



Results of the *'IFRS Experience Survey'* of G100 Members

August 2008

Members of the G100
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We have pleasure in presenting this report to the members of the Group of 100 ("G100") and the Financial Reporting Council ("FRC") in respect of the recently completed Experiences with International Financial Reporting Standards ("IFRS") survey ("the survey").

The purpose of this survey of G100 members is to help facilitate discussion at the G100 / FRC jointly sponsored meeting with members of the International Accounting Standards Board ("IASB"), including IASB Chairman, Sir David Tweedie. During this workshop there will be a discussion of the survey findings, and an open dialogue on the issues experienced upon adoption of IFRS in Australia.

This report has been prepared solely for discussion between the G100, the FRC and the IASB and should not be distributed to any other party without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We would like to take this opportunity to thank the members of the G100 for their cooperation in completing the survey and look forward to discussing the results.

Yours faithfully

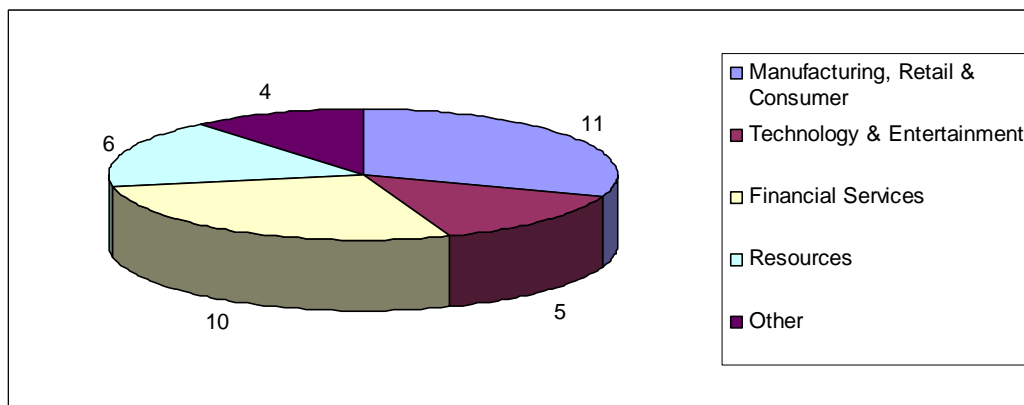


Susan Horlin
Partner

Executive summary

About the survey

- The survey was conducted via a questionnaire sent to approximately 85 G100 members over a three week period. Thirty-six completed surveys were received from a broad range of industries as shown below:



- A copy of the full survey is attached as Appendix A of this report.

Key findings

- Respondents favoured the principles based approach of IFRS when compared to USGAAP and accordingly noted this should remain upon convergence.
- A large majority of respondents noted at least one area of IFRS that had a negative impact on their company. The most common being the hedging requirements of IAS 32 and IAS 39.
- All respondents recorded an increase in costs to their company for IFRS, although most of this was a result of the initial transition. A smaller level of on-going costs and delays are still being incurred due to the increased complexity of standards and the need for external advisors to consult globally.
- Over 40% of the respondents noted a better understanding of their business (primarily in the areas of hedging effectiveness, risk management and commercial returns of business combinations) as a result of IFRS.
- The large majority of respondents indicated that IFRS resulted in unwarranted and complex disclosures that were not useful to users of the financial statements.
- The IASB's process for dealing with interpretations and amendments was found effective by the majority of respondents.
- All respondents noted that the implementation of IFRS had come at a cost; however a large majority also identified benefits from the transition.

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Survey Results

Question 1:

What accounting and disclosure requirements of IFRS do you believe work well?

Which requirements do you believe should not be changed as the IASB and the US FASB converge?

Where possible, please quote standards and reasons.

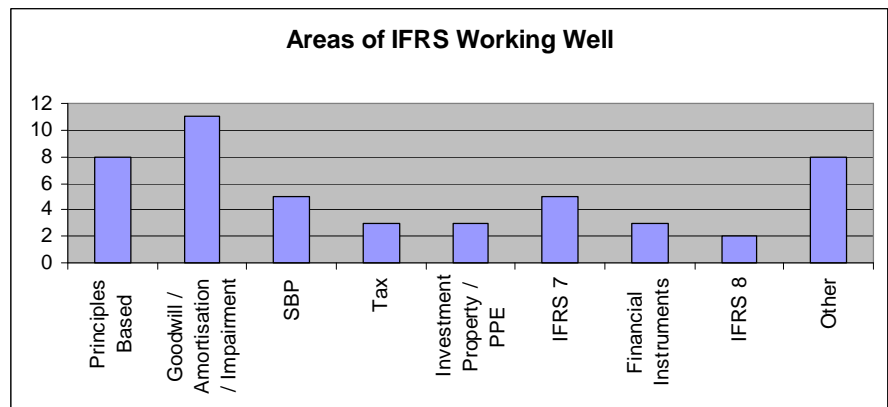
85% of respondents identified one or more accounting and disclosure requirements of IFRS that worked well

There were varied responses on the areas of IFRS that respondents felt worked well. The most popular areas identified included:

- The “principles based approach” of IFRS as opposed to a more prescriptive rules based model;
- Goodwill, Intangibles and Amortisation – specifically respondents are in favour of the annual impairment test as opposed to the amortisation of goodwill and indefinite lived intangibles; and
- Share Based Payments – due to the perceived improvement from AGAAP and the resultant increased focus on remuneration schemes.

Other areas noted included Provisions, Accounting for Rebates and Operating Segment Disclosures.

The graph below illustrates the range of responses.



Respondents felt that the principles based approach of IFRS should be maintained upon convergence

Not surprisingly, the above areas are also the ones that respondents felt should not be changed as the IASB and FASB converge. In addition, a number of respondents also highlighted their desire for minimal changes and fewer additional disclosures.

Question 2:

Which areas of IFRS have had a negative impact on your company?

Please indicate which standards and why.

The large majority (94%) of respondents indicated at least one area of IFRS that had a negative impact on their company

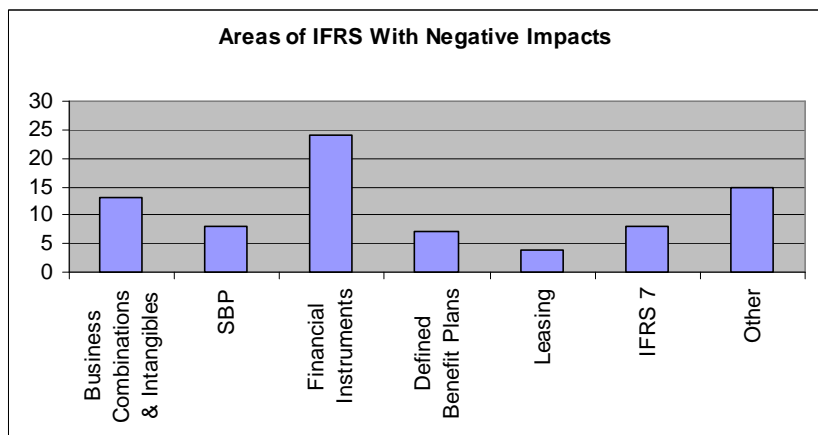
The large majority of respondents (94%) indicated that there were areas of IFRS that had negative impacts on their company.

The most frequently highlighted areas were:

- Financial Instruments Accounting – in particular the rules regarding hedge accounting. Respondents indicated that the strict application of IFRS treatment for hedge accounting often did not reflect commercial reality and, in turn, led to increased volatility in the income statement;
- Business Combinations & Intangibles – respondents indicated that there is an increased level of cost in relation to external advisors due to the need for purchase price allocation and valuation of acquired intangibles. In addition, a number of respondents also commented on the expected income statement volatility when transaction costs are expensed under the revised IFRS 3;
- Share Based Payments – due to both the need to expense unvested options to the income statement, and what is perceived as excessive disclosure requirements; and
- IFRS 7 – some respondents felt the level of disclosure required for non-financial services industries was unwarranted.

Other areas noted include restructuring provisions, the lack of an IFRS standard for the extractive industry, increased disclosure of potentially sensitive information under IFRS 8 – Operating Segments and the recently released IFRIC 13 in relation to Customer Loyalty Programs.

A graph summarising all responses is shown below:



Question 3:

What impact has IFRS had on:

- *the cost to your business of external advisors; and*
- *the timeliness of responses/advice? Quantify where possible.*

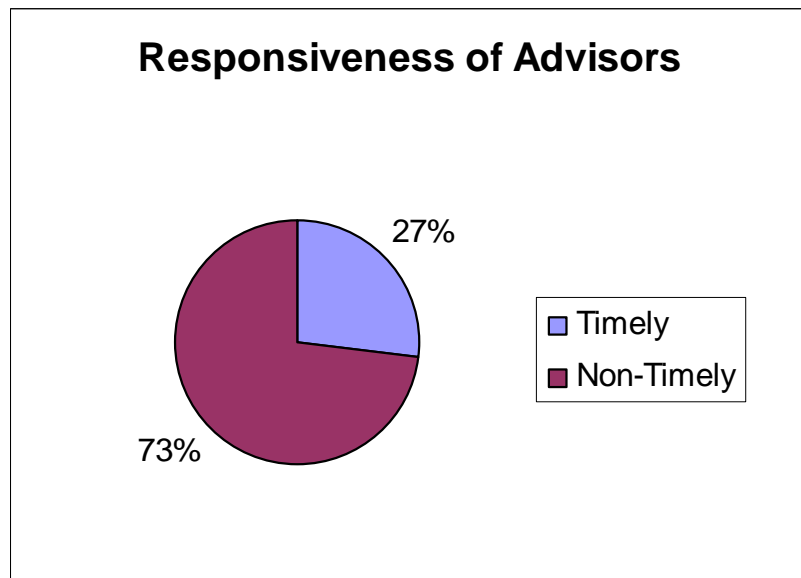
All respondents recorded an increase in costs to their company for implementation of IFRS, however, there were mixed responses on the level of on-going costs

All respondents recorded a significant cost to their business. As expected, the most significant element related to implementation. However, there are also mixed responses to the level of on-going costs.

For example, some respondents noted minimal on-going costs associated with IFRS, whereas others have continued to see significant costs due to an increased level of involvement from external advisors on business combinations and the valuation of intangibles, as well as increased fees for technical accounting advice.

Costs relating to initial adoption given by respondents ranged from \$50,000 to in excess of \$2,000,000.

Respondents did, however, have differing views with regard to the timeliness of responses from their advisors. As shown below, the majority of respondents indicate a decrease in the timeliness of advice provided by external advisors primarily due to the need for them to consult globally prior to finalising their position.



Some respondents also noted changing views within the accounting and audit profession which has given rise to further delays and increased costs.

Question 4:

Have you identified any benefits attributable to the application of IFRS (e.g. on areas such as risk management, hedging effectiveness) that have assisted you in focussing on important areas of your business?

If so, how?

Respondents noted a better understanding in the areas of hedging effectiveness, risk management and commercial returns of business combinations as a result of the implementation of IFRS

Respondents have mixed views in respect to the above question.

Whilst the majority of respondents (58%) felt that IFRS has resulted in no benefit to the way in which they manage and focus on areas of their business, others indicated that the introduction to IFRS has assisted in gaining a deeper understanding of hedging effectiveness, risk management and the underlying commercial return of business combinations.

Question 5:

In your view are there areas of unwarranted complexity in the accounting and disclosure requirements of IFRS?

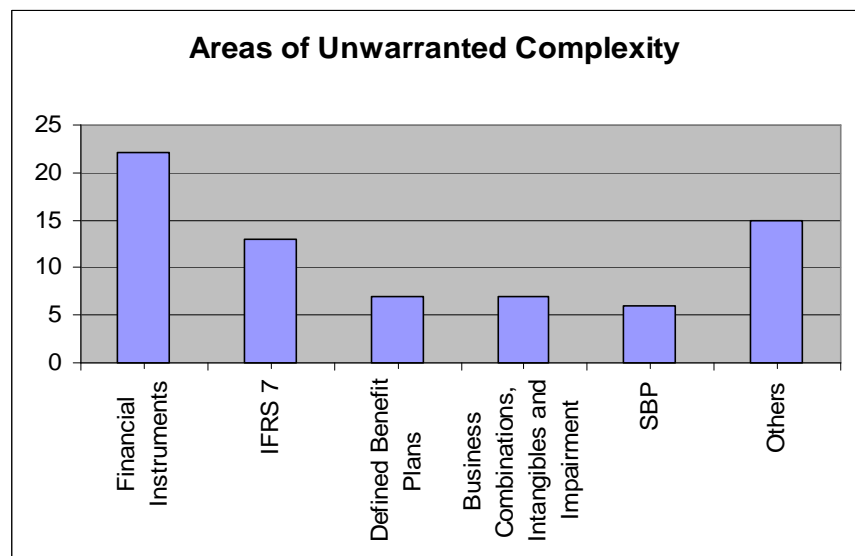
If so, what standards and why?

The large majority of respondents indicated that IFRS resulted in areas of unwarranted and complex disclosures that were not useful to users of financial statements

A large majority of respondents (89%) indicated that IFRS resulted in areas of unwarranted and complex disclosures that are not useful to users of financial statements. The responses focussed on the following areas:

- Financial Instruments (IAS 32 and IAS 39);
- IFRS 7 – Financial Instruments: Disclosures; and
- Defined Benefit Plan Disclosures.

Other areas noted included the need for reform with respect of parent entity disclosures, customer loyalty programs and remuneration reporting for directors and key management personnel.



Question 6

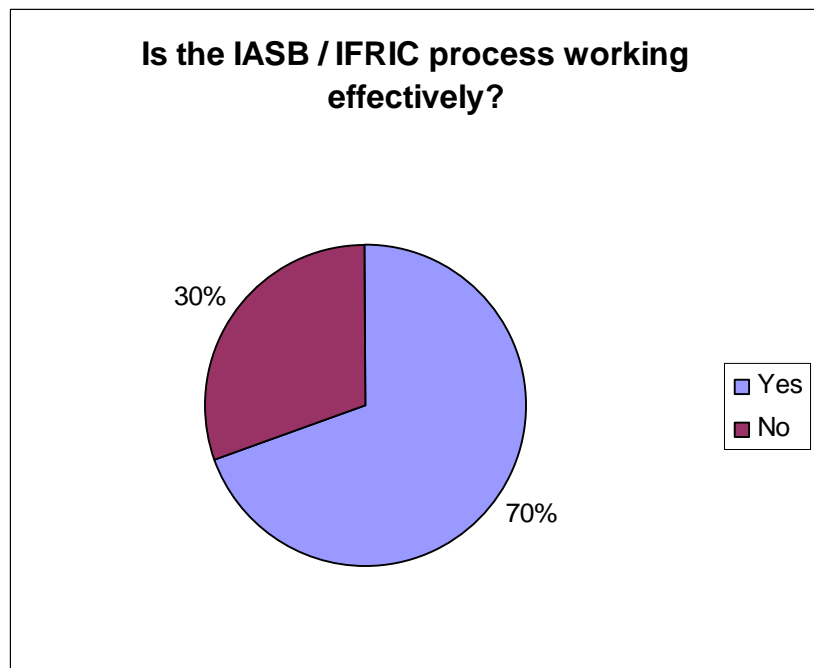
Have you found the IASB's processes for dealing with interpretations and amendments to IFRS effective?

What works well?

What does not?

The majority of respondents indicated that the current process for dealing with interpretations was working effectively

A majority of respondents (70%) indicated that the current process for dealing with interpretations and amendments to IFRS is effective.



Of those that responded positively, areas commented upon favourably included:

- The level of industry involvement and consultation throughout the process;
- The transparency of the decision making process through the use of minutes, basis of conclusion and “Q&As”; and
- The annual improvements project.

Areas noted for potential improvement included:

- Focussing on reducing the time taken to finalise a position or interpretation;
- Reducing the number of amended or withdrawn interpretations and standards; and
- An increased use of expert panels with representatives from industry groups.

Question 7:

What overall impact do you believe IFRS has had in terms of costs and benefits to industry and Australia's financial competitiveness?

All respondents indicated an increased cost due to the implementation of IFRS; however a large majority also identified benefits from the transition

All respondents indicated an increased cost due to the implementation of IFRS; however, a large majority (76%) also identified benefits from the transition.

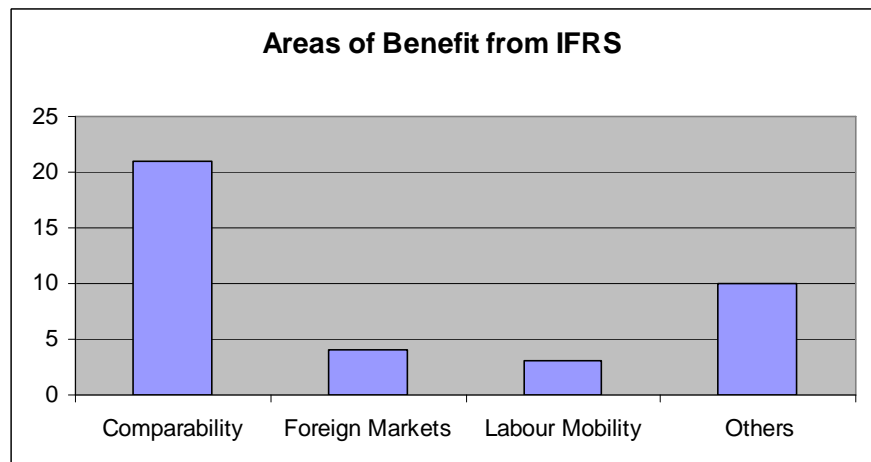
Other than the financial impact, other areas where respondents indicated that IFRS has come at a cost were:

- Increased volatility in earnings; and
- Unwarranted complexity of the standards and disclosures.

For those respondents that identified benefits from the transition to IFRS, the most common area identified is that of comparability of results with global peers.

Other areas also included access to, and competitiveness in, foreign markets, the mobility of labour around the globe and reduced compliance costs for SEC registrants.

This is illustrated graphically below.



Appendix A – The G100 IFRS Experience Survey



G100 IFRS Experience Survey

If you have any questions in completing this survey please contact Rod Balding of PricewaterhouseCoopers on (02) 8266 1324 or via the email address below, or Geoff Harris of G100 on (03) 9617 7617 or g100tech@bigpond.com.

On completion of your responses please email your completed survey to rodney.balding@au.pwc.com.

Please attach additional pages if you need more space to answer questions.

1. What accounting and disclosure requirements of IFRS do you believe work well? Which requirements do you believe should not be changed as the IASB and the US FASB converge? Where possible, please quote standards and reasons.

2. Which areas of IFRS have had a negative impact on your company? Please indicate which standards and why.

3. What impact has IFRS had on:
 - a) the cost to your business of external advisors; and
 - b) the timeliness of responses/advice? Quantify where possible.

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Appendix A –The G100 IFRS Experience Survey (cont)

4. Have you identified any benefits attributable to the application of IFRS (e.g. on areas such as risk management, hedging effectiveness) that have assisted you in focussing on important areas of your business? If so, how?

5. In your view are there areas of unwarranted complexity in the accounting and disclosure requirements of IFRS? If so, what standards and why?

6. Have you found the IASB's processes for dealing with interpretations and amendments to IFRS effective? What works well? What does not?

7. What overall impact do you believe IFRS has had in terms of costs and benefits to industry and Australia's financial competitiveness?
