

ASIC CLASS ORDER [CO 10/654]**EXPLANATORY STATEMENT**

Prepared by the Australian Securities and Investments Commission
Corporations Act 2001

The Australian Securities and Investments Commission (ASIC) makes ASIC Class Order [CO 10/654] under subsection 341(1) of the *Corporations Act 2001* (the Act).

Subsection 341(1) provides that ASIC may make an order in respect of a specified class of companies, registered schemes or disclosing entities that relieves the entities in question, their directors and/or auditors from specified requirements of Parts 2M.2, 2M.3 or 2M.4 (other than Division 4) of the Act.

1. Background

The *Corporations Amendment (Corporate Reporting Reform) Act 2010* (“CRRA”) was given Royal Assent on 29 June 2010 and is effective from 1 July 2010. The matters are urgent in that the relevant requirements apply to financial reports for the year ended 30 June 2010. Many affected entities report as early as August 2010 and require certainty when preparing their financial reports.

The CRRA amended the Act so that those entities reporting under Chapter 2M that present consolidated financial statements are no longer required to present parent entity financial statements. This change applies for financial reports for the year ended 30 June 2010.

Australian Financial Services (AFS) licensees continue to be required to present parent entity financial statements under Chapter 7 of the Act.

2. Purpose of the class order

Where the accounting standards require entities to present consolidated financial statements, the CRRA amendments now prevent these entities from also presenting parent entity financial statements. Instead, regulation 2M.3.01 requires these entities to present a summary of information for the parent entity in a note to the consolidated financial statements. However, some entities want to continue to present parent entity financial statements to:

- (a) avoid the cost of changing their reporting formats, particularly for 30 June 2010 year ends;
- (b) because they are AFS licensees that are required to present parent entity financial statements under Chapter 7 of the Act; or
- (c) they believe that the parent entity financial statements provide useful information to users of their financial reports.

The purpose of Class Order [CO 10/654] is to address these unintended consequences.

3. Operation of the class order

Class Order [CO 10/654] “Inclusion of parent entity financial statements in financial reports” allows companies, registered schemes and disclosing entities that present consolidated financial statements to include their own parent entity financial statements as part of their full year financial report or concise report under Chapter 2M of the Act. Entities taking advantage of the relief are not required to present the summary parent entity information otherwise required by regulation 2M.3.01. The directors’ declaration and auditor’s report must include the relevant opinions in relation to the parent entity financial statements and related notes.

4. Consultation

As [CO 10/654] is of a minor or machinery nature and does not substantially alter existing arrangements, ASIC did not undertake any consultation with stakeholders before that class order was made.