



Financial & Sustainability Reporting Update

30 June 2026



Executive summary

As we gear up for the 30 June 2026 reporting season, it's crucial to stay informed about the latest developments in financial and sustainability reporting. ASIC's recent focus areas highlight ongoing scrutiny, especially around asset valuation, revenue recognition, and disclosure transparency. It's essential to enhance the disclosure of material business risks, uncertainties, and contingent liabilities.

When it comes to new accounting standards, entities should be well on their way to implementing AASB 18. Understanding its impacts and planning for a smooth transition is key. Our global illustrative consolidated financial statements are now available, showcasing the adoption of IFRS 18. While AASB 18 is a major change, don't overlook the amendments to AASB 9, which clarify when financial liabilities should be derecognised with electronic payments.

Recent legal rulings could significantly impact financial reporting. The Federal Court of Australia has ruled that employers can't offset underpayments with overpayments under annualised salary arrangements. This may lead to recognising material liabilities or disclosing contingent liabilities in financial statements. Additionally, events in the Middle East and changes in tariff regimes could affect many companies and should be considered.

Some entities have now published their first AASB S2-aligned sustainability reports, offering valuable insights. It's vital to align financial and non-financial disclosures in these reports with financial statements. The IASB has provided guidance on disclosing uncertainties in financial statements, using climate as an example. While sustainability reporting is still evolving, AASB S2 has been amended to offer additional reliefs, easing the adoption of the new standard.

Stakeholders are encouraged to review this publication in detail and consult the linked guidance materials for further insights. Some PwC resources may require registration via Viewpoint. Follow this [link](#) to register.

What's the issue? Points to consider and where to go for more help

Focus areas and hot topics

What are ASIC's areas of focus?



ASIC's oversight of financial reporting and audit

ASIC's enduring focus areas are included on its website at [ASIC's financial reporting and audit focus areas](#). In addition, ASIC has released its [Report: ASIC's oversight of financial reporting and audit 2024-2025](#) summarising its findings from its surveillance programs for the period 1 July 2024-30 June 2025. During this period, ASIC reviewed the financial statements of 254 companies, with 18 of these companies agreeing to make changes in areas of concern. Our observations from these reports are that ASIC continues to focus on areas such as asset valuation (including impairment and valuation of unlisted investments), revenue recognition and disclosures. In relation to disclosures, it is important that companies consider the completeness of their disclosures in particular relating to impairment, asset valuation, non-statutory profit measures (refer [ASIC's Regulatory Guide 230](#)) and material business risks in the Operating and Financial Review (refer below).

Lodgement of financial statements

ASIC also continues to increase its focus on private companies to ensure that financial reports are lodged on time and that the consolidation requirements are appropriately considered within financial statements. This is highlighted in their media release [ASIC increases its focus on lodgement of financial reports after finding poor compliance by grandfathered companies](#). In December 2025, ASIC highlighted that they had engaged 217 companies and alleges that 151 of those companies had failed to lodge their financial reports for FY 24 and/or FY23. Following ASIC's queries, 103 companies lodged financial reports and 41 are in the process of doing so. Refer [ASIC issued infringement notices to 12 large proprietary companies totalling \\$2.2million for allegedly failing to lodge their FY24 audited financial report](#).

What's the issue?

Points to consider and where to go for more help

What are ASIC's areas of focus? (cont'd)



Registrable Superannuation Entities

In relation to Registrable Superannuation Entities, there is particular focus on the valuation of unlisted financial assets and the appropriate disclosure of fair value assumptions, as well as transparent disclosure of the detail of expenses. Refer [ASIC's Report 816: Accounting for your super: ASIC's review into the financial reporting and audit of superfunds](#)

Other regulatory guidance updates

ASIC has further published updated guidance on how financial reporting and audit findings will be communicated to directors, audit committees and senior managers. See [Regulatory Guide 260](#). Finally, ASIC has updated [Regulatory Guide 26](#) to reflect changes in the auditor removal and cessation process for Australian Financial Service Licensees.

Do you have disclosure of your material business risks in your Operating and Financial Review?



As referenced above, the most significant area of remediation taken by companies as a result of ASIC surveillance is in relation to the absence of disclosure of material business risks in the Operating and Financial Review. ASIC highlighted the importance of companies being clear of the material business risks which may impact company's performance. Examples of business risks may be in the following areas, however they should be considered and tailored to the context of the company's business environment and circumstances:

- Geopolitical uncertainties
- Risks related to intellectual property
- Impacts of artificial intelligence
- Changes in technology
- Cybersecurity and data privacy risks
- Regulatory and legislative changes in relation to taxes, tariffs, wage payments or similar areas
- Changes in customer demands
- Ability to obtain needed resources, including labour or other supply chain reliance
- Market competition
- Capital and funding requirements
- Environmental and climate exposures – including implications of climate related transition plans

Refer to ASIC's [Regulatory Guide 247](#) for further details on Effective Disclosures in an Operating and Financial Review.

Are you impacted by the Federal Court of Australia Wage Ruling?



In September 2025, the Federal Court of Australia delivered a major ruling on a wage matter involving Woolworths and Coles. Amongst other matters, the court ruled that for certain salaried employees, employers are unable to offset underpayments in one pay cycle with overpayments in another by paying an annualised salary. Further, companies must keep appropriate records to monitor and track the information of award entitlements for salaried staff under the applicable award including overtime, penalties, loadings and allowances.

Who may this impact?

The principles in this ruling may apply to employers with award covered employees who are paid a salary calculated on an annual basis -- for example, the employee has a salary of \$100k annually, paid on a monthly or fortnightly basis, in lieu of any overtime (or excess hours), penalties, loadings or allowances as determined each pay period. This is not a simple assessment.

What's the issue?

Points to consider and where to go for more help

Are you impacted by the Federal Court of Australia Wage Ruling? (cont'd)



What is the potential impact?

Companies may have potentially significant or material liabilities as a result of the ruling, resulting in the need to recognise provisions or to disclose contingent liabilities in any financial report issued after the ruling. Because this ruling clarifies the interpretation of existing legal requirements, it is expected that any provisions be assessed based upon the facts of the ruling.

How do you account for transactions for businesses under common control?



In April 2024, the International Accounting Standards Board (IASB) discontinued the development of guidance for reporting on business combinations under common control. Consequently, we have refreshed our guidance on transactions under common control. Refer to our [In brief - Refreshed guidance on common control transactions and transactions involving Newcos under IFRS Accounting Standards](#) for more information.

Are you impacted by Pillar Two tax obligations?



Over 140 nations have committed to update the international tax system to ensure that large multinational enterprises with revenues over 750m euros pay a minimum level of tax (15%) on the income arising in each of the jurisdictions where they operate – referred to as Pillar Two. The new tax is continuing to be enacted in various jurisdictions around the world with various effective dates.

In December 2024, Australia's Pillar Two legislation to implement the Global and Domestic Minimum Tax was passed into law. The IIR (Income Inclusion Rule) and DMT (Domestic Minimum Top-up Tax) applied for fiscal years commencing on or after 1 January 2024. Additionally, the UTPR (Undertaxed Profits Rule) applies for fiscal years commencing on or after 1 January 2025. Entities in the scope of the legislation need to calculate and recognise their Pillar Two tax expenses.

While amendments have been made to **AASB 112 Income Taxes** to provide relief from accounting for deferred taxes arising from the OECD's Pillar Two international tax reforms, disclosures are required to enable users to understand actual and expected impacts. See guidance at [Global implementation of Pillar Two: Impact on deferred taxes and financial statement disclosures](#).

See also PwC's Pillar Two guidance and tracker as to the status of enactment in countries around the world for more information: [Pillar Two Country Tracker](#).

Are you impacted by tariffs or the newly legislated tax bill in the US?



The implementation of new tariffs and most recently, the invalidation of many of these tariffs may impact businesses across many industries. Entities might face complex operational and compliance challenges due to the ongoing uncertainty surrounding tariff policies. These complexities give rise to a number of financial reporting considerations. Management should collaborate closely with their legal, compliance and operations teams to proactively identify and assess additional risks related to tariffs that could affect operating results, liquidity and financial reporting. The following publications discuss matters relating to tariffs:

- [Year-end reporting issues relating to the US Supreme Court decision invalidating certain US tariffs](#)
- [Tariffs: the price tag of global trade on financial reporting](#)
- [What do the 'Liberation Day' tariffs mean for Australian businesses?](#)
- [What do Trump Tariffs mean for Australian businesses?](#)

What's the issue?

Points to consider and where to go for more help

Are you impacted by tariffs or the newly legislated tax bill in the US? (cont'd)



The recent US Supreme Court decision invalidates only tariffs imposed under the International Emergency Economic Powers Act (IEEPA). Numerous other tariffs previously imposed under different statutes remain in force.

Additionally, on 4 July 2025, the One Big Beautiful Bill (the 'Bill') was substantively enacted in the United States. Companies that have operations in the United States must account for any impacts on current or deferred tax from the date of enactment of the Bill. Refer to our [In depth – Accounting for 2025 US Tax reform](#) for more information.

Are you impacted by geopolitical conflicts?



Geopolitical conflicts have continued to create significant shifts in the global risk landscape and are having a pervasive economic impact. Investors will want to understand if and how this is affecting an entity's operations, risk exposures and outlook. Refer to our [In depth - Accounting Implications of geopolitical conflicts](#) for more information.

What should an entity consider when reflecting climate matters in the financial statements?



In many cases, a company's exposure to climate-related risks might not have changed significantly since its last annual reporting period; however, climate-related risks remain an important topic for many investors. Additionally, companies are beginning to more clearly disclose climate related risks in their sustainability reports. It is important that there is consistency between financial and non-financial reporting on key climate-related assumptions, if these are relevant for the purposes of estimating and recognising amounts in the financial statements. If there is commentary in the annual report or a separate sustainability report that hasn't been reflected in financial reporting (for example, because the entity is relying on a market participant's assumptions which differ), companies should consider explaining the different basis.

In November 2025, the IASB has published examples illustrating on how companies can improve their reporting of uncertainties using climate-related examples as practical illustrations. Refer to further discussion below. The following publications also provide further detail on how sustainability matters may impact financial reporting:

- [Illustrative examples on reporting uncertainties in financial statements](#)
- [In brief – Clarifying uncertainties: helping companies navigate disclosure requirements](#)
- [Impact of ESG matters on IFRS financial statements](#)
- [IFRS Financial reporting considerations for entities participating in the voluntary carbon market](#)

Is your subsidiary's functional currency hyperinflationary?



Hyperinflation is indicated by characteristics of the economic environment of a country which include, among other factors, the cumulative inflation rate over three years approaching or exceeding 100%. To understand whether your subsidiary's functional currency is hyperinflationary as at 30 June 2026, refer to our [In brief - Hyperinflationary economies as at December 2025](#) for more information. This publication is updated for the most recent data IMF World Economic Outlook report.

Developments in standard setting

What new standards are effective for companies with a 30 June 2026 year-end?



Amendment to AASB 121 The Effects of Changes in Foreign Exchange Rates (effective for year ends beginning on or after 31 December 2025)

This amendment provides a consistent approach to assess whether a currency can be exchanged into another currency and, when it cannot, to determine the exchange rate to use and the disclosure to provide. Refer to our [In Brief - Filling the gap in currency accounting: new IFRS requirements for lack of exchangeability](#) for more information.

Disclosures about Uncertainties in Financial Statements, including Amendments to AASB 136 Impairment of Assets and AASB 137 Provisions, Contingent Liabilities and Contingent Assets (effective for year ends beginning on or after 1 July 2025 that end on or after 28 February 2026)

The IASB has published several examples to illustrate how an entity applies the requirements in IFRS Accounting Standards to disclose the effects of uncertainties in its financial statements. The examples illustrate this through climate-related scenarios, but the principles and requirements are applicable to disclosure of other uncertainties. The examples do not add to or change requirements in IFRS Accounting Standards and therefore, there are no transition requirements. Refer to our [In brief – Clarifying uncertainties: helping companies navigate disclosure requirements](#) for more information.

The AASB has incorporated the examples in relation to impairment and provisions into the relevant accounting standards. Refer [AASB 2026-1](#). The remaining new examples (relating to IFRS 7, IFRS 18, IAS 1 and IAS 8) are available at the AASB's webpage which includes [IASB Support Materials](#).

What's new standards are effective for 30 June 2026 interim financial reports (i.e., December 2026 year ends)?



AASB 9 Financial instruments and AASB 7 Financial instruments: Disclosures (effective for year ends beginning on or after 1 January 2026)

These amendments confirm the requirements for the timing of derecognition of financial assets and liabilities where payments are made via electronic payment systems. Financial liabilities can only be derecognised on initiation of a payment if certain criteria are met. Where a company has significant reconciling items in bank reconciliations for in-transit items, these amendments should be carefully considered. The amendments also:

- Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion, in particular for instruments with features linked to environment, social and governance (ESG) targets
- Add new disclosures for instruments with contractual terms that can change cash flows (including instruments with features linked to ESG targets)
- Make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI)

Refer to our [In Brief - IASB issues targeted improvements to financial instruments standards](#).

AASB 7 Financial Instruments: Disclosures and AASB 9 Financial Instruments (effective for year ends beginning on or after 1 January 2026)

- Clarify the application of the 'own-use' criteria to nature-dependent electricity contracts
- Make it easier to achieve hedge accounting if these contracts are used as hedging instruments
- Add new disclosure requirements to enable users of financial statements to better understand the effect of these contracts on an entity's financial performance and cash flows
- Refer to our publication [Accounting for contracts referencing nature-dependent electricity](#) for more information

Developments in standard setting (cont'd)

What are the upcoming amendments and pronouncements available for early adoption?



AASB 18 Presentation and Disclosure in Financial Statements (effective for year ends beginning on or after 1 January 2027)

AASB 18 will significantly impact the presentation of financial statements and require disclosure of management-defined performance measures. Companies should be well progressed with their preliminary assessment of impacts and details of their transition plan to ensure sufficient time for smooth transition and resolution of any broader implications. Key points to consider:

i. **Defined structure for the statement of profit or loss and inclusion of 'operating profit'**

The new mandatory presentation of 'operating profit' may differ from how stakeholders and management currently measure performance. Companies should ensure they consider how to map their chart of accounts to the new categories and understand the key drivers of the new operating profit measure. If operating profit is currently used for reporting to stakeholders, covenants, or management remuneration (and measured on a different basis than AASB 18 would require), flow-on impacts may need to be considered.

ii. **Disclosure of all management-defined performance measures (MPMs)**

Audited financial statements will be required to include MPMs in a single note, including an explanation and reconciliation to the closest statutory measure. This requirement offers the opportunity to rethink which performance measures are most important to investors, management and other key stakeholders. Companies should ensure they have identified their possible MPMs and consider whether they desire to refine or change any of these measures prior to them being incorporated into the financial statements and subject to audit.

iii. **Consider principles of aggregation and disaggregation and transparent labelling**

The standard includes new principles for how trial balance accounts should be aggregated or disaggregated into line items in the primary financial statements and notes. Companies will need to consider how they will aggregate/disaggregate to ensure usefulness of the financial statements. Each line item must also be clearly labelled.

iv. **Other Considerations**

As companies develop their transition plan, they will need to consider how they will implement the standard across locations and business units. The complexity of transition may depend on whether a standardised chart of accounts is consistently used and whether there are flow-on impacts to key profit measures or KPIs used for other purposes (such as covenants, remuneration). Management should ensure key stakeholders are aware of the potential upcoming changes that may impact them.

Our published [global illustrative consolidated financial statements](#) now available, reflects the transition to IFRS 18.

Refer to our In briefs:

- [IFRS 18 is here: redefining financial performance reporting](#)
- [IFRS 18 – Key treasury topics for corporate entities](#)
- [IFRS 18 – Insights for financial services companies](#)

Developments in standard setting (cont'd)

What are the upcoming amendments and pronouncements available for early adoption? (cont'd)



IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for year ends beginning on or after 1 January 2027 with early adoption permitted in certain territories outside of Australia)

This standard was released to reduce the disclosure burden for subsidiaries of global multinational that do not have public accountability. Recognition and measurement principles align to IFRS Accounting Standards. Refer to our [In brief - PWC guidance on new disclosure IFRS 19 for subsidiaries without public accountability](#) for more information.

While IFRS 19 has not been adopted by the AASB and is not available for statutory reporting in Australia, subsidiaries of Australian companies in other jurisdictions may be able to adopt this standard. Within Australia, the Tier 2 framework of **AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities** is available.

Amendments to Australian Accounting Standards – Translation to a Hyperinflationary Presentation Currency (AASB 121 & AASB 129) (effective for annual periods beginning on or after 1 January 2027)

These amendments clarify the basis for translating amounts from a functional currency that is the currency of a non-hyperinflationary economy to a presentation currency that is the currency of a hyperinflationary economy. As such, the amendments are only relevant for an entity that has a presentation currency of a hyperinflationary economy, and either its own functional currency or that of its foreign operation(s) is that of a non-hyperinflationary economy. Refer to our [In brief - Presenting in hyperinflationary currencies: IAS 21's new translation method for non-hyperinflationary functional currencies](#) for more information.

Are you impacted by any decisions made by the IFRS Interpretations Committee over the last 12 months?



Companies should ensure they consider the matters that are debated by the IFRS Interpretations Committee. If they are relevant, their discussions may provide clarity as to how the matter should be considered. For a complete list of all agenda decisions, see [compilations of agenda decisions](#).

The key agenda decisions over the past 12 months include the following topics:

- How do you account for directly attributable transaction costs in the period between incurring the costs and entering into a contract for the origination or issuance of a financial instrument? See [Determining and Accounting for Transaction Costs \(IFRS 9\)](#)
- From whose perspective (host or reporting entity) should lost interest be considered when assessing whether you would separate an embedded prepayment option in a loan contract? See [Embedded Prepayment Option \(IFRS 9\)](#)
- How do you identify if an economy becomes hyperinflationary? See [Assessing Indicators of Hyperinflationary Economies \(IAS 29\)](#)
- Have you issued contractual guarantees on obligations of another entity? If so, is this guarantee accounted for as a financial liability, insurance contract, provision or a revenue contract? See [Guarantees Issued on Obligations of Other Entities](#)
- Have you acquired carbon credits and incurred research and development expenses to develop solutions for emissions reductions? See [Recognition of Intangible Assets Resulting from Climate-related Expenditure \(IAS 38\)](#)
- Over what period should an educational institution recognise revenue from tuition fees? See [Recognition of Revenue from Tuition Fees \(IFRS 15\)](#)

Sustainability reporting

What have we learned from the first sustainability reports released under AASB S2?



Mandatory climate reporting has arrived in Australia. Group 1 reporters will have either just completed or are in the process of completing its first mandatory report under Australian Sustainability Reporting Standard **AASB S2 Climate-related Disclosures**.

For those preparing for June 2026 reporting or a Group 2 reporter watching closely, we have shared our initial reflections on the first set of reports released in early 2026 in [AASB S2 unpacked: how did Australia's Group 1 climate reporting fare?](#)

What changes have there been to AASB S2 since it was initially released?



In December 2025, AASB S2 was amended in response to market feedback regarding the application challenges related to greenhouse gas (GHG) emissions requirements. These targeted amendments address aspects of GHG emissions disclosures, and they provide relief from, and clarity on, existing requirements in AASB S2.

The targeted amendments cover four topics:

- Allowing an entity to limit the measurement and disclosure of Category 15 Scope 3 GHG emissions to only 'financed emissions', and exclude GHG emissions associated with derivatives and other financial activities
- Permitting an entity to select an industry-classification system to disaggregate 'financed emissions', where previously an entity was required to use GICS to provide this disaggregation
- Expanding the jurisdictional relief from using the GHG Protocol Standard, so that it applies if an entity - in whole or in part - is required to use a different method for measuring GHG emissions
- Introducing a new jurisdictional relief allowing an entity to use global warming potential (GWP) values other than the values required by IFRS S2 where the entity is required by a jurisdictional authority or an exchange on which it is listed to use different GWP values

These amendments are effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. Given these amendments are reliefs intended to aid entities with the transition to AASB S2, entities may want to consider early adopting these amendments. Refer to our [In Brief - Amendments to IFRS S2: greenhouse gas emissions disclosures](#) for more information.



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