



Technical Accounting Alert

No Concise Financial Report Allowed for Companies Limited by Guarantee

Introduction

The purpose of this alert is to bring attention to the elimination of the option to prepare concise financial reports for companies limited by guarantee through last year's reforms to the Corporations Act through the Corporations Amendment (Corporate Reporting Reform Act 2010) Bill.

Removal of Concise Financial Report Provisions

Last year's reforms to the *Corporations Act* introduced by the Corporations Amendment (Corporate Reporting Reform Act 2010) Bill which made substantial changes to the ways in which companies limited by guarantee report financial information removed the use of a concise financial report as an option for these entities. The reforms amended section 314 of the *Corporations Act* (which permits a company to issue a concise financial report) so that it no longer applies to a company limited by guarantee (see section 314 (1)(AAA)).

Instead a new S316A has been inserted, setting out the annual financial reporting requirements to members of companies limited by guarantee. This new section only requires a company limited by guarantee to send out a financial report, auditor's report or director's report to a member if the member has elected to receive it. However a "concise financial report" is not a form of financial report recognised by this section.

Some companies limited by guarantee have decided the most effective and efficient way to keep their members informed is to send them summarised or concise financial information tailored to their particular entity. While this is permissible, the financial information provided should clearly state the basis upon which it has been prepared and that it is not a financial report in accordance with the *Corporations Act*. It is also important to remember that if a member elects to receive a financial report under section 316A, then the member must be sent the company's full financial report, prepared in accordance with section 292 onwards.

Further information

For further information on any of the information included in this TA alert, please contact your local Grant Thornton Australia contact or a member of the National Audit Support team at NAS@grantthornton.com.au

All TA alerts can be found on the National Extranet (www.gtassist.com.au/extranet) under Professional Services/Assurance/Forms and Precedents/Technical Assistance for Grant Thornton staff only and the Grant Thornton website (www.grantthornton.com.au) under Publications/IFRS and technical resources. This alert is not a comprehensive analysis of the subject matter covered and is not intended to provide accounting or auditing advice. All relevant facts and circumstances, including the pertinent authoritative literature, need to be considered to arrive at accounting and audit decisions that comply with matters addressed in this alert. Grant Thornton is a trademark owned by Grant Thornton International Ltd (UK) and used under licence by independent firms and entities throughout the world. Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation.