



February 2010

NATIONAL EXECUTIVE

Member Survey

National Executive received a presentation and discussed the findings of its membership survey and study conducted by AMR Interactive. Major recommendations include:

- enhance engagement with members and provide more information about G100 processes and governance;
- focus on the CFO portfolio and the challenges facing CFOs;
- boost the traditional offer i.e. networking activities, liaison, submissions etc.

National Executive is considering ways to enhance the value proposition of membership.

2010 Membership

National Executive set the 2010 membership fee at \$5,000 plus GST. Subscription notices will be mailed to members shortly.

Members' Dinner

National Executive hosted a roundtable discussion on 'Capital management' at its dinner in Sydney on 2 February. Jason Murray – Managing Director Capital Markets BAML; John McLean – Managing Director Citigroup Global Markets and Brian Cahill – Managing Director Moody's Investor Services, provided members with their perspective on the trends in equity and capital markets.

Disclosure of Tax Uncertainties

The Tax Commissioner has recently highlighted the prospect of disclosing tax risks and uncertainties in financial statements. However, this is based on proposed revisions to the IFRS Standard on Income Taxes which the G100 and other constituents strongly opposed.

The IASB has since deferred further work on the income tax project and will not proceed with the proposals in their current form. As such the proposed disclosure requirements are not imminent.

DIARY DATES

Executive Meetings

29 March	Perth
2 June	Canberra
5 August	Melbourne
13 October	Brisbane
1 December	Sydney

A Member's dinner will be held the evening before each meeting.

Member Activities

Mark Chatterji – CFO Woodside Limited, will be the guest speaker at the lunch in Perth on 29 March.

Disclosures Project

Road-testing of the 'Less is More' proposals by some member organisations has raised questions about the cost-benefit of the following disclosure requirements:

- parent entity financial statements; (see item re Corporate Law Reform)
- closed group disclosures;
- remuneration report and share-based payment;
- reconciliations such as property, plant and equipment, doubtful debts, intangible assets, deferred tax movements; and
- financial instrument and risk disclosures particularly for non-financial entities.

'Financial Report Certification' publication

The G100/EY publication is presently being revised and updated. It is expected that the revised edition will be issued by early May and will provide guidance for members on the preparation of a questionnaire designed to support the financial risk sign-off process.

Developing a G100 submission

For the information of our members we advise the current process for developing a submission normally involves:

- Secretariat identifies issue of consultation document by IASB/AASB, ASIC, Treasury etc containing proposals relevant to CFO's portfolio.
- National Executive agrees to form a Working Group (WG) to develop a draft submission or, in some cases, decide to develop the submission directly.
- Secretariat invites members (either directly or generally) to participate in WG. The size of the WG will depend on the significance of the topic and the level of interest of members. Seek to get wide industry involvement in WG.
- The WG develops a draft submission. The WG process most often involves a meeting to develop the framework for views and basis for preparing a draft which is then circulated for review and comment.
- Draft is considered by National Executive for approval and submission.
- Submission advised to members in Update and placed on website.

ACCOUNTING STANDARDS

Liabilities

The IASB/AASB has issued an ED (AASB ED 193 "Measurement of Liabilities in AASB 137" www.aasb.gov.au) which proposes significant changes to the way in which these liabilities are measured. Under existing requirements many liabilities are measured using management's best estimate of the amount that will be paid to settle them. The proposals adopt an exit value approach to measurement under which the measurement reflects the amount the entity would rationally pay at the measurement date to be relieved of the liability including any associated costs. In some cases the proposals require estimates to be based on contractor prices (including a profit margin) on the grounds that this is a more objective measure than management estimates of the cost.

The G100 has formed a Working Group to develop a submission for consideration by National Executive. Comments to the IASB are due by 12 April 2010. Members wishing to provide comments or participate in the Working Group are requested to contact the Secretariat – g100@group100.com.au

G R O U P O F 1 0 0

Leases

The IASB continues to progress the development of an ED which is expected to be issued in Q2/10. Significant tentative decisions made to date include:

- reconfirmed the right-of-use approach to recognising a lease asset and related obligation on the signing of the contract
- initial and subsequent measurement on a cost basis
- lessee's discount rate not revised when there are subsequent changes in the expected lease term and amounts payable under contingent rentals
- a concession/simplified approach to be permitted in respect of short-term leases where maximum term possible is less than 12 months
- the lease term recognised would be the longest possible lease term that is more likely than not to occur
- inclusion of contingent rentals in the lease obligation measured using an expected outcome technique
- excluding leases of intangible assets, biological assets and for exploration of natural resources from the scope.

The G100 Working Group on Leases is being reformed to prepare a draft submission for consideration by National Executive. Please contact the Secretariat g100@group100.com.au if you wish to participate.

Financial Instruments

Hedge Accounting: The IASB and FASB have decided to undertake a comprehensive project to tackle hedge accounting in its entirety but to divide the project into two stages.

Stage 1 would include, in the comprehensive EDs to be published, the parts of hedge accounting that directly relate to the classification and measurement of financial assets and liabilities. This ED would most probably include the overall model for the fair value and cash flow hedging effectiveness consideration as well as bifurcation by risk.

Stage 2 would deal with issues related to non-financial items as well as portfolio hedging.

The Boards will discuss a precise timetable of deliberations at their February meeting. The IASB expects to issue an ED in Q2/2010.

Fair Values

The IASB and FASB have confirmed that fair value will continue to be defined as an exit price. The IASB agreed that a transaction price might not represent fair value of an asset or liability at initial recognition where:

- the transaction is between related parties;
- the transaction takes place under duress or the seller is forced to accept the price in the transaction;
- the unit of account represented by the transaction is different from the unit of account for the asset or liability measured at fair value; and
- the market in which the transaction takes place is different from the market in which the entity would sell the asset or transfer the liability.

Operative Dates

The IASB has determined that operative dates for standards should, as far as is practical, be set two years after the projects are completed, in order to allow users time to plan for change. This would mean that projects completed in 2010 will not be effective prior to 1 January 2012 and those completed in 2011 not operative until 2013. Operative date paragraphs will continue to apply to 'periods beginning on or after' and will be limited to either 1 January or 1 July. The Board will be seeking feedback on these proposals and is also reviewing how its transitional provisions are written.

G R O U P O F 1 0 0

CORPORATE LAW REFORM

The G100 submission on the Corporate Law Reform Bill 2010 indicates strong support for proposals relating to relief from providing parent entity financial statements where the entity provides consolidated financial statements and the introduction of a solvency test in respect of the payment of dividends. These proposals are broadly consistent with views advanced by the G100 for some time. It is expected that the proposals will become law and could be applied for financial years ending on or after 30 June 2010.

ASIC

Handling Confidential Information

ASIC has issued Consultation Paper (CP128) 'Handling Confidential Information' which seeks comment on proposed best practice guidelines to help improve market practice by listed entities when dealing with confidential, price-sensitive information. The paper includes ASIC's recommendations about the conduct of market soundings and formal processes to achieve enhanced accountability for the flow of information.

STANDARD BUSINESS REPORTING

The SBR project commences from 1 July 2010 on a voluntary basis and will provide for secure online filing of reports with government directly from accounting software. Pilot activities, including with large companies, are presently occurring and further details and training materials are available at www.sbr.gov.au.

CLIMATE CHANGE

The SEC has issued interpretive guidance for registrants regarding disclosure related to climate change. While not applicable in Australia, the guidance may be of interest to members when they are considering disclosures in their annual financial statements. The SEC (www.sec.gov) highlights the following areas:

- **Impact of Legislation and Regulation:** When assessing potential disclosure obligations, a company should consider whether the impact of certain existing laws and regulations regarding climate change is material. In certain circumstances, a company should also evaluate the potential impact of pending legislation and regulation related to this topic.
- **Impact of International Accords:** A company should consider, and disclose when material, the risks or effects on its business of international accords and treaties relating to climate change.
- **Indirect Consequences of Regulation or Business Trends:** Legal, technological, political and scientific developments regarding climate change may create new opportunities or risks for companies. For instance, a company may face decreased demand for goods that produce significant greenhouse gas emissions or increased demand for goods that result in lower emissions than competing products. As such a company should consider, for disclosure purposes, the actual or potential indirect consequences it may face due to climate change related regulatory or business trends.
- **Physical Impacts of Climate Change:** Companies should also evaluate for disclosure purposes the actual and potential material impacts of environmental matters on their business.

G100 SUBMISSIONS

The following G100 submissions are published on the website:

- Facilitating Debt Raising – ASIC
- Insolvent Trading – ASIC
- Code of Ethics for Professional Accountants – APESB
- Corporate Law Reform Bill 2010 – Treasury
- Management Commentary – IASB

G R O U P O F 1 0 0