

Accounting alert

Analysis of the latest accounting developments delivered to you via e-mail

June 2005 Financial Reporting Update

This *Accounting Alert* provides an outline of some of the significant areas that may impact financial reporting for annual reporting periods ending 30 June 2005.

Overview

The information in this *Accounting Alert* is designed as a series of consideration points to assist entities when producing their financial reports at 30 June 2005.

Topics considered include revised Accounting Standards, CLERP 9 considerations and the ASX extension of reporting deadlines. These issues are not intended to be exhaustive, nor cover all matters relevant to financial reporting, rather, they provide a guide to some of the significant matters to be taken into account when producing annual financial reports at 30 June 2005.

Amendments to the Corporations Act 2001 arising from the enactment of CLERP 9

In general, the requirements of CLERP 9 apply to annual reporting periods beginning on or after 1 July 2004 and introduce additional requirements in relation to financial reporting obligations for companies. The changes introduced include additional requirements and disclosure around the remuneration of directors and executives, financial reporting and shareholders' participation and information.

The disclosure requirements of CLERP 9 affecting annual financial reports for financial years ending 30 June 2005 are illustrated in Deloitte publication *Consolidated Model Financial Reports – financial years ending 30 June 2005*, available from www.deloitte.com.au

*Extensive additional requirements
about financial reporting obligations
for companies*



Amendments to Accounting Standard AASB 1046

(Refer also *Accounting Alert 2004-17*)

AASB 1046A applies to annual reporting periods beginning on or after 1 July 2004 and was issued as an interim measure intended to bring the requirements of AASB 1046 'Director and Executive Disclosures by Disclosing Entities' in line with AASB 2 'Share-based Payment'.

Guidance for determination of the fair value of equity instruments granted

The Standard requires vesting conditions which are market conditions to be taken into account in determining the fair value of equity instruments granted. The fair value is then not revised for any changes in the probability of the market condition being achieved, and is allocated proportionately to reporting periods between the grant date and vesting date.

Entities may restate their comparative equity compensation remuneration disclosures to the (lower) amount that would have been calculated had AASB 1046A been applied in that comparative period.

Applicability of AASB 1046 to managed investment schemes

In August 2004, the ASIC issued Class Order 04/967, which provided relief for managed investment schemes which are disclosing entities from disclosing amounts relating to the remuneration of a director or executive of a registered scheme's Responsible Entity, where the reporting period ended on a date between 30 June 2004 to 29 September 2004 (inclusive).

Managed investment schemes applying AASB 1046 are required to disclose the remuneration of specified directors and specified executives

This relief has not been extended. Accordingly, managed investment schemes which are disclosing entities will be required to disclose amounts relating to the remuneration of the directors and executives of the registered scheme's Responsible Entity in their financial reports for financial years ended 30 June 2005.

Disclosing the Impacts of Adopting Australian Equivalents to IFRS

In respect of annual and interim periods ending on or after 30 June 2005, AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' requires disclosure of:

Disclosure of quantitative impacts are required where known or reliably estimable

- any known or reliably estimable information about the impacts on the financial report had it been prepared using A-IFRS, or
- if the impacts are not known or reliably estimable, a statement to that effect.

The commentary to AASB 1047 indicates that reliable estimation is impracticable when it cannot be performed after making every reasonable effort to do so. However, at a minimum, the ASIC has indicated that it expects the AASB 1047 disclosures to be updated compared to prior period disclosures.

Presentation

The manner of presentation of quantified financial information is not specified

The manner of presentation of quantified financial information about the impacts of adopting A-IFRS is not specified and is a matter for entities to determine in the context of their programs for implementing A-IFRS. However, entities should adopt a presentation approach that is most appropriate to their circumstances, and which provides sufficient detail to allow users to understand the significant impacts on their financial statements of the adoption of A-IFRS.

Level of disclosures

The fact that an entity may have only partially quantified the impact should not prevent the entity from quantifying some of the financial impacts. Entities should also not selectively disclose only positive/negative changes but ensure that the same criteria for disclosure is applied to all impacts.

Illustrative AASB 1047 disclosures are contained in Deloitte publications *Disclosing the impacts of adopting Australian equivalents to International Financial Reporting Standards* and the *Consolidated Model Financial Reports – financial years ending 30 June 2005*, available from www.deloitte.com.au

Entities should be aware that disclosures presented in accordance with AASB 1047, including any quantitative financial information disclosed, forms part of the financial report and accordingly will need to be audited.

AASB 1047 disclosure requirements apply to Appendices 4D, 4E and 4F

15-day extension for lodgement of Appendices 4D and 4E with the ASX

The ASX rule amendments do not affect the deadlines for statutory financial reports lodgement with the ASIC

Class Order 05/637 provides unlisted entities with a one-month extension for statutory financial reports lodgement with the ASIC for their first A-IFRS financial reports

ASX extension of reporting deadlines for half-yearly and preliminary final reports

In October 2004, the ASX released a Companies Update clarifying that the disclosure requirements of AASB 1047 apply to each of the ASX periodic disclosure reports; that is, Appendices 4D, 4E and 4F.

The ASX, in consultation with the ASIC, have recently extended the reporting deadlines for Half-Yearly ('Appendix 4D') and Preliminary Final Reports ('Appendix 4E') for the first reporting periods in respect of which listed entities are required to report in accordance with A-IFRS. This time-extension also applies to the reporting periods when entities are required to comply with paragraph 4.2 of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' (discussed above).

The effect of the temporary rule amendments are:

- every listed entity will have a maximum of 75 days (rather than 2 months) within which to lodge:
 - the first Appendix 4D for the half-year period for which the entity prepares its first A-IFRS compliant half-year financial report
 - the first Appendix 4E for the annual reporting period for which the entity prepares its first A-IFRS compliant annual financial report
- entities with a full year balance date falling between 30 June 2005 and 30 November 2005 will also have a maximum of 75 days within which to lodge their Appendix 4E for that year.

A similar extension of time will be available for the lodgement of an Appendix 4F, if the end of the 12 month period since its last year end falls before 1 December 2006.

These rule amendments do not affect the deadlines for lodgement of listed entities' statutory financial reports with the ASIC. For most **unlisted entities** however, the ASIC has provided relief in the form of Class Order 05/637 'Additional month for first financial reports under AIFRS', which gives a one month time-extension for lodgement to assist unlisted entities complete their first financial reports under A-IFRS. The relief applies for half-years and financial years commencing from 1 January 2005 to 31 December 2005 inclusive, and accordingly, does not apply to the lodgement of financial reports for reporting periods when entities are required to comply with AASB 1047.

The relief offered by the ASX rule amendments and the ASIC class order automatically lapse once the reporting periods during which they are applicable have come to an end.

Feedback and assistance

We welcome your feedback on the matters covered in this *Accounting Alert* – please email your comments to **accounting_alerts@deloitte.com.au**

For assistance in applying the requirements outlined in your organisation, please contact your local Deloitte office or contact our Lead National Technical Partner, Bruce Porter on +61 (0) 3 9208 7490, or by email to **bruporter@deloitte.com.au**

This and other Deloitte publications are available on the Deloitte website at **www.deloitte.com.au**

This Accounting Alert is of a general nature only and is not intended to be relied upon as, nor to be a substitute for, specific professional advice. No responsibility for loss occasioned to any person acting on or refraining from action as a result of any material in this publication can be accepted.

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

AM_MEL 0705_014309

© July 2005 Deloitte Touche Tohmatsu. All rights reserved. Produced in Australia.