



ASIC guidance on disclosing non-IFRS financial information

What you need to know about ASIC Regulatory Guide 230:

- ▶ The Guide's purpose is to assist preparers in ensuring that non-IFRS financial information is not misleading
- ▶ IFRS information must be presented with equal or greater **prominence, emphasis and authority**
- ▶ **Consistency in presentation** from period to period must be adopted
- ▶ Non-IFRS financial information must be **unbiased** and not used to avoid presenting "bad news"
- ▶ A **reconciliation** to IFRS information must be provided
- ▶ Guide is **effective immediately**

Non-IFRS information - information presented other than in accordance with accounting standards

On 9 December 2011, ASIC published *Regulatory Guide 230* (the Guide). The Guide defines non-IFRS financial information to include alternative profit measures such as "underlying profit" or "cash basis profit", and other measures that exclude particular expenses such as impairment losses. It also includes pro forma financial information that is intended to show the effects of proposed transactions which is often included in transaction documents.

The Guide provides guidance on when non-IFRS financial information may be used, and what additional disclosures should be made to ensure the information is not misleading. Specific guidance is provided by ASIC for this information in the following situations:

- ▶ Financial reports
- ▶ Documents other than financial reports and transaction documents (e.g. documents accompanying financial reports such as directors' reports, market announcements, presentations to investors and briefings to analysts)
- ▶ Transaction documents, such as prospectuses, scheme documents and takeover documents

The inclusion of non-IFRS information in financial reports will only be permitted in rare circumstances if necessary to give a true and fair view

Financial report

ASIC's view is that the *Corporations Act* and the accounting standards sufficiently prescribe what must be included in a financial report. Therefore, non-IFRS information must not be included in the financial statements. It may only be included in the notes to the financial statements in rare circumstances where it is necessary to give a true and fair view of the financial position and performance of the entity.

The Guide reminds preparers of financial reports that additional line items, subtotals or columns may only be presented within the statement of comprehensive income to the extent that they are specifically permitted or required by AASB 101.

ASIC considers the operating and financial review to be the most appropriate place for an entity to explain any unusual aspects of its performance for the period.

Other documents

Non-IFRS financial information may be included in documents accompanying the financial report such as the directors' report, market announcements or other investor briefings, but the IFRS information should be presented with equal or greater prominence, emphasis or authority compared to the corresponding non-IFRS information.

The Guide states that this could be achieved, for example, by giving prominence to the IFRS profit figure on the first page of a document but analysing components of the non-IFRS profit figure on subsequent pages.

The Guide also suggests including the IFRS profit figure in the headline of an announcement where the non-IFRS profit figure is also given, or providing a summary of the reconciling items between

the non-IFRS and IFRS profit measures on the first page of an announcement.

The non-IFRS information must also:

- ▶ Be clearly labelled to distinguish it from IFRS information
- ▶ Include a clear explanation as to how it is calculated
- ▶ Be reconciled to the IFRS information and financial report
- ▶ Include a statement as to why the directors believe the information is useful
- ▶ Use a consistent approach from period to period
- ▶ Include adjustments to comparative items where applicable
- ▶ Be unbiased and not used to avoid presenting 'bad news' to the market
- ▶ Not describe items that have occurred in the past or are likely to occur in a future period as "one-off" or "non-recurring"
- ▶ Include a statement as to whether the information has been audited or reviewed

Transaction documents

The Guide recognises that inclusion of non-IFRS information as pro forma financial information in transaction documents may be useful or necessary, for example, to show the effect of a proposed business combination on the existing financial statements.

If pro forma information is included in transaction documents, it should follow the recognition and measurement requirements of accounting standards, and:

- ▶ Include disclosure of assumptions made and

explanations of calculations used

- ▶ Be reconciled to IFRS information either on a line-by-line or key items basis
- ▶ Include all items up to net profit after tax in a pro forma statement of comprehensive income, rather than stopping at EBITDA or funds from operations (FFO), or include the reasons for not doing so
- ▶ Include details of equity as well as assets and liabilities in a pro forma statement of financial position
- ▶ Not give greater prominence to a more favourable figure or fact within a range of pro forma information
- ▶ Include a statement as to whether the information has been audited or reviewed
- ▶ Disclose the basis of any calculation of financial or other ratios
- ▶ Reflect the full transaction and not selected aspects of it
- ▶ If prepared under a foreign basis of accounting (“foreign GAAP”), include the corresponding IFRS information
- ▶ Include historical pro forma information covering a period of three years
- ▶ Not be based on a hypothetical scenario

Impact

Reporting entities will be required to carefully assess what information is relevant to understand the financial performance of the entity and what is considered non-IFRS financial information.

The principal items which will be impacted are those which are described as “one-off” or “non-recurring” or any operating or

financial review which includes discussion of alternate profit measures.

There is likely to be a significant increase in disclosures accompanying information provided in other documents such as directors’ reports, investor briefings and market announcements, as it is quite common to report non-IFRS financial information to explain results.

It is recommended that entities undertake a full assessment of the impact of this Guide and how it may affect financial reporting and other stakeholder communications in time for their 31 December reporting deadlines.

The Guide gives the following examples of information that is not considered to be non-IFRS information, and as such would be out of scope:

- ▶ Non-financial information such as numbers of employees or subscribers
- ▶ Statutory information required by another regulator such as APRA
- ▶ Information such as operating segment or earnings per share disclosures, which are required by accounting standards
- ▶ More granular information calculated in accordance with accounting standards (e.g. quarterly information)
- ▶ Separate analysis of individual components of IFRS profit, such as impairment losses
- ▶ Information required to explain compliance with the terms of an agreement or legislative requirement
- ▶ Comparisons of IFRS financial information to non-financial information (e.g. sales revenue per unit)

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