

# 2026 Financial Reporting Update

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## Agenda

1. New pronouncements for 30 June 2026
2. Other considerations for 30 June reporting
3. Climate-related financial reporting
4. AASB 18 and consequences for Tier 2 GPFR
5. AASB not-for-profit projects
6. Other future developments

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## New pronouncements affecting 30 June 2026

## Disclosures about Uncertainties in the Financial Statements

### AASB 2026-1

- AASB 136 Impairment of Assets
  - Identify key assumptions and basis for the estimate
  - How it determined values
  - Sensitivity changes
- AASB 137 Provisions, Contingent Liabilities & Contingent Assets
  - Nature of the obligation
  - Assumptions relating future events, including timing and costs

## IFRIC Agenda Decisions

### Determining and accounting for transaction costs

- Transaction costs that are directly attributable to the acquisition or issue of the instrument
  - included in measurement of the instrument
- Costs incurred at balance date before a loan is finalised
  - can still meet the definition of transaction costs in AASB 9
  - recognised as prepayments or other assets until the loan is finalised and drawn
  - consider impairment if uncertainty loan will proceed

### Other considerations for 30 June 2026 reporting

## ASIC financial statement focus areas and 2026 enforcement priorities

- Recurring focus areas
  - Impairment and asset values
  - Revenue
  - Provisions
  - Subsequent events
  - Disclosures
    - Operating and financial review
    - Judgements, estimates and assumptions
- Sustainability reporting
- Financial reporting misconduct and non-lodgement of financial reports
  - 21 companies fined \$4.2m for late lodgement

## Auditor reporting obligations to ASIC



### ASIC Regulatory Guide 34

- Reporting of known or suspected significant contraventions of the *Corporations Act 2001*
  - Breach of accounting or sustainability standards, including restatement of material prior period errors
  - Modified audit or review reports
  - Non-lodgement of financial and sustainability reports by their due date
  - Insolvent trading and inability to continue as a going concern
  - Fraud by officers or employees of the entity
  - Breach of general duties of officers and employees
  - Failure to have the minimum number of directors

## ASIC rounding instrument updated

From 30 June 2026

Rounding of amounts in the financial report and directors' report

- ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 
- ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument **2026/183** 

## ACNC extends duplicate reporting relief

- ACNC transitional reporting arrangements in place for:
  - charities registered with the Office of the Registrar of Indigenous Corporations (ORIC),
  - non-government schools reporting to the federal Department of Education (DoE), and
  - cooperatives in each State and Territoryhave been extended up to and including the 2028-29 financial year
- ACNC-registered charities exempt from Western Australian and NSW fundraising licence

## NSW Industrial Relations LSL Guide

- Updated guide clarifying how to
  - assess continuous service
  - assess absences for casual workers
  - calculate ordinary hours of work for workers with fluctuating hours
  - decide when to use ordinary remuneration and when to use average weekly wage
  - treat bonuses for long service leave purposes
  - treat accruals after 15 years of service
- Most (not all) States full LSL entitlement after 10 years' service
- Many (not all) States pro-rata LSL entitlement after either 5 or 7 years
- Variations in the rate of pay applicable to LSL entitlements

## Climate-related Financial Reporting

## The who and when ...

First annual reporting period 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		
<b>Group 1 1 January 2025</b>	\$500 million or more	\$1 billion or more	500 or more	Above NGER publication threshold	N/A
<b>Group 2 1 July 2026</b>	\$200 million or more	\$500 million or more	250 or more	All other NGER reporters	Assets it controls of \$5 billion or more
<b>Group 3 1 July 2027</b>	\$50 million or more	\$25 million or more	100 or more	N/A	Apply Group 3 size tests

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## The what ...

### Corporations Act 2001

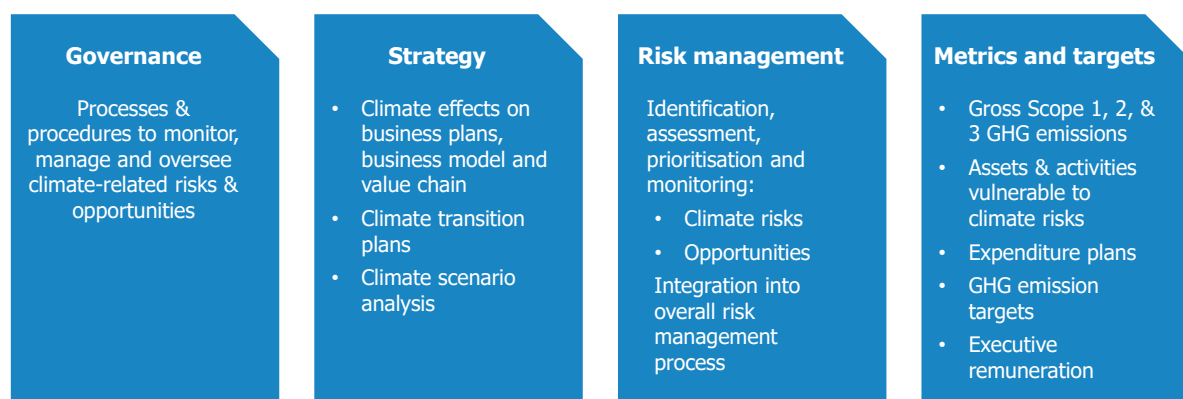
- A Sustainability Report, comprising:
  1. The Climate Statements
  2. Notes to the Climate Statements
  3. A Directors' Declaration on the Climate Statements and notes
- Sustainability Report is part of the company's annual report
- Maintain books and records relating to the Sustainability Report
- Large proprietary company audit relief does not extend to Sustainability Report
  - ASIC Corporations (Audit Relief) Instrument 2016/784

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## Corporations Act 2001

- Group 3 entities with no material climate-related risks or opportunities
  - still include Sustainability Report, stating that fact
  - AASB S2 disclosures not required
  - Report still subject to assurance requirements
- Group reporting
  - permitted to report on consolidated basis
  - relevant subsidiaries don't separately report
- First year reporting relief from
  - presenting comparative information
  - disclosing Scope 3 greenhouse gas emission

## AASB S2 Climate-related Disclosures



Not required for Group 3 entities with no material climate-related financial risks and opportunities

## Climate-related risks and opportunities

- Climate-related risks and opportunities are those that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium and long term
- Climate-related risks
  1. Physical Risks
    - direct impacts of climate change
      - increased frequency or severity of extreme weather events (eg, floods, droughts, heatwaves)
      - long-term changes in climate patterns (eg, rising sea levels).
  2. Transition Risks
    - risks arising from the transition to a low-carbon economy
      - changes in regulations, technologies, and consumer preferences

## Assurance phasing timetable

Financial years commencing	Year 1	Year 2	Year 3	Year 4
<b>Group 1</b>	<b>1/1/25 to 30/6/26 *</b>	<b>1/7/26 to 30/6/27</b>	<b>1/7/27 to 30/6/28</b>	<b>1/7/28 to 30/6/29</b>
<b>Group 2</b>	<b>1/7/26 to 30/6/27</b>	<b>1/7/27 to 30/6/28</b>	<b>1/7/28 to 30/6/29</b>	<b>1/7/29 to 30/6/30</b>
<b>Group 3</b>	<b>1/7/27 to 30/6/28</b>	<b>1/7/28 to 30/6/29</b>	<b>1/7/29 to 30/6/30</b>	<b>1/7/30 to 30/6/31</b>
Governance	Limited	Limited	Limited	Reasonable
Strategy – Risk & Opportunities				
Climate Resilience Assessment/Scenario Analysis	None			
Transition Plans				
Risk Management	Limited			
Scope 1 and 2 Emissions				
Scope 3 Emissions **	None			
Climate-related Metrics and Targets				
Where no material climate-related risks and opportunities – Group 3 entities only	Limited			

\* Group 1 entities with a 31 December year end apply the Year 1 assurance requirements twice (ie, years commencing 1/1/25 and 1/1/26).

\*\* Disclosure not required by AASB S2 in the first year of reporting.

## Implementation support

- ASIC educational modules  
<https://www.asic.gov.au/regulatory-resources/sustainability-reporting/>
- AASB AASB S2 Knowledge Hub  
<https://www.aasb.gov.au/research-resources/knowledge-hub/aasb-s2-knowledge-hub/>
- IASB IFRS Sustainability Knowledge Hub  
<https://www.ifrs.org/sustainability/knowledge-hub/>
- Nexia Australia sustainability and ESG services  
<https://nexia.com.au/services/advisory/sustainability-and-esg/>
- CA ANZ Sustainability Resource Centre  
<https://www.charteredaccountantsanz.com/member-services/sustainability-resource-centre>



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## Climate scenarios analysis resources

- National Climate Risk Assessment  
<https://www.acs.gov.au/pages/national-climate-risk-assessment>
- Climate Change in Australia  
<https://www.climatechangeinaustralia.gov.au/en/>
- Department of Climate Change, Energy, the Environment and Water (DCCEEW)  
<https://www.dcceew.gov.au/climate-change/publications/national-greenhouse-accounts-factors>
- The Intergovernmental Panel on Climate Change (IPCC)  
<https://ipcc-data.org/index.html>



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## AASB S2 examples

31 December 2025

- 29 Metals Ltd
- AMP Ltd
- Ampol Ltd
- Bell Financial Group Ltd
- Dalrymple Bay Infrastructure Limited
- Dicker Data Ltd
- Eagers Automotive Ltd
- G8 Education Ltd
- Iluka Resources Ltd
- Iress Ltd
- Karoon Energy Ltd
- MA Financial Group Ltd
- Nickel Industries Ltd
- oOh!Media Ltd
- Pepper Money Ltd
- Rio Tinto Ltd
- QBE Insurance Ltd
- Santos Ltd
- Scentre Group
- Stanmore Resources Ltd
- Telex Pharmaceuticals Ltd
- TPG Telecom Ltd
- Ventia Services Group Ltd
- Viva Energy Group Ltd
- Woodside Energy Group Ltd

## AASB S2 examples

Snapshot

- 2-12 climate-related risks or opportunities (average 5)
- Nearly 1/2 only provided qualitative assessment of anticipated financial effects
- 40% of companies did not report climate-related targets
- Sustainability Report between 8 and 75 pages (average 22)

## Future developments



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## 2026 Budget changes

- Large proprietary company thresholds
  - Satisfies any two of:

Criteria	Currently	Proposed
Consolidated revenue	≥ \$50 million	≥ \$100 million
Consolidated gross assets	≥ \$25 million	≥ \$50 million
Employees	≥ 100	≥ 100

- Sustainability reporting and assurance changes



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## AASB 18 Presentation and Disclosure in Financial Statements

- Replaces AASB 101 *Presentation of Financial Statements*
- Classifies income and expenses into 5 categories
- Introduces:
  - New 'operating profit' and 'profit before financing and income taxes' subtotals
  - Reporting of non-GAAP measures in the notes to the financial statements
    - 'management-defined performance measures'
  - Guidance on aggregation and disaggregating line items
- Applicable for financial years commencing
  - for-profit entities – 1 January 2027 (30 June 2028)
  - not-for-profit entities and superannuation entities – 1 January 2028 (30 June 2029)

## AASB 18

### Categories of income and expenses

Operating category	Income and expenses from an entity's main business activities and any income and expenses not included in other categories
Investing category	Income and expenses from investments generating a <i>return individually and largely independently of the entity's main business activities</i>
Financing category	Income and expenses relating to obtaining finance to fund the entity's main business activities and its investing activities
Income tax category	Tax expense or tax income
Discontinued operations category	Income and expenses from discontinued operations

Impairment of PPE and goodwill goes here, not investing category

## AASB 18

### Specified main business activities

- Has a main business activity of:
  1. investing in the following assets
    - investments in associates, joint ventures and unconsolidated subsidiaries;
    - cash and cash equivalents
    - other assets if they generate a return individually and largely independently of other assets
  2. providing financing to customers

## AASB 18

	\$	
Revenue	X	}
Cost of sales	X	
<b>Gross profit</b>	<b>X</b>	
Other operating income	X	
Selling expenses	X	
Research and development expenses	X	
Administrative expenses	X	
Impairment loss	X	
Other operating expenses	X	
<b>Operating profit</b>	<b>X</b>	
Share of profit of associates and joint ventures	X	}
Interest income	X	
Dividend income	X	
Fair value gain/(loss) on financial instruments	X	
<b>Profit before financing and income taxes</b>	<b>X</b>	
Interest expense on borrowings and lease liabilities	X	}
Interest expense on provisions	X	
Other finance costs	X	
<b>Profit before income taxes</b>	<b>X</b>	
Income tax expense	X	}
<b>Profit from continuing operations</b>	<b>X</b>	
Profit/(loss) from discontinued operations	X	}
<b>Profit</b>	<b>X</b>	

## AASB 18

	20X2	20X1	
Revenue	390,000	365,000	}
Cost of sales	(285,000)	(270,000)	
<b>Gross profit from the sale of goods</b>	<b>105,000</b>	<b>95,000</b>	
Interest revenue related to providing financing to customers	119,500	121,000	
Interest expenses related to providing financing to customers	(110,000)	(100,800)	
<b>Net interest income</b>	<b>9,500</b>	<b>20,200</b>	
Selling expenses	(28,900)	(26,300)	
Research and development expenses	(15,800)	(15,400)	
General and administrative expenses	(22,900)	(23,600)	
Other operating expenses	(4,500)	(5,400)	
<b>Operating profit</b>	<b>42,400</b>	<b>44,500</b>	}
Income from investments	5,500	4,000	
<b>Profit before financing and income taxes</b>	<b>47,900</b>	<b>48,500</b>	}
Interest expenses on borrowings not related to providing financing to customers	(3,800)	(3,500)	
Interest expenses on pension liabilities	(3,600)	(4,200)	}
<b>Profit before income taxes</b>	<b>40,500</b>	<b>40,800</b>	
Income tax expense	(10,125)	(10,200)	
<b>PROFIT</b>	<b>30,375</b>	<b>30,600</b>	

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## AASB 18

## Application and implementation issues

- Assessing whether a parent entity has a 'specified main business activity'
- Classification of foreign exchange differences on intragroup monetary assets and liabilities
- Classification of gains and losses on a derivative managing a foreign currency exposure
- Presentation of taxes that are not income taxes
  
- AASB 1060 Tier 2 amendments
- Not-for-profit entities
  - Classification of donations and capital grants
  - Public sector amendments

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## NFP reporting framework

### AASB 2026-2: Removing the ability of NFP to prepare SPFR

From 1 July 2029, prepare GPFR where:

- a) required by legislation to comply with either Australian Accounting Standards or accounting standards;
- b) required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after 1/7/2029
- c) other not-for-profit entities (private or public sector) who elect to prepare general purpose financial statements

## NFP reporting framework

### AASB 1061: Simplified Tier 3 for 'smaller' NFP entities

- Choice of:
  - collectively applying AASB 10, AASB 128 & AASB 11; or
  - standalone financial statements + disclosure of 'notable relationships'
    - cost, fair value (FVTPL unless designated OCI) or equity accounting
- Simplified
  - lessee accounting
  - employee benefits
  - income/revenue – 'common understanding that the entity will perform in a particular manner'
  - 'entity combinations'
- Policy choice for donated assets – recognise at cost (nil) or fair value
- Application date financial years commencing 1/7/2029

## NFP reporting framework and Tier 3

### ACNC reporting

- ACNC Regulations currently permits charities to prepare SPFR
  - Reg 60.10: required to be prepared by the accounting standards
- Charities currently preparing SPFR will need to transition to GPFR
  - Uncertain which Tiers will be permitted or prohibited

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## Takeaways

- Effect of new accounting standards for 30 June
- Consider ASIC focus areas for 30 June
- Assess impairment indicators and potential asset impairment at 30 June
- Prepare for climate-related reporting
- Monitor AASB 18 implementation
- NFP removal of SPFR
- Subscribe to *Beyond The Numbers* newsletter to stay up to date

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