



April 2010

National Executive

The Henry Review

The G100 in conjunction with Ernst & Young will hold breakfast briefings for CFOs on the implications for business of the Henry Review and the Budget. The briefings will be held in Sydney (17 May) and Melbourne (21 May). Invitations will be sent to members shortly.

Member Survey

In response to the survey undertaken by National Executive, members indicated a need for enhanced communication and participation in respect of G100 activities. As first steps National Executive will:

- Develop a web-based network to provide information to members and seek their feedback and views on issues/policy papers. Details will be provided separately.
- Encourage CFOs to attend Executive meetings and participate in the discussions on technical and thought leadership issues. As such, a draft agenda will be sent to all members sufficiently before a meeting so that they can determine whether or not to attend. Relevant agenda papers would be provided to those CFOs registering their intention to attend.
- Conduct President's luncheons for member CFOs.

Luncheon Meeting in Perth

38 members and guests attended the luncheon meeting in Perth where Mark Chatterji, CFO Woodside Energy Limited, provided insights relating to the Pluto project and infrastructure investment in Australia.

'Financial Report Certification' publication

The G100/EY publication will be issued mid May and will be referred to at lunches scheduled to be held in Melbourne on 9 June and Sydney on 15 June. Invitations will be sent to members separately.

Disclosures Project

Several members road-tested the "Less is More" disclosure principles on their 2009 financial reports. The analysts comments on these reports are being reviewed prior to providing the IASB with a report on the outcomes of the road-testing.

Meeting with Minister Bowen

Peter Lewis - President and Peter McClelland - Executive member, met with Chris Bowen - Minister for Financial Services, Superannuation and Corporate Law and discussed:

DIARY DATES

Executive Meetings

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

Member Activities

17 & 21 May Breakfast Briefings in Sydney and Melbourne

1 June Dinner with Minister Bowen in Canberra

9 and 15 June G100/E&Y CFO lunches in Melbourne and Sydney

27 and 30 July luncheon meetings with Saul Eslake in Melbourne and Sydney

4 August Dinner with Tony D'Aloisio, Chairman ASIC, in Melbourne

- G100 support for proposed amendments relating to parent entity financial statements and a solvency test for dividends {Legislation to be introduced in May session of Parliament}; and
- G100 views on the development of a corporate bond market in Australia.

Taxation

Tax Consolidation

The G100 submission to the Board of Taxation Discussion Paper on the '*Post-implementation Review into certain aspects of the Consolidation Regime*' identified a number of issues including:

- Applicability of single entity rule to dealings with third parties
- Treatment of earn-out arrangements
- Changes to the treatment of non-membership equity interests under the tax cost setting rules.

The submission is available on our website.

Tax Issues Entry System (TIES)

The Board of Taxation has initiated a review of TIES which focuses on care and maintenance issues, on tax and superannuation systems requiring a policy approach by the Government, its transparency and how issues are being addressed (www.ties.gov.au). Comments are requested by 31 May 2010.

Members are requested to provide the Secretariat g100@group100.com.au with comments on their experience with TIES to support a G100 submission.

Scrip-for-scrip Rollover Relief

Treasury has released draft legislation that proposes to enable taxpayers to defer realising capital gains from an exchange of shares as part of a merger or takeover.

Accounting Standards

Extractive Activities

The IASB has issued a Discussion Paper, prepared by staff of national standard-setters led by Australia (www.iasb.org/open+to+comment). Comments are requested by 30 July 2010. An objective of the project is to establish a common set of accounting and disclosure requirements for entities engaged in minerals and oil and gas activities. The DP addresses the following questions:

- How to estimate and classify the quantities of minerals or oil and gas discovered
- How to account for minerals or oil and gas properties
- How minerals or oil and gas properties should be measured
- What information about extractive activities should be disclosed

After considering responses to the views of the working party the IASB will decide whether to add the project to its active agenda.

Members interested in participating in a working group to prepare a response for consideration by National Executive, are requested to contact the Secretariat g100@group100.com.au.

Reporting Entity Concept

The IASB/FASB issued an ED as part of the conceptual framework project (www.iasb.org/open+to+comment) requesting comments by 16 July 2010.

The ED outlines three features that are necessary but not sufficient to identify a reporting entity:

G R O U P O F 1 0 0

- Economic activities are being conducted, have been conducted or will be conducted
- Those economic activities can be objectively distinguished from those of other entities and from the economic environment in which the entity exists
- Financial information about the economic activities has the potential to be useful (to existing and potential equity investors, lenders and other creditors).

Under the proposals legal structure/form does not determine the existence of a reporting entity and the focus is on the substance of the entities economic activities. As such, a portion of an entity could qualify as a reporting entity if the economic activities of that portion can be distinguished objectively from the rest of the entity and financial information about that portion of the entity has the potential to be useful in making decisions about providing resources to that portion of the entity.

Leases

The IASB is expected to issue an ED in June 2010. The Secretariat met with Warren McGregor – IASB member – to outline concerns about, and provide examples of, practical and administrative issues which would arise in implementing the proposals relating to lease accounting by lessees. These concerns were acknowledged and would be emphasised by the G100 Working Group when preparing a submission on the ED.

Under the proposals obligations arising from all lease contracts (not only finance leases) would be recognised on the balance sheet. The amount recognised would include rental payments over the term of the contract and other items such as purchase options, rental payments over probable renewal periods, contingent rental payments and residual value guarantees.

Income Tax

The IASB is undertaking a limited scope project to address practical problems in IAS 12 including uncertain tax positions, deferred tax on re-measurement of property at fair value and the tax treatment of real estate investment trusts and similar entities. This follows the lack of support for proposed significant changes in a March 2009 ED which was seen as the introduction of more complex rules rather than a clarification of existing requirements. It is expected that the limited scope ED will be issued in Q3/2010.

Financial Instruments

The IASB is seeking feedback from users on its proposals regarding amortised cost measurement and impairment of financial instruments.

The questionnaire is available at www.iasb.org/Current+Projects/IASB+Projects/Financial+Instruments/

Forthcoming EDs

Amendments to IAS 19 “Employee Benefits” April 2010: The ED is expected to propose the immediate recognition of changes in the fair value of the DBO and plan assets and recognition of the invested past service costs in the period in which an amendment occurs. As such the existing ‘corridor approach’ would be removed.

Amendments to IFRS 5 “Discontinued Operations” April 2010: The ED is expected to address the definition of a ‘discontinued operation; continuing involvement disclosures and disclosure of significant components of a business which does not meet the definition of a discontinued operation.

Fair Value Measurement: The IASB is likely to issue a limited scope ED relating to the disclosure of the analysis of measurement uncertainty.

SBR

The project to provide on-line reporting to government commences from 1 July 2010. Guidance and training materials relating to implementation of the project are available on the SBR website www.sbr.gov.au. In addition, an on-line forum designed for sharing experiences about the SBR project and its implementation is at <http://blog.sbr.gov.au>.

ASX Corporate Governance Council

The CGC has issued proposed listing rule amendments to its Principles and Recommendations for comment by 31 May 2010 www.asx.com.au/about/pdf/20100422_exposure_draft_listing_rule_amendments.pdf. The proposals deal with policies and disclosure relating to:

- Diversity on boards, particularly gender diversity, including policies on gender diversity and the proportion of women employees in the organisation, senior executive positions and the board;
- ‘If not, why not’ recommendations on the role and composition of remuneration committees.

The revised requirements are expected to be issued in late June/early July and will be operative for annual periods beginning on or after 1 January 2011. Early adoption will be encouraged.

Rotation of Auditors

Treasury has issued a strategic review ‘Audit Quality in Australia’ www.treasury.gov.au. Key finding 2 relates to auditor rotation. Treasury is proposing to maintain the status quo in Australia which has a rotation period of five years (consistent with USA, UK and Canada) and a two- year time-out period (five years in USA, UK and Canada) rather than move to a seven year rotation period such as required in the EU.

Director & Executive Remuneration

The Government has announced its intention to adopt 16 of the 17 recommendations of the Productivity Commission Report (<http://mfssc.treasurer.gov.au>). There has been substantial business opposition to a number of the proposed changes on practicality and administrative grounds including the so-termed ‘two-strike’ rule relating to remuneration reports. The Government did not adopt the recommendation to defer the taxing point on employee share schemes.

In addition, the Government proposes to introduce a ‘claw back’ of executive bonuses which are subsequently found to be based on materially misstated financial information.

The Corporations Act 2001 will be amended to incorporate the proposed changes which would take effect from 1 July 2011.

Submissions

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

- Measurement of Liabilities – IASB {The G100 submission does not support the proposals to adopt a transfer price approach to measuring liabilities and the inclusion of a risk margin and contractor’s profit margin in the measurement process}.
- Reduced Disclosure Regime – AASB {The G100 submission supports the proposed two-tier approach, argues that all entities should apply the same recognition and measurement requirements and that non-publicly accountable entities should be able to adopt a reduced disclosure regime}.
- Differential Reporting – AASB
- Corporate Law Insolvency Reform Package – The Treasury
- Access to company registers and related issues – The Treasury
- Tax Consolidation Issues – Board of Taxation