

## **EXPLANATORY STATEMENT for**

### **ASIC Corporations (Post Balance Date Reporting) Instrument 2015/842**

Prepared by the Australian Securities and Investments Commission

*Corporations Act 2001*

The Australian Securities and Investments Commission (ASIC) makes *ASIC Corporations (Post Balance Date Reporting) Instrument 2015/842* under subsection 341(1) of the *Corporations Act 2001* (the Corporations Act). Subsection 341(1) provides that ASIC may make an order in writing in respect of a specified class of companies, registered schemes or disclosing entities, relieving any of the directors, the companies, registered schemes or disclosing entities themselves, or the auditors of the companies, registered schemes or disclosing entities from all or specified requirements of Parts 2M.2, 2M.3 and 2M.4 (other than Division 4) of the Corporations Act.

#### **1. Background**

Subsections 295(2) and 303(2) of the Corporations Act allow financial reports to include only those financial statements specified in those provisions.

Those provisions prevent an entity from disclosing the financial effect of a material acquisition or disposal of entities or businesses that occurs after the end of a reporting period in the notes to their financial statements in the form of a pro forma balance sheet.

#### **2. Purpose of the instrument**

*ASIC Corporations (Post Balance Date Reporting) Instrument 2015/842* allows the presentation of a pro forma balance sheet in the notes to the financial statements to explain the financial effect of material acquisitions and disposals of entities and businesses after the end of a reporting period. Such a presentation may be the most meaningful way to explain the effect of the transaction.

Disclosing entities could provide similar information in separate announcements to the market; however, we consider that stakeholders are better served if the information is disclosed and read in the context of the entity's financial report.

Class Order [CO 05/644] is repealed by Schedule 2 to the *ASIC Corporations (Amendment and Repeal) Instrument 2015/843*.

### **3. Operation of the instrument**

The instrument allows an entity to include in a note to the financial statements a balance sheet explaining the financial effect of acquisitions or disposals which occur after the reporting date.

The transactions must have a material impact on the single entity or the consolidated entity. A single entity or consolidated balance sheet must be either an actual balance sheet drawn up to a point in time after the transactions have occurred or a pro forma balance sheet drawn up on the basis of the entity's actual balance sheet drawn up at the end of the reporting period or a later date.

If a pro forma balance sheet is presented it must be prepared on a basis consistent with the accounting standards, the basis of preparation and key underlying assumptions must be disclosed and any other material transactions or events after balance date reflected in the note to ensure the pro forma balance sheet is not misleading.

### **4. Consultation**

ASIC has consulted with stakeholders through Consultation Paper 233 which was issued on 16 June 2015 and was open for comment to 17 August 2015.

ASIC has assessed that a Regulatory Impact Statement is not necessary for this instrument as it is operating effectively and efficiently, as informed by the consultation process, and is being remade without significant changes.

### **Statement of Compatibility with Human Rights**

*Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011*

#### **ASIC Corporations (Post Balance Date Reporting) Instrument 2015/842**

*ASIC Corporations (Post Balance Date Reporting) Instrument 2015/842 is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the Human Rights (Parliamentary Scrutiny) Act 2011.*

#### **Overview**

The objective of this legislative instrument is to allow entities to disclose the financial effect of significant acquisitions or disposals which occur after the reporting date in a balance sheet included in the financial statements.

#### **Human rights implications**

This legislative instrument does not engage any of the applicable rights or freedoms.

#### **Conclusion**

This legislative instrument is compatible with human rights as it does not raise any human rights issues.

**Australian Securities and Investments Commission**