



# MEMO

To: Board of Directors  
From: Company Secretary  
Subject: **FINANCIAL REPORTING OBLIGATIONS**

---

Many companies have obligations to prepare and report – either to the stock exchange, or to ASIC – on their financial position at least annually, and in some cases half-yearly.

ASIC's publicly stated view is that, generally, financial statements and reports must be prepared and lodged with them for companies where:

- there are substantial sums of money involved;
- the general public has invested funds with the company; or
- the company exists for charitable purposes only and is not intended to make a profit.

## Requirement to Prepare & Lodge Accounts

This view is backed by Sec.292 of the Corporations Act which requires the following entities to prepare annual financial and directors' reports and have them audited:

- public companies
- disclosing entities (Australian stock exchange listed and unlisted – mostly public companies)
- large proprietary companies
- most foreign-controlled small proprietary companies.

A large proprietary company is defined in Sec. 45A(3) as satisfying at least two of the following:

- consolidated revenue for the financial year is \$25 million or more
- the value of the consolidated gross assets at the end of the financial year is \$12.5 million or more, and
- the company and any entities it controls have 50 or more employees at the end of the financial year.

In limited circumstances, some companies are exempt from the requirement to lodge financial reports with ASIC. For instance, if a company:



- lodges financial reports with an Australian stock exchange they can benefit from relevant ASIC pronouncements (Class Order 98/104, CO 06/6 & RG28); however this provision is NOT available if accounts are lodged with the stock exchange outside of the Corporations Act time limits
- is foreign-controlled and the controlling company is registered with ASIC as a foreign company and lodges consolidated financial reports that include the activities of the Australian subsidiary company
- has been granted relief by ASIC from the requirement to lodge financial reports for some other reason.

## Annual Accounts

For those companies which are required to prepare annual accounts, a financial report must be prepared under Sec. 295 and include:

- balance sheet            }
- profit & loss            } – financial statements
- cash flow                }
- notes to financial statements
- directors' declaration

together with a directors' report (Secs. 298 ~ 300A) and an auditor's report [on the financial report] (Sec. 301).

If a company has not made a profit or traded during the financial year, financial reports are still required even if it is necessary to show figures as 'zero' (e.g. Total Assets = \$0.00).

The annual accounts must be lodged with ASIC using Form 388, which can now be lodged on-line. Under Sec.319 disclosing entities must lodge within 3 months of balance date. Other public, large proprietary and foreign-controlled companies must lodge within 4 months.

ASIC regularly reviews a cross-section of accounts to lodged to ensure compliance with the Corporations Act, Regulations and Accounting Standards. They are moving to publish the results of their reviews half-yearly so that companies are better informed about ASIC's key areas of focus and the specific issues that should be addressed to comply with the relevant accounting standards; such as:

- going concern
- impairment of assets
- fair value of assets
- current/non-current classification of assets/liabilities, particularly loans
- accounting policies
- related party transactions



- financial instruments disclosure
- off-balance sheet arrangements
- after balance date events, including any changed value of assets.

Under Sec. 314 the annual accounts must also be sent to shareholders within 4 months of balance date and, for public companies, must be laid before shareholders at an Annual General Meeting to be held within 5 months of balance date (Sec. 317).

### Half-yearly Accounts

Sec. 302 requires disclosing entities (Australian stock exchange listed and unlisted) each half-year to:

- prepare a financial report and directors' report,
- have the financial report audited (or audit-reviewed), and
- lodge the half-yearly accounts with ASIC

unless the company has ceased to be a disclosing entity as at the final lodgment due date.

The half-yearly financial report must be prepared under Sec. 303 and include:

- balance sheet            }
- profit & loss            } – financial statements
- cash flow                }
- notes to financial statements
- directors' declaration

together with a directors' report (Sec. 306) and an auditor's report or review [on the financial report] (Sec. 309).

The half-yearly accounts must be lodged with ASIC under Sec.320 within 75 days of half-year end using Form 1001 (except for Australian stock exchange listed companies which are relieved from this provision if they lodge with the stock exchange in time).

---

#### **DISCLAIMER**

*The comments in this memo reflect some commercial aspects and observations on the matter experienced or observed by the writer in practice as he understands them. The information is given as a guide only and does not represent a definitive or legal view of any of the issues raised, covered or referred to and the reader is urged to seek his own professional advice on all aspects of, or pertaining to, this and any related matter.*