

## **Glossary of terms relating to AIFRS**

### **AIFRS**

The Australian equivalents to international financial reporting standards – in other words, the Australian accounting standards, based on international financial reporting standards ('IFRS'), but with various, mostly minor, amendments, by the Australian Accounting Standards Board.

### **Cash flow hedge**

A hedge of exposures to losses from variability in cash flows of an asset or liability, or a highly probable forecast transaction.

### **Collective provision**

Allowance for accumulated impairment of loans and advances where the impairment cannot be identified as belonging to individual assets, and instead, is identified as belonging to a group of assets.

### **Comparative Financials**

Comparative financial information refers to the 2005 AIFRS-based financial information, but excluding the impacts of the financial instruments AIFRS accounting standards (AASB 139, 132 and 4) for which comparatives are not required.

### **Defined benefit superannuation plan**

A superannuation fund where the benefits are defined, as opposed to being the sum of the contributions and interest, less any management expenses.

### **Effective interest method**

A method of calculating the amortised cost of a financial asset or liability, and of allocating the interest income or interest expense over the relevant period.

### **Effective interest rate**

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

### **Fair value**

The amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arms-length transaction.

### **Fair value hedge**

A hedge of the exposure to changes in fair value of an asset, liability or unrecognised firm commitment.

### **Financial instrument**

Any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another.

### **Hedge Effectiveness**

The degree to which changes in the fair value of cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

**Highly Effective Hedge**

For hedge accounting to occur IAS 39 requires that the hedge is *highly effective*. In managing offsetting changes in fair value or cash flows, changes (in value of hedge and underlying instrument) must almost fully offset each other and actual results must be within a range of 80% to 125%.

**Impairment loss**

The amount by which the carrying amount of an asset exceeds its recoverable amount.

**Impairment test**

The process of testing that an impairment loss exists for an asset or group of assets.

**Individual provision**

Allowance for accumulated impairment of loans and advances where the impairment can be identified as belonging to individual assets.

**Provision for impairment**

The balance sheet allowance for accumulated impairment of assets. At present only loans and advances are impaired, therefore it is the sum of the provision for individual impairment and the collective impairment.

**Securitisation entity**

Special purpose entities created, typically by financial institutions, as vehicles to aggregate a package of financial assets, such as loans or mortgages, for sale to investors.

**Shadow Financials**

Shadow financial information refers to ANZ's 2005 financial information based on full AIFRS i.e. including AASB 139, 132 and 4 for which comparatives are not required.

**Share-based payment**

Transactions where an entity receives, typically, services from its employees, which entitles the employee to receive, typically, equity instruments of the entity, provided they meet any applicable specified vesting conditions.