

Accounting Standard

AASB 1039
April 2005

Concise Financial Reports



Australian Government

**Australian Accounting
Standards Board**

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Australian Accounting Standard AASB 1039 *Concise Financial Reports* is set out in paragraphs 1.1 to 9.1.1. All paragraphs have equal authority. AASB 1039 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation and Application of Standards*, which identifies the UIG Interpretations.

PREFACE

Introduction

The Australian Accounting Standards Board (AASB) makes Australian Accounting Standards to be applied by:

- (a) entities required by the *Corporations Act 2001* to prepare financial reports;
- (b) governments in preparing financial statements for the whole of government and the General Government Sector; and
- (c) entities in the private or public for-profit or not-for-profit sectors that are reporting entities or that prepare general purpose financial statements.

Australian Accounting Standards incorporate International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB), with the addition of paragraphs on the applicability of the Standard in the Australian environment.

Australian Accounting Standards also include requirements that are specific to Australian entities. In most instances, these requirements are either restricted to the not-for-profit or public sectors or include additional disclosures that address domestic, regulatory or other issues. In developing requirements for public sector entities, the AASB considers the requirements of International Public Sector Accounting Standards (IPSASs), as issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants.

Reasons for Issuing AASB 1039

AASB 1039 was initially issued in December 1998, in response to changes to section 314 of the Corporations Law, introduced in the *Company Law Review Act 1998* (operative 1 July 1998). Section 314 remains in the *Corporations Act 2001*, with subsection 314(1) permitting an entity to fulfil the requirement to report annually to its members by sending either an annual report or a concise report. The contents of a concise report for a financial year are defined in subsection 314(2) and include (s314(2)(a)) “a concise

financial report for the year drawn up in accordance with accounting standards made for the purposes of this paragraph”.

The majority of changes made by the Australian Accounting Standards Board (AASB) in this Standard relate to the two major events affecting AASB 1039 since it was last issued in 2002:

- the adoption of Australian equivalents to International Financial Reporting Standards (IFRSs); and
- the CLERP 9 amendments to the *Corporations Act 2001* in 2004.

In addition, some minor changes have been made in response to suggestions the Board has received from its constituents are consequential amendments arising from Accounting Standards AASB 101 *Presentation of Financial Statements* and AASB 8 *Operating Segments* which are applicable for annual reporting periods beginning on or after 1 January 2009.

Adoption of Australian equivalents to IFRSs

~~The AASB is implementing the directive of the Financial Reporting Council (FRC) to adopt the Standards of the International Accounting Standards Board (IASB), for application to reporting periods beginning on or after 1 January 2005.~~

~~The IASB defines IFRSs as comprising:~~

- ~~(a) International Financial Reporting Standards;~~
- ~~(b) International Accounting Standards; and~~
- ~~(c) Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).~~

~~The Australian equivalents to IFRSs are:~~

- ~~(a) Accounting Standards issued by the AASB that are equivalent to Standards issued by the IASB, being AASBs 1—99 corresponding to the IFRS series and AASBs 101—199 corresponding to the IAS series; and~~
- ~~(b) UIG Interpretations issued by the AASB corresponding to the Interpretations adopted by the IASB, as listed in AASB 1048 *Interpretation and Application of Standards*.~~

In implementing the FRC's directive, the AASB is replacing relevant existing AASB Standards with Australian Standards equivalent to those of the IASB. The AASB has decided it will continue to issue sector neutral Standards, that is, Standards applicable to both for profit and not for profit entities, including public sector entities. Except for Standards that are specific to the not for profit or public sectors or that are of a purely domestic nature, the AASB uses the IASB Standards as the "foundation" Standards to which it adds material detailing the scope and applicability of a Standard in the Australian environment. Additions are made, where necessary, to broaden the content to cover sectors not addressed by an IASB Standard and domestic, regulatory or other issues.

On 15 July 2004, the Board made the set of Australian Standards equivalent to IFRSs, together with several associated Australian Standards, effective for annual reporting periods beginning on or after 1 January 2005.

AASB 1039 was not re-issued at that time because, being a domestic Standard required by s314(2)(a) of the *Corporations Act 2001*, it is not part of the set of Australian equivalents to IFRSs.

The majority of the consequential changes to AASB 1039 are simple and automatic in nature, and include changing terminology, updating cross references and deleting the reference to extraordinary items. The most substantial of the automatic changes is the addition of a fourth financial statement to the three nominated in section 5, that is, the statement of changes in equity (or statement of recognised income and expense), required by AASB 101 *Presentation of Financial Statements*.

Two of the consequential changes are not automatic. Both add disclosures, the first on a permanent basis, the second as a once only item.

Firstly, given that it is now possible for an entity to have a presentation currency other than Australian dollars, disclosure of the presentation currency will be required.

Secondly, a once-only requirement is added, applicable to the period in which an entity first adopts the Australian equivalents to IFRSs, to provide:

- (a) directions to the location in the financial report of the reconciliations and other disclosures required by paragraphs 39 and 40 of AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards*; and
- (b) a summary of this information.

CLERP 9 changes to *Corporations Act 2001*

When the Board reviewed the changes to the *Corporations Act 2001* (introduced by the CLERP 9 legislation in June 2004) in relation to AASB 1039, concern was expressed that the requirement in section 299A for listed companies, to provide an operational and financial report (OFR) in the Directors' Report, would result in duplication for those companies of much of the information contained in the discussion and analysis (D&A) required by AASB 1039, paragraph 5.3.

The Board is concerned to preserve the integrity of the disclosures required by AASB 1039 (that are subject to audit as part of the concise financial report) as well as consistency with and comparability to the concise financial reports of entities that are not listed companies. Most of the duplication would be eliminated for listed companies if they could be exempted from the D&A disclosures required in the concise financial report by AASB 1039 in situations where they have provided those disclosures in the Directors' Report. However, given its present powers, the Board is not able to issue Standards that apply to part of the Directors' Report or permit omission of information from the concise financial report if that information is provided elsewhere in the concise report. While unable to provide such conditional relief for listed companies, the Board has the power to exempt (unconditionally) the class of listed companies from any or all requirements of AASB 1039. The Board has decided to exempt listed companies from the obligation to provide a discussion and analysis on the financial statements, despite the fact that this will reduce comparability between concise financial reports, and may possibly lessen the quantity and quality of disclosures by listed companies. On balance, the Board considered that the costs of reduced comparability are outweighed by the benefits (or cost savings) from avoiding duplication by listed companies.

Main Features of this Standard

Application Date

The revised Standard is applicable to annual reporting periods ~~ending beginning~~ on or after ~~31 December 2005~~ 1 January 2009. ~~Consistent with the applicability of the Standards to which it refers, Early adoption of the revised Standard is not permitted for annual reporting periods beginning on or after before~~ 1 January 2005 but before 1 January 2009.

Main Changes from AASB 1039 (~~June 2002~~April 2005)

The main changes from AASB 1039 (issued ~~June 2002~~April 2005) are identified below [~~showing the relevant paragraph numbers in the Standard in square brackets~~].

1. ~~Listed companies are exempted from including a discussion and analysis, so as to avoid duplication of some information required in the Directors' Report by section 299A in the Corporations Act 2001 [5.3 and 5.3.1].~~ Changes have been made to terminology and descriptions of the financial statements to achieve consistency with that used in Accounting Standard AASB 101, which is applicable for annual reporting periods beginning on or after 1 January 2009.
2. ~~In addition to updating cross references to other Standards, the requirements in AASB 1039 are aligned with the requirements of Australian equivalents to IFRSs by:~~
 - (a) ~~adding a statement of changes in equity (or statement of recognised income and expense) [5.1(d), 5.1.1 and 5.3.3(d)];~~
 - (b) ~~rephrasing the references to unpaid dividends [6.3(b)(ii) and 6.3(c)];~~
 - (c) ~~deleting the reference to extraordinary items [was 6.4(a)];~~
 - (d) ~~requiring disclosure of the presentation currency [new 6.4(a)]; and~~
 - (e) ~~adding a requirement to provide, in the period in which an entity first adopts the Australian equivalents to IFRSs, directions to the location in the financial report of the reconciliations and other disclosures required by AASB 1 and a summary of that information [6.5].~~ The disclosure requirements relating to segments in paragraph 6.2 have been reworded to achieve consistency with the equivalent requirements in Accounting Standard AASB 8 which is applicable for annual reporting periods beginning on or after 1 January 2009.

~~Consultation prior to Issuing this Standard~~

~~Public consultation was part of the process undertaken by the AASB prior to its decision to issue this Standard, replacing the existing version of AASB 1039 (issued June 2002). An Exposure Draft containing the proposed~~

revisions, ED 138 *Concise Financial Reports: Revisions to AASB 1039*, was issued for public comment in early December 2004, with a comment period ending on 28 February 2005.

The AASB considered the submissions received in response to ED 138 at its meeting in April 2005 and noted that almost all its proposals were generally supported. The one proposal that lacked majority support was to provide only a 'signpost' to the reconciliations required on first-time adoption by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. This was amended to add a requirement to provide also a summary of that information. Several minor amendments were also made in response to comments received.

A Regulatory Impact Statement has not been prepared in connection with the reissue of this Standard as the amendments it makes do not have a direct, or substantial indirect, effect on business or restrict competition, are of a minor or machinery nature and do not substantially alter existing arrangements.

ACCOUNTING STANDARD AASB 1039

The Australian Accounting Standards Board makes Accounting Standard AASB 1039 *Concise Financial Reports* under section 334 of the *Corporations Act 2001*.

Dated ~~14 April 2005~~ 2008

D.G. Boymal
Chair – AASB

ACCOUNTING STANDARD AASB 1039

CONCISE FINANCIAL REPORTS

1 Application

1.1 This Standard applies to a concise financial report prepared by an entity in accordance with paragraph 314(2)(a) in Part 2M.3 of the Corporations Act.

1.1.1 Under the Corporations Act a company, registered scheme or disclosing entity can elect to send to its members for a financial year a concise report, which includes a concise financial report instead of the financial report.

1.2 Where an entity is the parent of a group, this Standard applies to the consolidated financial statements of the entity and the notes to those statements, and does not require that parent financial information be provided.

1.2.1 If the entity provides parent financial information in addition to consolidated financial information, the parent financial information is also subject to the requirements of this Standard.

1.3 Notwithstanding the application requirements in Accounting Standard AASB 1031 *Materiality*, the disclosures required in this Standard are subject to the requirements of AASB 1031.

1.3.1 As this Standard applies to a wider range of entities than does AASB 1031, paragraph 1.3 of this Standard clarifies that the requirements of AASB 1031 are applicable to all concise financial reports prepared under this Standard, even for those entities that would not otherwise be subject to AASB 1031.

2 Operative Date

- 2.1 **This Standard applies to annual reporting periods ending beginning on or after 31 December 2005 1 January 2009.**
- 2.2 **This Standard may ~~not~~ be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009. If an entity adopts this Standard for an earlier period, it shall disclose that fact.**
- 2.3 **When applied or operative, this Standard supersedes Accounting Standard AASB 1039 *Concise Financial Reports* ~~as notified in the Commonwealth of Australia Gazette No S196 on 14 June 2002~~ made on 14 April 2005.**
- ~~2.3.1 This Standard will be registered on the Federal Register of Legislative Instruments, together with its Explanatory Statement, in accordance with the *Legislative Instruments Act 2003*.~~

3 Purpose of Standard

- 3.1 **The purpose of this Standard is to specify the minimum content of a concise financial report.**
- 3.1.1 The requirements of the Corporations Act relating to concise financial reports are based on the view that a concise financial report can provide members with information relevant to evaluating the business, without giving them fully detailed accounting disclosures. For some members, the provision of less detailed information is expected to be sufficient to meet their needs for an understanding of the financial performance, financial position and financing and investing activities of the company, registered scheme or disclosing entity.
- 3.1.2 The minimum content required by this Standard is intended also to provide sufficient information to permit members to identify if and when they consider it would be useful to obtain more comprehensive and detailed information by requesting a copy of the financial report.

4 Preparation and Presentation

- 4.1 **The financial statements and specific disclosures (identified in Section 6 of this Standard) required in a concise financial report shall be derived from the financial report of the entity. Any other**

information included in a concise financial report shall be consistent with the financial report of the entity.

- 4.1.1 In order to achieve consistency and comparability with information included in the financial report, this Standard requires the accounting policies relating to recognition and measurement applied in the preparation of a concise financial report to be the same as those adopted in the preparation of the financial report.
- 4.1.2 This Standard prescribes the minimum information to be disclosed in a concise financial report but does not prescribe the format in which that information is presented. The format for the presentation of information in a concise financial report is developed having regard to the particular circumstances of the entity and the presentation of relevant, reliable, understandable and comparable information about the entity's financial performance, financial position and financing and investing activities. Entities are encouraged to develop a format that best meets the information needs of their members.
- 4.1.3 The consistency required by paragraph 4.1 means that information voluntarily included in the concise financial report is determined in accordance with the treatment adopted in the financial report. When the information in the financial report was determined in accordance with an Accounting Standard, the same treatment is adopted in the concise financial report.
- 4.2 The nature and estimated magnitude of particular items are disclosed if it is likely that the concise financial report would be misleading without such disclosures.**
- 4.2.1 The content of a concise financial report specified in this Standard constitutes the minimum level of disclosure. Where there are particular features of the operations and activities of the entity that are significant, the entity may need to provide additional information in the concise financial report in order to comply with paragraph 4.2. Similarly, members benefit from industry-specific disclosures, for example, disclosure of additional information by mining companies in relation to exploration and evaluation expenditure and decommissioning costs, and by banks and other financial institutions in relation to doubtful debts.

5 Financial Statements

- 5.1 A concise financial report shall include the following financial statements:**

- (a) ~~an income~~ a statement of comprehensive income for the annual reporting period;
- (b) ~~a balance sheet~~ statement of financial position as at the end of the annual reporting period;
- (c) ~~a cash flow~~ statement of cash flows for the annual reporting period; and
- (d) ~~a statement of changes in equity (or statement of recognised income and expense)~~ a statement of recognised income and expense for the annual reporting period.

5.1.1 In accordance with paragraph 9681, AASB 101 *Presentation of Financial Statements*, issued in September 2007, an entity may present all items of income and expense recognised in a period in a single a statement of changes in equity that comprises only the items identified in paragraph 96(a) to (d) shall be titled a statement of recognised income and expense comprehensive income or as two statements comprising a separate income statement and a second statement displaying profit or loss and components of other comprehensive income.

5.2 Each financial statement shall be presented as it is in the financial report, in accordance with other Accounting Standards, except for the omission of cross-references to notes to the financial statements in the financial report.

5.2.1 All the notes to the financial statements required by other Accounting Standards are not required in the concise financial report. For example, this Standard does not require an entity that uses the direct method in the statement of cash flows to disclosure provide of the reconciliation between the of cash flows arising from operating activities to profit or loss, income statement and the cash flow statement is not required by this Standard. However, information required in some notes by other Accounting Standards is required when specified in this Standard.

5.2.2 It is recommended that the financial statements in the concise financial report be cross-referenced, where appropriate, to disclosures included in the concise financial report.

5.2.3 When the entity is a parent and only the consolidated financial statements are presented, the lack of financial statements for the parent would not be regarded as contravening paragraph 5.2.

5.3 The financial statements of entities other than listed companies shall be accompanied by discussion and analysis to assist the understanding of members.

5.3.1 Listed companies are not required by this Standard to provide discussion and analysis in the concise financial report because, unlike other entities, they are required by section 299A of the Corporations Act to provide an operational and financial report in the Directors' Report that is part of the concise report. Paragraph 5.3 only exempts listed companies from the statutory obligation to provide discussion and analysis of the financial statements. It does not prohibit a listed company from providing any discussion and analysis that it considers would assist a reader to understand the financial statements in the concise financial report.

5.3.2 The information reported in the financial statements will be enhanced by a discussion and analysis of the principal factors affecting the financial performance, financial position and financing and investing activities of the entity. The extent of the discussion and analysis provided will vary from entity to entity, and from year to year, as is necessary in the circumstances to help compensate for the brevity of the concise financial report compared with the financial report.

5.3.3 In most situations, the content of the discussion and analysis would cover at least the following areas:

- (a) in relation to the ~~income~~ statement of comprehensive income:
 - (i) trends in revenues;
 - (ii) the effects of significant economic or other events on the operations of the entity;
 - (iii) the main influences on costs of operations; and
 - (iv) measures of financial performance such as return on sales, return on assets and return on equity;
- (b) in relation to the ~~balance sheet~~ statement of financial position:
 - (i) changes in the composition of assets;
 - (ii) the relationship between debt and equity; and
 - (iii) significant movements in assets, liabilities and equity items;

- (c) in relation to the ~~cash flow statement~~ of cash flows:
 - (i) changes in cash flows from operations;
 - (ii) financing of capital expenditure programs; and
 - (iii) servicing and repayment of borrowings; and
- (d) in relation to the statement of changes in equity:
 - (i) changes in the composition of the components of equity; and
 - (ii) causes of significant changes in subscribed capital, such as rights issues, share buy-backs or capital reductions.

6 Specific Disclosures

6.1 When the entity has prepared its financial report on the basis that the entity is not a going concern, or where the going concern basis has become inappropriate after the reporting date, this fact shall be disclosed.

6.2 The following information shall be disclosed for each reportable segment identified in the financial report in accordance with Accounting Standard AASB 8 *Operating Segments*:

- (a) revenues from sales to external customers and revenues from transactions with other operating segments of the same entity if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker or are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss;
- (b) a measure of profit or loss;
- (c) a measure of total assets; and
- (d) a measure of liabilities if such amount is regularly provided to the chief operating decision maker.

~~The following information shall be disclosed for each primary segment identified in the financial report in accordance with Accounting Standard AASB 114 *Segment Reporting*:~~

- ~~(a) segment revenue, distinguishing between revenues from sales to external customers and revenues from transactions with other segments;~~
- ~~(b) segment result;~~
- ~~(c) segment assets; and~~
- ~~(d) segment liabilities.~~

6.3 The following items for the period shall be disclosed even if the amounts are zero (since these items are material by their nature):

- (a) the amount of sales revenue recognised and included in revenue in accordance with Accounting Standard AASB 118 *Revenue*;
- (b) the amount of dividends, in aggregate and per share, in respect of each class of shares included in equity, identifying:
 - (i) dividends paid during the period and date of payment; and
 - (ii) dividends proposed or declared before the financial report was authorised for issue, and the expected date of payment, separately identifying, where relevant, those recognised from those not recognised as a distribution to equity holders during the period;
- (c) in respect of each dividend disclosed in accordance with paragraph 6.3(b) of this Standard, the amount, in aggregate and per share, of the dividend that:
 - (i) has been or will be franked and the tax rate at which the dividend has been or will be franked; and
 - (ii) has not been or will not be franked; and
- (d) where the entity is required to comply with Accounting Standard AASB 133 *Earnings per Share*, the amount of basic earnings per share and diluted earnings per share.

6.4 The following items shall be disclosed:

- (a) the presentation currency used;
- (b) in respect of each event occurring after the reporting date that does not relate to conditions existing at the reporting date, the information required by paragraph 21 of Accounting Standard AASB 110 *Events After the Balance Sheet Date*; and
- (c) where there is a change in accounting policy or estimates from those used in the preceding reporting period, or a correction of a prior period error, which has a material effect in the current reporting period or is expected to have a material effect in a subsequent reporting period, the information required about such a change or correction by the relevant Accounting Standards that are applicable to the current reporting period.

6.5 The concise financial report for the period when an entity first adopts Australian equivalents to IFRSs shall provide directions as to the location in the financial report of the reconciliations and other disclosures required by paragraphs 39 and 40 of AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. A summary of this information shall be included in the concise financial report.

7 Relationship to Financial Report

7.1 The first page of the concise financial report shall prominently display advice to the effect that:

- (a) the concise financial report is an extract from the financial report;
- (b) the financial statements and specific disclosures included in the concise financial report have been derived from the financial report;
- (c) the concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the financial report; and
- (d) further financial information can be obtained from the financial report and that the financial report is available, free of charge, on request to the entity.

8 Comparative Information

8.1 Information for the preceding corresponding reporting period which corresponds to the disclosures made in accordance with this Standard for the current reporting period shall be disclosed except when comparative information is not required to be disclosed in the financial report.

8.1.1 Any requirements relating to comparative information in other Accounting Standards that have been adopted in the preparation of the financial report are applicable in this Standard.

8.1.2 When disclosure is not required with respect to the current reporting period for an item in paragraphs 6.1 to 6.4 of this Standard but was required in the preceding reporting period, it is still necessary to disclose the comparative information.

9 Definitions

9.1 In this Standard, technical terms have the same meaning as in the relevant Accounting Standards applied in the preparation of the financial report for the current reporting period.

9.1.1 The terms ‘concise report’, ‘concise financial report’, ‘financial report’, ‘listed company’ and ‘members’ have the meanings as given or used in Chapter 2M of the Corporations Act.