



## Introduction

This quarterly publication provides a comprehensive summary of the most recent financial reporting advancements from local and international standard setters together with insightful analysis of emerging business risks, assisting finance leaders navigate the ever-evolving landscape of corporate risk and reporting.

As we begin the new year, regulators are sharpening their focus on critical areas, and companies must stay ahead of evolving requirements.

In this edition, we delve into ASIC's key focus areas for 31 December financial reports, along with their surveillance findings and the latest on AASB standards. We also explore the growing intersection of sustainability and financial reporting, with ASIC seeking feedback on new guidance and international developments on sustainability ethics.

In the governance space, we highlight refreshed cyber-security principles, updates on insolvent trading, and the latest compliance changes, including the serious implications of wages underpayment and new Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) amendments. Additionally, we examine the regulatory landscape, including ASIC's enforcement priorities, APRA's findings on risk management, and the introduction of the first Cyber Security Act.



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# Financial reporting

## ASIC focus areas for 31 December financial reports

ASIC is urging directors, preparers of financial reports and auditors to be aware of the enduring and ongoing focus areas in its surveillance of financial reports for the year ending 31 December (see Appendix *ASIC's 'enduring' focus areas for financial reporting*).

Areas of focus for the upcoming reporting season include: impairment and asset values; provisions; subsequent events; and disclosures in the financial report and operating and financial review.

Commissioner Kate O'Rourke said: 'We have highlighted matters that require the most judgement and use of estimates as these areas have previously shown the highest rates of non-compliance.'

'While these areas are emphasised, ASIC expects all reporting entities to ensure the reports are complete, accurate and informative.'

Ms O'Rourke said ASIC would also target, more broadly non-compliance with financial-reporting obligations.

'ASIC is aware that some formerly grandfathered large proprietary companies may not be lodging financial reports, despite being required to do so since years ending 31 December 2022 or 30 June 2023. We will be contacting a number of these entities and, in certain circumstances, may take action [...] for failing to comply with their reporting obligations.'

This will also be the first financial year for December year-end reporters to prepare and lodge a consolidated-entity disclosure statement. ASIC will be monitoring them for compliance. The commission will also review reports by registrable superannuation entities with December year-ends.

For some entities, new sustainability and climate-reporting requirements will commence for financial years beginning on or after 1 January.

While the first cohort of reporters will be the very largest entities that report under Chapter 2M of the *Corporations Act 2001*, all entities subject to sustainability-reporting requirements should understand how the new requirements apply to them.

ASIC's surveillance project focusing on auditors' compliance with independence and conflicts-of-interest obligations will continue in early 2025. The commission encourages auditors to self-identify and self-report non-compliance.

## ASIC's surveillance findings

Adjustments in twenty-five financial reports totalling \$1.886 million have been made following surveillance by the Australian Securities & Investments Commission.

Sixteen of the reporters have agreed to change disclosures in operating-and-financial reviews.

The results are in findings in ASIC's reporting-and-auditing surveillance for 12 months to 30 June.

Report 799 *ASIC's oversight of financial reporting and audit 2023–24* outlines findings on disclosure of material business risks, impairment of assets, revenue recognition, and disclosures. It emphasises the importance of auditors' compliance with independence and the surveillance of conflict of interests.

The report also highlights ASIC's enforcement actions against registered company auditors and provides insights about audit firms' implementation of quality management.

The commission focused on financial reports that might have had a higher risk of misstatement and inadequate disclosures. Eighty-eight reports and fifteen related files at 11 audit firms were reviewed.

As a result of ASIC's review:

- Twenty-five financial reports needed adjusting by \$1.886 million. Of these, sixteen also made, or agreed to make, changes to their operating and financial review disclosures;
- An entity was restricted from issuing a reduced-content prospectus until 21 May next year after finding that it had failed to comply with the requirements of *AASB 136 Impairment of assets*; and
- There were findings in twelve audit surveillances at nine audit firms and notified both the auditor and company of those findings to drive improved practices.

The report also described observations on voluntary sustainability reporting, insights from the review of audit firms' implementation of quality-management frameworks, and observations on auditor reporting.

Report 799 should interest preparers, reviewers, and users of financial information such as auditors, audit committees, company directors, investors, accounting firms, and professional accounting bodies.

# Financial reporting

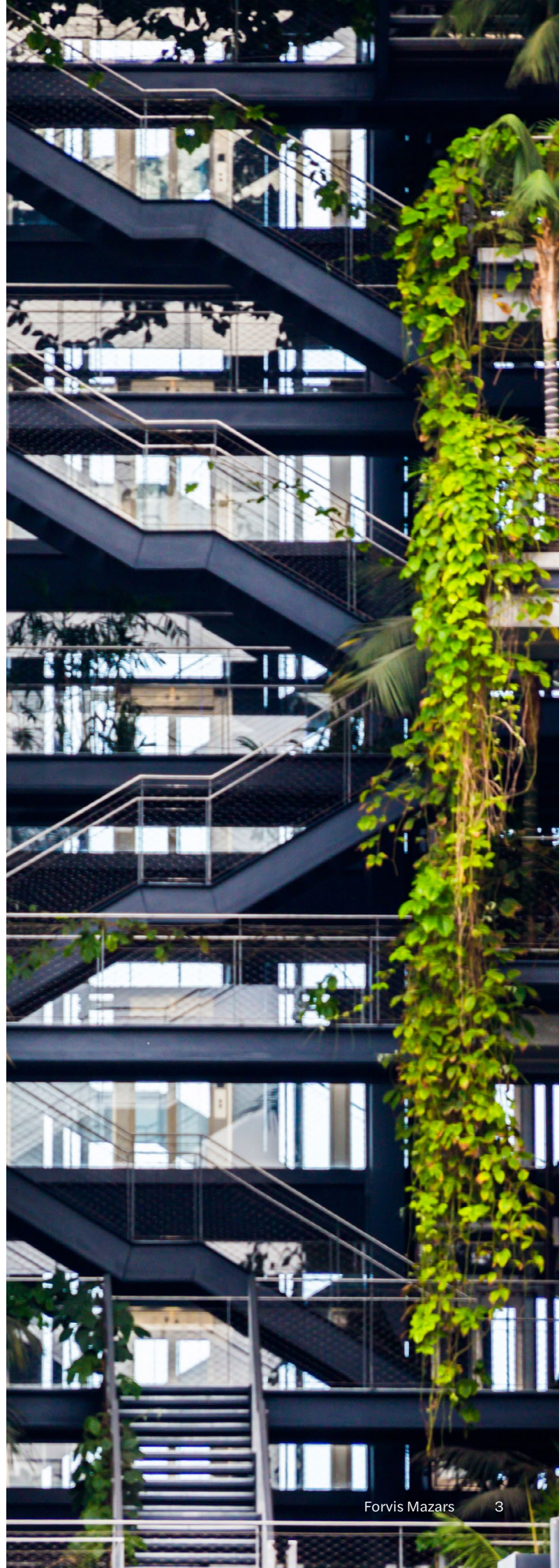
## AASB standards operative and those not yet

The following amending accounting standards operated from 31 December:

- AASB 2020-1, AASB 2022-6, AASB 2023-3 *Classification of Liabilities as Current or Non-Current* (Amendments to AASB 101 *Presentation of Financial Statements*);
- AASB 2022-5 *Lease Liability in a Sale and Leaseback* (Amendments to AASB 16 *Leases*);
- AASB 2023-1 *Supplier Finance Arrangements* (Amendments to AASB 7 *Financial Instruments Disclosures* and AASB 107 *Statement of Cash Flows*);
- AASB 2024-1 *Supplier Finance Arrangements: Tier 2 Disclosures* amends AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*; and
- AASB 2022-10 *Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (amendments to AASB 13).

The following standards have been issued but are not yet operative:

- AASB 18 *Presentation and Disclosure in Financial Statements*. For for-profit entities (other than superannuation entities applying AASB 1056 *Superannuation Entities*) preparing Tier 1 general-purpose financial statements, AASB 18 applies to annual reporting periods beginning on or after 1 January 2027. For not-for-profit private-sector entities, not-for-profit public-sector entities and superannuation entities applying AASB 1056, AASB 18 applies to annual reporting periods beginning on or after 1 January 2028;
- AASB 2024-2 *Classification and Measurement of Financial Instruments* (amendments to AASB 7 and AASB 9) and applies to annual periods beginning on or after 1 January 2026;
- AASB 2023-5 *Lack of Exchangeability* (AASB 1, AASB 121 & AASB 1060) and applies to annual periods beginning on or after 1 January 2025;
- AASB 2024-3 *Annual Improvements Volume 11* (AASB 1, AASB 7, AASB 9, AASB 10 & AASB 107) and applies to annual periods beginning on or after 1 January 2026; and
- AASB 2022-9 *Insurance Contracts in the Public Sector* applies to annual reporting periods beginning on or after 1 July 2026.



# Sustainability reporting

## ASIC seeks feedback on sustainability reporting

ASIC has released a draft regulatory guide on sustainability reporting. From 1 January 2025, many large Australian businesses and financial institutions will need to prepare annual statutory sustainability reports containing climate-related financial disclosures.

Regulatory guide 000 *Sustainability reporting* includes guidance on who must prepare a sustainability report, how it will interact with existing legal obligations, and how ASIC will administer sustainability reporting. It includes specific guidance on ASIC's approach to granting relief from the regime and use of its new directions power.

The guide also addresses specific issues on contents of sustainability reports and sustainability-related financial disclosures outside the sustainability report.

ASIC commissioner Kate O'Rourke said: 'Our focus for this regulatory guide is to assist preparers of sustainability reports to comply with their obligations so that users are provided with high-quality, decision-useful, climate-related financial disclosures that comply with the law and the sustainability standards.'

'We recognise that there will be a period of transition whilst entities build their capability, as reflected in

the phasing in of requirements and modified liability provisions. During this transition period, we will take a proportionate and pragmatic approach to supervision and enforcement.'

ASIC is urging reporters to prepare for the new climate-disclosure regime. The regulatory guide will be issued in early 2025.

## AUASB has finalised its phasing model for the Audits or Reviews of Information in Sustainability Reports

Following feedback received on its exposure draft *ASSA 5010 Timeline for Audits or Reviews of Information in Sustainability Reports under the Corporations Act 2001* (ED 02/24), the AUASB has finalised its phasing model for the assurance of climate reporting under the Corporation Act 2001.

During its meeting on 16 December 2024, it was decided the below timeline was approved. Main change relates to the assurance of scope 1 and 2 emissions that were subject to reasonable assurance from year 2 onwards under the previous version and are now subject to limited assurance instead. As such, reasonable assurance of the sustainability report will start in year 4.

Years commencing	Year 1*	Year 2	Year 3	Year 4**	Year 5	Year 6
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	1/7/29 to 30/6/30	1/7/30 to 30/6/31
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	1/7/30 to 30/6/31	1/7/31 to 30/6/32
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	1/7/31 to 30/6/32	1/7/32 to 30/6/33
Governance	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Strategy - risks and opportunities***	Limited****	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate resilience assessments / scenario analysis	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Transition plans	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Risk management	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 1 and 2 emissions	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 3	N/A	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate-related metrics and targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable

\* Group 1 entities with years commencing 1 January to 30 June will have two year 1s.

\*\* Years commencing from 1/7/30 to 30/6/31 for Group 3 entities. From that time reasonable assurance is required by the Act for all mandatory climate disclosures.

\*\*\* The phasing for assurance on statements that there are no material climate-related risks and opportunities would be the same as for the 'Strategy - risks and opportunities'.

\*\*\*\* Only subparagraphs 9(a), 10(a) and 10(b) of AASB S2 *Climate-related disclosures*.

(source: [AUASB December 2024 Newsletter | Campaign Monitor](#))

# Sustainability reporting

## New guidance on aligning financial and sustainability reporting

The International Federation of Accountants has published guidance on coordinating financial and sustainability reporting.

*Building Trust in Sustainability Reporting and Preparing for Assurance* is a practical resource to strengthen governance and control to enhance the quality of sustainability information and disclosures.

It outlines steps to align sustainability and financial reporting in terms of quality, timing, and connectivity, and addresses challenges thrown up by sustainability reporting.

By implementing a systematic annual cycle of governance and control activities, companies can improve the quality and maturity of their data and reporting, reducing the likelihood of modified assurance conclusions and audit opinions.

The new guidance can be applied to the adoption of the IFRS *Sustainability Disclosure Standards* issued by the International Sustainability Standards Board and jurisdictional requirements, including the European Sustainability Reporting Standards. Both sets of standards also emphasise the importance of transparency on governance, risk management, and internal controls to inform an assessment of the quality of a company's sustainability reporting.

## International and local sustainability ethics coming

The International Ethics Standards Board for Accountants has approved two sets of standards that will underpin public trust in sustainability reporting and assurance:

- *The International Ethics Standards for Sustainability Assurance* and related revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards)*, setting a global benchmark for ethical behaviour and independence in sustainability reporting and assurance; and
- Revisions to the code on *Using the Work of an External Expert*, establishing an ethical framework for evaluating the competence, capabilities and objectivity of external experts used by professional accountants and sustainability-assurance practitioners.

The equivalent Australian standards will be issued in 2025 by the APESB.

## Sustainability-related risks and opportunities outlined

The International Financial Reporting Standards Foundation has published the 61-page guide *Sustainability-related risks and opportunities and the disclosure of material information*.

It is designed to help companies identify and disclose material information about sustainability-related risks and opportunities that could reasonably be expected to affect cash flows, access to finance and cost of capital over the short, medium, and long terms.

A key focus of the guide is to help companies understand how the concept of sustainability-related risks and opportunities is described in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, including how these can arise from a company's dependencies and impacts.

The guide highlights how companies applying ISSB standards can benefit when making materiality judgements for financial statements, particularly when applying IFRS accounting standards. It sets out a process that is closely aligned with the four-step process illustrated in the International Accounting Standards Board's *IFRS Practice Statement 2: Making Materiality Judgments*.

The guide also sets out considerations a company might make to drive connectivity between sustainability-related financial disclosures and a company's financial statements.



# Governance

## Cyber-security governance principles refreshed

Digital-supply-chain risks, data governance and regulatory and legislative shifts are some of the key updates in a refreshed *Cyber Security Governance Principles*.

Since their release in October 2022, the principles, produced by the Australian Institute of Company Directors and the Cyber Security Cooperative Research Centre, have become the leading source of cyber-security governance guidance for Australian boards.

Given the scale and speed of changes in the cyber-security landscape, the updated principles reflect the evolving cyber-threat landscape and best-practice cyber-resilience strategies. New case studies are included.

AICD managing director Andrew Charlton and CEO Mark Rigotti said the principles had become the leading best-practice guidance for Australian directors when it comes to overseeing and managing cyber risks across organisations, large and small.

‘Over recent years, global conflicts and the evolution of cybercrime have seen new threats emerge, and Australian boards are consistently placing cyber at the top of their agendas’, they said.

Rachael Falk, CSCRC CEO, said cyber-security was of increasing importance and complexity for Australian organisations.

‘Establishing good governance practices for cyber-security, including understanding the strength of existing risk controls, who are our key digital suppliers, and keeping abreast of new and emerging threats and risks is vital for directors’, she said.

‘These principles will help Australian directors build a strong understanding of what “good” looks like in relation to cyber governance and help keep Australian organisations and the community safer in our digital world.’

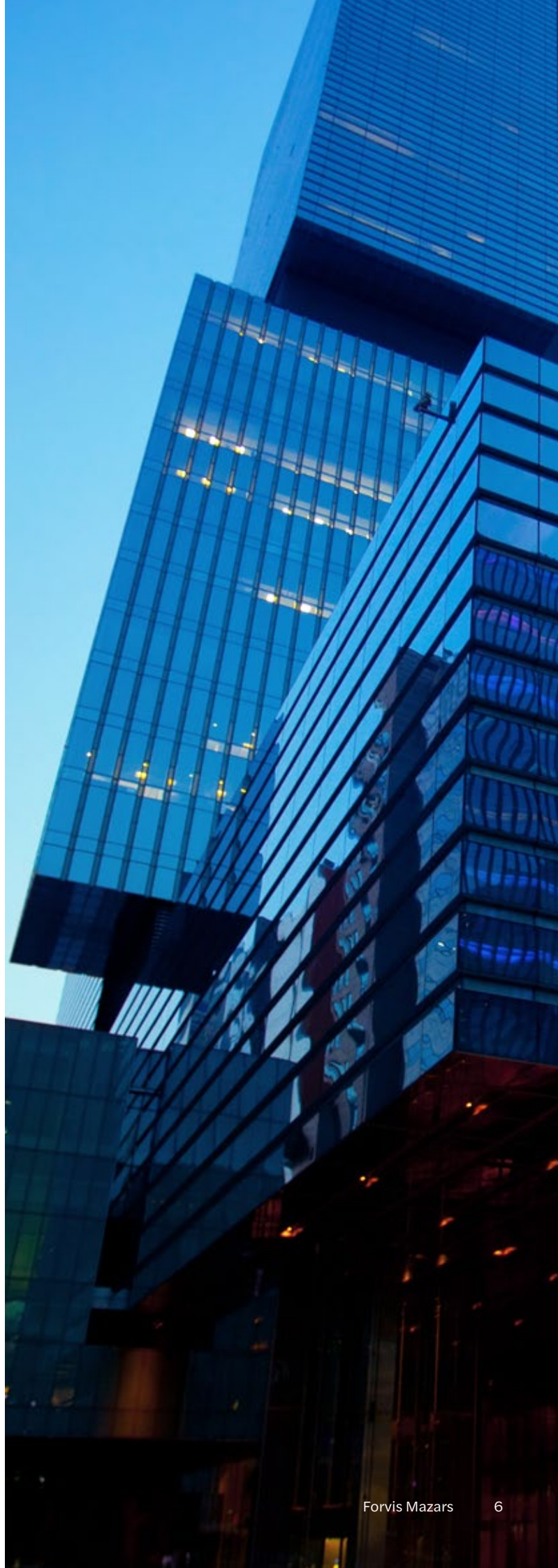
## ASIC updates guidance on insolvent trading

ASIC has updated its regulatory guide for directors and their professional advisers on the duty to prevent insolvent trading and new guidance on safe-harbour provisions.

Updates to regulatory guide 217 *Duty to prevent insolvent trading: Guide for directors* follow industry consultation.

RG 217 provides guidance on understanding and complying with the duty to prevent insolvent trading.

Several developments have influenced the need for updates to RG 217, including the 2017 introduction of ‘safe harbour’ provisions under the *Corporations Act 2001* and recommendations from Treasury’s *Review of the Insolvent Trading Safe Harbour* in 2021.



## Intentional wage theft can result in a criminal conviction, jail time and/or significant financial penalties

From 1 January 2025, intentionally underpaying an employee's wages or entitlements can be a criminal offence. This doesn't include honest mistakes.

The Fair Work Ombudsman (FWO) can investigate suspected criminal underpayment offences and refer suitable matters for criminal prosecution. If a person is convicted of a criminal offence, a court can impose fines, prison time, or both.

There are protections in place for businesses to avoid criminal prosecution. This includes the *Voluntary Small Business Wage Compliance Code* (Code) and cooperation agreements.

The maximum potential penalties are:

### Penalties for a company

- if the court can determine the underpayment, the greater of 3 times the amount of the underpayment or \$7.825 million; or
- if the court can't determine the underpayment, \$7.825 million.

### For an individual

- maximum of 10 years in prison;
- if the court can determine the underpayment, the greater of 3 times the amount of the underpayment and \$1.565 million; or
- if the court can't determine the underpayment, \$1.565 million.

## AML/CTF amendments come into effect

The *Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Amendment Act 2024* has received royal assent. The act amends its 2006 counterpart to ensure that Australia's AML/CTF regime can effectively deter, detect, and disrupt money-laundering and terrorism-financing.

The reforms (known as 'Tranche 2') represent a significant step forward in protecting the community from financial crime. The changes better address the evolving threats posed by money-laundering, terrorism-financing, financing the proliferation of weapons of mass destruction, and other serious and organised crime.

Both current and future reporting entities will need to prepare for new or changed obligations under the new AML/CTF laws.

From 1 July 2026, anti-money laundering and counter-terrorism financing law will be extended to certain services typically provided by accountants, real-estate agents and property developers, dealers in precious stones, metals, and products, lawyers, conveyancers, and trust and company-service providers.



# Regulators and legislators

## APRA findings on valuations and liquidity risk management

The Australian Prudential Regulation Authority has released findings from a review into superannuation trustees' progress in implementing enhanced valuation-governance and liquidity-risk management requirements.

The findings will help trustees to align their practices with Prudential Standard SPS 530 Investment Governance, including in relation to using independent external asset valuations and the effective management of potential conflicts of interest in valuations.

The review found that while trustee capability and approach have generally improved since APRA's 2021 review, a significant proportion of trustees still displayed material gaps in key areas. The findings indicated that 12 of the 23 registrable superannuation entity licensees require material improvements in either or both their valuation governance or liquidity-risk management to meet SPS 530's requirements.

As the proportion of unlisted assets continues to rise, addressing risks related to valuation governance and liquidity-risk management is a critical issue for the industry and a priority for APRA.

In unlisted-asset valuation governance, particular weaknesses were observed in board oversight and conflict-of-interest management, revaluation frequency and triggers, valuation control, and fair-value reporting. In liquidity-risk management, particular weaknesses were observed in liquidity-stress triggers, unlisted asset liquidity risks, and liquidity action plans.

APRA deputy chair Margaret Cole said: 'These latest review findings are concerning and indicative of the fact that many trustees have more work to do to lift their valuation and liquidity-risk management practices. APRA expects trustees to review these findings carefully and formulate appropriate remediation plans where needed. APRA will not hesitate to take further action where necessary to enforce the provisions of SPS 530 and related regulations, including the responsibilities of relevant accountable persons under the upcoming Financial Accountability Regime.'

## More protection of Australians' privacy

The Office of the Australian Information Commissioner has welcomed the passing of the *Privacy and Other Legislation Amendment Bill 2024* as a significant step forward in advancing Australians' privacy protections.

The bill included significant measures, notably:

- The introduction of a statutory tort for serious invasions of privacy, giving individuals a route to seek redress for privacy harms in courts
- The expansion of the OAIC's enforcement and investigation powers, including new tiers of civil penalties and the ability to issue infringement notices
- A new mechanism to prescribe a 'whitelist' of countries and binding schemes with adequate privacy protections to facilitate cross-border data transfers, and
- A requirement that privacy policies contain information about substantially automated decisions that significantly affect individuals' rights and interests, including the kinds of decisions and personal information used.

'These new powers and functions come at a critical time, as privacy harms increase and the Australian community demands more power over their personal information', privacy commissioner Carly Kind said.

## First Cyber Security Act passed

Passing of the federal government's cyber-security legislation marks a substantial step towards strengthening Australia's cyber defences and resilience.

New laws ensure that Australians can trust their digital products, help break ransomware business models, support Australian organisations through cyber-security incidents, and ensure that national cyber practices, policies, and procedures are improving.

The new laws include:

- Requirements that certain businesses report ransom payments, and
- The establishment of a Cyber Incident Review Board (CIRB) to conduct no-fault, post-incident reviews of significant cyber security incidents and make recommendations to aid in the prevention, detection, response, and minimisation of future cyber incidents.
- The package also progresses reforms under the Security of Critical Infrastructure Act 2018.

# Regulators and legislators

## ASIC's enforcement priorities

ASIC has announced its enforcement priorities for 2025, reflecting increased risks for consumers.

ASIC deputy chair Sarah Court said: 'Our 2025 enforcement priorities reflect the increased risks consumers are facing that are being driven by cost-of-living pressures. These priorities are about protecting Australians from financial harm and targeting the people who try to take advantage of them.'

'We will focus on business models that are designed to avoid consumer-credit protections, and we will take action against those engaging in unlawful debt management and collection. We will also target conduct that exploits superannuation savings, with a particular focus on unscrupulous property-investment schemes.'

'ASIC will continue to fiercely uphold the integrity of Australia's financial markets, and, to support this, we have established a new dedicated team to target insider trading.'

ASIC's enforcement priorities will focus on:

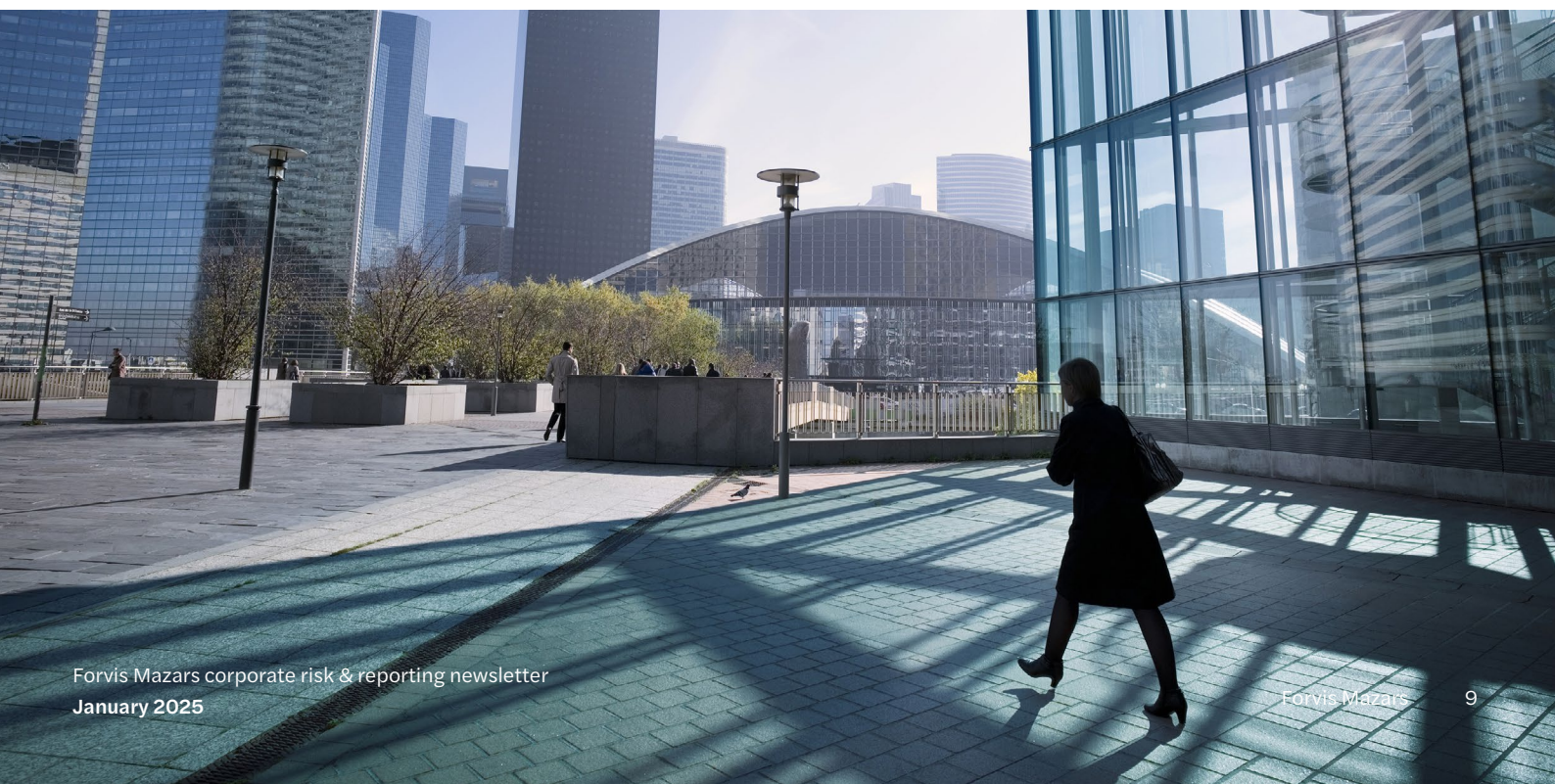
- Misconduct exploiting superannuation savings;
- Unscrupulous property-investment schemes;
- Failures by insurers to deal fairly and in good faith with customers;
- Strengthening investigation and prosecution of insider trading;
- Business models designed to avoid consumer credit protections;
- Misconduct impacting small businesses and their creditors;

- Debt management and collection misconduct;
- Licensee failures to have adequate cyber-security protections;
- Greenwashing and misleading conduct involving ESG claims;
- Member-services failures in the superannuation sector;
- Auditor misconduct; and
- Used-car finance sold to vulnerable consumers.

The commission has boosted investigations by 25 per cent and new civil proceedings by 23 per cent. It has had important enforcement outcomes across areas from greenwashing to crypto, predatory lending, high-cost credit, and insider trading.

ASIC's enduring priorities target:

- Misconduct damaging market integrity, including insider trading, continuous-disclosure breaches, and market manipulation;
- Misconduct impacting First Nations people;
- Misconduct involving a high risk of significant consumer harm;
- Conduct targeting financially-vulnerable consumers;
- Systemic compliance failures by large financial institutions;
- New or emerging conduct risks within the financial system; and
- Governance and directors' duties failures.



## Licensees slow to tell ASIC about reportable situations

Australian financial services and credit licensees have an obligation to report breaches to ASIC under the reportable situations regime. Licensees in financial services and credit regulations are slow to tell ASIC about reportable situations, the commission has found.

The commission has reviewed the compliance of 14 licensees of different sectors and sizes who had low or no reportable situations. Findings have been released in *Reportable situations: Findings of ASIC's review and how licensees can improve compliance with the regime*.

As part of the review, ASIC has published insights, key questions, and a set of best-practice examples for licensees to reflect on and meet their obligations.

ASIC found that licensees needed to improve identification incidents and breaches and in their broader incident management and compliance and oversight arrangements.

'We have set out a range of prompts alongside our findings to help not just the review sample, but all licensees to strengthen their practices in critical areas', commissioner Kate O'Rourke said.

'We call on licensees to assess their own arrangements against the findings and prioritise where improvements may be required.'

The review revealed several poor practices:

- Licensees were generally slow to report to ASIC. The key driver of these delays was that they took a long time to identify breaches in the first place and begin investigating.
- When ASIC reviewed why this was happening, it found that there were deficiencies in licensees' incident management, particularly how they identified, escalated, and recorded incidents
- Most licensees had gaps in how they monitored their own compliance with the regime, and
- Poor practices affected consumers. The failures to identify promptly breaches meant that licensees were very slow to rectify them and remediate customers.

ASIC is seeking compliance outcomes to address these deficiencies. The commission would take enforcement action where appropriate.

The reportable situations regime is a key component of the financial services and credit regulatory frameworks. ASIC expects all licensees, regardless of size, to have robust systems and processes in place to ensure timely detection and reporting of non-compliance.

## ASIC reissues guidance on funds management

ASIC has reissued regulatory guide 133 *Funds management and custodial services: Holding assets*, the latest guidance for financial-services licensees on asset-holding.

Licensees include responsible entities of registered managed-investment schemes and licensed providers of custodial services.

The latest RG 133 replaces guidance issued in June 2022. It revises updated references to relevant legislative instruments, including those that impose financial requirements, and good practices for crypto-assets holders (such as custodians of crypto-assets that are financial products), including maintaining robust information-security controls and risk management.

## ASX

### ASX deadlines are near

Listed entities are reminded of upcoming deadlines for periodic reports:

- Preliminary final reports (December year-end) – Friday 28 February
- Statutory half-year financial reports (except mining and oil-and-gas exploration entities) (June year-end) – Friday 28 February
- Statutory half-year financial reports for mining and oil-and-gas exploration entities (June year-end) – Friday 14 March
- Statutory audited annual accounts (December year-end) – Monday 31 March
- Annual reports (December year-end) – Wednesday 30 April for listed companies and Monday 31 March for listed registered schemes
- December quarterly reports for mining exploration, oil-and-gas exploration and commitments test entities – Friday 31 January, and
- An investment entity must notify net tangible assets of quoted securities within 14 days of the end of each month.

Listed entities are also reminded that a failure to lodge relevant documents on time (that is, by close of the Market Announcements Office on the due date) will result in an automatic suspension of the entity's securities under Listing Rule 17.5.

## Appendix: ASIC's 'enduring' focus areas for financial reporting

Area	Consideration
Impairment of non-financial assets	<p>Goodwill, indefinite useful life intangible assets and intangible assets not yet available for use must be tested for impairment annually.</p> <p>Entities adversely impacted in the current environment may have new or continuing indicators of impairment that require testing for other non-financial assets.</p> <p>The appropriateness of key assumptions supporting the recoverable amount of non-financial assets.</p> <p>The valuation method used for impairment testing should be appropriate, use reasonable and supportable assumptions, and be cross-checked for reliability using other relevant methods.</p> <p>An entity's market capitalisation will generally not represent an appropriate fair-value estimate for its underlying business but may be useful as an impairment indicator or in a valuation cross-check. Share prices may reflect transactions of relatively small proportionate interests as part of an investor's strategy for a share portfolio. Businesses may be sold in illiquid markets with few potential participants. A business acquirer may seek synergistic benefits or make significant changes to a business.</p> <p>Values from applying the ratio of market capitalisation to revenue for other entities to the entity's own revenue will generally be more appropriately used in valuation cross-checks. Information may be dated and the limitations in using an entity's own market capitalisation may apply. Other entities must have closely comparable businesses, products, markets, cost structures, funding, and so on.</p> <p>Disclosure of estimation uncertainties, changing key assumptions, and sensitivity analysis or information on probability-weighted scenarios.</p>
Values of property assets	<p>Factors that could adversely affect commercial and retail property values should be considered, such as changes in office space requirements of tenants, on-line shopping trends, future economic or industry impacts on tenants, and the financial condition of tenants.</p> <p>The lease-accounting requirements and the impairment of lessee right-of-use assets</p>
Expected credit losses on loans and receivables	<p>Whether key assumptions used in determining expected credit losses are reasonable and supportable.</p> <p>Any need for more reliable and up-to-date information about the circumstances of borrowers and debtors.</p> <p>Short-term liquidity issues, financial condition and earning capacity of borrowers and debtors.</p> <p>Ensuring the accuracy of ageing of receivables.</p> <p>Using forward-looking assumptions and not assuming recent debts will all be collectible.</p> <p>The extent to which history of credit losses remains relevant in assessing ECLs.</p> <p>Whether possible future losses have been adequately factored in, using probability-weighted scenarios, as necessary.</p> <p>Disclosure of estimation uncertainties and key assumptions.</p> <p>ECLs should be a focus for companies in the financial sector. Financial institutions should have regard to the impact of current economic and market conditions and uncertainties on ECLs. This includes assessing whether there are significant increases in credit risk for particular groups of lenders, the adequacy of data, modelling, controls, and governance in determining ECLs, and disclosing uncertainties and assumptions.</p>

## Appendix: ASIC's 'enduring' focus areas for financial reporting (Continued)

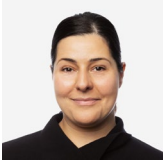
Area	Consideration
Financial-asset classification	<p>Financial assets are appropriately measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss.</p> <p>Criteria for using amortised cost include whether both:</p> <ul style="list-style-type: none"> <li>▪ Assets are held in a business model whose objective is to hold the assets to collect contractual cash flows; and</li> <li>▪ Contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding.</li> </ul>
Value of other assets	<p>The net realisable value of inventories, including whether all estimated costs of completion and necessary to make the sale have been considered in determining net realisable value.</p> <p>Whether it is probable that deferred tax assets will be realised.</p> <p>The value of investments in unlisted entities.</p>
Provisions	<p>The need for and adequacy of provisions for matters such as onerous contracts, leased property make-good, mine-site restoration, financial guarantees given and restructuring.</p>
Subsequent events	<p>Events should be reviewed as to whether they affect assets, liabilities, income or expenses at year-end or relate to new conditions requiring disclosure.</p>
Disclosure – general considerations	<p>Directors and preparers should put themselves in the shoes of investors and consider what information investors would want to know.</p> <p>Disclosures should be specific to the circumstances of the entity and its businesses, assets, financial position, and performance.</p> <p>Changes from the previous period should be considered and disclosed.</p>
Disclosures in the financial report	<p>Uncertainties may lead to a wider range of valid judgements on asset values and estimates. The financial report should disclose uncertainties, changing key assumptions and sensitivities. This will assist investors in understanding the approach taken, understanding potential future impacts and making comparisons among entities.</p> <p>Entities should also explain where uncertainties have changed since the previous full-year and half-year financial reports.</p> <p>The appropriate classification of assets and liabilities between current and non-current categories on the statement of financial position should be considered. That may have regard to matters such as maturity dates, payment terms, and compliance with debt covenants.</p>
OFR disclosures	<p>These should complement the financial report and tell the story of how the entity's businesses, results, and prospects are affected by economic and market conditions, and changing circumstances.</p> <p>The overall picture should be clear, understandable, and be supported by information that will enable investors to understand the significant factors affecting the entity, its businesses, and the value of its assets.</p> <p>The OFR should explain the underlying drivers of the results and financial position, as well as risks, management strategies, and prospects.</p> <p>All significant factors should be included and given appropriate prominence.</p>

## Appendix: ASIC's 'enduring' focus areas for financial reporting (Continued)

Area	Consideration
OFR disclosures (continued)	<p>The most significant business risks at whole-of-entity level that could affect the achievement of the disclosed financial performance or outcomes should be provided, including a discussion of environmental, social, and governance risks. The risks will vary depending upon the nature and businesses of the entity and its strategies.</p> <p>An exhaustive list of generic risks that might potentially affect a large number of entities would not be helpful. Risks should be described in context – for example, why the risk is important or significant and its potential impact and, where relevant, mitigation factors within the control of management.</p> <p>Climate-change risk could have a material impact on the prospects of entities and needs to be disclosed.</p> <p>Cyber-security risks could have a material impact for many entities and require disclosure.</p>
Non-IFRS financial information	<p>Any non-IFRS profit measures (i.e. measures not in accordance with all relevant accounting standards) in the OFR or market announcements should not be presented in a potentially misleading manner (see regulatory guide 230 <i>Disclosing non-IFRS financial information</i>).</p>
Disclosure in half-year reports	<p>Disclosure will also be important for half-year financial reports and directors' reports. Half-year reports should disclose information on significant developments and changes in circumstances since the last full-year report.</p>

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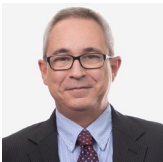


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