

MEDIA RELEASE

Sydney, Tuesday 10 March 2009

Finsia and AICD release new profit reporting principles

Principles designed to encourage greater consistency and transparency in non-statutory profit reporting have been released by the Financial Services Institute of Australasia (Finsia) and the Australian Institute of Company Directors (AICD) today.

The inconsistent reporting of non-statutory profit figures has led to some difficulties in stakeholder understanding of company performance. To address this, Finsia and AICD have produced a paper titled *Underlying Profit: Principles for Reporting of Non-Statutory Information*.

The release of the *Principles* follows the consideration of feedback received in response to the Finsia / AICD *Underlying Profit* discussion paper issued in August 2008.

The initiative is not based on a view that statutory financial reporting is unimportant, incorrect or misleading. Rather, it reflects the present reality of widespread reporting of non-statutory financial results and the demand for greater consistency of underlying profit reporting – both within companies from one results announcement to the next, and across companies within the same industry.

John Colvin, chief executive of AICD said: “Directors have been concerned that the statutory profit figure does not always reflect their understanding of results for ongoing operations. These principles are designed to both promote good reporting practices, and also to discourage any poor practices, such as inappropriate adjustments to statutory profits or window dressing.”

“We encourage directors to follow these principles so that any references to underlying profit are easily understood, consistent and any potential controversies over one-off adjustments are limited, particularly given the scrutiny of results announcements in the current economic environment,” Mr Colvin said.

Dr Martin Fahy, chief executive of Finsia added: “Too often, analysts contend with contradictory and opportune adjustments to statutory profit figures from one reporting period to the next. These principles establish a new benchmark for companies to clearly articulate the adjustments made in calculating an underlying profit figure.”

“Significantly enhanced by the constructive feedback provided by the Treasury, regulators, our sister associations and members, we are confident the industry adoption of these principles will improve the overall quality of company reporting,” Dr Fahy said.

The seven AICD/Finsia principles for underlying profit include:

1. Report underlying profit, where relevant, in addition to statutory profit
2. Use the term ‘underlying profit’ when describing an adjusted profit figure
3. Reconcile the underlying profit figure to the statutory profit figure and present the adjustments in tabular form, with any necessary accompanying explanation
4. Present the underlying profit and accompanying explanation in the directors’ report or other management discussion and analysis of the profit result
5. Include both positive and negative adjustments to the statutory profit figure – the disclosure of underlying profit should not be seen as an opportunity to “window dress” results

contd.

6. Maintain consistent adjustments to the statutory profit figure between reporting periods
7. Disclose whether these principles have been relied on in reporting an underlying profit figure

Commentary on each of the principles and examples are provided in the publication.

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Notes to Editors:

About Finsia

Finsia – the Financial Services Institute of Australasia – has a combined wealth of experience in the financial services industry dating back to 1886.

As the only professional association representing the entire spectrum of financial services throughout Australia and New Zealand, its reach extends to more than 17,000 professionals working across the broad categories of banking, wealth management and capital markets.

Finsia plays a vital role in protecting the industry's strength and competitiveness in today's evolving global marketplace through its core purpose of helping members succeed in their careers and supporting the growth and development of the financial services industry.

This is achieved through the provision of relevant and high quality professional development programs, a comprehensive suite of career support services and an extensive range of industry-leading information resources and publications. Finsia's leadership, advocacy and policy-setting initiatives also play a critical role in promoting industry growth both regionally and around the world.

For further information about Finsia, visit: www.finsia.com

About the Australian Institute of Company Directors (AICD)

The Australian Institute of Company Directors (AICD) is a member institute for directors that is dedicated to making a positive impact on the economy and society by promoting professional directorship and good governance. AICD delivers education, information and advocacy to enrich the capabilities of directors, influence the corporate governance environment in Australia and promote understanding of and respect for the role of directors.

With offices in each state and more than 23,000 members, AICD represents a diverse range of corporations, from the top 200 publicly listed companies to not-for-profits, public sector entities and smaller private family concerns.

For further information about AICD, visit: www.companydirectors.com.au

For media enquiries or to obtain a copy of the *Underlying Profit Principles* please contact:

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