applicable tax rate
Interests in joint ventures – proportionate consolidation	<ul style="list-style-type: none"> • allow entities the option to account for jointly controlled entities by way of proportionate consolidation. In so doing, ED 151 proposes reinserting all the AASB-deleted paragraphs in AASB 131 'Interests in Joint Ventures' • require disclosure of the method used to account for jointly controlled entities • amend the definitions of segment revenue, segment expenses, segment assets and segment liabilities to clarify that proportionately consolidated amounts should be included in segment information • include paragraph encouraging entities to disclose the aggregate amounts of cash flows from operating, investing and financing activities related to interests in joint ventures accounted for using proportionate consolidation

Topic	Proposal(s)
Interim financial reporting	<ul style="list-style-type: none"> remove Australian paragraph specifying that a parent who prepares an interim financial report shall include consolidated financial statements in that report and to reinsert a deleted paragraph that requires the interim financial report to be prepared on a consolidated basis where the most recent annual statements were consolidated financial statements remove Australian-included additional disclosures about the financial effect of each subsequent event, and dividends recognised and unrecognised
Separate financial statements (note: the changes proposed may affect the manner in which entities account for associates and joint venture entities)	<ul style="list-style-type: none"> remove Australian-included requirement to display an explicit statement that the interim financial report be read in conjunction with the most recent annual financial report remove Australian-included requirement to, where appropriate, clearly identify the financial statements as condensed financial statements and that the interim financial report does not include notes of the type normally included in an annual financial report remove requirement that voluntary disclosures be made in a manner consistent with other Australian Accounting Standards, to the extent dealt with by those other standards amend definition of separate financial statements to be as follows: 'separate financial statements are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees' identify the financial statements of an entity that does not have a subsidiary, associate or venturer's interest in a jointly controlled entity as not being separate financial statements identify the financial statements of an entity which applies equity accounting as not being separate financial statements reinsert deleted paragraph in AASB 131 noting that, where the equity method is used to recognise interests in jointly controlled entities, the venturer shall recognise its interest using the equity method irrespective of whether it also has investments in subsidiaries or describes its financial statements as consolidated financial statements
Other	<ul style="list-style-type: none"> remove paragraph clarifying, for Australian entities, the body that has the authority for authorising financial reports (in the case of companies, the directors) remove requirement to disclose the reason and justification for not using the Australian currency as the presentation currency (note: unless revised AASB 101 'Presentation of Financial Statements' is operative, this disclosure will continue to be required) remove two 'reminder' paragraphs from AASB 127 'Consolidated and Separate Financial Statements'

The AASB is also proposing to retain a number of the existing differences as they are the subject of other on-going projects. These are detailed below:

- definition of a reporting entity (included in AASB 3 'Business Combinations')
- grandfathering of the requirements in respect of insurance contracts under the scope of AASB 1023 'General Insurance Contracts' and AASB 1038 'Life Insurance Contracts'
- grandfathering of area of interest accounting requirements for entities operating in the resources industry
- definitions of 'director', 'disclosing entity' and 'remuneration'
- the extensive disclosures required for disclosing entities with respect to key management personnel and their related parties
- disclosure of the ultimate Australian parent entity and ultimate foreign incorporated parent entity
- commentary on when and whether control exists in the public sector.

New Standards applicable to reporting periods beginning 1 July 2008

AASB 1049 'Financial Reporting of General Government Sectors by Governments'

AASB 1049 was issued in September 2006 and applies to annual reporting periods beginning on or after 1 July 2008. The Standard applies to the Australian Government and to each State and Territory Government.

AASB 1049 requires a government to prepare a financial report for its general government sectors ('GGS') in accordance with the requirements of the Standard. The GGS financial report is prepared in addition to the government's whole of government financial report. AASB 1049 amends certain requirements of other Accounting Standards for the purposes of preparing a GGS financial report; the significant differences between this Standard and other Accounting Standards include the specification of the entities to be consolidated, the accounting for investments in controlled entities in other sectors that are not consolidated, and the presentation of the GGS financial statements and notes thereto.

For further information about this Standard, please contact your nearest Deloitte Touche Tohmatsu office.

AASB 2007-2 'Amendments to Australian Accounting Standards'

AASB 2007-2 was issued in February 2007 and applies to annual reporting periods beginning on or after 1 January 2008. If an entity elects to early adopt Interpretation 12 'Service Concession Arrangements', this Standard must also be adopted at the same time.

AASB 2007-2 provides an optional exemption from the requirement in AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' that requires entities to restate prior period information as though an Interpretation had always applied. The Standard permits entities to apply Interpretation 12 from the start of the earliest period presented if it is impractical for the entity to apply the Interpretation retrospectively to that arrangement.

Illustrative examples

The disclosure requirements of AASB 2007-2 are not illustrated as this model annual report is intended to illustrate the minimum information to be disclosed in a special purpose financial report of a proprietary company in order to satisfy the reporting requirements of the Corporations Act 2001.

New/Revised Standards applicable to reporting periods beginning 1 January 2009

AASB 8 'Operating Segments'

AASB 8 applies to for-profit entities and is effective for annual reporting periods beginning on or after 1 January 2009 and supersedes AASB 114 'Segment Reporting'. The Standard applies to entities whose debt or equity instruments are traded in a public market or that files, or is in the process of filing, financial statements with a securities commission or other regulatory organisation for the purposes of issuing instruments in a public market.

The key requirements of AASB 8 are as follows:

- (a) requires 'operating segments' to be identified, with information to be disclosed about each reportable operating segment. An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available
- (b) identifies the 'chief operating decision maker' as a function, and recognises the chief executive office, chief operating office, and group of executive directors as a possible 'chief operating decision maker'
- (c) specifies that a reportable segment may be an individual segment or the result of the aggregation of two or more segments that have similar economic characteristics and other specified aspects, and which meet certain quantitative criteria
- (c) requires that each segment item reported be the measure reported to the chief operating decision maker for the purposes of making decisions about allocating resources to the segment and assessing its performance
- (d) regardless of whether the entity has more than one segment, and unless the necessary information is not available and the cost to develop it would be excessive, the following disclosures:
 - i. revenues from external customers for each product and service, or each group of similar products and services
 - ii. revenues from external customers attributed to the entity's country of domicile
 - iii. revenues from external customers attributed to all foreign countries in total from which the entity derives revenues, disclosing separately material revenues attributed to an individual foreign country
 - iv. the basis for attributing revenues from external customers to individual countries
 - v. non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) located in the entity's country of domicile
 - vi. non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) located in all foreign countries in total in which the entity holds assets, disclosing separately material assets in an individual foreign country
 - vii. where revenues from transactions with a single external customer equal or exceed 10 per cent or more of entity revenues, that fact, the total amount of revenues from each such customer, and the identity of the segment(s) reporting these revenues. A 'single external customer' may be a group of entities under common control
- (d) requires disclosure of general information about the segments, including:
 - i. the factors used to identify the entity's reportable segments, including the basis of organisation
 - ii. the types of products and services from which each reportable segment derives its revenues
- (e) requires disclosure of information about segment profit or loss, assets and liabilities, and their measurement, including:
 - i. a measure of profit or loss for each reportable segment
 - ii. the following specified amounts, if included in the measure of segment profit or loss reviewed by the chief operating decision maker, or if regularly provided to the chief operating decision maker, even if not included in the measure of segment profit or loss: revenues from external customers, inter-segment revenues, interest revenue and interest expense (in certain circumstances, net interest may be disclosed instead), material items of income and expenses, equity accounted profit or loss, income tax expense/income, depreciation and amortisation, and other material non-cash items

- iii. a measure of total assets for each reportable segment
 - iv. the following specified amounts, if included in the measure of segment assets reviewed by the chief operating decision maker, or if regularly provided to the chief operating decision maker, even if not included in the measure of segment profit or loss: the amount of equity accounted investments, and capital additions
 - v. a measure of total liabilities for each reportable segment, if such an amount is regularly provided to the chief operating decision maker
 - vi. the basis of accounting for any transactions between reportable segments
 - vii. the nature of any differences between measurements of reportable segment profit/loss, assets and liabilities and entity profit/loss before income tax, assets and liabilities
 - viii. the nature of any changes from prior periods in the measurement methods used to determine segment profit/loss and the effect of the changes on the measure of segment profit/loss
 - ix. the nature and effect of any asymmetrical allocations to reportable segments
- (e) requires the following segment information to be reconciled back to entity information:
- i. total reportable segment revenues to entity revenue
 - ii. total reportable segment profit or loss to entity profit or loss before income tax and discontinued operations
 - iii. total reportable segment assets to entity assets
 - iv. total reportable segment liabilities to entity liabilities
 - v. total of the reportable segment amounts for other material items disclosed to the corresponding entity amount
- (f) requires the restatement of comparative information if an entity changes the structure of its internal organisation in a manner that causes the composition of its reportable segments to change, and disclosures about the restatement. An entity is permitted not to present restated information where the information is not available and the cost to develop it would be excessive, however, various disclosures are required in these circumstances.

Illustrative examples

The disclosure requirements of AASB 8 are not illustrated as this model annual report is intended to illustrate the minimum information to be disclosed in a special purpose financial report of a proprietary company in order to satisfy the reporting requirements of the Corporations Act 2001.

AASB 2007-3 'Amendments to Australian Accounting Standards'

AASB 2007-3 was issued in February 2007 and applies to annual reporting periods beginning on or after 1 January 2009 with early adoption permitted. The Standard contains consequential amendments arising from the issuance of AASB 8 'Operating Segments', which affect the following standards:

- AASB 5 'Non-current Assets Held for Sale and Discontinued Operations';
- AASB 6 'Exploration for and Evaluation of Mineral Resources';
- AASB 102 'Inventories';
- AASB 107 'Cash Flow Statements';
- AASB 119 'Employee Benefits';
- AASB 127 'Consolidated and Separate Financial Statements';
- AASB 134 'Interim Financial Reporting';
- AASB 136 'Impairment of Assets';
- AASB 1023 'General Insurance Contracts'; and
- AASB 1038 'Life Insurance Contracts'.

The majority of these amendments relate to required referencing changes from AASB 114 'Segment Reporting' to AASB 8, as well as updating language drawn from these Standards. Amendments to AASB 1023 and AASB 1038 remove requirements to present segment information in compliance with AASB 114 and geographical segments to be determined on the basis of the location of risks insured. The amendments will also require entities preparing financial reports in accordance with AASB 134 to disclose more segment information, consistent with the new basis specified by AASB 8 of identifying and presenting information about segments.

Illustrative examples

With the exception of amendments to AASB 107, the disclosure requirements of 2007-3 are not illustrated, as this model annual report is intended to illustrate the minimum information to be disclosed in a special purpose financial report of a proprietary company in order to satisfy the reporting requirements of the Corporations Act 2001. Disclosures arising from amendments to AASB 107 are effective for annual reporting periods beginning on or after 1 January 2009, and as such, have not been disclosed in the annual report.

New Australian Interpretations applicable to reporting periods beginning 1 December 2005

Interpretation 6 'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'

Interpretation 6 provides guidance on the recognition, in the financial statements of producers, of liabilities for waste management under the European Union Directive on Waste Electrical and Electronic Equipment (WE&EE) in respect of sales of historical household equipment. The Interpretation does not provide guidance on measurement of such liabilities. The European Union's Directive on WE&EE requires that the cost of waste management for electrical and electronic equipment sold to private households before 13 August 2005 (historical waste) should be borne by manufacturers that are in the market for that type of equipment during the measurement period, as defined by the individual Member States of the European Union. That is, for an entity to be required to contribute to the cost of historical waste management, they must

have a market share during the measurement period. The market share, measurement period and method of computing the cost of waste management may be defined differently in the legislation of individual Member States of the European Union. The Interpretation 6 consensus is that participation in the market during the measurement period is the obligating event for recognising the cost of historical waste. Because the obligation for historical waste is linked to participation in the market during the measurement period, rather than to production or sale of the items to be disposed of, there is no obligation unless and until a market share exists during the measurement period.

The Interpretation applies to annual reporting periods beginning on or after 1 December 2005.

Illustrative examples

Interpretation 6 does not contain any disclosure requirements.

New Australian Interpretations applicable to reporting periods beginning 1 January 2006

Interpretation 4 'Determining whether an Arrangement contains a Lease'

The Urgent Issues Group agreed that whether an arrangement is, or contains, a lease shall be determined based on the substance of the arrangement and requires an assessment of whether:

- (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset). The asset need not be explicitly identified by the contractual provisions of the arrangement. Rather, it may be implicitly specified because it is not economically feasible or practical for the supplier to fulfil the arrangement by providing use of alternative assets; and
- (b) the arrangement conveys a right to use the asset. This will be the case if any of the following conditions is met:
 - i. the purchaser has the ability or right to operate the asset or direct others to operate the asset (while obtaining or controlling more than an insignificant amount of the output of the asset); or
 - ii. the purchaser has the ability or right to control physical access to the asset (while obtaining more than an insignificant amount of the output of the asset); or
 - iii. there is only a remote possibility that parties other than the purchaser will take more than an insignificant amount of the output of the asset, and the price that the purchaser will pay is neither fixed per unit of output nor equal to the current market price at the time of delivery.

The assessment of whether an arrangement contains a lease shall be made at the inception of the arrangement, being the earlier of the date of the arrangement and the date of commitment by the parties to the principal terms of the arrangement, on the basis of all of the facts and circumstances. A reassessment of the arrangement is permitted (and indeed required) only in the event of limited changes in circumstances being:

- (a) there is a change in the contractual terms, unless the change only renews or extends the arrangement;
- (b) a renewal option is exercised or an extension is agreed to by the parties to the arrangement, unless the term of the renewal or extension had initially been included in the lease term in accordance with AASB 117;
- (c) there is a change in the determination of whether fulfilment is dependent on a specified asset; or
- (d) there is a substantial change to the asset, for example a substantial physical change to property, plant or equipment.

If an arrangement is reassessed and is determined to contain a lease (or not contain a lease), lease accounting should be applied (or should cease to apply) from the date of change in circumstances.

The Urgent Issues Group agreed that for the purpose of applying AASB 117, payments and other consideration under the arrangement are separated into those for the lease and those for other elements in the arrangement on the basis of their fair values. The minimum lease payments for the purposes of AASB 117 include only payments for the lease (i.e. for the right to use the asset) and exclude payments for other elements in the arrangement (e.g. for services and the cost of inputs). Where a purchaser determines that it is impracticable to separate the payments reliably, the Urgent Issues Group agreed that the purchaser shall:

- (a) in the case of a finance lease, recognise an asset and a liability at an amount equal to the fair value of the underlying asset that was identified as the subject of the lease. Subsequently the liability shall be reduced as payments are made and an imputed finance charge on the liability recognised using the purchaser's incremental borrowing rate of interest; or
- (b) in the case of an operating lease, treat all payments under the arrangement as lease payments for the purposes of complying with the disclosure requirements of AASB 117, but:
 - i. disclose those payments separately from minimum lease payments of other arrangements that do not include payments for non-lease elements; and
 - ii. state that the disclosed payments also include payments for non-lease elements in the arrangement.

Interpretation 4 is not required to be applied retrospectively, either on first-time adoption or later. Where the exemption from retrospective application is availed of, entities need only apply the Interpretation to arrangements existing at the start of the earliest period for which comparative information under A-IFRS is presented (the date of transition on first-time adoption). The assessment of such arrangements is based on the facts and circumstances existing at the start of that period, rather than retrospectively assessing each arrangement at the date of its inception.

The Interpretation does not provide guidance on determining whether such arrangements should be accounted for as finance or operating leases.

The Interpretation applies to annual reporting periods beginning on or after 1 January 2006.

Illustrative examples

The disclosure requirements of Interpretation 4 are not illustrated as this model annual report is intended to illustrate the minimum information to be disclosed in a special purpose financial report of a proprietary company in order to satisfy the reporting requirements of the Corporations Act 2001.

Interpretation 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'

Interpretation 5 applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds where the assets are administered separately (either by being held in a separate legal entity or as segregated assets within another entity) and the contributor's right to access the assets is restricted.

The Urgent Issues Group agreed that a contributor shall recognise its obligation to pay decommissioning costs as a liability and recognise its interest in the fund separately unless the contributor is not liable to pay decommissioning costs even if the fund fails to pay. When a contributor has a potential obligation to make additional contributions, for example, in the event of the bankruptcy of another contributor, or if the value of the investments held by the fund decreases to an extent that they are insufficient to fulfill the fund's reimbursement obligations, this obligation is a contingent liability that is accounted for under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'. The contributor will recognise a liability only if it is probable that additional contributions will be made.

The Urgent Issues Group also agreed that a contributor shall determine whether it has control, joint control or significant influence over the fund and account for its interest in the fund in accordance with the appropriate of AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. In the absence of control, joint control, or significant influence, the contributor's right to reimbursement from the fund is accounted for in accordance with the rules set out in AASB 137 in respect of reimbursements. The reimbursement should be measured at the lower of the amount of the decommissioning obligation recognised, and the contributor's share of the fair value of the net assets of the fund attributable to contributors. Changes in the carrying of the right to receive reimbursement other than contributions to and payments from the fund should be recognised in profit or loss in the period in which those changes occur.

Disclosure is required of the nature of the contributor's interest in a fund and any restrictions on access to the assets in the fund. When a contributor has an obligation to make potential additional contributions that is not recognised as a liability or when a contributor does not have control, joint control or significant influence over the fund, it shall make the disclosures of contingent liabilities and/or reimbursement required by AASB 137.

The Interpretation applies to annual reporting periods beginning on or after 1 January 2006.

Illustrative examples

The disclosure requirements of AASB Interpretation 5 are not illustrated as this model annual report is intended to illustrate the minimum information to be disclosed in a special purpose financial report of a proprietary company in order to satisfy the reporting requirements of the Corporations Act 2001.

New Australian Interpretations applicable to reporting periods beginning 1 March 2006

Interpretation 7 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies'

AASB 129 'Financial Reporting in Hyperinflationary Economies' requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date. Comparative figures for prior periods should be restated into the same current measuring unit.

Interpretation 7 contains guidance on how an entity would restate its financial statements in the first year it identifies the existence of hyperinflation in the economy of its functional currency.

The Urgent Issues Group agreed that in the period in which the economy of an entity's functional currency becomes hyperinflationary, the entity shall apply the requirements of AASB 129 as though the economy had always been hyperinflationary. The effect of this requirement is that restatements of non-monetary items carried at historical cost are made from the dates at which those items were first recognised; for other non-monetary items the restatements are made from the dates at which revised current values for those items were established.

The Urgent Issues Group also agreed that deferred tax amounts in the opening balance sheet are determined in two stages:

- (a) Deferred tax items are remeasured in accordance with AASB 112 after restating the nominal carrying amounts of the non-monetary items in the opening balance sheet by applying the measuring unit at that date.
- (b) The deferred tax items remeasured in this way are restated for the change in the measuring unit from the date of the opening balance sheet to the date of the closing balance sheet.

The Interpretation is effective for annual periods beginning on or after 1 March 2006.

Illustrative examples

Interpretation 7 does not contain any disclosure requirements.

New Australian Interpretations applicable to reporting periods beginning 1 May 2006

Interpretation 8 'Scope of AASB 2'

Interpretation 8 clarifies that AASB 2 'Share-based Payment', applies to transactions in which the entity cannot specifically identify some or all of the goods or services received. The interpretation does not apply to transactions excluded from the scope of AASB 2.

The Urgent Issues Group agreed that:

- (a) identifiable goods and services shall be measured in accordance with AASB 2;
- (b) unidentifiable goods or services received or receivable will be measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received or receivable; and
- (c) unidentifiable goods or services received are measured at the grant date. For cash-settled transactions, the liability is required to be remeasured at each reporting date.

The Interpretation is effective for annual periods beginning on or after 1 May 2006.

Illustrative examples

Interpretation 8 does not contain any disclosure requirements.

New Australian Interpretations applicable to reporting periods beginning 1 June 2006

Interpretation 9 'Reassessment of Embedded Derivatives'

The Interpretation clarifies whether an entity should reassess whether an embedded derivative needs to be separated from the host contract after the initial hybrid contract is recognised. The Interpretation concludes that reassessment is prohibited, unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

The Interpretation is effective for annual periods beginning on or after 1 June 2006.

Illustrative examples

Interpretation 9 does not contain any disclosure requirements.

New Australian Interpretations applicable to reporting periods beginning 1 November 2006

Interpretation 10 'Interim Financial Reporting and Impairment'

AASB 136 'Impairment of Assets' and AASB 139 'Financial Instruments: Recognition and Measurement' do not permit the reversal of impairment losses recognised in relation to goodwill and certain financial assets. Interpretation 10 clarifies whether impairment losses recognised in the interim period in relation to such assets should be reversed where a loss would not have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only at a subsequent balance sheet date. The Interpretation concludes that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost shall not be reversed.

The consensus decision shall not be extended by analogy to other areas of potential conflict between AASB 134 'Interim Financial Reporting' and other standards.

The Interpretation shall be applied to goodwill prospectively from the date at which an entity first applied AASB 136, and to investments in equity instruments or in financial assets carried at cost prospectively from the date at which an entity first applied the measurement criteria of AASB 139.

The Interpretation is effective for annual periods beginning on or after 1 November 2006.

Illustrative examples

Interpretation 10 does not contain any disclosure requirements.

New Australian Interpretations applicable to reporting periods beginning 1 March 2007

Interpretation 11 'AASB 2 – Group and Treasury Share Transactions'

Interpretation 11 addresses whether various transactions should be treated as equity-settled or cash-settled in accordance with the requirements of AASB 2 'Share-based Payment'. The Interpretation clarifies that:

- (a) share-based payment arrangements in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled, regardless of how the share-based arrangement is settled and whether the rights to the equity instruments are granted by the entity or by its shareholders
- (b) where a subsidiary grants rights to equity instruments of its parent to its employees and the subsidiary has the obligation to provide its employees with the equity instruments, the subsidiary should treat this arrangement as a cash-settled share-based payment transaction, regardless of how the equity instruments are obtained
- (c) where a parent grants rights to its equity instruments to employees of its subsidiary and the parent has the obligation to deliver the equity instruments, provided that the arrangement is treated as equity-settled in the consolidated financial statements, the subsidiary shall measure services received from its employees based on the transaction being accounted for as equity-settled, and should recognise a capital contribution in equity.

The Interpretation further clarifies that when the share-based payment arrangement is such that an employee is able to transfer between group companies without any change to the non-market vesting conditions of the original share-based payment transaction, and without his or her right to equity instruments being affected, the change in employment from one group entity to another does not represent a new grant of equity instruments (nor a failure to meet a non-market vesting condition) because the equity instruments were granted by the parent rather than the subsidiary company.

Each subsidiary is to measure the services received from the employee based on the original grant date fair value of the equity instrument and the proportion of the vesting period served by the employee with the subsidiary. If an employee fails to satisfy the non-market vesting conditions, in accordance with AASB 2, each subsidiary will adjust the amount previously recognised such that, on a cumulative basis, no amount is recognised for the services of that employee in any subsidiary.

The Interpretation is effective for annual reporting periods beginning on or after 1 March 2007.

Illustrative examples

Interpretation 11 does not contain any disclosure requirements.

New Australian Interpretations applicable to reporting periods beginning 1 January 2008

Interpretation 12 ‘Service Concession Arrangements’

Service concessions are arrangements whereby a government or other public sector entity (‘the grantor’) grants contracts for the supply of public services (e.g. roads) to private sector operators. The Interpretation addresses the accounting by service concession operators in instances where the grantor controls the use of the infrastructure and any significant residual interest in the infrastructure at the end of the term of the arrangement. ‘Whole of life’ type arrangements are also scoped into the Interpretation.

The Interpretation clarifies that, for arrangements within its scope, the infrastructure assets received or constructed by operators are not property, plant and equipment of the operator. However, certain assets may have been provided to the operator by the grantor as a form of consideration of their services – these should be recognised as assets of the operator.

Revenue and costs relating to the construction or upgrade of the infrastructure assets are recognised in income in accordance with AASB 111 ‘Construction Contracts’. During this phase, depending on the terms of the arrangement, the resulting asset is recognised by the operator as either:

- (a) a financial asset (where the operator is entitled to receive a specific amount of cash over the arrangement’s life);
- (b) an intangible asset (where the operator’s future cash flows are contingent); or
- (c) both a financial asset and an intangible asset (where the operator’s return is provided partially by a financial asset and partially by an intangible asset).

The operator shall recognise revenue and costs relating to operation services in accordance with AASB 118 ‘Revenue’.

The Interpretation is effective for annual reporting periods beginning on or after 1 January 2008.

The issue of the Interpretation results in consequential amendments to allow the use of the transitional provisions in the Interpretation by a first-time adopter of A-IFRS, refer AASB 2007-2, and amendment of the scope of Interpretation 4 ‘Determining whether an Arrangement Contains a Lease’ to scope out service concession arrangements within the scope of Interpretation 12.

Illustrative examples

Interpretation 12 does not contain any disclosure requirements.

New Australian rejected issues

Some issues that are raised for consideration to the AASB are either not added to the agenda or else are removed from the agenda when it is decided that an Interpretation will not be issued. For such issues, the AASB normally provides its reasons for rejecting the issue. While the conclusions reached in the rejected issues are of the form of non-binding guidance, they represent the AASB’s decisions on the issue, and accordingly, diversity from the conclusions reached is not expected.

The following rejected issues have been placed on the AASB’s website since May 2005:

Employee share loan plans (AASB 2 ‘Share-based Payment’)

Under many such employee share loan plans, employee share purchases are facilitated by means of a loan from the issuer with recourse only to the shares. The issue that was to be considered was whether the loan should be considered part of the potential share-based payment, with the entire arrangement treated as an option under AASB 2 ‘Share-based Payment’, or whether the loan should be accounted for separately as a financial asset.

The IFRIC concluded, and the AASB agreed, that the issue of shares using the proceeds of a loan made by the share issuer, when the loan is recourse only to the shares, would be treated as an option grant in which options were exercised on the date or dates when the loan was repaid.

Inventory rebates and settlement discounts (AASB 102 ‘Inventories’)

The IFRIC agreed, and the AASB concurred that:

- (a) settlement discounts should be deducted from the cost of inventories; and
- (b) AASB 102 ‘Inventories’ requires only those rebates and discounts that have been received as a reduction in the purchase price of inventories to be taken into consideration in the measurement of the cost of the inventories.
Rebates that specifically and genuinely refund selling expenses would not be deducted from the cost of inventories.

The AASB further agreed that:

- (c) when a rebate represents a reimbursement of a specific, incremental, identifiable cost incurred by an entity in selling a supplier’s products and the amount of the rebate credited or paid by the supplier exceeds the cost being reimbursed, the excess amount should be deducted from the cost of inventories;
- (d) when there is a binding agreement that requires the supplier to credit or pay a rebate provided the entity completes a specified cumulative level of purchases or remains a customer for a specified period of time, the rebate should be recognised as a reduction of the cost of purchases, provided the rebate is probable and reliably measurable. The entity should measure the rebate based on the amount expected to be received in relation to the underlying transactions that have occurred during the reporting period and that result in progress by the entity toward achieving the specified requirements for receiving the rebate; and
- (e) rebates that are discretionary should be recognised by the entity at the earlier of:
 - i. when credited or paid by the supplier; and

- ii. when the supplier becomes obligated to credit or pay them.

Scope (AASB 112 'Income Taxes')

AASB 112 'Income Taxes' applies to income taxes, which are defined as taxes that are based on taxable profits. The IFRIC noted that this implies not all taxes are within the scope of IAS 12 'Income Taxes', but, because taxable profit is not the same as accounting profit, taxes do not need to be based on a figure that is exactly accounting profit to be within the scope. The IFRIC further noted that 'taxable profit' implies the notion of a net rather than gross amount, and that any taxes not in the scope of IAS 12 are in the scope of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

The AASB concurred with the IFRIC's observations, and further agreed that Australian petroleum resource rent tax (PRRT) is within the scope of AASB 112. However, at its December 2006 meeting, the AASB decided to remove its statement about PRRT from the rejection statement and to appoint a panel to advise the AASB on the matter.

Capitalised software (AASB 116 'Property, Plant and Equipment', AASB 138 'Intangible Assets')

AASB 138 'Intangible Assets' states that in determining whether an asset that incorporates both intangible and tangible elements should be treated under AASB 116 'Property, Plant and Equipment' or as an intangible asset, an entity uses judgement to assess which element is more significant. It also explains that the operating system of a computer is treated as property, plant and equipment because the computer cannot operate without it, whereas computer software that is not an integral part of the related hardware is treated as an intangible asset.

Additional guidance was requested on the classification of computer software as tangible or intangible assets.

The AASB decided not to add this issue to the Urgent Issues Group's agenda on the grounds that the principle is clearly and appropriately stated in paragraph 4 of AASB 138, with the result that application software normally would be classified as intangible assets. However, as stated in that paragraph, judgement is required in distinguishing property, plant and equipment and intangible assets.

Leases: Recognition of contingent rentals (AASB 117 'Leases')

AASB 117 'Leases' requires lease payments under an operating lease to be recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit. The IFRIC noted that IAS 17 'Leases' is unclear on whether an estimate of contingent rentals payable/receivable under an operating lease should be included in the total lease payments/lease income to be recognised on a straight-line basis over the lease term, but that however, this has not, in general, led to contingent rentals being included in the amount to be recognised on a straight-line basis over the lease term.

The AASB concurred with the IFRIC view, and noted that the section 'Differences between AASB 117 and AASB 1008' appended to AASB 117 (July 2004) relating to this matter is now superseded.

Direct costs affecting a financial instrument's effective interest rate (AASB 118 'Revenue', AASB 139 'Financial Instruments: Recognition and Measurement')

A conflict apparently exists between AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 118 'Revenue' in relation to the costs that can be included in the carrying amount of a financial asset, and has bearing on the recognition of interest revenue via the effective interest method. AASB 139 refers to the inclusion of 'transaction costs', which are defined as incremental costs. However, the example in the Appendix to AASB 118 refers to deferring 'related direct costs' as an adjustment of the effective interest rate. Such direct costs may not be incremental.

The AASB decided not to add this project to the Urgent Issues Group's agenda on the grounds that:

- (a) AASB 139 allows only costs that are incremental to be included in determining the effective interest rate; other costs that are not incremental are excluded, even if they are related to the origination fee; and
- (b) the Appendix guidance in AASB 118 'Revenue' does not override the specific requirements of AASB 139.

Classification of long-service leave liabilities (AASB 119 'Employee Benefits', AASB 132 'Financial Instruments: Disclosure and Presentation')

The issue for consideration was whether long-term employee benefit liabilities, such as long-service leave, are financial liabilities under AASB 132 'Financial Instruments: Disclosure and Presentation' or are treated only as liabilities arising under AASB 119 'Employee Benefits'. This affects the presentation and disclosure of employee benefit liabilities in financial reports.

The IFRIC concluded, and the AASB agreed, that AASB 119 indicates that employee benefit plans include a wide range of formal and informal arrangements, and that it is therefore clear that the exclusion of employee benefit plans from AASB 132 includes all employee benefits covered by AASB 119.

Subscriber acquisition costs in the telecommunications industry

The issue for consideration was how a provider of telecommunications services should account for telephone handsets it provides free of charge or at a reduced price to customers who subscribe to service contracts.

The AASB decided not to add this project to their agenda on the grounds that the Australian requirements are clearly stated in Interpretation 1042 'Subscriber acquisition costs in the telecommunications industry', with the result that divergent practices are not expected in Australia.

Proposed changes to the Corporations Act 2001

Corporate and financial services regulation review proposals paper

The Treasury released the Corporate and Financial Services Regulation Review Proposals Paper in November 2006 for public comment. At the time of printing, the comment period on the proposal paper had closed, and the stated intention was for the proposals to be introduced to Parliament in the form of the *Simpler Regulatory System Bill* in 2007.

While entities should be aware of the proposals, the proposals are unlikely to become law for this reporting period. Deloitte will provide updates on the progress of the proposed Bill as it develops.

The objective of the proposals paper is to simplify and improve regulation in the areas of financial services, company reporting obligations, auditor independence, corporate governance, fundraising, takeovers, and compliance.

Some of the key proposals affecting company reporting obligations include:

- raising the threshold for qualifying as a large proprietary company to either:
 - i. consolidated gross operating revenue for the financial year of the company and the entities it controls is \$25 million or more; or
 - ii. consolidated gross assets at the end of the financial year of the company and the entities it controls is \$12.5 million or more.

The employee threshold test would be removed.

- removing the lodgement relief available to certain large proprietary companies pursuant to the 'grandfathering' provisions of the former s.319(4) of the Corporations Law (which continued to apply in accordance with s.1408(6) of the Corporations Act 2001)
- incorporating financial reporting relief for wholly-owned subsidiaries within the Corporations Act 2001
- having the requirements for remuneration disclosures (other than those required to comply with IFRS) to be contained solely within the Corporations Act 2001, and requiring all disclosing entities to prepare an audited remuneration report
- introducing a requirement for companies to disclose the board's policy on executives and directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package and how the company enforces this policy
- amending the default option for receiving annual reports to be via an entity's website rather than hard copies

Some of the other changes may also be of interest to companies. These include amendments to the related party approval thresholds and the director amounts threshold, and rules around prospectuses and product disclosure statements.

Differential reporting

The reporting entity concept

The reporting entity concept was adopted by the accounting profession in June 1992 in an attempt to reduce the reporting requirements imposed on certain entities by the application of Accounting Standards. Under this concept, 'reporting entities' are required to prepare a financial report in compliance with all Accounting Standards and Interpretations, referred to as general purpose financial reports (GPFs). 'Non-reporting entities', however, have the option to prepare special purpose financial reports (SPFRs) in compliance with those Accounting Standards and Interpretations considered necessary to enable the financial reports to meet the special purpose needs of the users.

A 'general purpose financial report' is defined in AASB 101 'Presentation of Financial Statements' as 'a financial report intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs'. A 'special purpose financial report' is 'a financial report other than a general purpose financial report'.

Identification of reporting entities

A 'reporting entity' is defined in AASB 3 'Business Combinations' as 'an entity in respect of which it is reasonable to expect the existence of users who rely on the entity's general purpose financial report for information that will be useful to them for making and evaluating decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries'.

Preparing SPFRs under the Corporations Act 2001

General

SPFRs prepared for a financial year must include:

- (a) financial statements as required by the accounting standards for the period. These comprise a balance sheet, income statement, statement of changes in equity and statement of cash flows;
- (b) notes to the financial statements, as required by the Corporations Regulations 2001 and Accounting Standards; and
- (c) a directors' declaration.

Paragraph 20 of Miscellaneous Professional Statement APS 1 'Conformity with Accounting Standards and UIG Consensus Views', indicates that members of the Australian accounting bodies who are involved in, or are responsible for, the preparation, presentation or audit of a SPFR (except where it is reasonable to expect that the SPFR will be used solely for internal purposes, for example monthly management accounts) are to take all reasonable steps within their power to ensure that the SPFR and any audit report or accountant's statement states:

- (a) that it is a SPFR;
- (b) the special purpose for which the SPFR has been prepared; and

- (c) the extent to which Accounting Standards and [Interpretations] have, or have not, been adopted in its preparation and presentation.

Minimum compliance requirements

The following Accounting Standards and Interpretations apply to all entities required to prepare a financial report in accordance with Part 2M.3 of the Corporations Act 2001, irrespective of whether they are reporting entities or not:

- AASB 101 'Presentation of Financial Statements';
- AASB 107 'Cash Flow Statements';
- AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors';
- AASB 1031 'Materiality'; and
- AASB 1048 'Interpretation and Application of Standards'.

Recognition and measurement requirements

In the ASIC guide 'Reporting requirements for non-reporting entities' (July 2005), the ASIC note that the Accounting Standards provide a framework for determining a consistent definition of 'financial position' and 'profit or loss'. Without such a framework the figures in financial statements would lose their meaning. Financial reports prepared under the Corporations Act 2001 must be prepared within the framework of Accounting Standards to ensure that the following requirements of the Corporations Act 2001 are met:

- the financial report gives a true and fair view (s.297);
- the financial report does not contain false or misleading information (s.1308); and
- dividends are only paid out of profits (s.254T).

Therefore the recognition and measurement requirements of all Accounting Standards and Interpretations must be applied in order to determine profit or loss and financial position. The recognition and measurement requirements of Accounting Standards and Interpretations include requirements relating to depreciation of non-current assets, impairment of goodwill, accounting for income tax, lease accounting, measurements of inventories, recognition and measurement of liabilities for employee benefits, and recognition and measurement of provisions. In addition, those Accounting Standards and Interpretations which deal with the classification of items must be applied, for example the provisions of AASB 132 'Financial Instruments: Disclosure and Presentation' concerning the classification of financial instruments as debt or equity. The ASIC have also issued ASIC Class Order 05/639 (dated 27 July 2005) to ensure that non-reporting entities will be able to take advantage of concessions or other modifications of the recognition and measurement requirements of accounting standards that are available for reporting entities, such as concessions available under AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' and transitional provisions or other concessions available under a non-mandatory accounting standard. This relief is available provided that the non-reporting entity takes all reasonable steps to ensure that the relevant report complies with all recognition and measurement requirements as if it were an eligible reporting entity.

Disclosing entities

The Corporate Law Reform Act 1994 introduced enhanced disclosure requirements for disclosing entities, which 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; and
- entities whose securities are issued under a compromise or scheme of arrangement.

The following entities are exempt from the enhanced disclosure requirements of the Corporations Act 2001:

- 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; and
- an entity exempted by the Regulations or the ASIC.

Disclosing entities are required, inter alia, to comply with:

- (a) The continuous disclosure requirements, which include:
- a requirement to provide information which, if generally available, would be likely to have a material effect on the price or value of the entity's securities. Listed disclosing entities must immediately make such disclosure to the Australian Stock Exchange (the ASX), while unlisted disclosing entities must make such disclosure to the ASIC as soon as practicable; and
 - for listed entities, a requirement to give the ASX the information needed to correct or prevent a false market in an entity's securities where the ASX considers that there is or is likely to be a false market and asks the entity to give it information to correct or prevent a false market.
- (b) The half-year reporting requirements, which include a requirement to prepare a half-year report, including:
- a directors' report and directors' declaration, in accordance with Part 2M.3 of the Corporations Act 2001;
 - financial statements, as required by the Accounting Standards; and
 - notes to the financial statements, as required by the Corporations Regulations 2001 and Accounting Standards.

Non-listed disclosing entities must lodge the half-year report with the ASIC within 75 days of the half-year end. Listed disclosing entities must lodge their half-year report with the ASX within 2 months of the half-year end (75 days, for

mining exploration entities). The half-year report, prepared in accordance with AASB 134, must be lodged together with the information required by Appendix 4D to the listing rules.

- (c) The annual reporting requirements, which require disclosing entities to prepare a financial report for the financial year in accordance with Part 2M.3 of the Corporations Act 2001. The annual report must be lodged with the ASIC (or ASX for listed disclosing entities) within 3 months of the financial year end.

Large proprietary companies

Preparation of financial reports

Large proprietary companies (as defined below) are required to prepare a financial report in accordance with Part 2M.3 of the Corporations Act 2001 and have the financial report audited.

Definition

A proprietary company is a large proprietary company for a financial year if it satisfies at least 2 of the following conditions:

- (a) the consolidated gross operating revenue for the financial year of the company and the entities it controls (if any) is \$10 million or more;
- (b) the value of the consolidated gross assets at the end of the financial year of the company and the entities it controls (if any) is \$5 million or more; or
- (c) the company and the entities it controls (if any) have 50 or more employees at the end of the financial year.

Section 45A of the Corporations Act 2001 requires that when counting employees, part-time employees be taken into account as an appropriate fraction of a full-time equivalent. Consolidated gross operating revenue and the value of consolidated gross assets are calculated in accordance with the accounting treatment specified by Accounting Standards in force at the relevant time (even if the standards do not otherwise apply to the company).

Lodgement relief

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 2001, (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 the ASIC, provided certain conditions are satisfied.

ASIC Class Order 05/638 (dated 13 July 2005), provides similar lodgement relief to large proprietary companies in which an ownership interest is held by a foreign company, provided the ownership interest does not constitute control and certain other conditions are satisfied. To take advantage of this relief, the directors of the large proprietary company must have lodged with the 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 (note, Class Order 98/99 is revoked by Class Order 05/638).

Audit relief

ASIC Class Order 98/1417 (dated 13 August 1998) relieves large proprietary companies that were not audited for a financial year ending during 1993, or in any later financial year, from the audit requirements of the Corporations Act 2001 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;
- borrowers in relation to debentures;
- guarantors of borrowers in relation to debentures; or
- a financial services licensee.

The Class Order relieves large proprietary companies from the audit requirements of the Corporations Act 2001 for any financial year ending on or after 1 July 1998 (defined as the 'Relevant Financial Year') provided certain conditions are satisfied.

To qualify for audit relief the following conditions must be satisfied:

- (a) during the period of three months before the commencement of the Relevant Financial Year and ending one month after the commencement of the financial year, all directors and all shareholders must resolve that an audit is not required and formal notification of the resolution must be lodged with the ASIC (using Form 382). Shareholders must have been provided, either in the notice of meeting or in material accompanying a circular resolution, with a statement by the directors stating whether, in their opinion, the cost of having the financial statements audited outweighs the expected benefits of the audit and setting out their reasons for that opinion, before so resolving;
- (b) written notice that an audit is required has not been received;
- (c) the directors' declaration for each financial year ending on or after 1 July 1998 (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;
- (d) the company must have procedures which enable all the directors to assess whether the company is able to pay its debts as and when they fall due;
- (e) management accounts (incorporating for Relevant Financial Years commencing on or after 1 January 2006 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. For a Relevant Financial Year that commenced on or before 31 December 2004, management accounts shall include a profit and loss statement,

- balance sheet and cash flow statement;
- (f) the directors have resolved, at the end of each quarter and at the time the resolution is made, that total liabilities do not exceed 70% of total tangible assets (determined in accordance with accounting standards whether or not they are otherwise applicable to the company or its controlled entities, except that liabilities must include any Unapproved Subordinated Debt and may exclude Approved Subordinated Debt) and that the company was able to pay all its debts as and when they become due and payable. Where consolidated management accounts are prepared, total liabilities do not exceed 70% of total consolidated tangible assets;
 - (g) 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 assets (determined in accordance with accounting standards whether or not they are otherwise applicable to the company or its controlled entities, except that liabilities must include any Unapproved Subordinated Debt and may exclude Approved Subordinated Debt). If relevant, total consolidated liabilities also do not exceed 70% of total consolidated tangible assets for the company and its controlled entities;
 - (h) the company, and consolidated entity where consolidated financial statements are required under the Corporations Act 2001, 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;
 - (i) where the company is party to a deed of cross guarantee for the purposes of relief to its wholly-owned controlled entities under ASIC Class Order 98/1418 the previous two conditions must also be satisfied for the closed group and those entities which are parties to the deed of cross guarantee; and
 - (j) the year end financial statements must be prepared by a prescribed accountant (which may be an employee of the company) in accordance with Miscellaneous Professional Statement APS 9 'Statement on Compilation of Financial Reports' and must be accompanied by a compilation report prepared in accordance with APS 9.

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

- (a) where a shareholder or person who is owed Approved Subordinated Debt requests a copy of the management accounts or a directors' resolution regarding the above items, the company must make these available to the requesting party;
- (b) the financial report and the directors' report for the Relevant Financial Year and the immediately preceding financial year must substantially comply with Chapter 2M of the Corporations Act 2001;
- (c) the company must lodge its financial report and directors' report for the Relevant Financial Year and the immediately preceding financial year with the ASIC in accordance with the requirements of the Corporations Act 2001; and
- (d) the directors' report must include a statement that the financial report has not been audited, in reliance on this Class Order, and that the requirements of this Class Order have been complied with.

Small proprietary companies

Preparation of financial reports

A small proprietary company (as defined below) is not required to prepare a financial report under Part 2M.3 of the Corporations Act 2001 unless:

- (a) the small proprietary company is controlled by a foreign company (for all or part of the year) and the results of the small proprietary company for the year (or part thereof, if control existed for only part of the year) are not covered by consolidated financial statements lodged with the ASIC by the registered foreign company or by an intermediate Australian parent company;
- (b) 5% or more of the shareholders request that a financial report be prepared; or
- (c) the ASIC requests that a financial report be prepared.

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

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

Definition

A proprietary company is a small proprietary company for a financial year if it satisfies at least 2 of the following conditions:

- (a) the consolidated gross operating revenue for the financial year of the company and the entities it controls (if any) is less than \$10 million;
- (b) the value of the consolidated gross assets at the end of the financial year of the company and the entities it controls (if any) is less than \$5 million; or
- (c) the company and the entities it controls (if any) have fewer than 50 employees at the end of the financial year.

Section 45A of the Corporations Act 2001 requires that when counting employees, part-time employees be taken into account as an appropriate fraction of a full-time equivalent. Consolidated gross operating revenue and the value of consolidated gross assets are calculated in accordance with the accounting treatment specified by Accounting Standards in force at the relevant time (even if the standards do not otherwise apply to the company).

Relief for foreign controlled small proprietary companies

Financial report preparation, audit and lodgement relief

ASIC Class Order 98/098 (dated 10 July 1998) provides relief to foreign controlled small proprietary companies that are not part of a 'large group' from the requirement to prepare, audit and lodge financial statements under Part 2M.3 of the Corporations Act 2001 (other than as required by a shareholders' request or an ASIC request) provided certain conditions are satisfied.

A 'group' is a 'large group' when, on a combined basis, the 'group' satisfies at least 2 of the following conditions for the financial year of the company in question:

- (a) the combined gross operating revenue of the group for the financial year is \$10 million or more;
- (b) the combined value of the gross assets of the group at the end of the financial year is \$5 million or more; and
- (c) the group has 50 or more employees at the end of the financial year.

Where 'group' is defined to comprise:

- (a) the company in question;
- (b) any entity which controlled the company and which was incorporated or formed in Australia, or carries on business in Australia;
- (c) any other entities ('the other entities') controlled by any foreign company which controls the company in question, which are incorporated or formed in Australia or carry on business in Australia; and
- (d) any entities which are controlled by the company in question or the other entities (these entities can be Australian or foreign entities).

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

To take advantage of this relief, the directors must resolve to adopt the ASIC Class Order and lodge formal notification with the ASIC (using Form 384) prior to the commencement of each financial year (but no earlier than 3 months prior to the commencement of the financial year).

Audit relief

ASIC Class Order 98/1417 provides relief to foreign controlled small proprietary companies, that were not audited in 1993 or any subsequent year except for a financial year which ended after 9 December 1995 and before 24 April 1997, from the audit requirements of the Corporations Act 2001 provided certain conditions are satisfied. The Class Order relieves foreign controlled small proprietary companies from the audit requirements of the Corporations Act 2001 for any financial year ending on or after 1 July 1998 (defined as the 'Relevant Financial Year') provided certain conditions are satisfied – refer large proprietary companies 'audit relief' (page A18).

Wholly-owned subsidiaries

Directors' report

All wholly-owned subsidiaries of companies incorporated in Australia need not include the information required by s.300(10) of the Corporations Act 2001 in the directors' report.

Financial report preparation, lodgement and audit relief

ASIC Class Order 98/1418 (dated 13 August 1998) exempts certain wholly-owned subsidiaries from the requirements to 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 the ASIC, and, in certain cases, appoint an auditor.

The relief is only available where:

- (a) the parent entity of the company has a financial year which ends on the same date as the financial year of the company;
- (b) the company is a public company, large proprietary company or a small proprietary company to which s.292(2)(b) applies;
- (c) the company is not a borrower in relation to debentures, a disclosing entity or a financial services licensee;
- (d) the parent entity of the company is not a small proprietary company;
- (e) 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;
- (f) except in relation to a Deed of Cross Guarantee lodged with ASIC before 1 July 2004 — 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;
- (g) the company and every other entity (if any) in the closed group is party to a deed of cross guarantee, an original of which has been lodged with the ASIC. Deeds lodged with the ASIC on or after 1 July 2004 must be accompanied by a Certificate by a lawyer as to the preparation, execution and enforceability of the Deed, and a Certificate by a registered company auditor or lawyer as to the company's satisfaction of its statutory obligations in relation to Chapter 2M of the Corporations Act 2001 for the last 3 financial years;
- (h) in relation to the last 3 financial years before taking advantage of the relief and since taking advantage of the relief, the company and the auditor of the company have substantially satisfied all of their statutory obligations in relation to Chapter 2M and 2N of the Corporations Act 2001 (previously Parts 3.6 and 3.7 of the Corporations Law);

- (i) the directors, of the company and each other entity that is a party to the deed of cross guarantee, sign and lodge with the ASIC a statement, that immediately prior to the execution of the deed of cross guarantee, there were reasonable grounds to believe that each entity would be able to pay its debts as and when they fall due;
- (j) the directors of the company have resolved that the company should obtain the benefit of this Class Order;
- (k) the company has provided the ASIC with evidence that the company is entitled to the benefit of the Class Order (or a previous Class Order); and
- (l) the company has paid the necessary fee to the ASIC in respect of the perusal of that evidence and in the case of a Deed of Cross Guarantee or an Assumption Deed lodged with the ASIC before 1 July 2004. No fee is payable in respect of Deeds lodged with the ASIC on or after 1 July 2004.

The main conditions of the Class Order are:

- (a) the parent entity prepares consolidated financial statements which include additional information in relation to the deed of cross guarantee and depending on the entities consolidated, include in a note to the financial statements a detailed balance sheet and income statement, opening and closing retained profits, dividends provided for or paid, and transfers to and from reserves, for those entities party to the deed of cross guarantee;
- (b) a non-reporting entity must consolidate, at a minimum, the entities forming part of the 'extended closed group';
- (c) the directors of the parent entity sign and lodge a statement, within 4 months of year end, that there are reasonable grounds to believe that the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee. This condition is usually satisfied by including the statement in the directors' declaration of the parent entity's financial report;
- (d) the directors sign and lodge a notice, within 4 months of year end, containing (using Form 389):
 - i. a statement that the company has taken advantage of the relief under this Class Order;
 - ii. a short statement of the nature of the deed of cross guarantee;
 - iii. a list of the parties to the deed of cross guarantee, separately identifying the parent entity and members of the wholly-owned group and the other members of the extended closed group;
 - iv. details of parties added or removed from the deed of cross guarantee, or are subject to a Notice of Disposal;
 - v. a statement that at or about the time of the company's reporting date the directors reassessed the advantages and disadvantages associated with the company remaining a party to the deed of cross guarantee and taking advantage of the relief and the directors resolved either that the company should continue to remain a party to the deed of cross guarantee, or seek to revoke the deed of cross guarantee, as the case may be.

True and fair view

Financial statements and notes thereto prepared to satisfy the reporting requirements of the Corporations Act 2001 must comply with AASB Accounting Standards and the Corporations Regulations 2001, even if compliance does not result in a true and fair view. Section 295(3) of the Corporations Act 2001 requires directors to provide additional information and explanations when compliance with AASB Accounting Standards and the Corporations Regulations 2001 would not give a true and fair view. This additional information and explanation should be given by way of a note to the financial statements. A company may apply to the ASIC under s.340 of the Corporations Act 2001 for accounting and audit relief. ASIC Policy Statement 43 indicates the ASIC's interpretation of the preconditions which need to be satisfied in order to obtain relief.

Materiality

In accordance with Accounting Standard AASB 1031 'Materiality', the standards specified in other Australian Accounting Standards apply to the financial reports when information resulting from their application is material. Information is material if its omission, misstatement or non-disclosure has the potential, individually or collectively, to:

- (a) influence the economic decisions of users taken on the basis of the financial report; or
- (b) affect the discharge of accountability by the management or governing body of the entity.

In determining whether the amount of an item is material, the item should be compared with the more appropriate of the following base amounts:

- (d) in the case of items relating to the balance sheet – equity or the appropriate asset or liability class total;
- (e) in the case of items relating to the income statement – profit or loss and the appropriate income or expense amount for the current reporting period or average profit or loss and the average of the appropriate income or expense amounts for a number of reporting periods; and
- (f) in the case of items relating to the cash flow statement – net cash provided by or used in the operating, investing, financing or other activities as appropriate for the current reporting period or average net cash provided by or used in the operating, investing, financing or other activities as appropriate for a number of reporting periods.

AASB 1031 specifies the following quantitative thresholds which may be used as a guide in considering the materiality of an item in the absence of evidence, or convincing argument, to the contrary:

- (a) an amount equal to or greater than 10% of the appropriate base amount is presumed to be material; and
- (b) an amount equal to or less than 5% of the appropriate base amount is presumed not to be material.

Rounding off of amounts

General

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

\$10 million	Rounding off to the nearest thousand dollars is permitted. Each page must clearly indicate where this has been done (refer ASIC-CO 98/0100 dated 10 July 1998).
\$1,000 million	Rounding off to the nearest hundred thousand dollars is permitted. Each page must clearly indicate where this has been done (refer ASIC-CO 98/0100 dated 10 July 1998). 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	Rounding off to the nearest million dollars is permitted. Each page must clearly indicate where this has been done (refer ASIC-CO 98/0100 dated 10 July 1998).

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

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

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.

In respect of financial services licensees, a reference to 'directors' in the class order is taken to include a reference to, where the relevant entity is a financial services licensee that is a partnership, the partners of the entity, or where the relevant entity is a financial services licensee that is a natural person, the person.

Special rules for 'prescribed items'

When rounding amounts pursuant to ASIC Class Order 98/0100 it is important to remember that:

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

The 'prescribed items' are:

- details, value and aggregates required to be disclosed in the directors' report under s.300(1)(d) and (g), s.300(8), s.300(9), s.300(11), s.300(11B), s.300(11C), s.300(12), s.300(13)(a), s.300A(1)(c) and s.300A(1)(e) of the Corporations Act 2001;
- information disclosed in accordance with Regulation 2M.6.04 and Schedule 5B of the Corporations Regulations 2001;
- amounts disclosed pursuant to AASB 2 'Share-based Payment' paragraphs 44, 46, 51;
- remuneration of auditors disclosed pursuant to AASB 101 'Presentation of Financial Statements' paragraphs 126.1 and 126.2;
- compensation of key management personnel and other information disclosed pursuant to AASB 124 paragraphs 16, Aus25.4, Aus 25.6, Aus25.7.1 to Aus25.9.2; and
- transactions between related parties disclosed pursuant to AASB 124.17 and 18.

Other prescribed items include similar amounts disclosed under superseded Australian Accounting Standards.

EPS and option disclosures

In addition:

- earnings per share may be rounded to one tenth of one cent (disclosed pursuant to AASB 133 'Earnings per Share'); and
- information disclosed in the directors' report about the prices for unissued shares and options may be rounded to one cent (disclosed pursuant to s.300(6)(c), s.300(7)(d) and s.300(7)(e)).

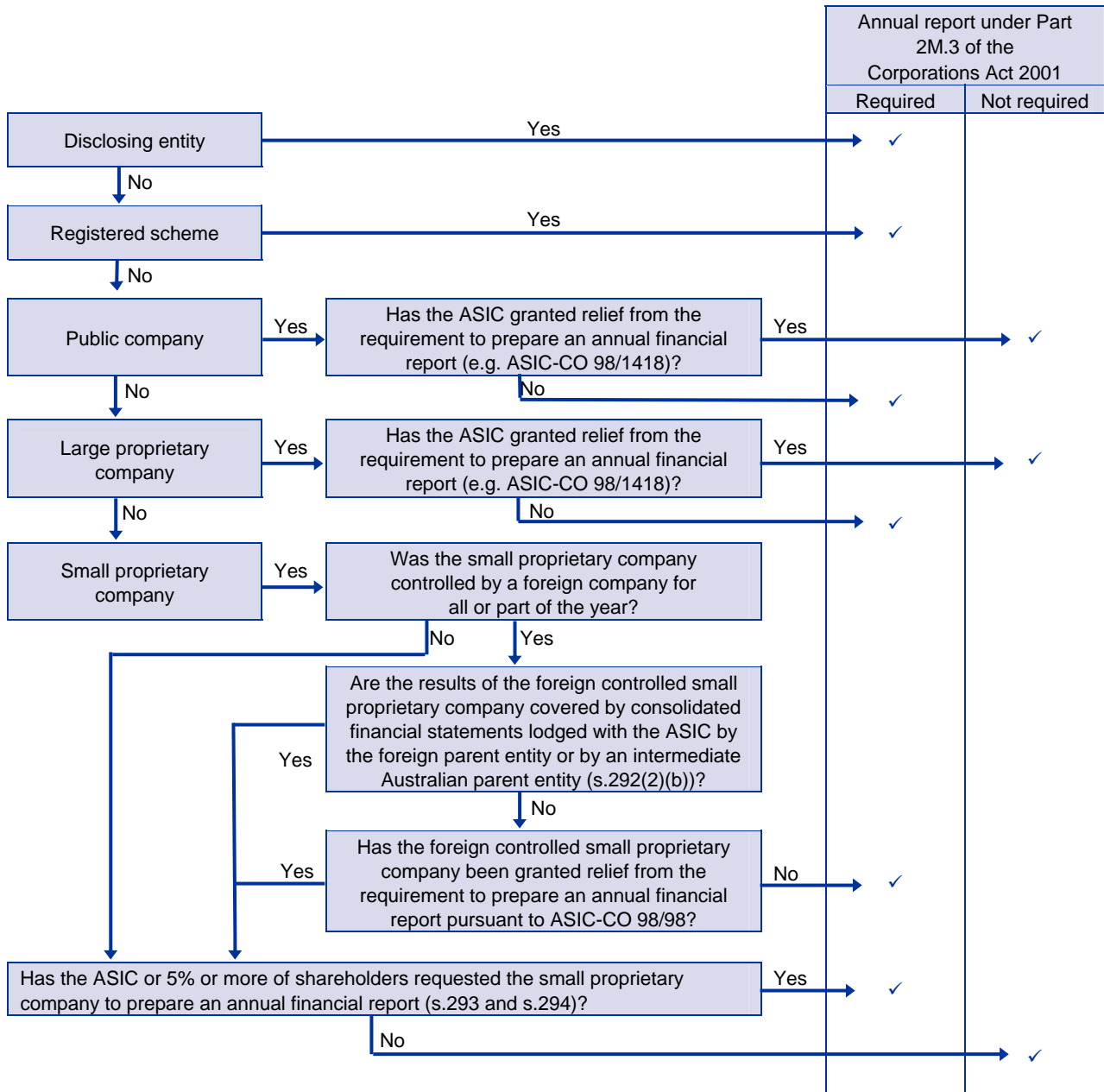
Rounding by lower amounts

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.

Corporations Act 2001 reporting requirements

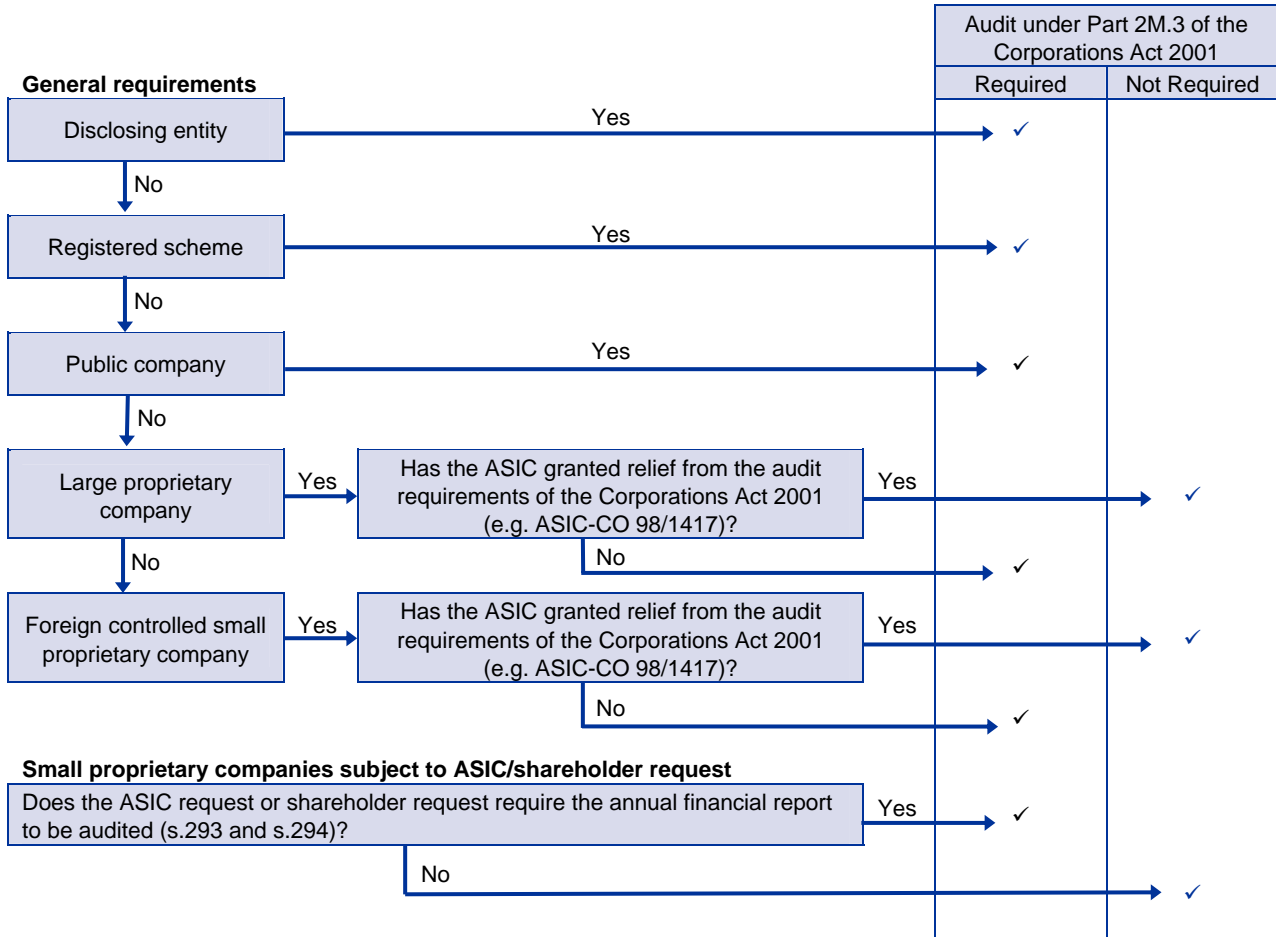
Preparation of an annual report

The following flowchart assists in determining whether an entity is required to prepare an annual report under Part 2M.3 of the Corporations Act 2001.



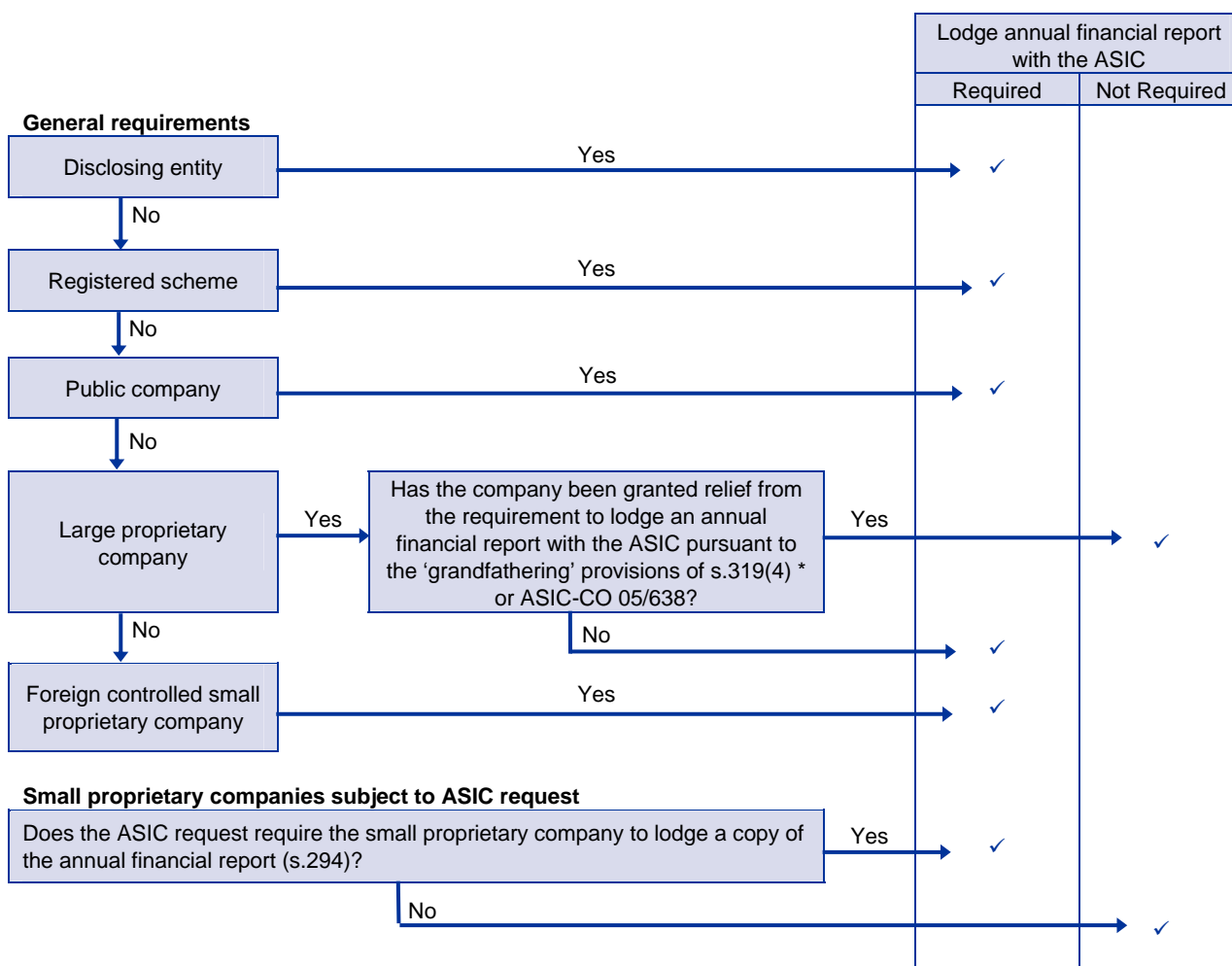
Audit of the annual report

Having determined that an entity is required to prepare an annual financial report under Part 2M.3 of the Corporations Act 2001, the following flowchart assists in determining whether the annual report is required to be audited under Part 2M.3 of the Corporations Act 2001.



Lodgement of the annual report with the ASIC

Having determined that an entity is required to prepare an annual report under Part 2M.3 of the Corporations Act 2001, the following flowchart assists in determining whether the annual report is required to be lodged with the ASIC.



* In accordance with the 'grandfathering' provisions of the former s.319(4) of the Corporations Law, which continues to apply in accordance with s.1408(6) of the Corporations Act 2001, a large proprietary company is not required to lodge an annual financial report with the 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; and
- within 4 months after the end of the first financial year after 9 December 1995, the company lodged with the ASIC a notice that the company has applied for the lodgement relief granted by s.319(4).

ASIC class orders

The following significant and relevant class orders have been released by the ASIC:

Release number	Date	Subject
98/96	10/07/98	Permits foreign controlled companies, registered schemes and disclosing entities to synchronise their financial 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.
98/98	10/07/98	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.
98/100	10/07/98	Permits rounding off in the directors' report and financial report where total assets exceed \$10 million, \$1,000 million and \$10,000 million.
98/101	10/07/98	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.
98/104	10/07/98	Relieves listed entities from the requirement to lodge a copy of their financial report, directors' report and auditors' report for the financial year and half-year with the ASIC where those reports have already been lodged with the ASX. Where a concise financial report has been prepared it must be lodged with the ASX along with the full financial report.
98/106	10/07/98	Relieves disclosing entities which are regulated superannuation funds, approved deposit funds or pooled superannuation trusts from preparing and lodging annual and half-year financial reports.
98/1416	29/07/98	Relieves entities, for a half-year or financial year beginning before 1 January 2005, from the requirement to disclose comparative information in relation to an immediately preceding half-year or financial year for which such entities were not required to prepare a financial report.
98/1417	13/08/98	Relieves large proprietary companies and foreign controlled small proprietary companies from the audit requirements of the Corporations Act 2001, provided certain conditions are satisfied.
98/1418	13/08/98	Relieves wholly-owned subsidiaries from the requirement to prepare a financial report and to have that financial report audited, provided certain conditions are satisfied.
98/2016	30/10/98	Relieves entities from the disclosing entity requirements of Chapter 2M of the Corporations Act 2001 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.
98/2395	24/12/98	Allows companies, registered schemes and disclosing entities to include certain information otherwise required to be disclosed in the directors' report to be transferred to a document attached to the financial report and directors' report.
99/90	11/02/99	Relieves companies, registered schemes and disclosing entities from sending full financial reports or concise reports to members who made an open-ended standing request in writing under an earlier ASIC class order to be sent neither full financial statements or a short report.
02/1432	24/12/02	Relieves registered foreign companies from the requirement to lodge financial statements with the ASIC, provided certain conditions are satisfied.
03/392	5/06/2003	Exempts companies in liquidation from the financial reporting obligations in Part 2M.3 of the Corporations Act 2001, and grants certain other externally administered companies an extension of time in which to lodge and, where applicable, distribute an upcoming financial report.
05/83	4/02/2005	Allows the auditors' independence declaration to be signed before the directors' report and the auditors' report to be signed after the directors' report, provided certain conditions are satisfied.
05/638	7/07/2005	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 the ASIC, provided certain conditions are satisfied.
05/639	26/07/2005	Allows non-reporting entities to take advantage of concessions or other modifications of the recognition and measurement requirements of accounting standards that are available to reporting entities, provided that the financial report complies with all recognition and measurement requirements as if it were an 'eligible reporting entity'.
05/642	29/07/2005	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.
05/644	29/07/2005	Permits the presentation of a pro forma balance sheet in the notes to the financial statements to explain the financial effect of material acquisitions and disposals of entities and businesses after the balance date.

Release number	Date	Subject
05/910	7/09/2005	Relieves the auditor from the requirement to make an independence declaration where the declaration would be required to set out strict liability contraventions of specific independence requirements, provided certain conditions are satisfied.
06/68	3/02/2006	Relieves certain foreign licensees (except foreign ADIs) from the requirement under Division 6 of Part 7.8 of the Corporations Act 2001 to prepare and lodge audited financial statements and keep certain financial records in relation to its financial services business.
06/441	29/06/2006	Permits registered schemes with a common responsible entity (or related responsible entities) to include their financial statements in adjacent columns in a single financial report, provided certain conditions are satisfied. Replaces ASIC Class Order 05/643.

Reporting deadlines

The following table summarises the reporting deadlines under the Corporations Act 2001 and ASX Listing Rules (where relevant).

Source reference	Requirement	Listed disclosing entity	Non-listed disclosing entity	Public company	Large proprietary company	Foreign controlled small proprietary company	Registered scheme
Half-year report							
ASX4.2A, ASX4.2A.3, ASX4.2B	Lodgement of Appendix 4D with the ASX	As soon as available (no later than when half-year reports are lodged with the ASIC, and no later than 2 months after the half-year end) ¹	n/a	n/a	n/a	n/a	n/a
ASX4.2A, ASX4.2A.1, ASX4.2B	Lodgement of the Corporations Act 2001 half-year report with the ASX	As soon as available (no later than when half-year reports are lodged with the ASIC, and no later than 2 months after the half-year end) ²	n/a	n/a	n/a	n/a	n/a
s.320	Lodgement of the Corporations Act 2001 half-year report with the ASIC	n/a (ASIC-CO 98/0104)	Within 75 days after the half-year end	n/a	n/a	n/a	n/a
Annual financial report							
ASX4.3A, ASX4.3B	Lodgement of Appendix 4E with the ASX	As soon as available (and no later than 2 months after the year end) ³	n/a	n/a	n/a	n/a	n/a
ASX4.5, ASX4.5.1	Lodgement of the Corporations Act 2001 annual report and concise report with the ASX	As soon as available (and no later than 3 months after the year end)	n/a	n/a	n/a	n/a	n/a
s.319	Lodgement of the Corporations Act 2001 annual financial report and concise report with the ASIC	n/a (ASIC-CO 98/0104)	Within 3 months after the year end	Within 4 months after the year end	Within 4 months after the year end	Within 4 months after the year end	Within 3 months after the year end

Source reference	Requirement	Listed disclosing entity	Non-listed disclosing entity	Public company	Large proprietary company	Foreign controlled small proprietary company	Registered scheme
ASX4.7, ASX4.7.1, s.315	Distribution of the Corporations Act 2001 annual report or concise report to the members (and to the ASX, for listed entities) ⁴	Earlier of 21 days before the AGM or 4 months after the year end	Earlier of 21 days before the AGM or 4 months after the year end	Earlier of 21 days before the AGM or 4 months after the year end	Within 4 months after the year end	Within 4 months after the year end	Within 3 months after the year end

Annual general meetings

s.250N	Hold the AGM	Within 5 months after the year end (if a public company)	Within 5 months after the year end (if a public company)	Within 5 months after the year end (if more than 1 member company) ⁵	n/a	n/a	n/a
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¹ Mining exploration entities are not required to provide the information set out in the Appendix 4D.

² The deadline for lodgement of the half-year report for mining exploration entities is 75 days after the end of the accounting period.

³ Mining exploration entities are not required to provide the information set out in the Appendix 4E.

⁴ An entity need not give the ASX the annual report if it comprises only the documents already given to the ASX under ASX Listing Rule 4.5. The entity must tell the ASX if this is the case.

⁵ Note a wholly-owned public company is not required to hold an AGM under s.250N(4).

The following table summarises the reporting deadlines for annual reporting periods ending 30 June 2007. Note: These reporting deadlines will be applicable to the majority of entities, however care should be taken to ensure that the dates noted below are the appropriate dates for the entity in question.

Requirement	Listed disclosing entity	Non-listed disclosing entity	Public company	Large proprietary company	Foreign controlled small proprietary company	Registered scheme
Annual reporting period ending 30 June 2007						
Lodgement of Appendix 4E with the ASX	31 Aug 2007	n/a	n/a	n/a	n/a	n/a
Lodgement of the Corporations Act 2001 annual report and concise report with the ASX	28 Sep 2007	n/a	n/a	n/a	n/a	n/a
Lodgement of the Corporations Act 2001 annual financial report and concise report with the ASIC	n/a	1 Oct 2007	31 Oct 2007	31 Oct 2007	31 Oct 2007	1 Oct 2007

Other small proprietary companies

With the exception of certain foreign controlled small proprietary companies (refer above), small proprietary companies are not required to prepare an annual financial report under Part 2M.3 of the Corporations Act 2001, unless requested to do so by either:

- (a) the ASIC; or
- (b) 5% or more of the shareholders 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 2001) is requested by the ASIC to prepare and lodge an annual financial report, the deadline for lodgement with the ASIC is the date specified in the request (s.294).

Shareholders' request

In the event that a small proprietary company (not otherwise required to prepare an annual financial report under Part 2M.3 of the Corporations Act 2001) 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)):

- (a) 2 months after the date on which the request is made; or
- (b) 4 months after the end of the financial year.

Where a small proprietary company is required to prepare an annual financial report in accordance with a shareholders' request, a directors' report need not be prepared and that financial report is not required to be made out in accordance with Accounting Standards where the shareholders' request specifies that a directors' report is not required to be prepared and that Accounting Standards need not be complied with. In addition, the annual financial report is only required to be audited where the shareholders' request asks for an audit to be performed.

Signing the annual financial report and half-year financial report

The directors' report and directors' declaration must be prepared and signed off in time to comply with the lodgement and distribution deadlines of the Corporations Act 2001 (as detailed above).

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

Notice of members' meetings

In relation to proprietary companies and unlisted public companies, 21 days notice must be given for all members' meetings (unless a longer notice period is specified in the company's constitution). However, the Corporations Act 2001 makes provision for the members to agree to a shorter notice period, other than notice periods for members' meetings in which a resolution will be moved to appoint or remove directors, or remove the auditor of the company.

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

Accounting pronouncements

AASB Accounting Standards

The Accounting Standards are listed in numeric sequence, beginning with the IFRS-equivalent standards (AASB 1 - 99) followed by the IAS-equivalent standards (AASB 101 – 199) and the Australian-specific standards.

Reference	Title
Framework	Framework for the Preparation and Presentation of Financial Statements
AASB 1	First-time Adoption of Australian Equivalents to International Financial Reporting Standards
AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-Current Assets Held for Sale and Discontinued Operations
AASB 6	Exploration for and Evaluation of Mineral Resources
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Cash Flow Statements
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events After the Balance Sheet Date
AASB 111	Construction Contracts
AASB 112	Income Taxes

Reference	Title
AASB 114	Segment Reporting
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 129	Financial Reporting in Hyperinflationary Economies
AASB 130	Disclosure in the Financial Statements of Banks and Similar Financial Institutions
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Disclosure and Presentation
AASB 133	Earnings per Share
AASB 134	Interim Financial Reporting
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1039	Concise Financial Reports
AASB 1045	Land Under Roads: Amendments to AAS 27A, 29A and AAS 31
AASB 1048	Interpretation and Application of Standards
AASB 1049	Financial Reporting of General Government Sectors by Governments
AAS 25	Financial Reporting by Superannuation Plans
AAS 27	Financial Reporting by Local Governments
AAS 29	Financial Reporting by Government Departments
AAS 31	Financial Reporting by Governments

Australian Interpretations

The Australian Interpretations are listed in numeric sequence, beginning with the IFRIC-equivalent interpretations (Interpretation 1 - 99) followed by the SIC-equivalent interpretations (Interpretation 101 – 199) and the Australian-specific interpretations.

Reference	Title
Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
Interpretation 7	Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
Interpretation 8	Scope of AASB 2
Interpretation 9	Reassessment of Embedded Derivatives
Interpretation 10	Interim Financial Reporting and Impairment
Interpretation 11	AASB 2 – Group and Treasury Share Transactions
Interpretation 12	Service Concession Arrangements
Interpretation 107	Introduction of the Euro
Interpretation 110	Government Assistance – No Specific Relation to Operating Activities
Interpretation 112	Consolidation – Special Purpose Entities
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases – Incentives

Reference	Title
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 129	Disclosure – Service Concession Arrangements
Interpretation 131	Revenue – Barter Transactions Involving Advertising Services
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1001	Consolidated Financial Reports in relation to Pre-Date-of-Transition Dual Listed Company Arrangements
Interpretation 1002	Post-Date-of-Transition Stapling Arrangements
Interpretation 1013	Consolidated Financial Reports in relation to Pre-Date-Of-Transition Stapling Arrangements
Interpretation 1017	Developer and Customer Contributions for Connection to a Price-Regulated Network
Interpretation 1019	The Superannuation Contributions Surcharge
Interpretation 1030	Depreciation of Long-lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1039	Substantive Enactment of Major Tax Bills in Australia
Interpretation 1042	Subscriber Acquisition Costs in the Telecommunications Industry
Interpretation 1047	Professional Indemnity Claims Liabilities in Medical Defence Organisations
Interpretation 1052	Tax Consolidation Accounting
Interpretation 1055	Accounting for Road Earthworks

International Financial Reporting Standards

Reference	Title
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Cash Flow Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates, and Errors
IAS 10	Events After the Balance Sheet Date
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 14	Segment Reporting
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 22	Business Combinations
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings Per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts

Reference	Title
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments

International Financial Reporting Interpretations Committee (IFRIC) Interpretations

Reference	Title
SIC 7	Introduction of the Euro
SIC 10	Government Assistance – No Specific Relation to Operating Activities
SIC 12	Consolidation – Special Purpose Entities
SIC 13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
SIC 15	Operating Leases – Incentives
SIC 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
SIC 29	Disclosure – Service Concession Arrangements
SIC 31	Revenue – Barter Transactions Involving Advertising Services
SIC 32	Intangible Assets – Web Site Costs
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4	Determining Whether an Arrangement Contains a Lease
IFRIC 5	Rights to Interests Arising From Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reports and Impairment
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements

Tools and publications

In addition to our model financial reports, Deloitte has a range of tools and publications to assist entities in reporting under Australian and international accounting standards. These include:



Accounting Alerts

Regular e-mail communications to update you on developments in financial reporting as they happen.



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Updated daily, [iasplus.com](http://www.iasplus.com) is your one-stop shop for information related to IFRS.



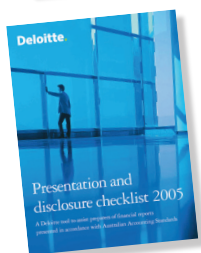
Model Financial Reports

Model annual and half-year reports.



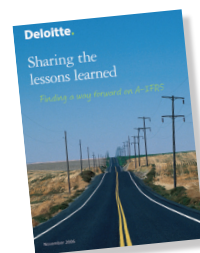
Deloitte IFRS e-learning modules

Deloitte is pleased to make available, in the public interest and without charge, our e-learning training materials for IFRS on www.iasplus.com



Presentation and disclosure checklist

Checklist incorporating all of the presentation and disclosure requirements of Australian Standards and Interpretations.



Educational publications

Publications on topical issues.

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