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Section A – Introduction

Consolidated Model Annual Reports

Financial years ending on or after 31 December 2006

Putting together the A-IFRS puzzle

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Foreword

October 2006

Welcome to another edition of Deloitte's *Consolidated Model Annual Reports*. This edition has been designed by Deloitte Touche Tohmatsu to assist you in the preparation of annual reports for annual reporting periods ending on or after **31 December 2006**.

December reporters will shortly be turning their thoughts to the preparation of their second A-IFRS annual report, and accordingly, we trust that you will find the issue of this publication timely. With the transition to A-IFRS complete, one might expect to be able to sit back this year and approach the coming financial year end with less angst about the application of accounting pronouncements. However, as preparers, practitioners and regulators enhance in their understanding of the rules and interpretations of A-IFRS, we anticipate the current reporting period will continue to be a period of some challenge. In addition, entities will have to address the amendments made to a number of accounting standards which now are operative, most notably the changes limiting the ability of entities to designate financial assets and financial liabilities as at 'fair value through profit or loss', to account for most financial guarantee contracts in accordance with AASB 139 'Financial Instruments: Recognition and Measurement' and to reconsider existing accounting policy for business combinations involving entities under common control.

Following the hectic pace of change in accounting and regulatory requirements for the 2005 and 2006 financial years, many would have welcomed the news that the IASB were not going to require the application of new International Financial Reporting Standards (IFRSs) under development or major amendments to existing standards before 1 January 2009. However, there is a sting in that tail. Existing AASBs already require detailed disclosure of the impact of Accounting Standards that have been issued but which are not yet effective, including 'known or reasonably estimable information relevant to assessing the possible impact that application of the new A-IFRS will have on the entity financial report in the period of initial application'. Deloitte consider that the requirement to make such disclosure plus the need to keep the market informed will necessitate an early consideration of all new Accounting Standards and proposals and indeed there may even be benefit in early adopting some of the new requirements before 2009.

At Deloitte, we will, as always, endeavour to assist you in coming to terms with new pronouncements. To that end, besides the short summaries of new pronouncements historically included in Section A of this publication, we have prepared an Appendix to the models illustrating the disclosures required under AASB 7 'Financial Instruments: Disclosures', should you wish to early adopt the Accounting Standard. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.

You should also have received our 'new look' Accounting Alerts, recently redesigned to better keep you informed about developments both locally and internationally, and we would welcome any feedback on them. We also encourage you to regularly log on to the Deloitte IASPLUS website (www.iasplus.com), which is considered to be one of the most comprehensive sources of information about international financial reporting available, with over 3.8 million people visiting the website since its launch, including visitors from other professional accounting firms!

We hope you find the *2006 Consolidated Model Annual Reports* a useful guide in the preparation of your second annual report prepared in accordance with A-IFRS.



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Deloitte

Consolidated model annual reports

| Contents | Section |
|----------------------------------------------------------------------------------|----------------|
| Introduction | A |
| Model annual report | B |
| Appendix to the model annual report: AASB 7 'Financial Instruments: Disclosures' | C |
| Model concise report | D |

Section A

Introduction

| Contents | Page |
|----------------------------------------------|-------------|
| Changes in reporting requirements | A 1 |
| Differential reporting | A 10 |
| True and fair view | A 15 |
| Materiality | A 15 |
| Rounding off of amounts | A 16 |
| Corporations Act 2001 reporting requirements | A 18 |
| Accounting pronouncements | A 24 |

Changes in reporting requirements

Significant changes in Australian reporting requirements affecting financial reporting periods beginning on or after 1 January 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 how group entities should account for defined benefit group plans 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, which was issued concurrently with revised AASB 119. The consequential amendments 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 revised AASB 119 are illustrated in note 29 to the model annual report.

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 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';
- AASB 1023 'General Insurance Contracts'; and
- AASB 1038 'Life 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:

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

Transitional provisions

Different transitional provisions apply depending on whether the amendment is adopted as a part of the first-time adoption of A-IFRS; or adopted for reporting periods commencing on or after 1 January 2006 (after having previously adopted A-IFRS).

For those entities that are adopting A-IFRS for the first time for an annual period beginning before 1 January 2006 (as is the case for most Australian entities that are required to apply A-IFRS), and elect to adopt the amendment on first-time adoption of A-IFRS; then:

- (a) at the start of the first A-IFRS financial reporting period, an entity is permitted to designate any financial asset or financial liability as 'at fair value through profit or loss' provided that it qualifies in terms of the amendment and was designated as such at or before the date of transition to A-IFRS;
- (b) in addition to those financial assets and financial liabilities designated at the start of the first A-IFRS financial reporting period, where the first A-IFRS financial reporting period begins before 1 September 2005 and ends before 1 September 2006, this designation needs only take place at or before 1 September 2005 and may include financial assets and financial liabilities acquired up to 1 September 2005; and
- (c) an entity shall apply this amendment to its comparative information unless it elects, in terms of AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', not to restate comparative information for AASB 139.

Entities that adopt A-IFRS for the first time for an annual period beginning on or after 1 January 2006 should refer to the specific transitional provisions set out in the amendment.

If the amendment is adopted after first-time adoption of A-IFRS then entities 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 amended or introduced by AASB 2005-4 are illustrated in note 2 to the model annual report.

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 (revised in May 2005 through AASB 2005-1) 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 model annual report, however, this is not the only appropriate accounting policy for such business combinations. Please contact your nearest Deloitte Touche Tohmatsu office for further information about other methods that may be acceptable.

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 2006-01 was issued in January 2006 and applies to annual reporting periods ending on or after 31 December 2006. AASB 2006-01 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 Standards applicable to reporting periods beginning 1 January 2007

AASB 101 'Presentation of Financial Statements'

The AASB made revised AASB 101 in October 2006 and applies to annual reporting periods beginning on or after 1 January 2007. The AASB made 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.

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.

Illustrative examples

The disclosure requirements of AASB 7 are illustrated as an appendix to the model annual report (Section C).

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

The additional disclosures introduced by the Standard to AASB 101 are illustrated in the appendix to the model annual report.

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.

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 illustrated in note 39 to the model annual report.

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 value 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 Interpretation 5 are illustrated in note 38 to the model annual report.

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 rejected issues

Some issues that are raised for consideration by 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 with 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: Australian Petroleum Resource Rent Tax (AASB 112 'Income Taxes')

AASB 112 'Income Taxes' includes within its scope, all income taxes and states that income taxes include all domestic and foreign taxes which are based on taxable profits. The IFRIC noted that this implies that not all taxes are within the scope of the Standard 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 also noted that the latter point is also implied by the requirement in the Standard to disclose an explanation of the relationship between tax expense and accounting profit.

The AASB concurred with the IFRIC view, and further agreed that Australian petroleum resource rent tax (PRRT) is within the scope of AASB 112.

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 its 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 its 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 its 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.

Changes to the Corporations Act 2001

Corporations Regulation 2M.6.04

The Corporations Regulations 2001 were amended in June 2006 to provide relief to listed companies from having to provide disclosures about the compensation of key management personnel in both the directors' report and the financial report. Regulation 2M.6.04 allows listed companies to include the information about the compensation of key management personnel required by paragraphs Aus25.4 to Aus25.7.2 of AASB 124 'Related Party Disclosures' in the remuneration report of the directors' report instead of within the annual financial report, provided certain conditions are met.

Illustrative examples

[This model annual report does not illustrate the disclosures that would be made in the financial report and the remuneration report if the relief available under Regulation 2M.6.04 is taken advantage of. The requirements of the regulation are described in further detail in the remuneration report of the directors' report in the model annual report \(refer page B13\).](#)

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 (GPFRs). '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 cash flow statement;
- (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 A12).

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) 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;
- (c) 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:

- (a) in the case of items relating to the balance sheet – equity or the appropriate asset or liability class total;
- (b) 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
- (c) 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:

- income paid or payable to directors (as defined in AASB 1017 'Related Party Disclosures') disclosed pursuant to AASB 1017.4.2 and 4.3;
- prescribed benefits disclosed pursuant to AASB 1017.4.7 and 4.8;
- other transactions with and balances of director and director-related entities (as defined in AASB 1017) disclosed pursuant to AASB 1017.4.10, 4.12, 4.14, 4.15, 4.17 and 4.18;
- remuneration of executive officers disclosed pursuant to AASB 1034 'Financial Report Presentation and Disclosures' paragraphs 6.1 and 6.2;
- remuneration of auditors disclosed pursuant to AASB 1034.5.3;
- amounts relating to any equity-based compensation plans disclosed pursuant to AASB 1028 'Employee Benefits' paragraphs 6.4 to 6.9;
- details, values 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;
- information disclosed in accordance with ASIC Class Order 06/50;
- any amounts disclosed pursuant to accounting standard AASB 1046 'Director and Executive Disclosures by Disclosing Entities';
- amounts disclosed pursuant to AASB 2 'Share-based Payment' paragraphs 44, 46 and 51;
- remuneration of auditors disclosed pursuant to AASB 101 'Presentation of Financial Statements' paragraphs Aus126.1 and 126.2;
- compensation to key management personnel disclosed pursuant to AASB 124 'Related Party Disclosures' paragraph 16 (July 2004), as amended to 19 December 2005;
- transactions between related parties disclosed pursuant to AASB 124.17, 18 and Aus18.1 of AASB 124 (July 2004);
- compensation to key management personnel and other information disclosed pursuant to AASB 124 (December 2005) paragraphs 16, Aus 25.4, Aus25.6, Aus25.7.1 to Aus25.9.2; and
- transactions between related parties disclosed pursuant to AASB 124.17 and 18 (December 2005).

EPS and option disclosures

In addition:

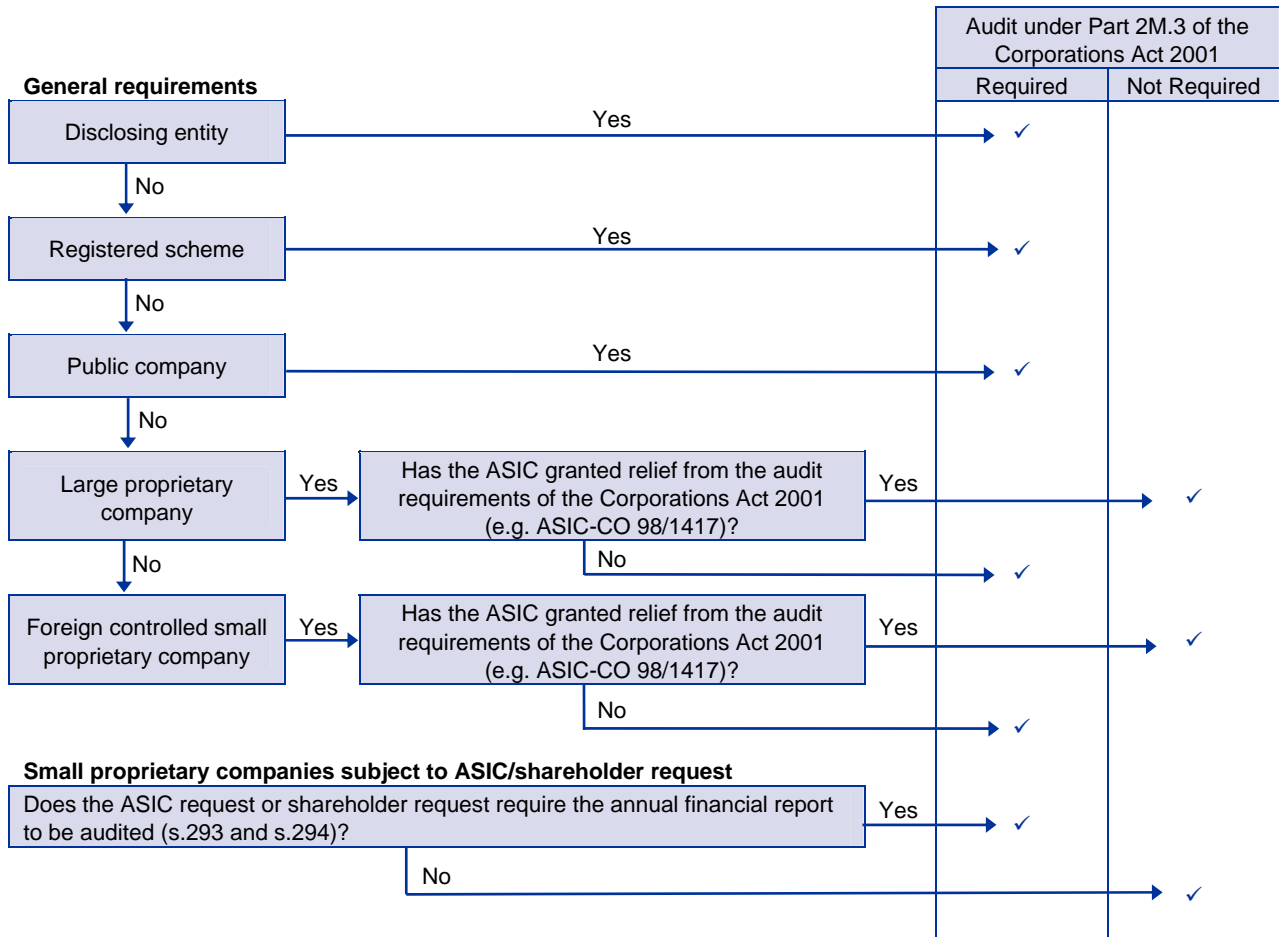
- (a) earnings per share may be rounded to one tenth of one cent (disclosed pursuant to AASB 133 'Earnings per Share');
and
- (b) information disclosed in the directors' report about the prices for unissued shares and options may be rounded to one cent (disclosed pursuant to s.300(6)(c), s.300(7)(d)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

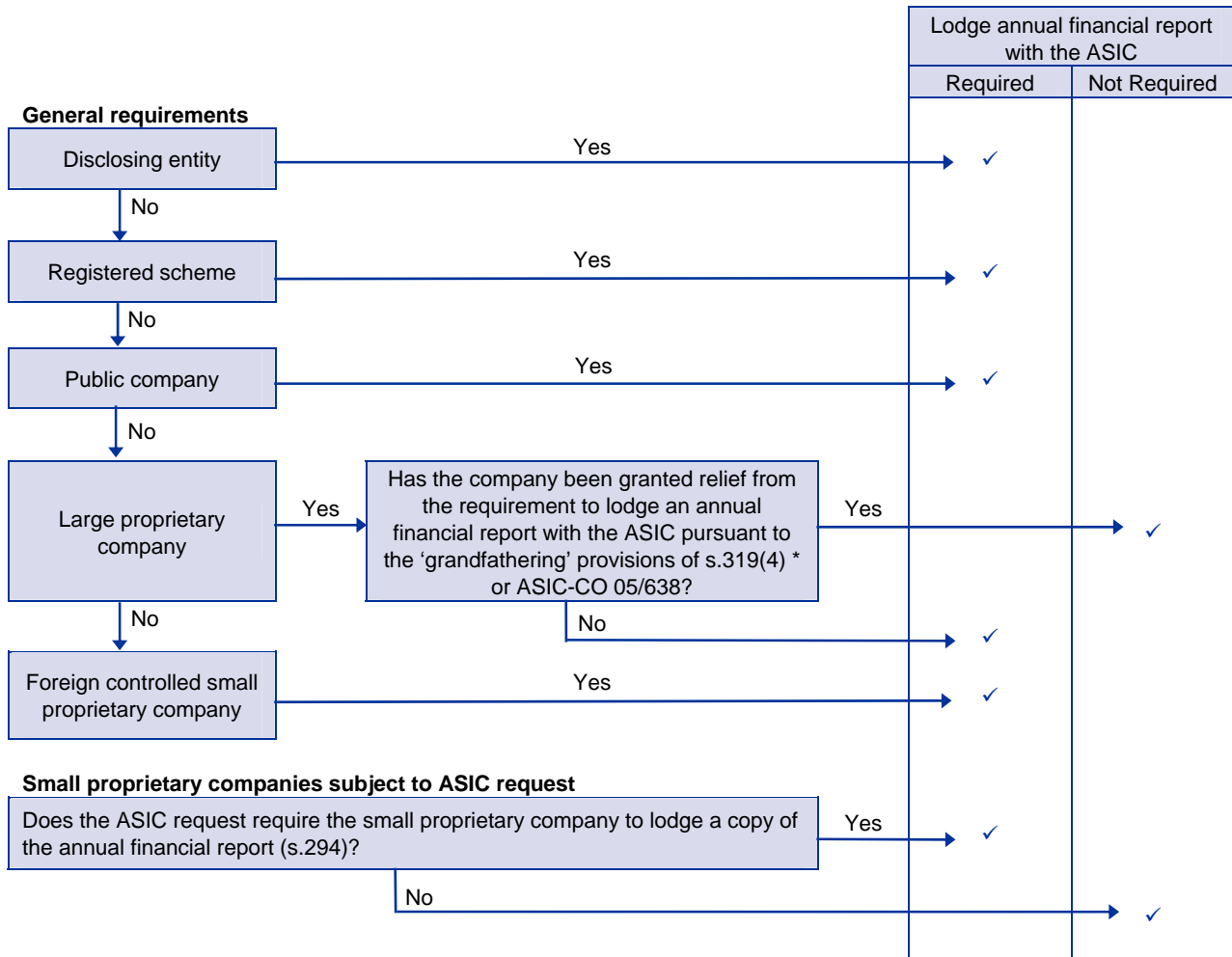
Audit of the annual financial report

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 financial 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 |

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).

Note: Some relief is available for first time adopters of A-IFRS – refer ASX Listing Rule 4.2BA, Listing Rule 4.3BA and ASIC Class Order 05/637.

The following table summarises the reporting deadlines for annual reporting periods ending 31 December 2006 and 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 31 December 2006 | | | | | | |
| Lodgement of Appendix 4E with the ASX | 28 Feb 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 | 30 Mar 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 | 2 Apr 2007 | 30 Apr 2007 | 30 Apr 2007 | 30 Apr 2007 | 2 Apr 2007 |
| 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 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 |
| AASB 114 | Segment Reporting |

| Reference | Title |
|-----------|------------------------------------------------------------------------------------|
| 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, AAS 29A and AAS 31A |
| AASB 1048 | Interpretation and Application of Standards |
| AASB 1049 | Financial Reporting of General Government Sectors by Government |
| 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 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 |
| 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 |

| Reference | Title |
|---------------------|-------------------------------------------------------------------------------------------------------|
| 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 |
| 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 |

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 |

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Empower and trust – we encourage a sense of ownership and pride by giving responsibility and delegating authority.

Continuously grow and improve – we have an environment that respects the individual, rewards achievements, welcomes change and encourages a lifetime of learning – with ourselves and our clients.

Aim to be famous – we aim to reach for the stars – and beyond. To be thought leaders, showcasing our clients and our team's talent and expertise.

Play to win-think globally – winning is our stated objective. It is also our state of mind.

Have fun and celebrate – there is never a wrong time to celebrate and have fun – recognising, appreciating, acknowledging and learning from the experiences and success shared between our client and Deloitte teams.

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- named number one non-investment banking firm for global corporate reorganisation by 'The Deal' (Dec 2005)
- rated as a 'Leader' in ERM Consulting achieving the highest overall score in the evaluation. (Oct 2005) *
* Enterprise Risk Management – Oct 2005
- EOWA Business Achievement Awards (Sept 2005)
Deloitte CEO, Giam Swiegers: winner of 'Leading CEO for the Advancement of Women' in the Australian Government's EOWA Business Achievement Awards
- winner of the 'Most Innovative Firm' in BRW–St George Client Choice Awards (Mar 2005)
- Accounting Services Special Award, CFO Magazine Awards (Aug 2004)
- voted #1 globally as the top transfer pricing network in the world by Euromoney's 2004 edition of the 'Expert Guide to the World's Leading Transfer Pricing Advisers' (Feb 2004)
- ranked #1 by Asia Insurance Review in recognition of Trowbridge Deloitte's outstanding standard of services. 'Service Provider of the Year' (Oct 2003)
- ranked #2 in annual list of 'Top 100 accounting firms', by BRW (July 2003)
- voted #1 in Euromoney's 'World's Leading Tax Advisers' Guide (2002)



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