

2025 Financial Reporting Update

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Agenda

1. New pronouncements for 30 June 2025
2. Other considerations for 30 June reporting
3. Climate-related financial reporting
4. Future developments

New pronouncements affecting 30 June 2025



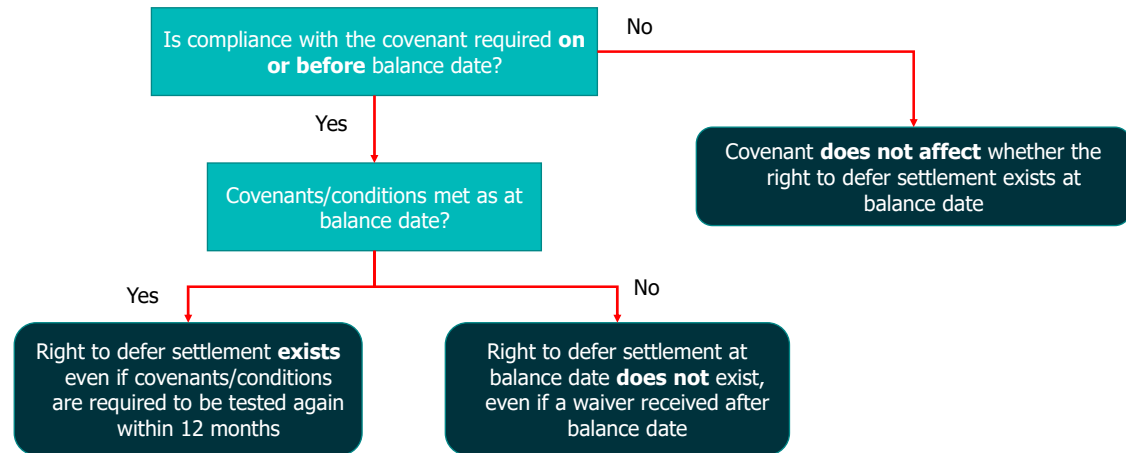
Liabilities subject to covenants

AASB 2020-1 and AASB 2022-6

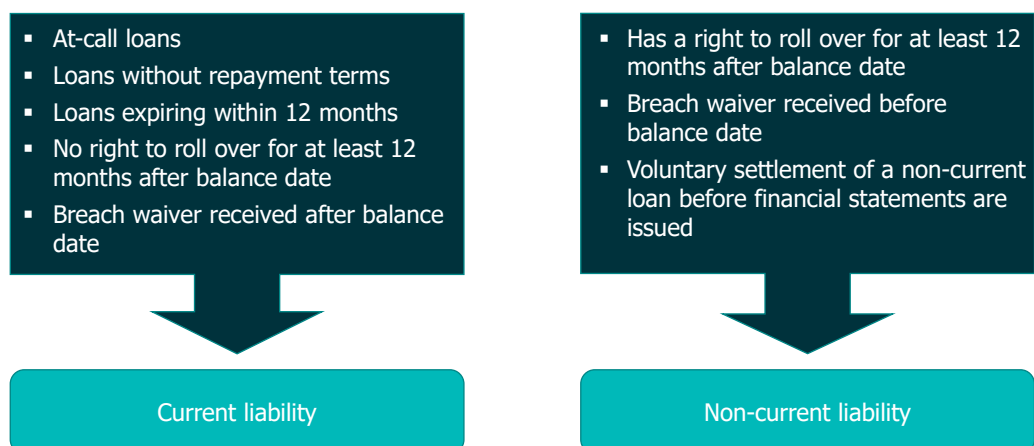
- Applicable from 1 January 2024
 - Applied retrospectively
- **Unconditional** Right to defer settlement for more than 12 months
- Additional disclosures relating to non- current liabilities with covenants
- Extends to Tier 2 GPFR



Liabilities subject to covenants



Classification of loans



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

Fair value measurement of non-financial assets of not-for-profit public sector entities (AASB 13)

Measuring the fair value of a non-financial asset of a not-for-profit public sector entity not held primarily for its ability to generate net cash inflows

- Assessing highest and best use
 - physically possible, legally permissible and financially feasible
- Current use is presumed highest and best use, unless:
 - Classified as held for sale, or
 - Alternative purpose for the asset is physically possible, legally permissible and financially feasible, and
 - Active programme to change the use, and
 - Approvals to change the use have been obtained, and
 - Highly probable that the current use of the asset will cease within one year

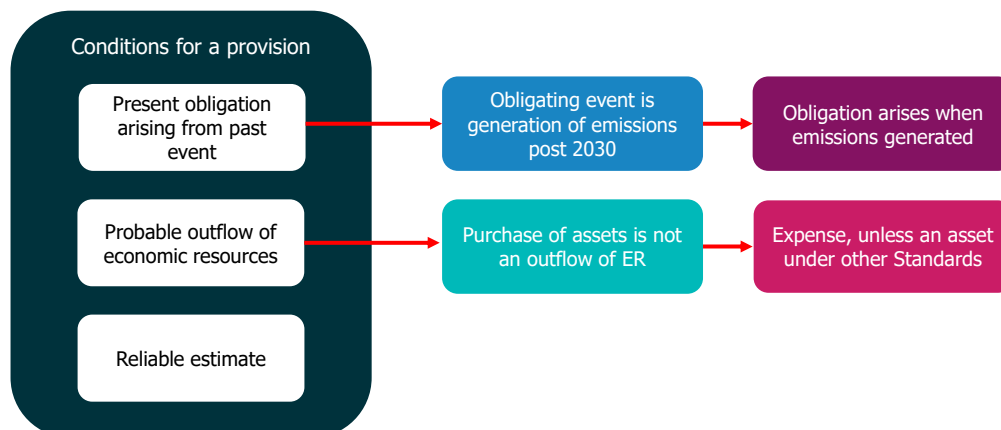
IFRIC Agenda Decisions

Climate-related commitments (April 2024)

1. Does commitment to reduce or offset its greenhouse gas emissions creates a constructive obligation?
 2. Does the commitment meet the criteria in AASB 137 for recognising a provision?
 3. If a provision is recognised, is the corresponding amount an expense or an asset?
- Public statement and detailed plan to
 - reduce emission by a stated percentage by 2030
 - buy carbon credits of offset remaining emissions from 2030

IFRIC Agenda Decisions

Climate-related commitments (April 2024)



Pillar 2 Global and Domestic Minimum Tax

AASB 112 disclosures

- 15% global minimum tax and a 15% domestic minimum tax for large multinational enterprises (NME)
- MNE groups with annual revenue exceeding 750m Euros
- Commences for tax years from 1 January 2024
- AASB 112 requirements
 - Apply Pillar 2 to calculation of current tax and tax expense
 - Separately disclose current tax expense related to Pillar 2
 - Neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar 2
 - Disclose information about unrecognised effects of Pillar 2 on deferred taxes

Other considerations for 30 June 2025 reporting

Effects of tariffs on impairment testing

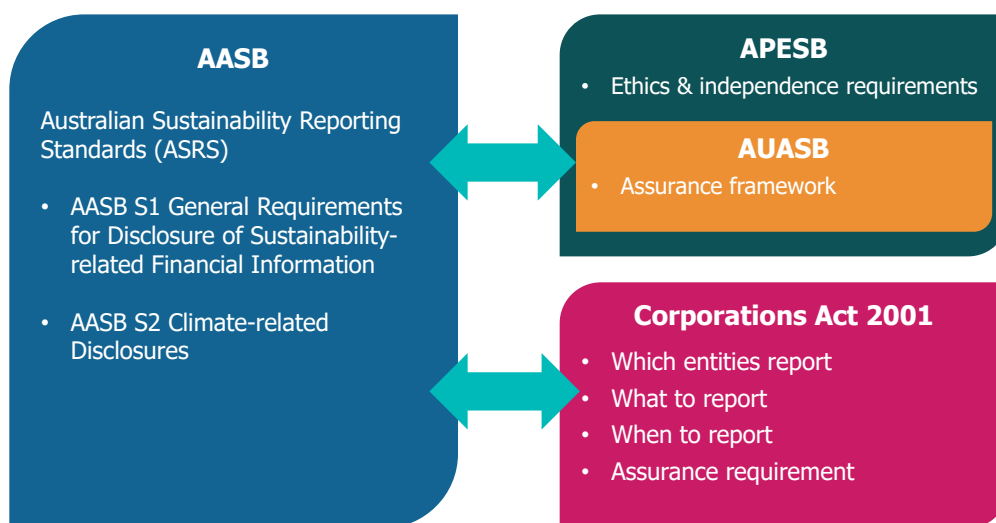
- Assess indicators of impairment
 - Change to production costs
 - Effect on sales
 - Change to business plans
 - Macroeconomic affects
- Reflect impact in cash flow forecasts
- Impact on the discount rate
- Consider disclosures
 - Significant judgements and key assumptions used
 - Sensitivity analysis

2025-26 ASIC 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
- Sustainability reporting

Climate-related Financial Reporting

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

The what ...

Corporations Act 2001

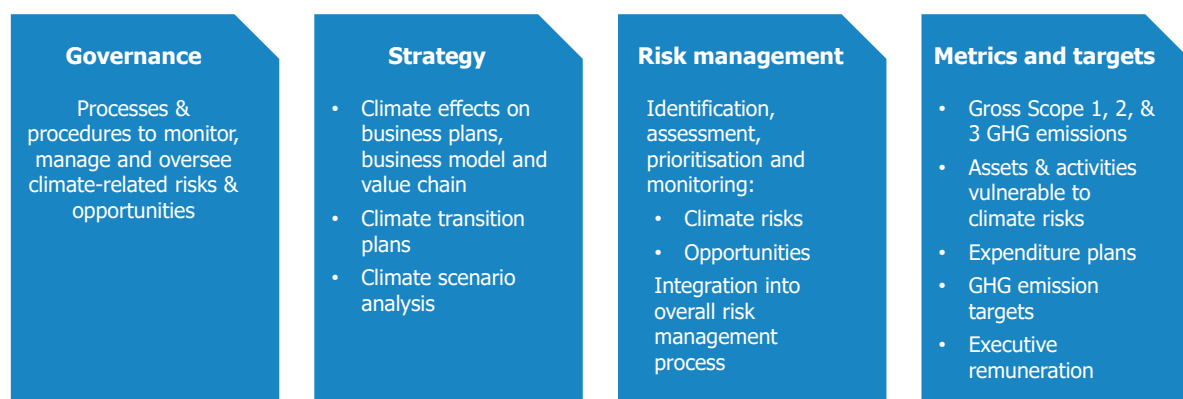
- A Sustainability Report, comprising:
 1. The Climate Statements
 2. Notes to the Climate Statements
 3. A Directors' Declaration on the Climate Statements and notes
- Sustainability Report is part of the company's annual reporting
- Maintain books and records relating to the Sustainability Report
-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

Applying AASB S2

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



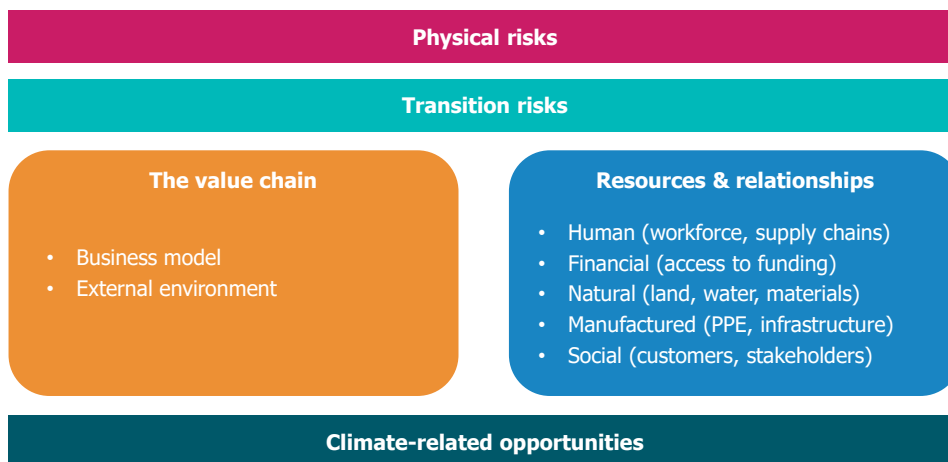
Not required for Group 3 entities with no material climate-related financial risks and opportunities

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

Climate-related risks and opportunities

... that could reasonably be expected to affect the entity's prospects



Climate-related risks and opportunities

Pharmaceutical manufacturer

Risks

- Physical risks to existing infrastructure
- Supply chain disruptions
- Increased operational costs
- Inventory loss
- Environmental and compliance costs

Opportunities

- New products
- New markets
- Enhanced brand
- Increased sales
- Tax incentives

Assurance phasing timetable

Financial years commencing	Year 1	Year 2	Year 3	Year 4
Group 1	1/1/25 to 30/6/26 *	1/7/26 to 30/6/27	1/7/27 to 30/6/28	1/7/28 to 30/6/29
Group 2	1/7/26 to 30/6/27	1/7/27 to 30/6/28	1/7/28 to 30/6/29	1/7/29 to 30/6/30
Group 3	1/7/27 to 30/6/28	1/7/28 to 30/6/29	1/7/29 to 30/6/30	1/7/30 to 30/6/31
Governance	Limited	Limited	Limited	Reasonable
Strategy – Risk & Opportunities				
Climate Resilience Assessment/Scenario Analysis	None			
Transition Plans				
Risk Management				
Scope 1 and 2 Emissions	Limited			
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.

Other financial reporting developments



NFP reporting framework

Proposed simplified Tier 3 for smaller NFP entities

- Choice of:
 - applying AASB 10; or
 - standalone financial statements + disclosure of 'notable relationships'
- Simplified
 - lessee accounting
 - employee benefits
 - income/revenue
 - 'entity combinations'
- Policy choice for donated assets – recognise at cost (nil) or fair value



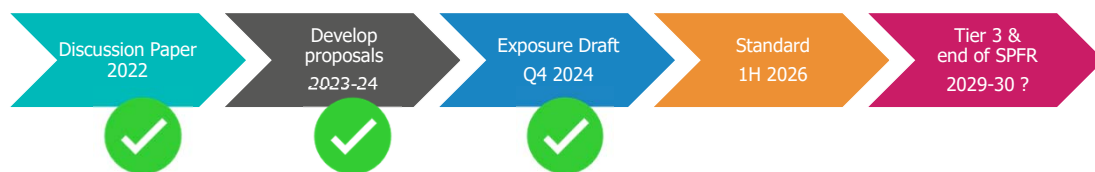
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NFP reporting framework

Removing the ability of NFP to prepare SPFR

Prepare GPFR where:

- required by legislation to comply with either Australian Accounting Standards or accounting standards;
- 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 [2029?]
- other not-for-profit entities (private or public sector) elect to prepare general purpose financial statements



Income of Not-for-Profit Entities

Post implementation review

- Income reporting and 'matching'
- Difficulty in applying the 'sufficiently specific' criterion
- 'Identified specification' requirements for capital grants
- Principal versus agent and pass-through arrangements
- Grants received in arrears
- Termination for convenience clauses
- Accounting for research grants
- Statutory receivables

Income of Not-for-Profit Entities

Post implementation review

Next steps

- Develop and consider project proposals
 - identifying performance obligations
 - Consider alternative revenue recognition models
 - whether IPSAS standards could guide accounting of financial assets and statutory receivables
 - AASB Staff FAQs on the topics of grants received in arrears and termination for convenience clauses

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
 - 1 January 2027 (30 June 2028) – for-profit entities
 - 1 January 2028 (30 June 2029) – not-for-profit entities and superannuation entities

AASB 18

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

Takeaways

- Effect of new accounting standards for 30 June
- Reclassification of borrowings
- Consider ASIC focus areas for 30 June
- Assess impairment indicators and potential asset impairment at 30 June
- Prepare for climate-related reporting

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