



Financial reporting in current market



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ASIC surveillance



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- Listed entities
- Unlisted entities – large user nos.
- Entities being contacted
 - Understand impairment/fair value
 - Off balance sheet arrangements
- Director focus
 - 31/12/08 & ongoing

Current market focuses

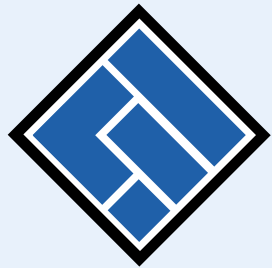
- Going concern
 - Financing/liquidity/fundraising
 - Loan covenants
 - Disclosures



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Current market focuses



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- Impairment
 - Writedowns under 1% of intangibles
 - Review, including new assets
 - Cash generating units at lowest level
 - Methods in standards
 - Disclose
 - Discount & growth rates - value-in-use
 - Explain forecast for > 5 years
 - Sensitivity analysis - key assumptions

Current market focuses

- Fair values
 - Financial instruments
 - Banks, insurance
 - Active market?
 - Investment properties
 - Directors' valuations, with valuations



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Current market focuses

- Fair values
 - Models
 - Actual transactions
 - Market inputs
 - Consistency & change
 - Disclose methods, assumptions
 - Supported by market evidence or other disclosed factors
 - Defined benefit funds



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Current market focuses



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- Off balance sheet arrangements
 - Reassess risks
 - Consider adverse conditions
 - SPVs, financial asset/liability derecognition, lease substance
 - Objective – borrow/retain risks & benefits
 - Disclose
 - Nature & scale
 - Why off balance sheet
 - Close to 50% with rest diversely held
 - Partly owned entities

Current market focuses

- AASB 101 “Presentation of Financial Statements”
 - Judgments on accounting policies having most significant effect, including measurement basis
 - Sources of estimation uncertainty
 - Be specific



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Current market focuses

- AASB 7 “Financial Instruments: Disclosures”
 - Minimal disclosures/pot boilers
 - Principles & intent of standard
 - Step back
 - Risks & how managed
 - Extent of instrument use
 - Quantification omitted
 - Netting of exposures & hedges
 - Notional underlying amounts
 - Management information



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Current market focuses

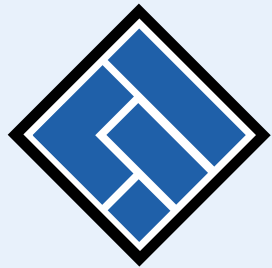
- AASB 7 specific disclosures
 - Security on borrowings
 - Debt maturity profiles
 - Details of hedging arrangements
 - Judgment and sensitivity analysis



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Current market focuses



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- Current vs non-current liabilities
 - Review systems, agreements, covenants
- Debt vs equity
- Current vs non-current assets

- Related party transactions
- Foreign exchange

Current market focuses

- Subsequent events
- Continuous disclosure
- Revenue recognition
 - Services rendered
 - Multi-deliverables
- Expense deferral
 - “Asset” definition
 - AASB 138 “Intangible Assets”



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Non statutory profits

- Financial reports
- Market announcements
 - Prominence
 - Reconciliations



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Interpreting standards



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- Genuine, commonsense
- No significantly different results
- Principles
- Framework
- Substance
- Hierarchy & carve outs
- Rejection statements
- Other GAAPs

Business combinations



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- Reverse acquisitions
- Debt funded reverse acquisitions
- Common control:
 - Pooling of interests
 - “Transitory”
- Business as acquirer
- Non-cash distributions/demergers
- Substance from entity viewpoint
- Transaction costs

Other matters



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- Intangibles - revaluation, amortisation
- Don't revalue mineral reserves
- Direct to equity
- MIS assets, remuneration
- Shares to vendor employees
- Segment reporting
- Listed co directors' reports
 - Operating & financial review
 - Remuneration disclosure