



August 2009

## National Executive

### Annual General Meeting

The 2009 AGM was held on 29 July and we are pleased to announce that **Terry Bowen** – Finance Director Wesfarmers Limited; **Roger Burrows** – CFO Perpetual Limited; **Judith Downes** – CFO Alumina Limited and **Michael Venter** – Deputy CFO Commonwealth Bank of Australia were newly elected to serve on National Executive. Other members are:

**Tony Reeves** (National President) OneSteel Limited; **Nigel Chadwick** - BHP Billiton; **Tom Honan** – Transurban; **Michael Johnston** CPH Holdings; **Mark Joiner** – National Australia Bank; **Peter Lewis** – Seven Network; **Peter McClelland** – Luxottica Limited; **Ken McKenzie** – Coca Cola Amatil; **Peter Meehan** – Australia Post; **Neville Mitchell** – Cochlear Limited; **Tom Pockett** – Woolworths Limited; **John Stanhope** – Telstra Corporation; **Colin Storrie** – Qantas Limited; **Craig White** – Billabong International.

### National President 2010 - 2012

Peter Lewis, CFO Seven Network and COO Seven Media, was elected to succeed Tony Reeves as National President with effect 1 January 2010.

### Dinner with Senator Sherry

The Assistant Treasurer addressed members and guests at a dinner in Melbourne on 28 July. The major themes of his presentation were the response of the economy to international developments and the G100 proposals for the creation of an ATO Advisory Board as part of a new governance structure which received favourable comment.

### Parent Entity Financial Statements and Solvency Test for Dividends

The G100 has for several years sought reform of requirements relating to Parent Entity Financial Statements and Solvency Test for Dividends. It is expected that proposed amendments to the Corporations Act, will be issued for comment shortly.

### Corporate Bond Market

National Executive has formed a Working Group to investigate the feasibility of developing a corporate bond market in Australia.

## DIARY DATES

### Executive Meetings

29 September - Brisbane  
10 December - Sydney

### Member Activities

**28 September** Dinner meeting with Phil Hennessey – Partner KPMG and member of the Infrastructure Australia Advisory Council

**13/14 October** CPRS Roundtables in Melbourne and Sydney

**10 November** A seminar for Women in Finance at the Langham Hotel, Melbourne

**9 December** Dinner meeting in Sydney

**(Details will be advised separately)**

## Disclosures Project

The G100's recommendations on the principles standard-setters should apply when developing disclosure requirements are outlined in a paper titled "*Less is More*" prepared for the G100 by PwC. This paper, which will form the basis of a submission to the IASB, is presently being road-tested and will be made available to members very soon.

## Taxation

### Independent Board for ATO

The G100's proposal for an independent advisory board as part of enhanced governance for the ATO is closer to fruition following comments from Assistant Treasurer, Senator Nick Sherry, as reported in the AFR 24/8/09.

The G100's proposals were included in submissions to the Henry Tax Review as part of a second major tax reform push. Senator Sherry has been quoted as saying an independent body to oversee the governance of the ATO warrants further consideration.

The G100 continues to monitor developments in the Henry Review and the Board of Taxation.

## Global Financial Crisis

The IASB is addressing a number of issues arising from the global financial crisis and the G20 recommendations. In order to meet the G20 timelines the IASB is dealing with these items on an urgent basis with the result that many proposals are issued with short comment periods. Information about other proposals, which are expected in the next few months, will become available on the IASB's website ([www.iasb.org](http://www.iasb.org)).

**Classification and Measurement (Replacement of IAS 39):** Submissions are due to the IASB by 14 September 2009. The proposals seek to simplify the requirements by classifying financial instruments as those carried at amortised cost and those carried at fair value with classification depending on the features of the financial instruments and how they are managed. A significant proposal is that fair value changes and dividend income for equity instruments that are not held for trading purposes (e.g. strategic investments) would be recognised in other comprehensive income and not in profit or loss. The IASB has posted on its web site a recording of responses to frequently asked questions about this ED.

**Classification of Rights Issues:** The IASB and AASB have issued an ED for comment before 7 September 2009. The proposals seek to clarify the treatment of rights issues denominated in a foreign currency. Under the proposals, rights issues on a pro rata basis to existing shareholders for a fixed amount of currency are classified as equity regardless of the currency in which the exercise price is denominated.

**Credit Risk in Liability Measurement:** The IASB has issued a Discussion Paper on the role of credit risk (own credit risk) in liability measurement and submissions are requested by 1 September 2009. Recent developments in capital markets have led to increased concerns about recognising gains that result from changes in the value of an entity's liabilities in its profit or loss. Many consider that this outcome is 'counter-intuitive' in that an entity appears more profitable as its credit worthiness diminishes.

**Impairment of Financial Assets:** The IASB has issued a request for information about recognition of impairment losses. IAS 39 presently requires an incurred loss approach for financial assets measured at amortised cost under which losses are recognised if an impairment loss has occurred (and not those that are expected to arise from future events).

As a result of the credit crisis the IASB is considering changing this approach and is seeking information on the feasibility of an expected loss model based on an assessment of the expected cash flow for individual assets and/or portfolio of assets which are assessed on initial recognition and continually reassessed. The model would affect all entities with financial assets that are classified as held to maturity or loans and recoveries. Comments are requested by 1 September 2009.

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**Settling Financial Liabilities with Equity Instruments:** IFRIC has issued draft Interpretation D25 *‘Extinguishing Financial Liabilities with Equity Instruments’* for comment by 5 October. The draft proposes that equity instruments issued be measured at either their fair value or the fair value of the financial liability extinguished, whichever is more reliably determinable with differences between the carrying amount of the liability extinguished and the initial measurement of the equity instrument recognised in the profit or loss.

**Post-employment Benefits:** The IASB has issued an urgent exposure draft dealing with the discount rate. Comments are requested before 30 September 2009.

The IASB proposes to remove from para 78 of IAS 19 *‘Employee Benefits’* the requirement to use a government bond rate when there is no deep market in high quality corporate bonds. The ED proposes that entities estimate the rate for high quality corporate bonds in all cases and that entities should refer to the guidance in IAS 39 *‘Financial Instruments: Recognition & Measurement’* when doing so.

{Note: This amendment is likely to have a significant effect on the measurement of these liabilities. As the rate on high quality corporate bonds is likely to be higher than the government bond rate the amount of the liability recognised for post-employment benefits will be reduced.}

## Carbon Trading

The G100/KPMG Guide for CFOs - *“Managing Financial Impacts and Reporting of Carbon Emissions”* will be published in the first week of September. Copies of the Guide will be sent to members and will also be included on the website.

The Guide focuses on implications for the CFO resulting from the introduction of an emissions trading scheme. While the Guide deals with the present proposals the issues confronting CFOs will arise irrespective of the final detail and time of the scheme.

## Accounting Standards

### Management Commentary

The IASB and AASB have issued an ED and the IASB has indicated that the outcome of this project will be a form of a non-binding guidance document and not a mandatory IFRS. As such it can be adapted to meet national requirements.

The proposals are similar in nature and scope to the guidance in the G100 *“Guide to Review of Operations and Financial Condition”*. Comments are due to the IASB by 1 March 2010.

### Rate-regulated Activities

The IASB and AASB have issued an ED and comments are due to the IASB by 20 November 2009. The ED proposes to establish how assets and liabilities resulting from rate-regulated activities should be recognised and measured under IFRSs. The ED defines regulatory assets and liabilities and criteria for their recognition, how they are to be measured and proposes disclosures about their financial effects.

## Fair Value Measurement

Comments on the IASB/AASB ED are due to the IASB by 28 September. As outlined in the July 2009 Update the ED does not seek to extend the application of fair value. The purpose of the ED is to consolidate all the fair value guidance in IFRSs into a single document. The ED proposes a single unified definition of fair value which adopts an exit price approach. While the exit price approach may be appropriate in respect of financial instruments there are concerns that the use of exit values is not appropriate for non-financial assets such as property, plant and equipment. In addition, there are concerns that because the IASB proposals differ from the FASB approach convergence on this topic will not be achieved in the short term.

## Standard Business Reporting

National Executive received a presentation from Paul Madden – SBR Program Director, on its objectives and status. Participation in the SBR Program, which will be introduced from 1 July 2010, is voluntary. Further information about SBR which is anticipated to streamline business to government reporting, is available at [www.sbr.gov.au](http://www.sbr.gov.au)

## Submissions

Copies of the following recent submissions are available on our website ([www.group100.com.au](http://www.group100.com.au)):

- Income Tax – IASB
- Derecognition of Financial Instruments - IASB
- Leases - IASB