

## Answer to question in writing:

### HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

#### REVIEW OF THE ASIC ANNUAL REPORT (SECOND REPORT) 2019

#### QON Number: ASIC11QW

#### Question

On 7 July 2020, ASIC informed listed entities that: *'Entities should appropriately account for each type of support and assistance from Government, lenders, landlords and others. Both the financial report and OFR should prominently disclose significant amounts, the commencement date and expected duration of support or assistance. Examples include JobKeeper, land tax relief, loan deferrals and restructuring, and rent deferrals and waivers.'* (20-157MR)

I note that some firms have not separately identified their receipt of JobKeeper, but have instead reported the amount in conjunction with similar support provided by other jurisdictions. For example, Dominos stated that it received support of \$3.2m from France, New Zealand and Australia but did not say how much from where. Similarly, IDP Education received a total of \$4.464m from Australia and other jurisdictions but again did not disclose how much from where.

Does ASIC consider that this level of disclosure matches its statement of 7 July 2020? If so, please explain how this could be consistent with a requirement to disclose 'each type of support'. If not, what actions has ASIC taken to ensure proper compliance?

#### Answer

Full year financial reports of listed entities are required by subsection 296(1) of the Corporations Act 2001 to comply with accounting standards made by the Australian Accounting Standards Board. The accounting standards only require information to be separately disclosed where it is material.

In relation to 'materiality', paragraph 7 of Accounting Standard AASB 101 *Presentation of Financial Statements* says:

**"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.**

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- (a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- (b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- (c) dissimilar items, transactions or other events are inappropriately aggregated;

- (d) similar items, transactions or other events are inappropriately disaggregated; and
- (e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. ...”

There is no specific requirement in the accounting standards to separately disclose the countries from which Government support is received. Even so, the separate amounts of support for each country could be material to investors, potential investors, lenders and creditors in the context of the overall financial report of a company where the support in a particular country is a large proportion of the company's revenue and the company's ongoing operations are dependent on that support.

If ASIC identifies through its proactive surveillance of financial reports, complaints or other intelligence that a financial report is materially misstated, we will consider appropriate regulatory options to address the matter.

The financial report of Domino's Pizza Enterprises Limited for the year ended 28 June 2020 shows total consolidated revenue of \$1,906 million and consolidated profit of \$143 million. The annual report discloses Government wages support and payroll tax relief of \$3.2 million. It would seem difficult to argue that the split of this amount of \$3.2 million between countries would be material information to primary users in the context of the overall financial report.

The financial report of IDP Education Limited for the year ended 30 June 2020 showed total consolidated revenue of \$587 million and consolidated profit of \$68 million. The notes to the financial statements disclose total Government wages subsidies of \$4.464 million. It may be difficult to argue that the split between countries would be material information to primary users in the context of the overall financial report.