

FOR IMMEDIATE RELEASE:

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Profit reporting open to debate

New principles on profit reporting have been opened up for debate by the Financial Services Institute of Australasia (Finsia) and the Australian Institute of Company Directors (AICD) in a discussion paper released today.

The aim of the discussion paper, titled *Underlying Profit*, is to encourage listed companies to adopt a transparent and consistent approach when reporting profit results to the investment community in a non-statutory manner.

The initiative is in response to research that indicates the use and presentation of non-statutory measures of incomes, such as underlying profit, is widespread. Finsia and AICD established a working group to address the challenges posed by non-standard company reporting of 'underlying' or 'normalised' profits and have developed principles to assist companies when reporting.

While the discussion paper acknowledges the value of the 'underlying profit' figure to the investment community, it does not diminish the importance of companies preparing financial statements according to accounting standards (statutory profit).

Commenting on the release, Dr Martin Fahy, Chief Executive Officer of Finsia, stated: "The discussion paper recognises that users of financial reports have a variety of information needs. The financial analyst community in particular, regards statutory profit adjusted for 'one-off' unexpected items and the financial effect of revaluation (fair value) changes, to be a reliable figure when determining future performance."

"The 'underlying profit' figure should be quarantined and distinguished from the statutory profit figures. These Finsia-AICD principles and discussion paper will not have regulatory force, nor are they intended to increase the compliance burden. Rather, they provide guidance to companies who already report adjusted profit figures, whether described as 'underlying', 'normalized' or otherwise, to present this useful information in a clear and consistent fashion," continued Fahy.

John Story, Chairman of AICD added: "Boards have a responsibility to ensure all investors understand the financial position of the company. If we can resolve the debate about what constitutes an appropriate adjustment and achieve greater consistency, the opportunity for confusion will decrease."

"We encourage anyone with an interest in profit reporting to participate in the discussion, so that the AICD-Finsia *Underlying Profit* principles, when published, will help all listed companies to enhance their communication with shareholders," Mr Story said.

Key draft principles in the discussion paper include:

- Companies should report on the 'underlying profit' where relevant in addition to the statutory profit figure. The market is better informed by the reporting of a profit figure that reflects the result of on-going business activities and provides a reliable foundation for predicting the future operating result of the enterprise.
- Reconcile the 'underlying profit' figure with the statutory profit figure and present the relevant adjustments in tabular form.

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- Do not discriminate between positive or negative 'underlying profit' adjustments to statutory profit figure.
- Maintain consistent adjustments to the statutory profit figure between reporting periods.

The *Underlying Profit* discussion paper invites feedback on the draft principles, possible adjustments and illustrative example provided in this discussion paper, requesting all comments to be submitted by Friday, 31 October 2008.

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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 20,000 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* Discussion Paper please contact:

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