AASB 17-18 December 2014
Agenda Paper 3.11 (M142)

KPMG
cutting through complexity

Cutting the clutter

Review of recent financial report de-cluttering trends in the ASX 200

October 2014

kpmg.com.au

Foreword – Delivering a clearer message

Times have changed. For years, many have seen the financial report as a compliance document, requiring a significant amount of resources to prepare that is difficult to understand due to technical jargon used and the abundance of disclosures. This year a number of ASX200 companies have released shorter, de-cluttered financial reporting that represents a positive step forward in delivering a clearer message.
Corporate reporting is quickly climbing up the board agenda. Boards are trying to do more with less - challenging themselves on how to clearly articulate their messages to investors and other stakeholders, while using their resources effectively.

The ASX Corporate Governance Council has also put the spotlight on this area, recently releasing the third edition of their principles and recommendations. Principle 4 now states: "Safeguard integrity in corporate reporting – A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting." This principle explicitly puts director responsibility in the context of all corporate reporting.

KPMG Australia has been working closely with a number of companies in helping them cut the clutter from their financial and other corporate reporting, obtain quick wins in their goal of delivering a clearer message to the capital markets and in managing stakeholder engagement through this process.

We hope this publication encourages other companies to take up the challenge of producing clearer, de-cluttered financial and other corporate reports that focus on key performance measures and disclosures. Whilst for some this may take a "leap of faith", the outcome should be a better quality financial report that is more focused on what is important to the reader. Organisations will then be ready to take next steps and de-clutter the entire corporate reporting portfolio, improve the user experience, reduce reporting costs and enhance capital allocation.

Bernie Szentirmay
Partner

The Changing Corporate Reporting Landscape in 2014

- International Integrated Reporting Framework released
- B20 recommend G20 endorse corporate reporting reform to underpin more infrastructure investment
- ASX Corporate Governance Principle 4 amended to embrace all corporate reporting
- Director liability being addressed
- Government asked to look at volume and complexity in corporate reporting to support voluntary cutting the clutter initiative
- Integrated Reporting Assurance Framework deliberations kick off globally

Contents

Introduction – About this report

This report is designed to raise awareness and assist companies that are assessing whether to embrace the "cutting the clutter" trend in financial reporting, either in isolation or as part of a broader project to improve the quality of corporate reporting.

A significant shift in Australian corporate reporting has occurred in recent times, taking external reporting beyond its traditional emphasis on compliance:

- **International and local accounting bodies** are talking about de-cluttering and the need to re-focus disclosures in financial reports
- **ASIC** released RG 247 Effective disclosure in an operating and financial review (OFR) in 2013, and have **challenged organisations** to better explain business models, operations, risks, strategies, financial results and future prospects
- **G100** has Integrated Reporting as the **number one item** on its agenda for 2014
- **ASX Corporate Governance Council's** amendments to principle 4 reflects the reality that financial reporting is no longer the primary corporate reporting tool underpinning capital market analysis and capital allocation decisions
- **Companies in the UK**, Asia and now in Australia are releasing **de-cluttered reports** to enable clearer delivery of key financial messages. Cutting the clutter is now being actively embraced by **many ASX 200** companies.

For some organisations these changes will prompt them to embark on a journey of corporate reporting reform. As the journey progresses, it should result in more meaningful corporate reporting for report users, less work for report preparers and better information for business and investment decision making. In short, it should help to deliver more transparency at less cost.

The principles of Cutting the Clutter in financial reports are simple:

Remove immaterial or irrelevant financial report disclosures that have built up over time

Re-order and re-label accounting policies and detailed notes so that they better reflect the key financial measures and focus areas of most relevance

Re-write technical wording into plain English, whilst still fully complying with relevant accounting standard and regulatory requirements.

We have looked at the emerging trend of companies cutting the clutter within their financial reports over the most recent reporting season, focussing on the ASX 200. This publication highlights entities that have reduced and/or reconfigured content, using company specific examples.

Our review revealed the following results:

- Whilst new accounting standards have increased disclosure, some companies have been able to "buck the trend", reducing their total financial report page count compared to the prior year
- 50% of organisations have financial reports that are shorter in length than the prior period
- 37% of organisations were able to reduce the number of notes to the financial statements compared to the prior period
- 19% of organisations have re-ordered their flow of notes to the financial statements, and 10% have used subheadings and re-grouped notes to focus attention on specific items of disclosure.

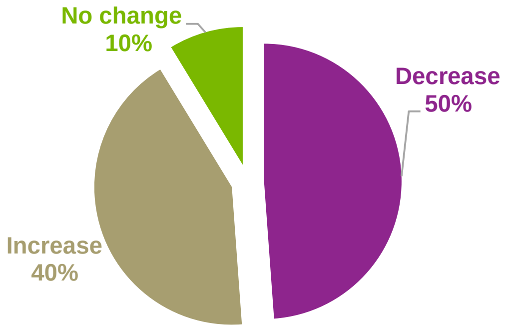
These results indicate that many entities in the ASX 200 have started to embrace de-cluttering the annual financial report. Refer to Appendix 1 for a summary of individual entity details, and Appendix 2 for a selection of company specific examples of financial report de-cluttering.

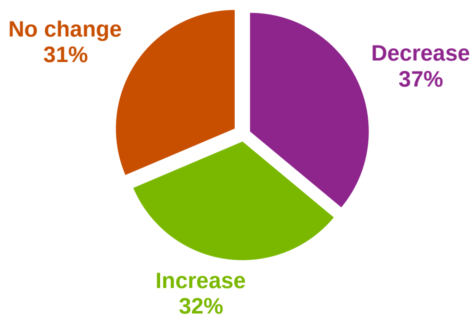
Results – Organisations are starting to cut the clutter

Remove

REDUCED NUMBER OF PAGES

89 organisations reduced their total page numbers, with 46 organisations reducing the number of pages by more than 5, despite the suite of new accounting standards becoming effective for periods beginning on or after 1 January 2013 which added to disclosure requirements.





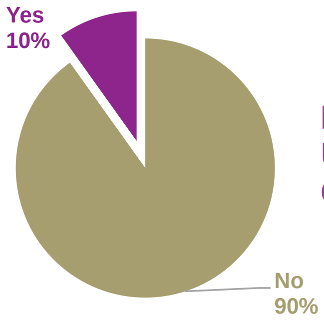
DE-CLUTTERING NOTES

65 organisations reduced the number of notes, with 45 organisations reducing the number of notes by more than 2.

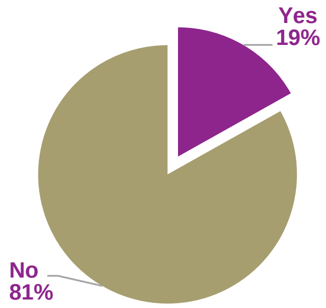
Re-label & Reorder

MAKING ACCOUNTS EASIER TO FOLLOW

18 companies have grouped notes to the financial statements into categories, such as Result for the year, Operating Assets and Liabilities, Capital Management and Financing, and other notes. In addition, 33 companies re-ordered their notes compared to the prior year.



DID THE FINANCIAL REPORT USE NEW SUB-HEADINGS TO GROUP NOTES TOGETHER?

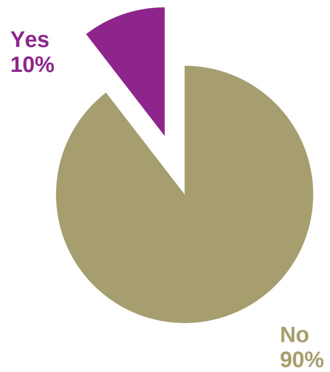


HAS THE ORDER OF THE NOTES TO THE FINANCIAL STATEMENTS CHANGED FROM PRIOR YEAR?

Rewrite

WAS THERE ANY EVIDENCE TO SUGGEST THAT THE ENTITY HAD TRIED TO SIMPLIFY THE LANGUAGE USED IN FINANCIAL REPORT DISCLOSURES?

Most common simplification observed was in relation to accounting policy wording.



* Note: Numbers and percentages exclude entities that have not yet released 2014 financial reports and certain other entities where data was not available

Practical application – the pathway to successful de-cluttering

Remove immaterial disclosures → Move accounting policies and/or simplify wording → Group notes & re-order → Add additional information and plain English explanations

Financial report

The results of our analysis indicate that de-cluttering the financial report is a scalable activity with application so far by Australian ASX 200 listed companies varying from simply removing immaterial disclosures, to more extensive re-ordering and grouping of notes and including plain English explanations.

Corporate reporting

Successful de-cluttering does not stop with the financial report. While cutting the clutter can be a logical first step for many companies in improving the clarity of reporting, the financial report only tells a small part of the story. To maximise the benefits of de-cluttering, companies should consider if their annual report and wider corporate reporting portfolio could also benefit from being redesigned and streamlined to more clearly and concisely communicate how they create value in the short, medium and long term.

Improving corporate reporting is a journey and is likely to be completed in several stages, occurring over a number of reporting periods. The speed at which change is achieved will depend on the driver of the change, i.e., industry best practice, regulatory drivers such as RG247 and ASX Corporate Governance Principles and Recommendations which have mandatory commencement dates, the appetite of the board and senior management, the take-up of market-driven initiatives such as Integrated Reporting <IR>, and the capacity within the organisation to implement change.

Potential timeline and drivers of change:

2014	**Key Driver: RG247** • Further enhancements to the OFR, improving disclosure around strategy and prospects for future financial years, including material business risks
2015	**Key Driver: ASX Corporate Governance Principles and Recommendations (third edition)** • Directors are now responsible for the integrity of all corporate reporting under Principle 4 • Increased disclosure of economic, environmental and social sustainability risks and how they are managed in the Corporate Governance Statement
2016	**Potential Driver:** • Increase pressure from market leaders and early adopters of the International Integrated Reporting <IR>Framework
2017+	**Potential Driver:** • Endorsement of the International Integrated Reporting <IR> Framework • Development of a ‘flagship’ report

Practical application – the pathway to successful de-cluttering

CFOs should ask themselves …

1. Are our financial reports cluttered with technical jargon that investors either don't need to know or don't understand?
2. Are our financial reports structured in a way that focuses investors on what I think they should focus on?
3. Are our financial reports easy to read? Do they include immaterial, redundant or boiler-plate disclosures that don't add anything?
4. Are our financial reports longer than they need to be?
5. Do we want to try and save costs in preparing our financial reports?

Achieve quick wins by …

- Identifying accounting policies that do not relate to the prior or current year financial performance or position and remove
- Move accounting policies to the related financial statement note, e.g. revenue accounting policy with the revenue note, to improve clarity
- Order notes in level of importance to investors – important information should be read first
- Group like notes together – presenting a holistic view of key financial reporting focus areas, e.g. tax expense with deferred tax balances
- Reword boiler-plate disclosure so that it actually describes your business circumstances with minimal technical jargon

Keys to success are …

Companies who have undertaken this process highlight the need for strong stakeholder engagement across the finance team, investor relations, audit committee and relevant external users in order to gain support and manage expectations.

Whilst for some it may take a 'leap of faith' to embrace the de-cluttering process, the end product should be a clearer and more focused document that will better tell your story.

Standard setters and regulators – supporting de-cluttered reports

Standard setters and regulators alike are also discussing the need to improve the quality of financial reports by focussing on disclosures.

"The Disclosure Initiative is focused on ensuring that financial reports are instruments of communication and not simply compliance documents. These proposals form a small part of our efforts to encourage preparers, auditors and regulators away from a ticking-the-box mentality towards disclosures."

Hans Hoogervorst, IASB Chairman – announcing the IASB Disclosure Initiative proposal

"ASIC pay particular attention to whether retail investors are being provided with clear, concise and effective disclosure that satisfies their information needs"[2]

"Removal of disclosures that are immaterial will enable users to focus on the key information about the performance, position and cash flows of the entity."[5]

The IASB feel the need for disclosure reform and to:
"Clarify the materiality requirements" and put "emphasis on the potentially detrimental effect of overwhelming useful information with immaterial disclosure", and "clarify that entities have flexibility as to the order in which they present the notes"[1]

"The AASB strongly supports the Disclosure Initiative Project"[3] and recommends using 'plain English' expressions in IFRSs to distinguish information displayed on the face of a financial statement and information displayed in the notes"[3]

The FRC "agreed that preparers, auditors and directors need to address this issue in light of clarifications from the standard setters and ASIC, recognising that too much irrelevant information is a distraction to understanding the financial report"[4]

Sources:
1 IASB Press Release, 25 March 2014
2 ASIC Regulatory Guide 175.
3 AASB's comment letter on IASB Exposure Draft ED/2014/1 Disclosure Initiative
4 Financial Reporting Council Minutes – 11 April 2014
5 The Group of 100's comment letter on IASB Exposure Draft ED/2014/1 Disclosure Initiative

KPMG – How we can help

KPMG can help you streamline your financial reports in a number of ways by providing:

- thought leadership and examples of de-cluttered disclosures
- feedback on your current financial reports and how you compare to benchmark companies
- management and Audit Committees with insight on the best way to approach the de-cluttering process
- assistance in identifying quick wins using our experience from working with clients who have undertaken a de-cluttering process
- assistance in drafting de-cluttered financial reports and participating in project workshops and discussions

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Appendix 1 – Our methodology

In preparing this report we have reviewed the most recent annual financial reports of the ASX 200 companies as at 22 October 2014.* The financial reports subject to our review covered the annual reporting periods from 31 December 2013 to 31 August 2014.

The following table shows the organisations for which we could see evidence of applying the de-cluttering principles. In addition, we noted that a number of organisations also simplified wording in their note disclosures.

Ticker	Company	Notes re-ordered?	Notes reduced?	Page numbers reduced?
AGK	AGL Energy Limited	√	√	√
AGO	Atlas Iron Limited			√
AHE	Automotive Holdings Group Limited	√		
AMC	Amcor Limited		√	
ANN	Ansell Limited		√	√
AOG	Aveo Group	√		√
ARI	Arrium Limited			√
ASX	ASX Limited	√	√	√
AWC	Alumina Limited	√	√	
BCI	BC Iron Limited		√	
BEN	Bendigo and Adelaide Bank	√	√	
BGA	Bega Cheese Limited	√	√	√
BPT	Beach Energy Limited			√
CAB	Cabcharge Australia Limited		√	
CBA	Commonwealth Bank of Australia		√	
COH	Cochlear Limited	√		√
CPU	Computershare Limited			√
CSL	CSL Limited			√
DUE	Duet Group			√
EGP	Echo Entertainment Group Limited	√		√
FBU	Fletcher Building Limited	√	√	
FDC	Federation Centres	√	√	√
FLT	Flight Centre Limited	√		√
FMG	Fortescue Metals Group Ltd	√		√
FXJ	Fairfax Media Limited		√	
GEM	G8 Education Limited			√
GMG	Goodman Group	√	√	√
GWA	GWA Group Limited		√	
Ticker	**Company**	**Notes re-ordered**	**Notes reduced?**	**Page numbers reduced?**
HVN	Harvey Norman Holdings Limited			√
IAG	Insurance Australia Group Limited		√	
IFL	IOOF Holdings Limited	√	√	√
IGO	Independence Group NL		√	
IIN	Iinet Limited	√		√
ILU	Iluka Resources Limited	√		√
IOF	Investa Office Fund	√		
LLC	Lend Lease Group	√	√	
LNG	Liquefied Natural Gas Limited			√
LYC	Lynas Corporation Limited			√
MFG	Magellan Financial Group Limited			√
MGR	MIRVAC Group		√	
MGX	Mount Gibson Iron Limited			√
MML	Medusa Mining Limited		√	
MSB	Mesoblast Limited	√	√	
MTS	Metcash Limited	√	√	
MTU	M2 Group LTD			√
NVT	Navitas Limited		√	
ORA	Orora Limited	√		
PBG	Pacific Brands Limited		√	
PDN	Paladin Energy LTD	√		√
QAN	Qantas Airways Limited			√
REA	REA Group Ltd		√	
RFG	Retail Food Group Limited			√
RIO	Rio Tinto Limited	√		
RRL	Regis Resources Limited	√	√	
SDF	Steadfast Group Limited	√	√	
SEK	Seek Limited	√		
Ticker	**Company**	**Notes re-ordered?**	**Notes reduced?**	**Page numbers reduced?**
SGM	Sims Metal Management Limited		√	
SGP	Stockland	√	√	√
SGT	Singapore Telecommunications Limited		√	√
SHL	Sonic Healthcare Limited		√	√
SKT	SKY Network Television Limited		√	
SPK	Spark New Zealand Limited	√	√	√
SWM	Seven West Media Limited		√	
SXY	Senex Energy limited			√
TAH	Tabcorp Holdings Limited		√	√
TLC	Transurban Group		√	
TEN	Ten Network Holdings Limited	√	√	√
TGR	Tassal Group Limited			√
TME	Trade Me Group Limited	√	√	√
TOL	Toll Holdings Limited		√	√
TPI	Transpacific Industries Group Ltd	√	√	√
TPM	TPG Telecom Limited	√	√	
TSE	Transfield Services Limited	√	√	√
TTS	Tatts Group Limited			√
VED	Veda Group Limited			√
VRL	Village Roadshow Limited		√	
WES	Wesfarmers Limited	√	√	√
WHC	Whitehaven Coal Limited			√

* Excludes entities that have not yet released 2014 financial reports and certain other entities where data was not available, for example; no prior year comparatives

Appendix 2 – Example Reporting

Remove

Example 1 – AGL

AGL's 2014 financial report is **29 pages shorter** and contains **15 less notes** compared to the 2013 financial report.

AGL Financial Report 2014

Contents

Source: ASX Release – AGL Energy Limited Financial Reports for the year ended 30 June 2014
Date: 20 August 2014

AGL Financial Report 2013

Contents

Source: ASX Release – AGL Energy Limited Financial Report
Date: 28 August 2013

Appendix 2 – Example Reporting

Re-label & Reorder / Rewrite / Remove

Example 2 – Transfield

Transfield have grouped the notes to the financial statements into specific categories, identified immaterial notes for removal and have also moved the summary of significant accounting policies to be the last note within the financial report resulting in a shortening of their financial report by **28 pages**.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 30 June 2014

BASIS OF PREPARATION

These consolidated financial statements are general purpose financial statements. They have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. They also comply with IFRS as issued by the International Accounting Standards Board.

Details of the Group's accounting policies, including changes during the year, are included in the following notes:

NOTE INDEX

Source: Transfield Annual Report 2014
Date: 3 October 2014

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2013

Source: Transfield Annual Report 2013
Date: 23 September 2013

Appendix 2 – Example Reporting

Re-label & Reorder

Example 3 – Flight Centre

Flight Centre have grouped the notes to the financial statements into specific categories. In addition, they provide an introduction to each section and include specific accounting policies in the note dealing with the related balance.

NOTES TO THE FINANCIAL STATEMENTS

B CASH MANAGEMENT

FLT has a focus on maintaining a strong balance sheet through increasing cash and investments and reducing debt. The strategy also considers the group's expenditure, growth and acquisition requirements and the desire to return dividends to shareholders.

- B1 Cash and cash equivalents
- B2 Available-for-sale (AFS) financial assets
- B3 Cash & AFS - financial risk management
- B4 Borrowings
- B5 Ratios
  - Net debt
  - Gearing ratio
- B6 Dividends
- B7 Capital expenditure

B1 CASH AND CASH EQUIVALENTS

Accounting policy

Client cash represents amounts from customers held before release to service and product suppliers.

Additional information on cash accounting policies is included in note I(j).

	2014 $'000	2013 $'000
General cash at bank and on hand	476,042	433,799
Client cash	785,640	793,220
	1,261,682	1,227,019

Source: Flight Centre Travel Group Limited Annual Report 13/14
Date: 27 August 2014

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the consolidated financial report's preparation are set out below. These policies have been consistently applied to all the years presented, except as stated below. The financial report is for the consolidated entity consisting of Flight Centre Limited (FLT) and its subsidiaries.

Presentation of transactions recognised in other comprehensive income

From 1 July 2012, FLT applied amendments to AASB 101 Presentation of Financial Statements outlined in AASB 2011–9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income. The change in accounting policy only relates to disclosures and has no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and require the group to separately present those items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit and loss. These changes are included in the statement of comprehensive income.

Presentation of expenses in consolidated income statement

For the half year ended 31 December 2012 and going forward, the group has voluntarily changed the presentation of expenses in the consolidated income statement from function to nature. The group determined the further disclosure of the nature of the expenses provided more relevant information to the financial statements' users.

The prior year expense presentation by function cannot be readily mapped into the nature as presented currently for the prior year. As such, the detail of the reclassifications has not been disclosed.

The adjustment is shown in the consolidated income statement and the comparative amounts in the prior period have also been adjusted to show the nature of the expense. The amount of expenses recorded in each period presented has not changed, only the presentation has changed.

(A) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. FLT is a for–profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The group's consolidated financial statements also comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

New & amended standards adopted by the group

None of the new standards and amendments of standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment when applying the group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(B) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all FLT subsidiaries at 30 June 2013 and the subsidiaries' results for the year then ended. FLT and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are entities (including special purpose entities) over which the group has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and are deconsolidated when that control ceases.

The acquisition method of accounting is used to account for the group's acquisition of subsidiaries (refer to note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the transferred asset's impairment. Subsidiaries' accounting policies have been changed, where necessary, to ensure consistency with the group's policies.

Non–controlling interests in the results and equity of subsidiaries are shown separately in the consolidated balance sheet, income statement, statement of comprehensive income and statement of changes in equity respectively.

Investments in subsidiaries are accounted for at cost in FLT's individual financial statements.

(ii) Associates

Associates are all entities over which the group has significant influence but not control or joint control. Investments in associates are accounted for by the parent using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 19).

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in other comprehensive income reserves. The cumulative post-acquisition movements are adjusted against the investments' carrying amounts. Dividends receivable from associates are recognised in the parent entity's income statement. In the consolidated financial statements, they reduce the investments' carrying amounts.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long–term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on the associate's behalf.

Unrealised gains on transactions between the group and its associates are

40 ABN 25 003 377 188

Source: Flight Centre Limited Annual Report 12/13
Date: 27 September 2013

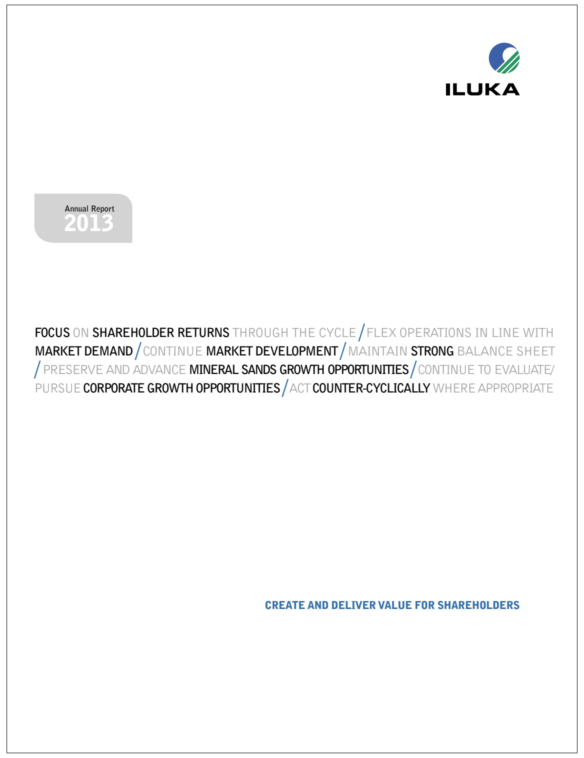
Appendix 2 – Example Reporting

Remove / Re-label & Reorder

Example 4 – Iluka Resources

The Iluka Resources December 2013 financial report:

- Utilises **subheadings** to group notes together
- **Does not have a separate** summary of significant accounting policies note – now included within associated notes
- is **10 pages shorter** compared to the December 2012 report



Contents of the notes to the financial statements

Source: ASX release: Iluka Annual Report 2013 Date: 25 March 2014

Contents of the notes to the financial statements

Source: ASX release: Iluka Annual Report 2012 Date: 28 March 2013

Appendix 2 – Example Reporting

Remove / Re-label & Reorder

Example 5 – IOOF

The IOOF 2014 financial report is **13 pages shorter** compared to the 2013 report and utilises subheadings to group like notes together.

IOOF Holdings Ltd
ABN 49 100 103 722

30 June 2014
Annual Financial Report

Contents | Page

Source: ASX release: IOOF Full Year Statutory Accounts and Appendix 4E
Date: 22 August 2014

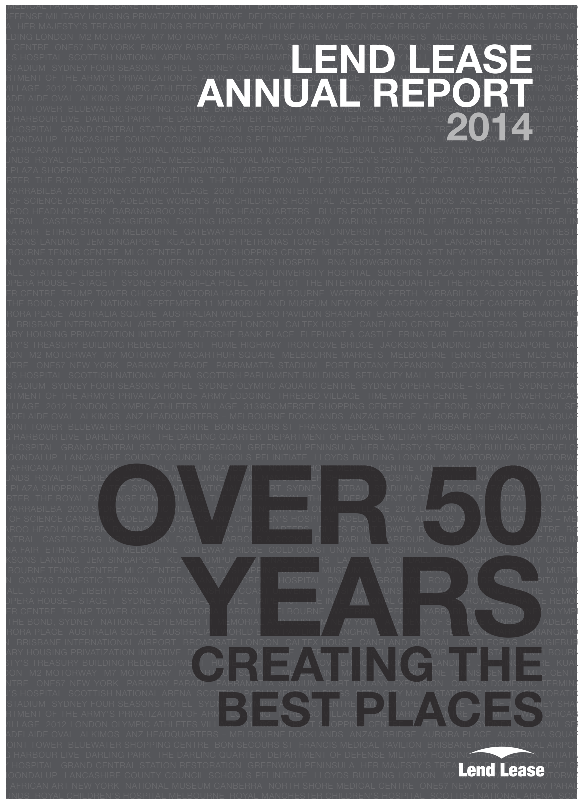
Source: ASX release: IOOF Holdings Limited Full Year Statutory Accounts
Date: 25 October 2013

Appendix 2 – Example Reporting

Re-label & Reorder

Example 6 – Lend Lease

Lend Lease have included the accounting policies that relate to specific balances within the associated note in their 2014 report. The Significant Accounting Policies note principally contains the statement of compliance, basis of preparation and impact of new / revised accounting standards policies.



The accounting policies associated with a particular note are described in the note to which they relate.

Accounting policies have been consistently applied to all financial years presented in the consolidated financial statements and by all entities in the Group, except as explained in Note 1.3 which addresses the impact of new/revised accounting standards.

2. Revenue

Accounting Policies

Revenue from the provision of services is recognised in the Income Statement in proportion to the stage of completion of the transactions at the balance sheet date.

- For construction and development: the value of work performed using the percentage complete method, which is measured by reference to costs incurred to date as a percentage of total forecast costs for each contract.
- Development also includes retirement living Deferred Management Fees ('DMF'). A typical DMF contract provides for an annual fee for a fixed period on the property occupied by a resident (e.g. 3% per annum of purchase or resale price for a period up to 10–12 years, or 30%–36% in total) plus a share of the capital gain realised on turnover. For both owned retirement villages (investment property) and managed retirement villages, DMF income is recognised on an annual accrual basis based upon the expected term of the resident's licence and estimates of capital growth since the resident first occupied the unit.
- For infrastructure development: origination, asset management and facility management fee entitlements are recognised for services rendered.
- For investment management: funds and asset management fee entitlements are recognised for services rendered.

Revenue from the sale of development properties is recognised in the Income Statement when:

- The significant risks and rewards have been transferred to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the development properties sold;
- The revenue can be measured reliably and it is probable that the Group will receive the consideration due; and
- The Group can reliably measure the costs incurred or to be incurred in respect of the transaction.

Rental revenue is recognised in the Income Statement on a straight line basis over the term of the lease unless another systematic basis is more appropriate. Lease incentives granted are recognised as an integral part of the total rental income.

Other revenue primarily includes dividends/distributions and miscellaneous items. Dividend/distribution income is recognised when the right to receive payment is established, usually on declaration of the dividend/distribution.

Financial Disclosure	June 2014 A$m	June 2013[1] A$m
Revenue from the provision of services		
Construction	11,011.3	11,466.4
Development	295.6	273.2
Infrastructure Development	238.9	313.0
Investment Management	205.4	130.4
Total revenue from the provision of services	**11,751.2**	**12,183.0**
Revenue from the sale of development properties	2,079.6	898.2
Rental revenue	53.3	48.9
Other revenue	51.8	32.5
Total revenue	**13,935.9**	**13,162.6**

1 June 2013 has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Source: Lend Lease Annual Report 2014
Date: 30 September 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Significant Accounting Policies continued

1.3 Impact of New/Revised Accounting Standards continued

New Accounting Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the financial year ended 30 June 2013 but are available for early adoption and have not been applied in preparing this report.

The potential effect of these is outlined below:

- AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9* (December 2010) and AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (September 2012).

  These standards address the classification, measurement and derecognition of financial assets and financial liabilities. The potential effect of this standard is yet to be determined.
- AASB 10 *Consolidated Financial Statements* introduces a new definition of control and addresses whether an entity should be included within the consolidated financial statements of the parent company.
- AASB 11 *Joint Arrangements* establishes principles for financial reporting by parties to a joint arrangement.

  The Group's assessment of the impact of AASB 10 and AASB 11 indicates that the application of these standards is unlikely to have a significant impact on the Group's financial position and performance.
- AASB 12 *Disclosure of Interests in Other Entities* relates to disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Application of this standard will not affect amounts recognised in the financial statements, however it will impact the type of information disclosed in relation to the Group's investments.
- AASB 13 *Fair Value Measurements* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* introduce new guidance on fair value measurement and disclosure requirements when fair value is permitted by accounting standards. Application of this standard will not affect amounts recognised in the financial statements, however it will impact the type of information disclosed in relation to the fair value hierarchy.
- The revised AASB 119 *Employee Benefits* (June 2011) and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011) introduce changes to the accounting for and presentation of pensions and other post-employment benefits. The revised standard eliminates the corridor approach which defers the recognition of actuarial gains and losses attributable to the Group's defined benefit plans in the Statement of Comprehensive Income. The revised standard also requires the net interest expense on fund obligations and interest income on assets to be determined by applying the discount rate used to measure the fund obligations. Previously, the Group determined interest income on fund assets based on the expected long term return for each asset class.

  Had the revised standard been applied at 30 June 2013, and previously unrecognised cumulative gains and losses had been recognised, total equity would have decreased by A$63.8 million, after tax. The amount recognised in the Statement of Comprehensive Income for current year actuarial gains to 30 June 2013 would have been A$23.2 million, after tax. In addition, the impact to the defined benefit expense on adopting the amendments would decrease profit after tax by A$2.8 million, for the year ended 30 June 2013.

The standards above become mandatory for the June 2014 financial year, with the exception of AASB 9 which will apply to the June 2016 financial year. With the exception of AASB 13, which applies prospectively, the standards are to be applied retrospectively.

1.4 Revenue, Other Income and Profits

Revenue from the Provision of Services

Revenue from the provision of services is recognised in the Income Statement in proportion to the stage of completion of the transactions at the balance sheet date.

For property construction: the value of work performed using the percentage complete method, which is measured by reference to costs incurred to date as a percentage of total forecast costs for each contract.

For property and funds management: property development and management fee entitlements for services rendered.

For aged care and retirement living:

- Deferred Management Fees ('DMF'):

  A typical DMF contract provides for an annual retainer for a fixed period (e.g. 3% per annum of purchase or resale price for a period up to 12 years, or 36% in total) plus a share of the capital gain realised on turnover.

  For both owned retirement villages (investment property) and managed retirement villages, DMF income is recognised on an annual accrual basis based upon the expected term of the resident's licence and estimates of capital growth since the resident first occupied the unit.
- Aged Care Revenue:

  Aged Care revenue comprises daily resident living contributions, retention fees and government funding, which are all determined in accordance with Federal Government authorised rates.

  This revenue is recognised as the services are provided. The Group is entitled to charge an annual retention fee to hostel residents. These annual fees are regulated by the Federal Government and are paid by a resident on departure. These fees are accrued during the resident's period of occupancy.

Revenue and Profits from the Sale of Development Properties

Revenue and profits from the sale of development properties are recognised in the Income Statement when:

- The significant risks and rewards have been transferred to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the development properties sold;
- The revenue can be measured reliably and it is highly probable that the Group will receive the consideration due; and,
- The Group can reliably measure the costs incurred or to be incurred in respect of the transaction.

Rental Revenue

Rental revenue is recognised in the Income Statement on a straight line basis over the term of the lease unless another systematic basis is more appropriate. Lease incentives granted are recognised as an integral part of the total rental income.

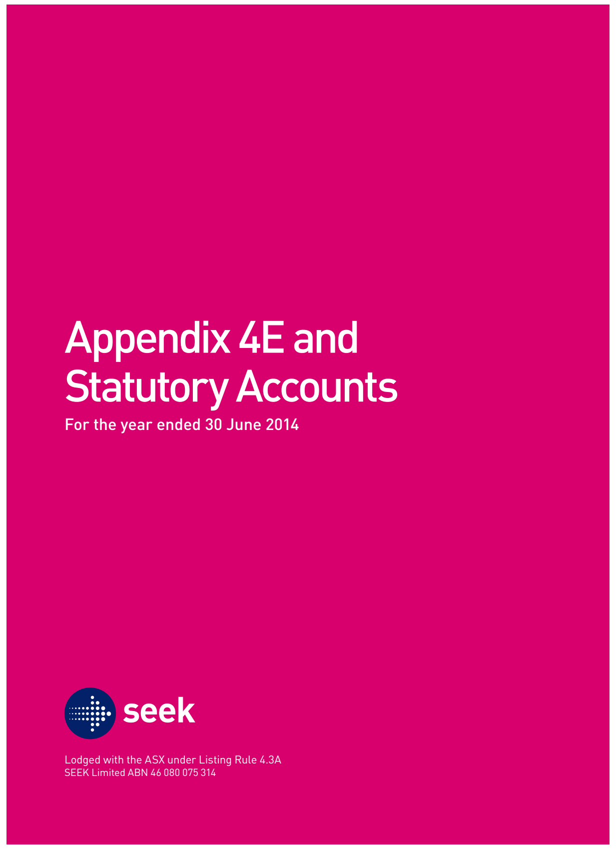
Source: Lend Lease Annual Report 2013
Date: 30 September 2013

Appendix 2 – Example Reporting

Re-label & Reorder

Example 7 – Seek

Seek have grouped the notes to the financial statements into specific categories. They have also moved the summary of significant accounting policies to be the last note within the financial report.



Financial Report

Contents

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Financial statements

Source: Seek Limited Appendix 4E and statutory accounts 2014
Date: 20 August 2014

Contents

Page

Financial statements

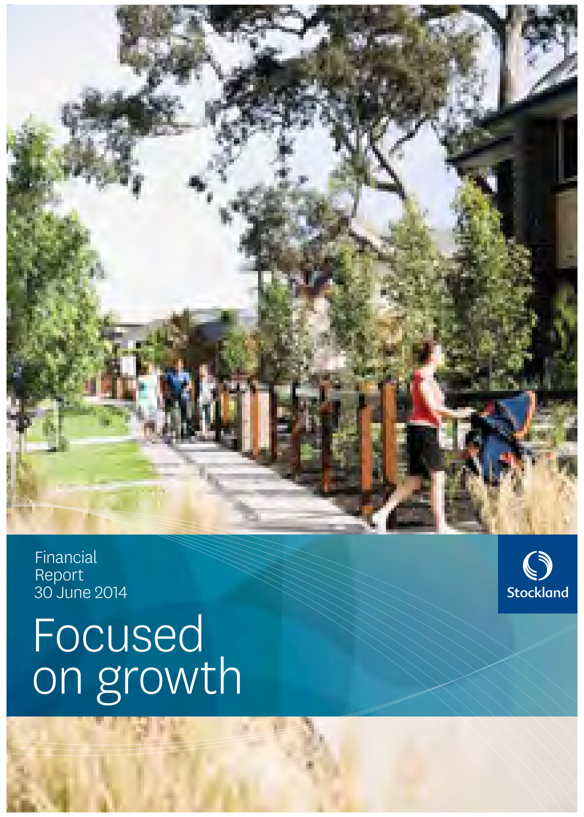
Source: Seek Limited Annual Report 2013
Date: 30 October 2013

Appendix 2 – Example Reporting

Re-label & Reorder / Rewrite

Example 8 – Stockland

Stockland has grouped its note disclosures into six sections in the 2014 financial report. Each section sets out the accounting policies applied in preparing the relevant note. They have also included "Keeping it simple" text boxes to provide commentary on more complex sections in plain English, and have reduced total page length by 14.



Consolidated Notes
Year ended 30 June 2014

ust Group.
ancial statements that
uding:
he financial
evenue, results
of the amount of goods and
gnificant risks and rewards
lled to tenants. Contingent
clude both fixed fees
vever fees are only realised
nd of the resident's tenure.
ey are declared by the

	Stockland Trust Group	
	2014 $M	2013 $M
	–	–
	681	680
	–	–
	–	1
	13	–
	694	681

Keeping it simple . . .

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables such as exchange rates or interest rates and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure. Stockland uses derivatives to manage exposure to foreign exchange and interest rate risk.

Source: Stockland Financial Report 2014
Date: 18 August 2014

Financial Report 2013

Consolidated Statements of Changes in Equity (continued)

FOR THE YEAR ENDED 30 JUNE 2013

ATTRIBUTABLE TO UNITHOLDERS OF THE STOCKLAND TRUST GROUP

	Notes	Issued capital $M	Executive remuneration reserve $M	Cash flow hedge reserve $M	Undistributed income $M	Total equity $M
Balance as at 1 July 2012		**7,179.8**	**17.6**	**3.4**	**835.3**	**8,036.1**
Profit for the period		**–**	**–**	**–**	**646.6**	**646.6**
Other comprehensive income		**–**	**–**	**8.2**	**–**	**8.2**
Total comprehensive income		**–**	**–**	**8.2**	**646.6**	**654.8**
Securities bought back during on-market buyback, net of transaction costs	27	**(2.8)**	**–**	**–**	**–**	**(2.8)**
Securities issued from capital raising, net of transaction costs	27	**381.5**	**–**	**–**	**–**	**381.5**
Securities purchased and held in Employee Share Plan (Treasury Shares)	27	**(4.6)**	**–**	**–**	**–**	**(4.6)**
Distributions to unitholders	29	**–**	**–**	**–**	**(541.7)**	**(541.7)**
Expense relating to rights and securities granted under share plans, net of tax	28	**–**	**(0.8)**	**–**	**–**	**(0.8)**
		374.1	**(0.8)**	**–**	**(541.7)**	**(168.4)**
Balance as at 30 June 2013		**7,553.9**	**16.8**	**11.6**	**940.2**	**8,522.5**
Balance as at 1 July 2011		7,700.3	21.3	6.6	771.2	8,499.4
Profit for the period		–	–	–	606.1	606.1
Other comprehensive expense		–	–	(3.2)	–	(3.2)
Total comprehensive (expense)/income		–	–	(3.2)	606.1	602.9
Securities bought back during on-market buyback, net of transaction costs	27	(524.7)	–	–	–	(524.7)
Units issued during the year, net of transaction costs	27	4.2	–	–	–	4.2
Distributions to unitholders	29	–	–	–	(542.4)	(542.4)
Units exercised under share plans transferred to undistributed income	28	–	(0.4)	–	0.4	–
Vested units purchased on-market	28	–	(6.8)	–	–	(6.8)
Expense relating to rights and securities granted under share plans, net of tax	28	–	3.5	–	–	3.5
		(520.5)	(3.7)	–	(542.0)	(1,066.2)
Balance as at 30 June 2012		7,179.8	17.6	3.4	835.3	8,036.1

The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Source: Stockland Financial Report 2013
Date: 25 September 2013

Appendix 2 – Example Reporting

Re-label & Reorder

Example 9 – Wesfarmers

Wesfarmers have grouped notes into six key sections: Key numbers, Capital, Risk, Group structure, Unrecognised items and Other. They have also explained their "basis of materiality" in selecting notes to be included in the financial report, and have reduced the length of the financial report by **37 pages**

The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, acquisitions and impairment writedowns; or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

- *Key numbers:* provides a breakdown of individual line items in the financial statements that the directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items;
- *Capital:* provides information about the capital management practices of the Group and shareholder returns for the year;
- *Risk:* discusses the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance and what the Group does to manage these risks;
- *Group structure:* explains aspects of the group structure and how changes have affected the financial position and performance of the Group;
- *Unrecognised items:* provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial position and performance; and
- *Other:* provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however, are not considered critical in understanding the financial performance or position of the Group.

Contents

Source: Wesfarmers Annual Report 2014
Date: 09 September 2014

Contents

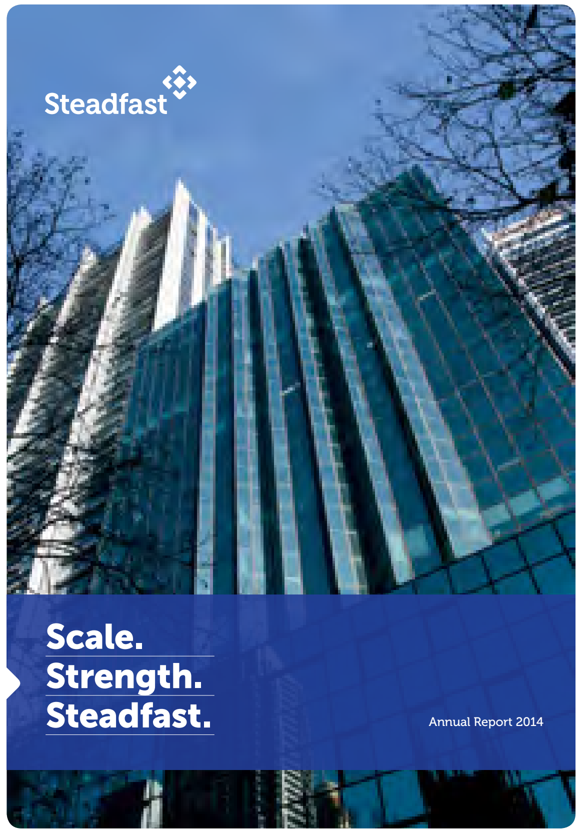
Source: Wesfarmers Annual Report 2013
Date: 26 September 2013

Appendix 2 – Example Reporting

Re-label & Reorder / Rewrite / Remove

Example 10 – Steadfast

Steadfast applied judgement to their financial statements and removed immaterial notes, **reducing them by 18**. They also re-ordered and re-wrote accounting policies to aid improvement in communication with a focus on what was significant to the financial statements.



2014 Financial Report Contents

This year's financial report is re-ordered and re-written to aid improvement in communication. The flow of information is grouped as follows:

- significant accounting policies and critical accounting judgements, estimates and assumptions – Notes 2 and 3;
- key financial indicators of the Group – Notes 4 to 6;
- significant assets and liabilities – Notes 7 to 8;
- equity related matters – Note 9;
- group structure – Notes 10 to 13;
- risk and unrecognised items – Note 14 to 16; and
- additional information and disclosures required by Accounting Standards – Notes 17 to 24.

Source: Steadfast Annual Report 2014
Date: 27 August 2014

2013 Financial Report Contents

Source: Steadfast Annual Report 2013
Date: 30 August 2013

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October 2014. NSW N12375AUD.