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Inspiring Global Enjoyment

11 March 2003

The Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Chairman

ED 3 / ED 109

Please find enclosed feedback from Foster's Group Limited ("Foster's") on the proposed accounting standard requirements outlined in ED 3 / ED 109.

Specific comment has only been provided on proposals where Foster's wishes to express an opinion. Reference has been made to the IASB / AASB questions outlined in the exposure draft. Where a response to an IASB / AASB question has not been provided, Foster's either agrees with the proposed requirement or has no specific view on the proposal.

Yours sincerely

Gerard Dempsey
Vice President – Group Finance

cc: The Chairman – AASB

ED3 BUSINESS COMBINATIONS

Question 5 – Provisions for terminating or reducing the activities of the acquiree

Foster's does not agree with the proposal to limit the recognition of a liability for terminating or reducing the activities of an acquiree only where the acquiree has, at the date of acquisition, recognised an existing liability for restructuring.

The acquirer of a business will have plans for the proposed restructuring or integration of the acquiree. The acquisition is unlikely to occur without such plans existing. Restructuring activities are therefore part of an acquisition and should be treated as part of the cost of the business combination.

Foster's believes that the exposure draft should reflect the current requirements in IAS 37 / AASB 1044 "Provisions, contingent liabilities and contingent assets" on provisions for restructuring.

IAS 38 INTANGIBLE ASSETS

Foster's agrees with the proposal that certain intangible assets have indefinite useful lives and that these assets should not be amortised.

IAS 36 Impairment of Assets

Question 1 – Frequency of impairment tests

Foster's believes that there should be no specific requirement for impairment testing (on an annual basis) for intangible assets with indefinite useful lives, including goodwill. The general accounting requirement on impairment of assets should apply equally to all current and non-current assets.

Foster's interpretation is that some work on the recoverable amount of all assets will need to be completed at each reporting period.

If the recoverable amount of certain intangible assets is considered by the IASB / AASB to be more subjective or involve greater uncertainty, the exposure draft should contain a requirement to disclose an independent valuation of these assets on a regular basis (considered by Foster's to be every 3 years).

Question 2 – Intangible assets with indefinite useful lives

As noted in question 1, Foster's believes that the general impairment requirements of proposed IAS 36 are sufficient for intangible assets with indefinite useful lives. No specific requirements are needed for these assets.

Question 3 – Measuring value in use

Management will use cash flows projections in the measurement of the value of an asset. The exposure draft comment requiring consideration of "management's past ability to forecast cash flows accurately" is more akin to an audit requirement. The comment does not add value in guidance for the measurement of value in use.

In undertaking a "value in use" calculation for determining the recoverable amount of an asset, Foster's believes that future net benefits of capital commitments that may improve or enhance an asset should be included in estimates of future cash inflows or outflows. The extent that the commitments impact on the recoverable amount of the asset need to be considered in each individual circumstance.

Foster's also recommends that the measurement principles should be more broadly worded to permit other valuation techniques to be applied in appropriate circumstances eg. EBITA multiples.

IAS 36 IMPAIRMENT OF ASSETS (CONTINUED)

Question 6 – Reversal of impairment losses for goodwill

Consistent with the views outlined in question 1 and 2, Foster's believes that no specific requirement is necessary for the reversal of impairment losses for goodwill. The treatment should be the same for all other assets.

Question 7 – Estimates used to measure recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives.

Consistent with the views outlined in question 1, 2 and 6, Foster's believes that no specific disclosure requirement is necessary for cash generating units containing goodwill or intangible assets with indefinite useful lives. The disclosures supporting the carrying value of these intangible assets should not be greater than any other assets.

A cash generating unit may be an operation that is below a segment level of reporting. A requirement to disclosure certain cash generating unit information below a segment level is inconsistent with segment reporting requirements.

Foster's would agree with the following disclosure:

(i) the carrying amount of goodwill, by segment
(ii) the carrying amount of intangible assets with indefinite useful lives, by segment
(iii) a description of the cash generating units within a segment
(iv) the basis on which the recoverable amounts of the cash-generating units have been determined (value in use or net selling price).

Foster's would strongly oppose further disclosure in a statutory report of items such as:

- details of key assumptions on which management has based its cash flow projections
- a discussion of management's experience in accurately forecasting cash flows
- future growth rates for each cash generating unit
- sensitivities of the key assumptions required for the recoverable amount of the asset to equal the carrying amount

These further disclosures contain business sensitive information. Whilst this information may be used in the determination of recoverable amount, the information should not require disclosure.