

28 March 2013

Kevin Stevenson
Chairman
Australian Accounting Standards Board
P O Box 204
Collins Street West VICTORIA 8007

Via e mail: standard@asb.gov.au

Dear Kevin,

AASB Exposure Draft– ED233: Australian Additional Disclosures – Investment Entities

Thank you for providing us with the opportunity to comment on the Australian Accounting Standard Board Exposure Draft: *ED 233: Australian Additional Disclosure – Investment Entities* (ED 233) issued in December 2012.

The Australian Institute of Company Directors is the second largest member-based director association worldwide, with members from a wide range of corporations, publicly-listed companies, private companies, not-for-profit organisations, charities and government and semi-government bodies. As the principal Australian professional body representing a diverse membership of directors, we offer world class education services and provide a broad-based director perspective to current director issues in the policy debate.

The Australian Institute of Company Directors do not agree with the proposed additional disclosures set out in ED 233, based on the reasons set out below:

- a) The additional disclosures that Investment Entities in Australia would be required to prepare will significantly increase the reporting burden on these entities as they would be required to collect additional accounting information in order to perform the consolidation.
- b) Additional costs will be incurred by the Investment Entity in order to meet the proposed disclosure requirements. We are not convinced that the benefit of the disclosures would outweigh this cost. We particularly note that some of these investments may have accounting policies or financial year ends that differ to the Investment Entity and this may complicate the preparation of the consolidated financial statements.
- c) The additional disclosures set out in ED 233 are not consistent with the International Financial Reporting Standards (IFRS). The International Accounting Standards Board (IASB) consulted broadly when considering the amendments to Investment Entities and included the following statement in their Project Summary and Feedback statement, “The IASB was persuaded by the consistent message from investors that, for this narrowly defined type of entity, measuring all of its investments at fair value provided investors with the best information.”

We understand that the AASB did not support the recent changes the IASB has made to accounting for Investment Entities. However, as the IASB has nevertheless made the changes, we believe it is not in the spirit of Australia's adoption of international accounting standards to then require Australian companies to use two methods of accounting for Investment Entities – that is, to require in Australia both the IFRS compliant approach and the approach preferred by the AASB. We have seen no evidence to suggest that Australian investors and users of financial statements have such different needs to their international counterparts that result in justification of additional information in Australia.

- d) Since 2006 the AASB has consciously embarked on an exercise to remove all the Australian guidance from the accounting standards. This guidance was confusing to users and increased the debate internationally about Australia's compliance with IFRS. Company Directors do not believe that there is overwhelming evidence to suggest that the proposed changes set out in ED 233 require the AASB to return to the previous regime of including Australian guidance.
- e) We note further that ED 233 diverges from the policy set out in paragraph 9 of the AASB Policies and Processes statement issued in 2011, which states: "The AASB acknowledges that, as one of many participants in the international standard setting process, the outcomes of the process may differ from the preferred positions advanced by the AASB. However, in the interests of developing single set of high quality accounting standards for international use in Australia there is a presumption that IFRSs should be adopted for use in Australia unless to do so would not be in the best interests of the Australian economy." We do not believe that the AASB has provided significant evidence of why the proposed amendments set out by the IASB for Investment Entities would have a significant impact on the Australian economy.

We hope that our comments will be of assistance to you. If you are interested in discussing any of our views please do not hesitate to contact me or Nicola Steele on +61 3 8248 6600.

Yours sincerely,



John H C Colvin
Chief Executive Officer &
Managing Director