

HALL CHADWICK 

# HALL CHADWICK PERTH FINANCIAL REPORTING UPDATE

1 JUNE 2022



AUSTRALIAN FINANCIAL  
REPORTING SOLUTIONS

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# Plan for the session

- Provide high level update of the financial reporting world
  - Past
  - Present (including focus area and contemporary topic)
  - Future





Look back ...





## ASIC restatements since May 2021

### Impairment

- Collection House (22-037) – deferred tax assets
- Buddy Technologies (22-047) – intangibles
- Oliver's Real Food (22-053) – undo impairment reversal on stores

### Provisions

- Woodside Petroleum (22-027) – rehabilitation

### Other

- Early Pay (21-328) – current/ non-current classification of liability



# Operating and Financial Reviews (OFR) - ASIC focus area

- OFR should complement the financial report and tell the story of how the entity's businesses are impacted by the COVID-19 pandemic and changing circumstance (e.g customer preferences or new competitors).
  - 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.
- OFR should explain the underlying drivers of the results and financial position, as well as risks, management strategies and future prospects.
- Climate change risk could have a material impact on the future prospects of entities. Directors may also consider whether to disclose information that would be relevant under the recommendations of the Task Force on Climate-related Financial Disclosures.
- Regulatory guide 247 Effective disclosure in an operating and financial review.



# Failure to lodge financial reports / hold AGMs 22-022MR)

Company	Breach	Outcome
Truck Whisperer Ltd	Failure to lodge 4 financial reports (2016 – 2019)	Fined \$4,000
Appsolute Digital Limited	Failure to lodge 6 annual reports (2015 – 2020)	Fined \$20,000
Odin Energy Limited	Failure to lodge 3 annual reports and 3 half year reports for 2018 - 2020	Fined \$25,000
North Queensland Bio-Energy Corporation	Failure to lodge 3 annual reports (2017 , 2018 and 2020)	36 month good behaviour bond
Enegra Pty Ltd (Deregistered)	Failure to lodge 7 annual reports (2013 – 2019)	Fined \$50,000
	Failure to hold 4 AGMs (2016 – 2019)	Fined \$20,000
Dongfang Modern Agricultural Holding Group Ltd	Failure to lodge 1 annual and 1 half yearly report, failing to hold an AGM, report to its members for the 2019 financial year and to have a company secretary and at least 3 directors appointed between June 2019 and July 2021	Fined \$300,000





## Agenda decision – Configuration or customisation costs in a cloud computing arrangement – April 2021

- Customer enters into a SaaS arrangement with a supplier – right to receive access to the suppliers application software
- Customer incurs costs of configuring or customising the suppliers application software.

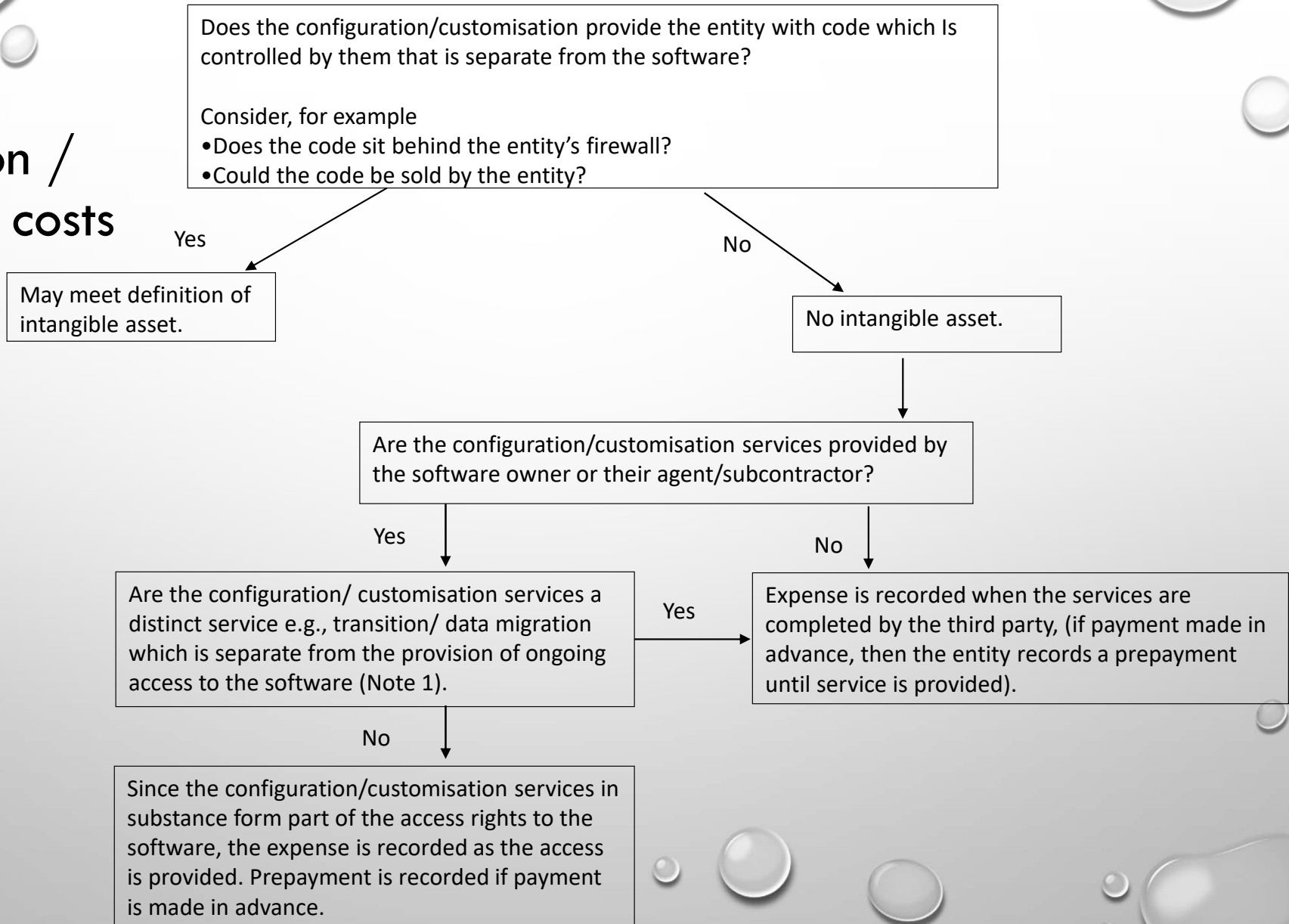
QUESTION to the Committee:

How should a customer account for these costs?

- Should the customer recognise an intangible assets in relation to configuration or customisation of the application software?
- If an intangible asset is not recognised, how the customer accounts for the configuration or customisation costs?



# Customisation / configuration costs



## Note 1: Is the service distinct?

Determining whether the configuration/customisation services are distinct is judgemental, all the following factors should be considered.

	<b>Yes</b>	<b>No</b>
Could the service have been provided by a third party?	Distinct	Not distinct
Was the activity a one-off transition/migration activity?	Distinct	Not distinct
Does the contract with the supplier separately identify the configuration/customisation activity and price this activity separately?	Distinct	Not distinct
Does the configuration/customisation activity integrate the provided services into the software?	Not distinct	Distinct
Does the configuration/customisation service significantly modify the software provided by the supplier?	Not distinct	Distinct

The factors above should be considered in totality and an answer reached based on compelling factors and overall balance of answers.





right  
**NOW.**

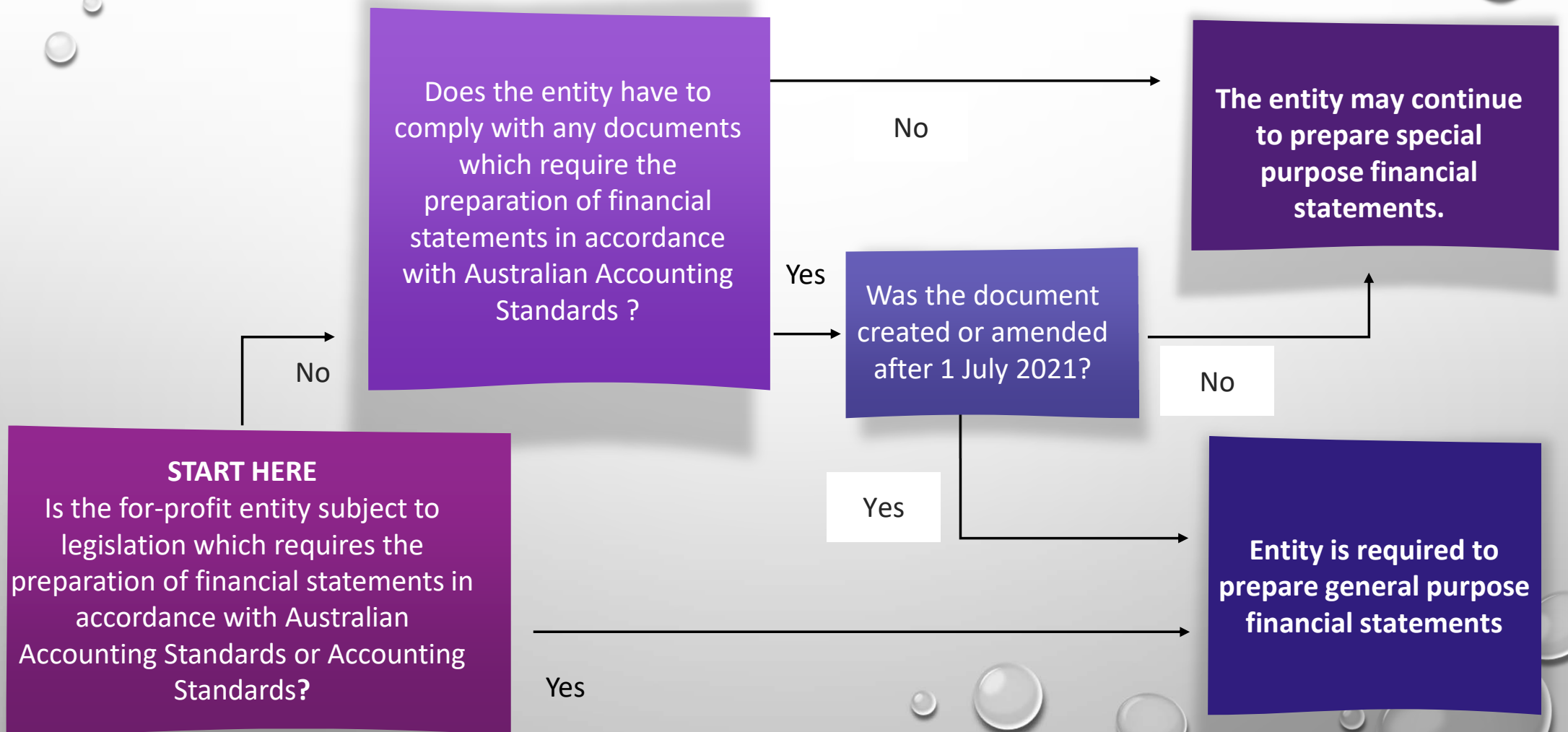
IT'S EVERYTHING

# New standards at 30 June 2022

AASB 1060	General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities
AASB 2021-1	Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for NFP Entities
AASB 2020-2	Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities
AASB 2020-7 / AASB 2021-3	Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions
AASB 2020-9	Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments



# Does a for-profit entity have to prepare general purpose financial statements from 30 June 2022?





# General purpose – Two Tiers

## Tier 1 – “full IFRS”

Recognition and measurement

Consolidation / equity accounting

Presentation

Disclosure

## Tier 2 – “simplified disclosure requirements”

Recognition and measurement  
(from other AASB’s)

Consolidation / equity accounting  
(AASB 10 / AASB 128)

Most presentation

Disclosures in AASB 1060, based on IFRS  
for SME



## AASB narrow scope project on NFP revenue

- Discussions with stakeholders to identify whether there were short-term, narrow scope actions to assist with the ongoing implementation of AASB 15 and AASB 1058.
- Educational material and additional examples developed in relation to a number of areas, including:
  - Scope of the standards
  - Sufficiently specific
  - Grants received in arrears
  - Upfront payments
  - Capital grants
- Recording of webinar available on AASB website
- Post implementation review – 2022 onwards



# Peppercorn / concessionary leases update

- Temporary exemption in 2018 to allow NFP entities to record the right-of-use asset arising from a concessionary lease at cost
- Exemption will be made permanent for all concessionary leases for private sector NFP entities
- Remember disclosures exist around nature and extent of reliance on concessionary leases.



## Regulatory activity - ACNC

- Best practice recommendations for disclosures in relation to revenue from governments – available on ACNC website.
- Increased financial reporting thresholds - effective for financial years commencing 1 July 2021

<b>Charity size</b>	<b>Annual revenue threshold</b>	<b>Minimum ACNC reporting requirements</b>
Small	Less than \$500,000	ACNC Annual Information Statement
Medium	\$500,000 or more and less than \$3m	Annual Information Statement and reviewed financial statements
Large	\$3m or more	Annual Information Statement and audited financial statements



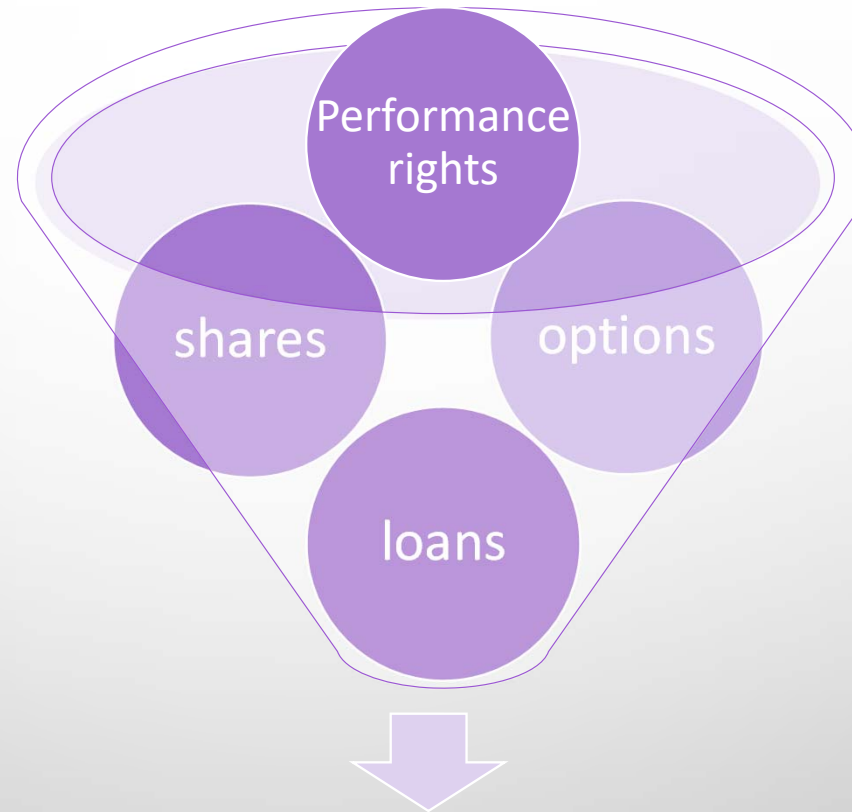
# Disclosure of KMP remuneration

- Large charities will need to disclosure KMP disclosure (in aggregate) in special purpose financial statements in accordance with AASB 124 or AASB 1060.
- KMP are:
  - Directors (and equivalents);
  - Chief Executive Officers (and equivalents); and
  - Other personnel who plan, direct and control the activities of the charity.
- Exemption if large charity has only one remunerated KMP.
- Comparatives not required.





## Focus area: Share based payments



Share based payments

## Fair value of instruments

- Fair value at grant date
- Fair value should be based on market price, where available
  - take terms and conditions attached to the instrument into account
- Valuation techniques to be used, where market valuation is not available
- For employee service, the fair value of the equity instruments granted is used.



# Vesting condition

## Market

- Taken into account when determining fair value at grant date
- Expense charged even if market condition is not satisfied
- Do not revise the number of instruments expected to vest

## Non-market

- Ignored in determining grant date fair value
- Reverse charge if condition not met
- Taken into account when determining number of instruments which will vest



## Impact of vesting period

If the equity instruments vest:

### Immediately

Expense is recognised in full at grant date

### At a future date

Expense is allocated over the vesting period

## Modifications

- Additional fair value is expensed over remaining vesting period
- Minimum expense is original grant date fair value

## Cancellations

- Accelerate remaining expense and charge in the period of cancellation
- Replacement scheme treated as a modification

Changes to share based payment

## Forfeitures – Non-market

- Accumulated expense charged is reversed

## Forfeiture – Market conditions

- Not a forfeiture – no amendment to expense when all other vesting conditions are met





# Contemporary issue: Accounting for investments

## Passive investment



- No significant influence
- No control

## Associate



“Significant influence - power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.”

## Joint arrangement



Parties are bound by a contractual arrangement which gives joint control of the arrangement.

Joint control – allow each party to block the decisions about the relevant activities.

## Subsidiary



Entity has control in its own right.

An investor controls an investee when the investor is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee



Looking forward...

# Related party transactions –ACNC

- Disclosure required from 30 June 2023
- ACNC guidance:
  - Related parties: *“A person or organisation that is related to the charity where that person or organisation has significant influence over the charity.”*
  - Related party transaction: *“A transfer of resources, services or obligations between related parties regardless of whether a price is charged.”*
- Material related party transactions only to be reported.
- Comparatives not required.
- Further guidance to be provided by ACNC.



# What needs to be reported?

## Small charities

- Brief description of related party transactions in the AIS.

## Medium and large charities

- Details of related party transactions in the financial statements in accordance with AASB 124 or AASB 1060.
- Summary of the transactions in the AIS.

Further guidance to be provided by the ACNC



# Crypto assets

- Receiving a significant number of queries on this topic
- No explicit guidance in the accounting standards
- Accounting for crypto-holdings
  - Intangibles?
  - Inventory?
  - Cash equivalents?
- Miners and sellers of crypto
  - Performance obligations?
  - Cost?





# Sustainability standards

- ISSB – International Sustainability Standards Board
- Two exposure drafts issued:
  - *S1 General Requirements for Disclosure of Sustainability-related Financial Information*
    - Disclose information that is material and gives insights into an entity's sustainability-related risks and opportunities that affect enterprise value.
  - *S2 Climate-related Disclosures*
    - Disclosure of Scope 1,2 and 3 Greenhouse Gas emissions
    - Specific disclosures based on industry and sector.
  - Comment period closes 29 July 2022
- AASB has issued a wrap-around exposure draft – closes 15 July 2022.



## Questions and contact details



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[www.af rs.com.au](http://www.af rs.com.au)

HALL CHADWICK 

**SECTION BREAK**  
**10:35AM - 10:50AM**



# Research & Development Tax Incentive

Edward Allen | 1 June 2022



**The true method of  
knowledge is experiment**

**William Blake**



# The R&D Tax Incentive in 60 seconds

**What is the benefit?**

# The benefit

## Less than \$20m turnover

tax rate + 18.5% percentage points (43.5%)

refundable tax offset

# The benefit

## Greater than \$20m turnover

0-2% R&D intensity: tax rate + 8.5% percentage points

>2% R&D intensity: tax rate + 16.5% percentage points

non-refundable tax offset

# Who can claim?

# What is R&D?

# Supporting documentation

Give me six hours to chop down a tree and I will spend the first four sharpening the axe. - Abraham Lincoln



# Thank you

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HALL CHADWICK 



# PARVATE COLLECTIVE

ESG IN 2022

HALL CHADWICK - ACCOUNTING STANDARDS UPDATE.



# WHO ARE WE?

An experienced team across many different disciplines, we are well placed to be able to assist and guide you through different situations and possibilities

We use a demonstrated, High Performance approach to add value beyond compliance.

**OUR FOCUS:  
PROVIDING PRACTICAL, ACCESSIBLE SOLUTIONS TO COMPLEX,  
REAL ISSUES.**



After many years in HP sport, Jim has helped many companies design and implement best strategies for unlocking ESG value into a company and culture.

AUSIMM accredited in ESG and Social Responsibility. High Performance Coach.

**Jim Allenby –  
Managing Director.**



Following a decorated International sporting career, Paul was also a National Performance Manager. Paul uses this experience to align programs that link ESG with performance.

International Coaching Federation (ICF) accredited coach. Qualified teacher.

**Paul Gaudoin OLY -  
Programs and  
performance manager.**



# Why ESG?

## What is ESG?

Environmental, Social and Governance

Evolution of CSR into non-financial disclosures

Measurement for approach, impact and performance

## Does it matter?

Capital markets are filtering their portfolios based on ESG

Regulators, society and stakeholders judge based on non-financial performance



# Examples of ESG Factors

## Environmental



- Natural resource use
- Carbon emissions
- Energy efficiency
- Pollution/waste
- Sustainability initiatives

## Social



- Workforce health & safety
- Diversity/opportunity policies
- Employee training
- Human rights
- Privacy/data security
- Community programs

## Governance



- Board independence
- Board diversity
- Shareholder rights
- Management compensation policy
- Business ethics

# MANY FUNDS AND “VALUE-BASED” INVESTORS USE ESG FACTORS TO SCREEN POTENTIAL INVESTMENTS



**>US\$53 TRILLION**

ESG INVESTMENTS POTENTIAL  
VALUE BY 2025  
(Bloomberg)



**US & EUROPE**

HAVE COMPULSORY  
NON-FINANCIAL REPORTING  
  
AUSTRALIA TO FOLLOW  
(PwC)



94% of global investors (91%  
in Australia) said they were  
conscious of sustainable  
investing and ESG-aligned  
investment opportunities.  
(Shroders)



## ESG Reporting Standards

Core Metrics and Disclosures currently being reported against.



# ESG: Corporate Reporting Landscape



Task Force on Climate-related Financial Disclosures (TCFD)



Sustainable Development Goals (SDGs)



World Economic Forum: Stakeholder Capitalism Metrics (SCM)



CDP



Financial Accounting Standards Board (FASB) Observer



International Accounting Standards Board (IASB)



International Organisation for Standardisation (ISO)



Climate Disclosure Standards Board (CDSB)



Global Reporting Initiative (GRI)



International Integrated Reporting Council (IIRC)



The Sustainability Accounting Standards Board (SASB)

Figure 4: The corporate reporting landscape by Corporate Reporting Dialogue (Better Alignment Project)  
(Source: See References)



**United Nations**



Figure 3: Sustainable Development Goals (Source: [sdghub](https://sdghub.org))

# PARVATE ESG METRICS PROCESS



## Audit Example

PILLAR	THEME	Progress	DATA AVAILABLE	NOTES
<b>Purpose</b>	The percentage of each stakeholder group that is aware of the company's stated purpose and believe they are authentically realizing it	Short Term	No	
<b>Governance</b>	The percentage of each stakeholder group that is aware of the company's stated purpose and believes it is authentically realizing it	Short Term	No	???
	A list of the material topics identified in the process of defining report content and how they impact stakeholders - <u>DISCLOSURE</u>	Short Term	No	
	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and processes for ensuring reliability of information - <u>DISCLOSURE</u>	Short Term	No	
	Details about whether and to what extent policies and strategies are aligned with the organization's lobbying, advocacy, memberships and related policy engagement activities, including details about participation in relevant multistakeholder initiatives - <u>Disclosure</u>	Medium Term	No	
	Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region	Medium Term	No	Training currently being developed, policies are circulated however follow up training under development.
	Company risk factor disclosures clearly identify the principal risks facing the company specifically (as opposed to generic sector risks), the Board appetite in respect of these risks, how these risks have moved over time and the response to those changes. These should include discussion of data security and other emerging principal risks, and should disclose the number of data breaches in the reporting period. - <u>DISCLOSURE</u>	Medium Term	No	Last time risks were identified was prospectus lodgement mid 2021
	Whether the highest governing body considers People, Planet and Prosperity issues when overseeing major capital expenditures, acquisitions and divestures - <u>DISCLOSURE</u>	Short Term	No	????
<b>People</b>	Percentage of employees per employee category, by age group, gender and other indicators of diversity	Medium Term	No	Yes we have records but summary under development as part of 30 June reporting planning
	Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation	Medium Term	No	Pay is determined by role responsibility not gender. Very small team at present so not material.
	Ratios of standard entry-level wage by gender, compared to local minimum wage for specific categories of workers	Medium Term	No	
	Current wages against the living wage for employees, contractors and suppliers in states and localities where the company is operating	Medium Term	No	
	Number and percentage of operations and suppliers considered to have significant risk of: a) incidents of child labour, and b) incidents of forced labour, by type of operation and supplier, in terms of countries or geographic areas with operations and suppliers considered at risk.	Medium Term	No	Level of operations involves labour on the projects and people need to have correct permitting etc so risk of this is low
	Percentage of operations and supplier in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk	Medium Term	No	
	Number and type of grievances reported, and number of severe impacts occurring that were related to a salient human rights issue, and the type and impact of these issues	Medium Term	No	
	Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of trainings provided to employees divided by the number of employees)	Medium Term	No	
	The average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees)	Medium Term	No	



# MODULE EXAMPLE



# THE PARVATE PROCESS

HOW DO WE HELP YOUR COMPANY?



# COMPETITIVE ADVANTAGE

A long-lasting program that sets up a social and investment infrastructure.

- Choice for investors and customers. Many potential clients and investors are asking “What are you doing about ESG?”
- Choice for stakeholders and staff. Retain and attract the most desired staff.
- Business, performance and communication improvement.





# FREQUENTLY ASKED QUESTIONS

- ESG Audit and GAP analysis
- ESG and Sustainability Reports
- Energy Solutions (Renewables, Carbon data etc)
- Advising through the requirements for “Green” funds





**Elon Musk** 

@elonmusk



Exxon is rated top ten best in world for environment, social & governance (ESG) by S&P 500, while Tesla didn't make the list!

ESG is a scam. It has been weaponized by phony social justice warriors.





PARVATE COLLECTIVE  
PARTNERSHIP.CULTIVATE

## CONTACT US



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# HALL CHADWICK



Event	Date
Cybersecurity Masterclass	Thursday, 21 July
Economic Update	Wednesday, 27 July



# CYBERSECURITY MASTERCLASS

## ARE YOU EASY PREY?

WE ALL KNOW SOMEONE WHO HAS FALLEN VICTIM TO CYBER CRIMINALS.

COME AND JOIN GOHAR RIND, AN EXPERT IN THE CYBERSECURITY SPACE AT AN INSIGHTFUL SESSION COVERING A NUMBER OF THE COMMON METHODS ADOPTED BY CYBER CRIMINALS AND HOW TO COMBAT THEM, INCLUDING:

- PHISHING ATTACKS
- RANSOMWARE
- PASSWORD DO'S AND DON'TS
- 2-FACTOR AUTHENTICATION

WHEN: THURSDAY 21 JULY 2022

WHERE: HALL CHADWICK 283 ROHEBY ROAD SUBIACO

START TIME: 5.00PM FOR 5.30PM

PRESENTATION, Q&A AND NETWORKING TO FOLLOW

FOOD AND DRINKS PROVIDED

# HALL CHADWICK

ECONOMIC UPDATE EVENT  
CAN WE AVOID A HARD LANDING?

WEDNESDAY, 27 JULY 2022 - TIME: 5PM

FRASER'S KINGS PARK

Russia's invasion of Ukraine has only added to the global inflation pressures brought about by supply-chain bottlenecks and excessive COVID-related policy stimulus.

The issue investors now face is whether central banks can bring down inflation without causing an economic 'hard landing' or recession. History suggests this will be a considerable challenge!

To discuss these issues, you're invited to join Australia's leading economic commentator from BetaShares, David Bassanese.

5.00 PM: GUESTS' REGISTRATION

5.30PM: PRESENTATION BY DAVID BASSANESE

6.30 PM + : NETWORKING OPPORTUNITIES

HALL CHADWICK 

Thank you