



October 2008

National Executive

The National Executive is pleased to welcome **Mark Joiner** – CFO National Australia Bank; **Michael Johnston** – CFO Consolidated Press Holdings and **Peter McClelland** – CFO Luxottica Retail, as members. Other National Executive members are:

Tony Reeves (National President) OneSteel Limited; **Shane Buggle** – ANZ Banking Group; **Nigel Chadwick** – BHP Billiton; **Michael Ford** – Commonwealth Bank; **Tom Honan** – Transurban; **Simon Kelly** – Aristocrat Leisure Industries; **Peter Lewis** – Network Seven; **Peter Meehan** – Australia Post; **Ken McKenzie** – Coca Cola Amatil; **Neville Mitchell** – Cochlear Limited; **Tom Pockett** – Woolworths Limited; **John Stanhope** – Telstra; **Colin Storrie** – Qantas Limited; **Craig White** – Billabong International.

We are pleased to advise that National Executive member **Ken McKenzie** (CFO - Coca Cola Amatil) has been appointed Chairman of the ASIC Accounting & Auditing Standing Committee.

National Congress

“The CFO in a challenging business climate”

25/26 November 2008
Westin Hotel, Sydney

See full details in the brochure and registration form:
www.group100.com.au/congress

We have attracted a high quality panel of speakers to the Congress which will also provide an excellent opportunity for networking with other members. We look forward to your participation.

‘IFRS Experience in Australia’

The G100 asked PricewaterhouseCoopers to administer a questionnaire and analyse the results on the IFRS Experience. Forty members responded and the key findings were:

- Strong support for a principles-based approach to standard setting when compared with the US rules-based approach and that the principles-based approach should remain upon convergence.
- While respondents identified examples of negative impact on their company the most common concerns related to the hedging requirements, business combinations and intangible assets and disclosures relating to financial instruments.
- Significant concern about the extent and detail of disclosures which are not seen as useful to users, for example, in relation to pension plans and the number of reconciliations.
- Approximately half of the respondents noted that adoption of IFRS has led to a better understanding of their business, primarily risk management, hedge effectiveness and business combinations.
- While adoption has come at a cost, particularly as a result of the initial transition, a large majority of respondents identified benefits from the transition.
- Concerns about costs and delays incurred due to the increased complexity of standards and the need for external advisors to consult globally.

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These findings were discussed with Sir David Tweedie (IASB Chairman) and Warren McGregor (IASB member) at the G100 Workshop, conducted in conjunction with the FRC, on 11 August. It was agreed that:

- influencing the IASB is best achieved early in the process of developing a standard, preferably before the publication of discussion papers and exposure drafts;
- the IASB is seeking to address issues relating to hedge accounting by establishing principles to replace the existing rules while minimising opportunities for ‘creative accounting’; and
- the importance of developing a principles-based disclosure framework to be applied when determining disclosures to be required by a Standard. The G100 is presently scoping a project to develop a set of disclosure principles for submission to the IASB.

Accounting Standards

Annual Improvements 2008

The IASB and AASB have issued an exposure draft for the second annual improvements project. *Submissions are due by 7 November 2008.* The proposed improvements include:

- amendments to AASB 118 ‘Revenue’ relating to whether an entity is acting as a principal or an as agent;
- clarifying reclassification of gains and losses in cash flow hedge accounting; and
- clarifying requirements in AASB 138 ‘Intangible Assets’ relating to intangible assets and fair value valuation techniques in a business combination.

Earnings Per Share

The IASB and AASB have issued an Exposure Draft on simplifying earnings per share (IAS 33/AASB 133). *Submissions are due by 5 December 2008.*

Submissions

In September 2008 the G100 made the following submissions to the IASB and copies are on the website www.group100.com.au:

- Discussion Paper “Financial Instruments with Characteristics of Equity”.
- Discussion Paper “Reducing Complexity in Reporting Financial Instruments”.
- Constitutional Review
- Conceptual Framework – Reporting Entity
- Conceptual Framework - Objective of Financial Statements
- Discussion Paper ‘Employee Benefits’.

Financial Earthquake

A lot goes on behind the scenes as the G100 continues to advance Australia’s financial competitiveness. The current financial crisis emphasises the importance of valuations and disclosure issues.

The IASB has announced the steps it will take in response to ‘credit crisis’ and ‘bailout’ and will seek to:

- ensure consistency of fair value measurement guidance between IFRS and US GAAP;
- consider impacts of ‘bailout’ legislation on the valuation of assets and liabilities; and
- urgently consider the ability to reclassify financial instruments as IAS 39 is more restrictive than US GAAP.

The IASB has suspended its normal due process and is giving urgent consideration to proposals to amend requirements relating to the reclassification of financial instruments to bring them into line with US GAAP.

International Developments

The SEC has announced proposals relating to the use of IFRSs by US companies. A phase-in is proposed with the final step being mandatory adoption in 2014. The SEC will make a final decision in 2011.

The IASB and FASB have updated their Memorandum of Understanding and set the goal of completing major projects by 2011 which coincides with when the SEC will finalise its position on the use of IFRSs. The Boards set objectives and milestones for major projects including accounting for leases, revenue recognition, post-employment benefits, consolidations and financial statement presentation.

G100/IASB Liaison Group met with the IASB and was informed that the outcome of convergence projects with the FASB will provide a framework for accounting for the next decade particularly in respect of accounting for leases, pensions, revenue recognition, consolidations and off-balance sheet vehicles.

The SEC and FASB have issued guidance on determining fair values in illiquid markets. This guidance which is provided in response to a number of questions is available at www.sec.gov.

Standards Advisory Council (SAC): The G100 has responded to an invitation from the IASC Foundation to provide a nomination for consideration for appointment to the IASB's SAC. This follows a change in the SAC Charter which means that members will be appointed as representatives of an organisation or a constituency.

Taxation

Board of Tax Advisory Group

The G100 has been invited to nominate CFOs for consideration for appointment to the Advisory Group.

Henry Tax Review

A questionnaire was despatched to members with the objective of gathering members' views on taxation issues and key areas for reform. Your responses will form the basis of the G100 submission to the Review.

In conjunction with Ernst & Young, the G100 held Tax Roundtables in Melbourne and Sydney and the outcomes of discussions will also be considered in preparing the G100 submission. A copy of the discussion points will be made available on the G100 website www.group100.com.au.

Taxation of Financial Arrangements (TOFA)

The Government has issued draft legislation on TOFA, a feature of which is that the taxation of financial instruments will be based on accounting profit which includes unrealised gains and losses on financial transactions. Submissions are due by 17 October 2008.

Other Projects

ASX Principle 7: The G100/Deloitte Guide 'Recognise and Manage Risk: A Guide to Compliance with ASX Principle 7' has been published on the website and hard copies have been mailed to members.

Carbon Pollution Reduction Scheme: The G100 submission on the Green Paper focuses on issues relating to uncertainties on taxation, accounting and financial reporting and audit and assurance. The submission is on the website.

Standard Business Reporting (SBR): This multi-agency project which seeks to simplify business to government reporting will conduct two-hour workshops for interested parties in the last week of each month in Melbourne, Sydney and Brisbane. Details are available at www.sbr.gov.au

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Underlying Profit: The AICD and FINSIA have issued a Discussion Paper ‘Underlying Profit’ which proposes guidance on reporting non-financial information. The paper seeks to develop principles about the reporting of a profit measure other than the statutory profit. . Comments are requested by 31 October.

Vale Russell Philp

We regret to inform members of the passing of Russell Philp.

Russell had a long involvement with the Group of 100 as a member of National Executive and more recently as a member of the Secretariat.

Russell made lasting contributions in these roles and as the G100 representative on the ASX’s Corporate Governance Council.

We will miss him.

Events

The G100 is supporting the PricewaterhouseCoopers/NIA Workshops titled ‘Sharing our IFRS experiences with the IASB and engaging with industry peers’ to be held on 6 November and 7 November in Sydney and Melbourne respectively.

These Workshops will provide an opportunity to share experiences with IASB members Warren McGregor and Tatsumi Yamada. Please contact emma.k.taylor@au.pwc.com to register.