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27 March 2013

The Chairman
 Australian Accounting Standards Board
 PO Box 204
 COLLINS STREET WEST VIC 8007

Dear Mr Stevenson

EXPOSURE DRAFT 233 AUSTRALIAN ADDITIONAL DISCLOSURES – INVESTMENT ENTITIES

Thank you for the opportunity to comment on Exposure Draft 233 *Australian Additional Disclosures – Investment Entities* (ED 233).

Equity Trustees Limited is a Melbourne-headquartered ASX-listed provider of wealth management products and services. We have a proud 125 year history as a provider of trustee and wealth management services to the Australian markets.

In terms of our Funds Management/Responsible Entity business, we have approximately \$27 billion funds under management and we act as responsible entity for over 150 funds across 57 global and local investment managers. We also provide investment management, administration, registry and custodial services to over 45 of these funds. Our products cover most asset classes, including Australian listed securities, foreign listed securities, direct property, unlisted fixed income, mortgages and derivatives. These are offered to a combination of retail and institutional investors.

We are currently responsible for the preparation of financial statements for over 150 funds, of which 6 are currently prepared on a consolidated basis in accordance with existing Australian Accounting Standards. Accordingly we have significant interest in the proposals outlined in ED 233.

In summary, we:

- **support the adoption of the amendments to IFRS 10 *Consolidated Financial Statements* (IFRS 10 amendments) as issued by the IASB without any additional disclosures and any further delays (i.e. we support Alternative View 2 as presented in the ED 233); we**
- strongly oppose non-adoption of the IFRS 10 amendments in Australia (i.e. Alternative View 1 as presented in ED 233) and we
- do not support the proposal to disclose consolidated financial information.

We agree with the IASB and the other global constituents that fair value information provides the most relevant information to the users of investment entities' financial statements and that consolidated information may be misleading and certainly does not justify the significant cost of obtaining such information. We therefore strongly agree with the IFRS 10 amendments.

With regard to the AASB's considerations of the IFRS 10 amendments, we believe that it is crucial that Australian investment entities are able to continue to state compliance with IFRS and remain competitive in the international market. Additional disclosure of consolidated information, as proposed by the AASB in ED 233, would impose an unjustified burden on Australian investment entities for no benefit to their stakeholders. Our experience to date indicates that unit holders are confused, rather than assisted, when presented with consolidated financial statements.

For more detailed discussion please see our responses to the *AASB's Specific Matters for Comments* included in Appendix A to this letter.

If you have any questions concerning our comments, please do not hesitate to contact us.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Robin Burns', with a long horizontal flourish extending to the right.

Robin Burns
Managing Director

A handwritten signature in blue ink, appearing to read 'Harvey Kalman', with a stylized, cursive script.

Harvey Kalman
Head of Corporate Fiduciary and Fund Services

Appendix – AASB Specific Matters for Comment

1. You have invited us to comment on: **The appropriateness of the proposed Australian additional disclosures and whether such disclosures are warranted.**

In our view **the proposed Australian additional disclosures are not appropriate and not warranted** for the following reasons:

- we believe investment managers and investors base their decisions on fair value information and not consolidated information. Therefore, the presentation of consolidated information in addition to fair value information (the proposal of ED 233) would result in financial statements of an investment entity providing, at best, redundant but potentially even misleading information on the historical and future performance of an investment entity;
 - We believe the presentation of consolidated information only, (Alternative View 1 in the ED 233) would result in financial statements of an investment entity providing no decision-relevant information; and
 - The presentation of fair value information only, with the associated disclosures as they result from existing requirements of AASB 7 *Financial Instruments: Disclosures* (Alternative View 2 in the ED 233) would result in the financial statements of an investment entity providing the most accurate, relevant and decision-useful information. The information presented in the financial statements would be in itself consistent (i.e. all based on fair values), and also consistent with other sources of publicly available information (for example, product disclosure statements, information memorandums, performance reporting, market commentaries etc.)
2. You have invited us to comment on: **Whether there are any alternative approaches or disclosure strategies that can be employed to minimise the adverse impact on decision-making of the loss of consolidation information**
 - In our view there is no adverse impact of the non-inclusion of consolidated information and we believe the financial statements are more meaningful without consolidated information for decision-making.
 - We believe that provision of fair value information only, reduces the complexity and enhances the decision-usefulness of an investment entity's financial statements.
 3. You have invited us to comment on: **If the AASB's proposals proceed, whether you agree with not providing relief to Tier 2 entities from any of the proposed Australian additional disclosure requirements**
 - We don't believe that the AASB's proposals are appropriate or warranted for **any** investment entity.

- We understand that under the Reduced Disclosure Regime, entities are to present the minimum of disclosures necessary for understanding of the entity's financial position, performance and cash flows. With the consolidated information being redundant information for any type of investment entity, Tier 2 entities should not be required to provide such disclosures.
4. You have invited us to comment on: **Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:**
- (a) **not-for-profit entities; and**
 - (b) **public sector entities;**
- We are not aware of any regulatory or other issues arising in the Australian environment that would mandate the preparation of consolidated information.
5. You have invited us to comment on: **Whether, overall, the proposals would result in financial statements that would be relevant to users**
- In our view the **proposal to adopt the IFRS 10 amendment with no additional disclosures, would result in financial statements that would be relevant to users.** The proposal to require the disclosure of consolidated information would not add any value to the users as we believe fair value information is the most useful to users of financial statements.
6. You have invited us to comment on: **Whether the proposals are in the best interests of the Australian economy**
- In our view **the proposal to adopt the IFRS 10 amendment is in the best interest of the Australian economy** so Australian investment entities can remain competitive in the global market and continue to attract investments nationally and internationally. We see the additional cost and time in preparing consolidated information which is not useful for decision making and is potentially misleading, to be detrimental to our global competitiveness.
7. You have invited us to comment on: **The costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative.**

We see the benefits of adopting the IFRS 10 amendments without additional disclosure requirements as follows:

- reduced burden on preparers of financials to prepare consolidated information which is only used for external reporting and not for internal management purposes;
- increased decision-usefulness of the financials to the users;
- investment entities remain compliant with IFRS and remain competitive in the international market;

- reduces additional reporting costs on Australian investment entities which impacts on their global competitiveness; and
- financial statements could be available on a more timely basis.

We do not consider there will be any additional costs in not preparing consolidated financials and may see cost reductions for investment entities that are no longer required to prepare consolidated accounts.