

Example of disclosure index for agenix limited report

[Business](#), [Company](#)



Introduction

Agenix Limited is a biopharmaceutical company based in Melbourne, Australia. Through its wholly owned subsidiaries, Agen Biomedical and Agenix Biopharmaceutical (Shanghai), the Company has a strategic goal of building and developing a line of therapeutic and imaging products, and this is evidenced by the company's heavy investment in research and development as it seeks to develop new biopharmaceutical products appropriate for its market¹. The company is listed in the Australian stock Exchange (ASX), having been listed in 1987. The company's shares are also available the NASDAQ.

Disclosure Index for Agenix Limited

Financial disclosure is the deliberate release of numerical or qualitative financial and non financial information either voluntarily or under obligation. The annual report issued by Agenix limited forms the bulk of its financial disclosure process, and is complimented by press releases, interim reports and the use of its website. The annual reports of Agenix limited are governed by the set out standards by the AASB. This paper reviews the annual report of Agenix Limited for the financial period ending on June 30th 2011 and carries out a comprehensive disclosure index based on this report. The disclosure index will be based on an analysis of both the information required in the financial report under the Australian Accounting Standards Board and the information disclosed by the company voluntarily. Each disclosure will be assigned a particular weight so as to develop a disclosure

index which will be in the form of a percentage point. The ideal full disclosure of all the relevant facts would yield a hundred percent.

Consolidated Financial statements

The comparative financial figures issued in the financial report for all the required financial statements will form the first basis for evaluation of the company so as to develop a disclosure index. It is a requirement by the AASB that the financial report of a listed company should disclose the actual operating figures in the form of a consolidated statement of comprehensive income, a consolidated statement of financial position as at the last day of the financial reporting period, a statement of changes in equity that occurred in the financial period reported and a comprehensive statement of the changes in the cash position and cash equivalents that occurred in the financial year reported. This is under rule 4. 3A of the AASB. This section will be assigned a weight of 20 percent since it forms the core of the financial report and gives a summarised overview of the performance of the company and its financial position. The figures given in this section of the financial report should be comparative, and should be clearly indicated against the performance of the previous financial period.

In the financial report of Agenix Limited, the comprehensive consolidated statement of income is prepared within the requirements of AASB and provides the information relevant to such a statement. The Figures as presented in the statement are comparative, with figures of the previous financial period indicated against the figures for the current year. The comprehensive consolidated statement of income gives all the relevant

disclosures as required as is well within the AASB's requirements for such. The comprehensive consolidated statement of financial position as at the end of financial period ending 30th June 2011 is presented within the regulations of the AASB regarding preparation and presentation of the consolidated statements of financial position. The disclosures of the various items in the statement are all within the legal obligations required of the company. The same follows for the comprehensive consolidated statement of the changes in equity that occurred during the financial year in question. The information presented in the statement of changes in equity is obligatory and is presented in the correct format and includes all disclosures as prescribed by the AASB, and contains no omissions which may be material. The statement of cash flows for the financial period ending 30th June 2011 is detailed and contains all information relevant as prescribed by the AASB. This section is thus comprehensive as far the requirements of the AASB are concerned. This section thus is given a score of 15 percent out of the possible 20 percent.

Notes to the financial statements

The requirement for notes for each account prepared gives way for more obligatory disclosure in the financial report. The notes to the comprehensive consolidated financial statement of income and comprehensive statement of financial position give an opportunity for a more detailed analysis of the financial position of the company as at the date of the preparation of the financial statements and also gives a critical insight on the state of operations of the company as regards the operations of the company

throughout the financial year represented by the annual report. The notes to the financial statements are meant to give further information to every account prepared and included in the two comprehensive financial statements. The notes to the financial statements are a regulatory requirement that companies are obligated to include in their annual financial statements. In the analysis for Agenix limited, the section of notes to the financial statements will be assigned a weight of 40 percent. The justification for this is because the notes to the financial statements carry a lot of weight in explaining in detail the figures represented in the comprehensive consolidated financial statements.

In the annual financial report of Agenix Limited for the period ending 30th June 2011, the notes to the financial statements are the most comprehensive. The notes include both quantitative figures and qualitative explanations meant to give further clarity to the information contained in the figures. The notes are comprehensive in explaining the entries made on the financial statements, and an effort is given to carry out the most detailed analysis of the operations of the company and its financial position using the notes to the financial statements. The notes give an explanation of the significant accounting policies applied in the preparation of the financial statements and give the basis for their preparation, an analysis of the revenues and expenses of the company for the financial period ended, the tax position of the company as at the date of the preparation of the financial report, segmental information and other information relevant and contained in the financial report. The notes, numbering 31, extensively and exhaustively explain the financial statements and their implications on the

future performance and financial position of the company. However, some parts of the notes employ technical language which may not be easy for individuals not expert in accounting to understand. The information presented on the notes to the financial statements under segment information is an example of this, and such technical representations may inhibit the disclosure objectives of the notes. The information represented on the notes to the financial statements is all obligatory, and voluntary disclosures are unavailable from the notes. This gives the impression that the notes were mainly aimed at compliance with obligatory requirements and were not informed by a genuine desire to disclose all information relevant to the decision making process of the users of the financial information presented by the company. The notes to the financial statements, as regards their disclosure level will be given a score of 30 percent out of the possible 40 percent. This is informed by the comprehensiveness of the notes to the statements.

Reports by Chairman, Executive chairman and Directors

The reports by the chairman of the board or by the chief executive of the entity and the report from the directors form part of the report. In the analysis of the financial report of Agenix limited, this section will carry a weight of 20 percent. This is because these reports by the leaders of the entity should be a platform for disclosure of information which may not be derivable from the comprehensive consolidated financial statements and the notes to the financial statements. These reports should ideally be used by the directors to disclose information to the users of the financial statements

any information relevant to them but which is impossible to include as part of the financial statements. The reports should also include both positive and negative information which may affect the profitability of the organization presently and in the future, and such information should be disclosed in a manner that informs the users of the financial information without causing any panic on the part of existing or potential investors.

The directors' reports include the highest level of voluntary disclosures in the financial report of Agenix Limited. The reports by the executive Chairman and Chief executive Officer of the company include information on the managerial forecasts of the performance of the company and the reasons informing the forecasts. A discussion of the company's strengths and weaknesses in the face of prevailing market conditions is given, an analysis of the market conditions for the company's products and how it may change in the near future and affect the performance of the company. In the Chairman's report, disclosure about the research and development being carried out by the company is given, and projections are made about the new products that the company intends to launch in the market and their expected performance. This information is given in terms of qualitative explanations supported by concrete quantitative figures, thus giving the information a level of credibility among the users of the financial reports. A candid discussion of the performance of some of the company's current products is also given, with seemingly objective projections being made on adverse performance of some products and a positive performance of others. This is important since it gives both existing investors and potential investors critical information which may not be possible to be objectively

presented in the financial statements of the company.

Market growth projections are made in the chairman's report. This includes possible new markets for already existing products manufactured by the company and possible markets for products yet to be developed by the company. The directors' report includes information on the possible effects of after balance sheet events and their implications on the future performance of the company. This information, though non financial in nature is an important disclosure to the current and potential shareholders of the company since it gives an insight on what the performance of the company may look like in a future period. The financial projections on the revenues made by the director also give a benchmark for the setting of internal goals by the individuals in charge of operations of the company and provide a basis for setting realistic operational goals.

The reports by the chairman, executive chairman and the directors of the company are given a score of 15 percent out of a possible 20 percent. This is because a critical analysis of the reports shows that adverse projections in the performance of the company are avoided despite the increasing hostile global economic condition. The reports seem only to give the positive side of the performance projections of the company and mention any negative future scenarios in passing and without detail. This implies a lack of comprehensive discussion of the challenges facing the company, and hence the score of 18 percent out of the possible 20 percent.

Auditor's report

The declaration by the auditor of his independence in the preparation of the financial report and the independent auditor's report is an obligatory requirement in the financial report. In the declaration, the auditor reaffirms his independence and in the report discloses any circumstances which may have interfered with his objectivity during the audit and preparation of the financial report. This is a critical section of the financial report as it gives an objective opinion on the state of affairs of the entity through the eyes of an individual who is not influenced by the associated bias of being a member of the entity. In the disclosure index of Agenix Limited, this section of the financial report will have a weight of 20 percent, considering the weight of the independence of the auditor and the report has on the credibility of the financial statements.

The auditors' report on the annual financial report of Agenix Limited gives an unqualified opinion of the financial statements presented by the company. The company complies with all statutory requirements, and the auditors are satisfied that the statements presented in the annual report are a true and a fair representation of the affairs of the company. The auditor does not disclose any reason to raise doubt on the credibility of the financial statements and the affairs of the company. Thus, going by the report given by the auditor, it can be safely assumed that the company is in a sound financial condition. The auditor's report is given a score of 15 percent in the disclosure index out of a possible 20 percent.

The overall disclosure index of the company is thus given as 74 percent. This is informed by the above analysis of some of the sections of the annual financial report which are deemed important in disclosing information about the company. A disclosure index of 74 percent means that the company's level of disclosure is above the average threshold. However, the company needs to disclose more information through its financial report to further improve the quality of decisions made by the users of the financial information it provides.

Compliance with AASB

In the notes section of the annual financial report, the company makes further disclosure in the segment information section (note 8). In compliance with the guidelines of AASB on the reporting of segment information, the segment assets and liabilities are analysed by their areas, that is, China and Australia, and then a consolidated position given. This includes the requirement to show the segmental financial position statement and the segmental statement of revenue for the respective geographical segments of the company. The segmental positions are then combined according to the requirements of the AASB to give a consolidated position of the segments of the company. A statement of the changes of the assets and liabilities of the company's segments is also provided in accordance with the requirements of the AASB on segmental information.

The requirement of the AASB on the reporting of expenses is complied by note 6. A breakdown of the expenses incurred by the company in the financial period represented by the annual report is shown. The expenses are

correctly categorised under operational expenses, in this case research and development expenses incurred in the development of various products as classified in the statement, finance costs, foreign exchange costs, depreciation and amortisation, employee benefit expense and significant revenue expense in terms of revaluations of financial assets and gains or losses made in foreign exchange transactions. The note regarding expenses as indicated in the financial statement is thus compliant with the requirements of the AASB.

Plant, Property and Equipment

Plant, property and equipment are dealt by AASB 116 which gives guidelines required for disclosure of property, plant and equipment in the annual financial report of an entity. It gives a requirement that an item of plant, property and equipment will be recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably². Agenix recognised plant and equipment assets at cost and provided for an accumulated depreciation in accordance with the AASB 116. According to AASB 116, “ The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is capitalised in accordance with AASB 123. One or more items of property, plant and equipment may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The

following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an item of property, plant and equipment is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired item is measured in this way even if an entity cannot immediately derecognise the asset given up. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.”³ The report further made an estimate of the useful life of the assets, at five years and indicated in a consolidated schedule of movements in carrying amounts, clearly making a provision for additions, depreciation and effect of movement in exchange rate and ultimately giving a figure for plant and equipment as at the end of the financial period net of accumulated depreciation and amortisation. The analysis of the plant and equipment in the accounts of Agenix Limited is compliant with the provisions of the AASB 116 which deals with disclosure of plant and equipment.

Intangible Assets

The disclosure of intangible assets in the accounts of entities is covered under AASB 138. According to AASB 138, sub section 21, “ An intangible asset shall be recognised if, and only if:

- (a) It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- (b) The cost of the asset can be measured reliably.

22 An entity shall assess the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

23 An entity uses judgement to assess the degree of certainty attached to the flow of future economic benefits that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition, giving greater weight to external evidence.

24 An intangible asset shall be measured initially at cost.

Aus24. 1 Notwithstanding paragraph 24, in respect of not-for-profit entities, where an asset is acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition.

Separate Acquisition

25 Normally, the price an entity pays to acquire separately an intangible asset will reflect expectations about the probability that the expected future economic benefits embodied in the asset will flow to the entity.

In other words, the entity expects there to be an inflow of economic benefits, even if there is uncertainty about the timing or the amount of the inflow.

Therefore, the probability recognition criterion is always considered to be satisfied for separately acquired intangible assets.

26 In addition, the cost of a separately acquired intangible asset can usually be measured reliably. This is particularly so when the purchase consideration is in the form of cash or other monetary assets.

27 The cost of a separately acquired intangible asset comprises:

- (a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- (b) any directly attributable cost of preparing the asset for its intended use.

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In the accounts of Agenix Limited, a consolidated statement of the intangible assets is provided, with an analysis of the change in net carrying amount for the financial period ended. This includes a disclosure of the intangible assets acquired in the year at cost, disposals and impairment losses incurred in the year to develop the net carrying amount of intangible assets as at the start of the current financial period⁵. This is in compliant with the requirements of AASB which demand that a disclosure of the changes in intangible assets be done and intangible assets acquired be recognized at their cost. An accompanying statement to the accounts is given to further explain the acquisition of the intangible assets. This section of the disclosure of intangible assets is thus compliant with the requirements of AASB 138: intangible assets.

Reference

Agenix Annual Report for the Period Ended 30th June 2011, Accessed 4th February 2012, http://www.agenix.com/agenix/annualReports/downloads/2011_AgenixAnnualReport.pdf

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