

2023 Financial Reporting Update

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Advisory. Tax. Audit.

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Agenda

1. New pronouncements applicable for 30 June 2023
2. Regulatory matters
3. ACNC reporting changes
4. Sustainability reporting
5. NFP future developments

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New pronouncements affecting 30 June 2023

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AASB 2020-3 Annual Improvements to IFRS Standards 2018 – 2020 and Other Amendments

The Standard amends:

- AASB 9 to clarify when the terms of a new or modified financial liability are substantially different from the terms of the original financial liability
- AASB 116 to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making

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AASB 2022-3 Illustrative Examples for Not-for-Profit Entities accompanying AASB 15

- Adds a not-for-profit entity example of upfront fees
- Amendments do not change the requirements of AASB 15 for not-for-profit entities

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IFRIC Agenda Decisions

Lessor forgiveness of lease payments in operating lease

- Lessor recognises lease income on a straight-line basis over the lease term
- How does a lessor account for concessions provided to a lessee
- Apply:
 - AASB 9 derecognition requirements to forgiven lease payments recognised as a receivable
 - AASB 16 lease modification requirements to forgiven lease payments not recognised as a receivable
 - Remaining FLP recognised over remaining lease term

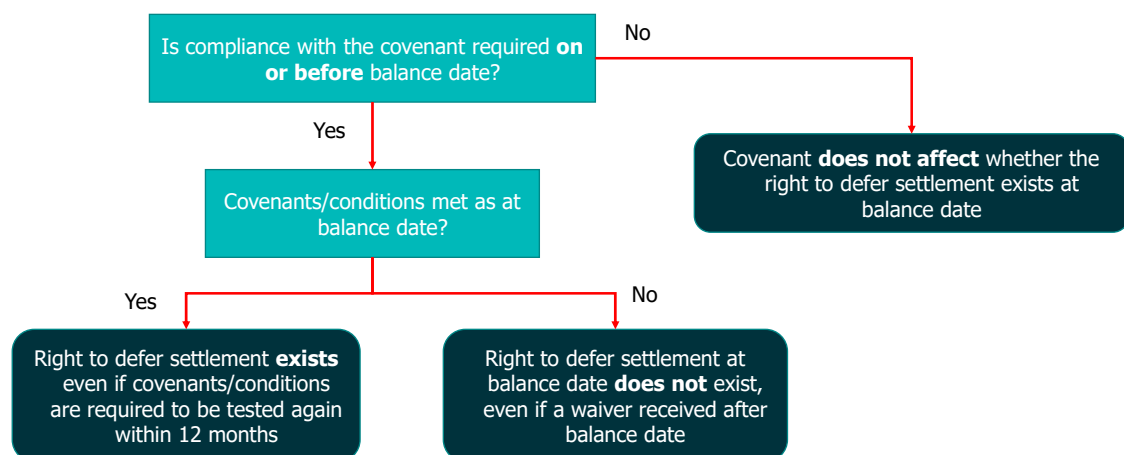
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Liabilities subject to covenants

- ~~Unconditional~~ Right to defer settlement for more than 12 months
- Amended by AASB 2020-1 and AASB 2022-6
- 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

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Liabilities subject to covenants



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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

Regulatory matters

Exempt proprietary companies

Lodgement requirements

- Grandfathered exempt proprietary companies were relieved from lodging financial reports with ASIC
 - Financial statements were required to be audited
- Lodgement relief revoked effective for financial years ending after 10 August 2022
- Subject to ASIC lodgement for 30 June 2023

ASIC developments

Financial statement focus areas

- Financial statement focus areas:
 - Impairment and asset values
 - Bases for assumptions, inputs, forecasts
 - Expected credit losses on loans and receivables
 - Operating and financial review
 - Provisions
 - Climate risks
- Extension of time for reporting

ASIC developments

AFSL financial licencing conditions

- All licensees required to prepare GPFS for 2023
- Licensees transitioning from SPFS to GPFS in 2023 have comparative disclosure relief
- Whether Tier 1 or Tier 2 GPFS

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Not-for-profit reporting to ATO

Self-assessed tax exemption

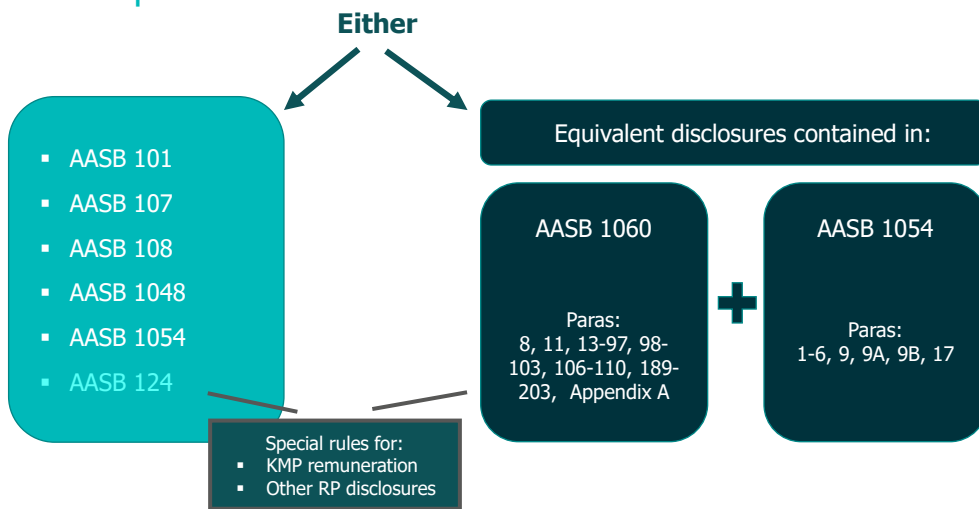
- From 2023-24 financial year, not-for-profits that self-assess income tax exemption will need to lodge an annual self-review return
- For example:
 - Community service organisations
 - Cultural organisations
 - Educational organisations
 - Employment organisations
 - Health organisations
 - Scientific organisations
 - Sporting organisations
- Will not apply to charities registered with ACNC

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ACNC reporting changes

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Charities preparing SPFR Minimum requirements



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Other related party disclosures for SPFS

Medium and large charities from 2022-23

- Other related party disclosures required by either AASB 124 or AASB 1060 in SPFR
- Comparative relief in first year of adoption
- Applicable to non-government schools
- Disclosures required in the Annual Information Statement (AIS) for **all** charities
- Actions:
 - Identify charity's related parties
 - Capture relevant RP transaction information

ACNC 2023 Annual Information Statement

Reportable related party transactions:

- fees paid to a related party for providing goods or services to the charity
- loans from or to a related party
- salary or wages paid to a related party's relative
- transfer of charity property or assets to a related party
- charity goods or services provided at a discount to a related party
- significant use of charity property by a related party
- investment in a related party
- other

Remake of ACNC Regulations

- Federal Regulations sunset after 10 years
- ACNC Regulations remade and apply from 1 April 2023
- Australian Charities and Not-for-Profits Commission Regulations 2022

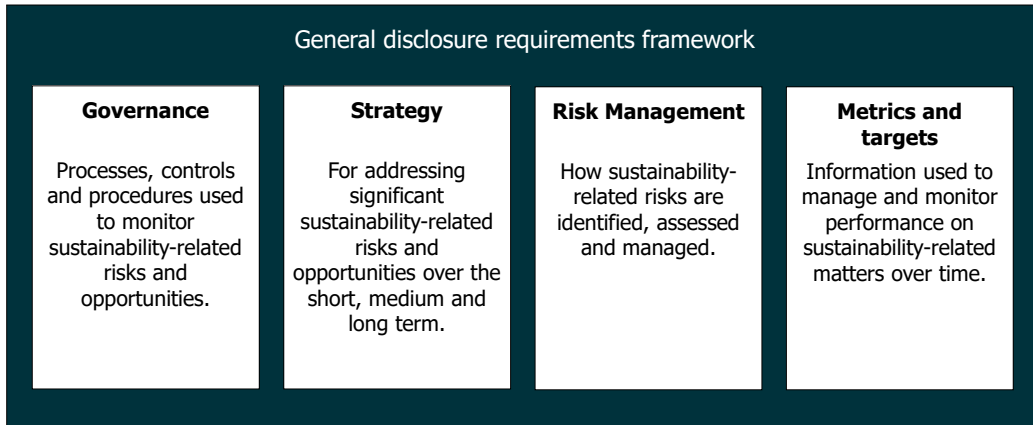
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On the horizon

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Sustainability disclosures

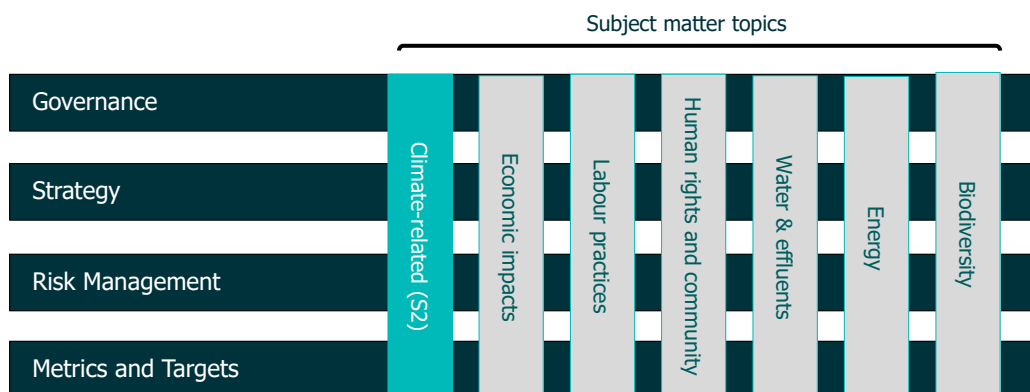
IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information



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Sustainability reporting

IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information



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Climate-related disclosures

IFRS S2

- Information about significant climate-related risks and opportunities that affects an entity’s enterprise value
 1. Governance
 2. Strategy
 - a) Physical risks
 - b) Transition risks
 3. Risk management
 4. Metrics & targets
- Required disclosure of GHG emissions
 - Development of industry based metrics
 - Based on 77 SASB industry groups

Climate-related disclosures

GHG emissions

- Scope 1 – Direct emissions from sources owned or controlled by the entity
Eg, emissions from vehicles and equipment owned or controlled by the entity.
- Scope 2 – Indirect emissions from the generation of purchased electricity, heat or steam that the entity uses.
- Scope 3 – Other indirect emissions occurring because of the activities of the entity but generated from sources it does not own or control within the following 15 categories:

Purchased goods and services	Capital goods	Fuel and energy related activities
Upstream transportation and distribution	Waste generated in operations	Business travel
Employee commuting	Upstream leased assets	Downstream transportation and distribution
Processing of sold products	Use of sold products	End of life treatment of sold products
Downstream leased assets	Franchises	Investments (financed emissions)

Australian status

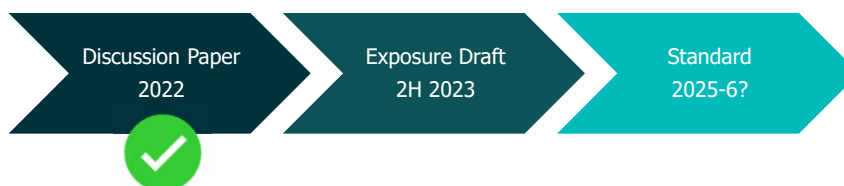
AASB & Treasury

- Progressing a project plan based in ISSB S1 and S2
- AASB 'climate first' approach to sustainability reporting, focussed on
 - sustainability-related financial information
 - reporting by for-profit entities
 - NFP to be considered "at a later stage"
- Treasury consultation on
 - Who – 'large listed companies'
 - What – based on ISSB standards
 - How – separately or part of GPFR
 - When – when company lodges GPFR.
 - Target FY 2024-25

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

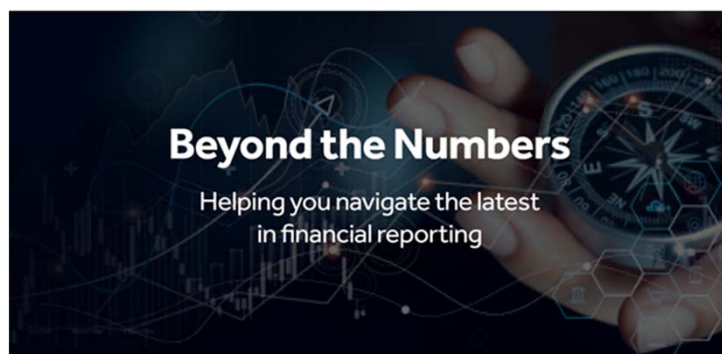


Takeaways

- Effect of new accounting standards for 30 June
- Consider ASIC focus areas for 30 June
- AFSL GPFR reporting
- Charities reporting of related party transactions
- Sustainability reporting developments

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