

2024 Financial Reporting Update

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Agenda

1. New pronouncements applicable for 30 June 2024
2. Regulatory matters
3. Sustainability reporting
4. Future developments

New pronouncements affecting 30 June 2024



AASB 17 Insurance Contracts

- Applies to an insurance contract that transfer significant insurance risk
- Insurance risk: risk, other than financial risk, transferred from the holder of a contract to the issuer
 - Insured event
 - Agreement to compensate the policyholder
- Product warranties
 - issued by another party for goods sold by a manufacturer, dealer or retailer – in scope of AASB 17
 - issued directly by a manufacturer, dealer or retailer – out of scope of AASB 17 (AASB 15 or AASB 137)
- Fixed-fee service contracts
 - Choice of apply AASB 15 or AASB 17 in limited circumstances
 - Pricing does not reflect individual customer risk
 - Compensates the customer by providing services, rather cash payments
 - Risk arises from use of service, rather than uncertainty of cost of the service



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Disclosure of Accounting Policies and Definition of Accounting Estimates (AASB 2021-2)

Significant accounting policies → Material accounting policy information

- Is the information required for users to understand other material information in the financial statements?
- Examples:
 - Change in accounting policy that resulted in a material change (past, present, or future)
 - Choice from one or more permitted options in Accounting Standards
 - Entity developed policy in accordance with AASB 108
 - A policy subject to significant judgements or assumptions
 - The accounting is complex and users would need that information to understand them
- How an entity has applied the requirements of the Standard to its own circumstances
- Accounting policies relating to immaterial transactions, events, or conditions need not be disclosed
- All references in financial reports, directors' declaration, and auditor's reports change

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (AASB 2021-5)

- Initial recognition exemption
 - Deferred tax assets and liabilities not recognised
 - eg, leases
- No longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences
- Effect:
 - Both DTA and DTL are recognised and disclosed
 - Offsetting still available if conditions met
- Transition – consider whether any DTAs or DTLs need to be recognised

IFRIC Agenda Decisions

Merger between a parent and a subsidiary – standalone parent accounts

Merger of a parent and a subsidiary that contains a business

- Consolidation – no effect
- Standalone parent entity accounts, apply:
 - a) AASB 3 business combination accounting – FV acquired net assets; or
 - b) Carrying amounts?

IFRIC Agenda Decisions

Climate-related commitments

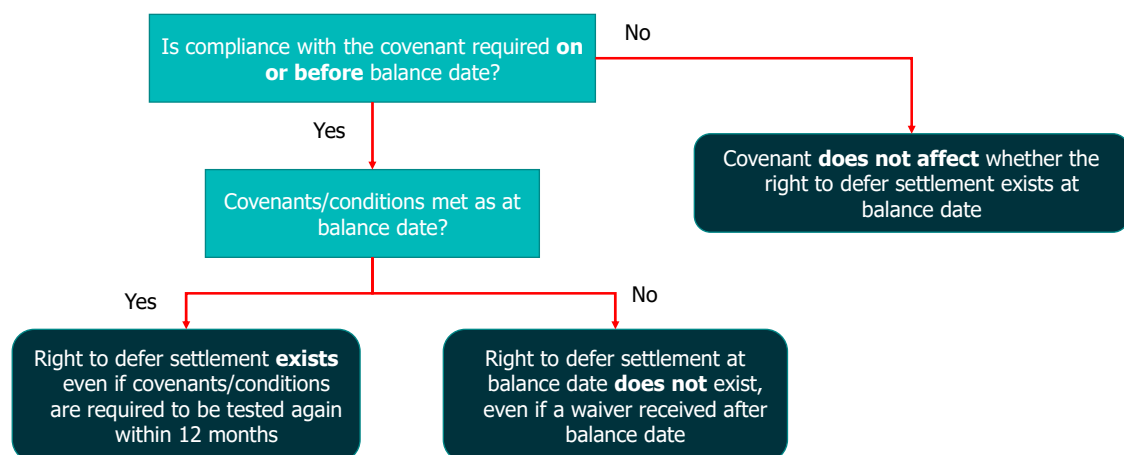
- Public statement and detailed plan to reduce emission
 - Committed to modify plant and buy carbon credits of offset emissions
- Is there a present obligation as a result of a past event?
 - Excludes costs to operate in the future
- Generation of emissions to be offset is the event that gives rise to the obligation
- Modification / improvements to plant does not result in a net outflow / loss of economic resources

Liabilities subject to covenants

(AASB 2020-1 and AASB 2022-6)

- ~~Unconditional~~ Right to defer settlement for more than 12 months
- Mandatorily applicable from 1 January 2024 with early adoption permitted
- Applied retrospectively
- Additional disclosures relating to non-current liabilities with covenants
- Extends to Tier 2 GPFR

Liabilities subject to covenants



Classification of loans

- At-call loans
- Loans without repayment terms
- Loans expiring within 12 months
- No right to roll over for at least 12 months after balance date
- Breach waiver received after balance date



Current liability

- Has a right to roll over for at least 12 months after balance date
- Breach waiver received before balance date
- Voluntary settlement of a non-current loan before financial statements are issued



Non-current liability

Supplier Finance Arrangements

(AASB 2023-1)

- Applies to both Tier 1 and Tier 2 GPFR
- Disclose:
 - terms and conditions
 - carrying amount of supplier liabilities subject to the arrangement
 - line items presented
 - carrying amount of supplier liabilities discharged by financier
 - range of payment due dates
- From 1 January 2024

Regulatory matters

Tax disclosures in financial reports

Public company disclosures

- Affects listed and unlisted public companies reporting under the Corporations Act
- New '**Consolidated Entity Disclosure Statement**'
 - Entity's name;
 - Whether the entity is a body corporate, partnership or trust;
 - Whether the entity was a corporate trustee, a partner, or a participant in a joint venture;
 - Where the entity was incorporated or formed;
 - Percentage interest held directly or indirectly;
 - Tax residency status;
 - If a foreign tax resident, each foreign jurisdiction.
- If no controlled entities, a statement to that effect
- Directors' Declaration, CEO and CFO Declarations on the Statement – 'true and correct'
- Applies for 30 June 2024 and 31 December 2024

Not-for-profit reporting to ATO

Self-assessed tax exemption

- From 2023-24 financial year, not-for-profits that self-assess income tax exemption will need to lodge an annual self-review return
- For example:
 - Community service organisations
 - Cultural organisations
 - Educational organisations
 - Employment organisations
 - Sporting organisations
 - Clubs
- Does not apply to charities registered with ACNC
- Annual declaration due by 31 October

ASIC developments

Financial statement focus areas

- Recurring focus areas
 - Impairment and asset values
 - Bases for assumptions, inputs, forecasts
 - Commercial property valuations
 - Expected credit losses on loans and receivables
 - Provisions
 - Subsequent events
 - Disclosures
 - Operating and financial review
 - Judgements, estimates and assumptions
- Large proprietary companies, including grandfathered

Climate-related Financial Reporting

Climate-related Financial Reporting

IFRS Sustainability Standards IFRS S1 and IFRS S2

AASB

New Australian Sustainability Reporting Standards (ASRS)

- Climate sub-set of IFRS Sustainability Standards
- The detail of 'how to'

IESBA/APESB

- Ethics & independence requirements

IAASB/AUASB

- Assurance requirements

Treasury

Corporations Act amendments

- Which entities report
- When they report
- What to report
 - Climate Disclosure Statement
 - GHG disclosures

The who and when ...

First annual reporting periods starting on or after	Required to report under Chapter 2M of the <i>Corporations Act 2001</i> AND falls within one (or more) of the following 3 categories:				
	Entities meeting at least <u>2 of 3</u> criteria:			National Greenhouse and Energy Reporting (NGER) Reporters	Registered schemes, RSEs and retail CCIVs
	Consolidated revenue	Consolidated gross assets	Employees		
1 January 2025 * Group 1	\$500 million or more	\$1 billion or more	500 or more	Above NGER publication threshold	N/A
1 July 2026 Group 2	\$200 million or more	\$500 million or more	250 or more	All other NGER reporters	Assets it controls of \$5 billion or more
1 July 2027 Group 3	\$50 million or more	\$25 million or more	100 or more	N/A	Apply Group 3 size tests

* Subject to passage of Bill

The what ... Corporations Act amendments

- A Sustainability Report, comprising:
 1. The Climate Statements
 2. Even if not required by ASRS:
 - a) material climate-related financial risks and opportunities
 - b) disclosure of Scope 1, 2 and 3 greenhouse gas emissions
 3. Notes to the Climate Statements
 4. A Directors' Declaration on the Statements and notes
- Sustainability Report included in the company's Annual Report
- Must be made available on its website
- Company required to maintain records relating to sustainability reporting

Applying Australian Sustainability Reporting Standards

Corporations Act amendments

- Group 3 entities with no material climate risks or opportunities
 - still include Sustainability Report, stating that fact
 - no other detailed disclosures required
 - report is still audited
- Group reporting
 - permitted to report on consolidated basis
 - relevant subsidiaries don't report
- Scope 3 emissions data can be from prior financial year

AASB Sustainability Standard

Based on proposed ASRS 1

- Limits sustainability disclosures to climate-related financial disclosures
- Disclose:
 - absolute gross GHG emissions generated classified as Scope 1, Scope 2, and Scope 3 emissions
 - apply relevant methodologies set out in NGER legislation
 - material information about its climate-related risks and opportunities
 - Affecting financing, cash flows, and objectives – short, medium and long term
 - scenario analysis using 2 possible states to assess climate resilience
 - if climate-related risks and opportunities are not material to its operations and prospects, it can disclose that fact
 - the entity's governance, strategy, and risk management relating to climate-related risks and opportunities
 - the metrics and targets adopted
 - information on how KMP remuneration links to climate strategy and targets

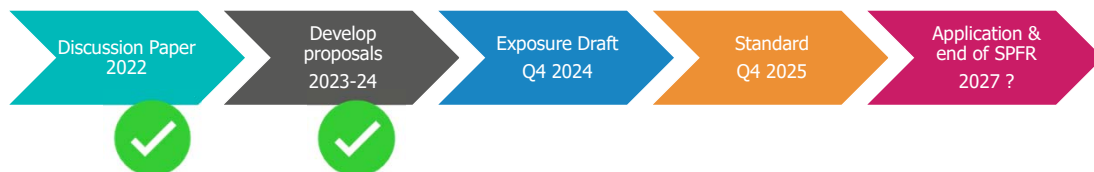
On the horizon



NFP reporting framework

Proposed simplified Tier 3 for smaller NFP entities

- Indicative size: turnover between \$500k - \$3m
- Choice of:
 - Applying AASB 10; or
 - Standalone financial statements + disclosures
- Simplified lease accounting, employee benefits, income/revenue, some financial instruments
- Limited retrospective adjustments
- Removal of some NFP to prepare SPFS



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IFRS 18 Presentation and Disclosure in Financial Statements

- Will replace IAS 1/AASB 101 *Presentation of Financial Statements*
- Introduces:
 - New 'operating profit' and 'profit before financing and income taxes' subtotals
 - Reporting of non-GAAP measures in the notes to the financial statements
 - Guidance on aggregation and disaggregating line items
- Applicable for financial years commencing 1 January 2027

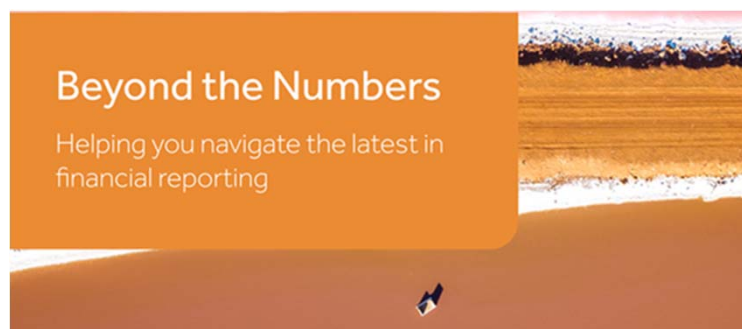
IFRS 19 Subsidiaries without Public Accountability: Disclosures

- Applies only to a subsidiary without public accountability and whose parent applies full IFRS
- Requires all the measurement and recognition of IFRS
- Specifies reduced disclosures
- AASB 1060 or IFRS 19?

Takeaways

- Effect of new accounting standards for 30 June
- Consider ASIC focus areas for 30 June
- Public companies to prepare Consolidated Entity Disclosure Statement
- NFP self-assessment due 31 October 2024
- Sustainability reporting developments

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