

19 December 2007

Sir David Tweedie  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UNITED KINGDOM

Dear Sir David

### **Annual Improvements**

The Group of 100 (G100) is an organization which represents the interests of chief financial officers of Australia's largest business enterprises, is pleased to provide comments on the Exposure Draft 'Proposed Improvements to International Financial Reporting Standards'.

Although the G100 supports the objectives of the IASB in respect of the annual improvements process we have some concerns about the nature of some of the proposals which, in our view, do not seem to meet the description of 'miscellaneous, non-urgent but necessary minor amendments to IFRSs'. For example, the proposals in relation to the treatment of advertising and promotional materials, the explanation of non-compliance with IFRSs, and the definition of a derivative are more substantive amendments which warrant the normal due process. The G100 considers that the due process for the annual improvements proposals is appropriate to the purpose as the proposed amendments are discussed by the IASB over an extended period prior to issuing an ED.

Unless specifically identified below the G100 supports the proposed amendments.

*Q4. Do you agree with the proposal to require an entity that cannot make an unreserved statement of compliance with IFRSs to describe how its financial statements would have been different if prepared in full compliance with IFRS? If not, why?*

**The G100 considers that this item is one of IASB branding and protection of the credibility of its brand. As such, the G100 believes that the annual improvements process is not an appropriate vehicle for addressing this issue.**

*Q10 Do you agree with the proposal to amend paragraphs 68 of IAS 16 and paragraph 14 of IAS 7? If not, why? (Relating to the sale of assets held for rental).*

**The G100 considers that the proposed amendment relating to the sale of non-current assets held for rental has the potential to change practice for a number of entities. The G100 believes that this proposed amendment should be the subject of a more extensive due process.**

Q11 *Do you agree with the proposal to amend paragraphs 14 and 15 of IAS 17 to eliminate inconsistency between the specific classification guidance for leases of land and buildings and the general lease classification guidance in IAS 17? If not why?*

**The G100 believes that this guidance should be retained pending the outcome of the IASB's leasing project.**

Q28(a) *Do you agree that IAS 38 should emphasize that an entity should recognize expenditure on an intangible item as an expense when it has access to the goods or has received the services? If not, why? and*

Q28(b) *Do you agree that paragraph 70 of IAS 38 should be amended to allow an entity to recognize a prepayment only until it has access to the related goods or has received the related services? If not, why?*

**The G100 considers that the proposed amendments to IAS 38 'Intangible Assets' has the potential to change practice for a number of entities in relation to the recognition of assets and the consumption of services embodied in an asset. The G100 believes that this proposed amendment should be the subject of a more extensive due process. The existence of a dissenting opinion in the Exposure Draft supports this view.**

Q30 *Do you agree with the proposal to amend IAS 39 by removing from the definition on a derivative the exclusion relating to contracts linked to non-financial variables that are specific to a party to the contract? If not, why?*

**The G100 considers that the proposed change to the definition of a derivative has the potential to make a significant impact on current practice. For example, if adopted, the proposal is likely to have a significant impact on entities that have performance clauses embedded in service contracts that are linked to EBITDA and revenue hurdles.**

**The G100 believes that this proposed amendment is not minor and, as such, should be the subject of a more extensive due process.**

Yours sincerely



**Tony Reeves**  
National President