

9th June 2006

The Chairman,
Australian Accounting Standards Board,
PO Box 204,
Collins Street West,
Victoria 8007

Dear Sir,

ED 148 – Proposed Amendment to AASB 101 *Presentation of Financial Statements* : A Revised Presentation

The Australian Listed Investment Companies Association ("ALICA") welcomes the opportunity to provide comments on the above Exposure Draft. ALICA is an industry body representing traditional listed investment companies, and therefore represents over 150,000 shareholders. As investment companies, shares in ALICA's member companies are not held widely by institutional investors or covered by research analysts – our stakeholders are therefore principally our retail shareholders.

ALICA supports the underlying intention of the Exposure Draft in making Financial Statements more relevant and more easily understandable for stakeholders. It particularly supports the proposals to make the nomenclature non-mandatory for the individual financial statements and the totals within those statements. It is very important for ALICA's member companies to be able to present their financial performance and position in a manner that whilst consistent with the Accounting Standards is clear and relevant to their shareholders.

Question 1 – Do you agree with the proposed titles of the financial statements (bearing in mind that an entity is not required to use those titles in its financial statements)? If not, why?

No. See response to Question 3 with regards to 'recognised income and expense'. ALICA's member companies would continue to use terms familiar to their shareholders as there is no benefit to be gained by changing.

Therefore if ED148 is adopted, the sentence in paragraph 31, 'an entity may use titles for the statements other than those used in this [draft] Standard', is an important one, and should be maintained.

Question 2 – Do you agree that a statement of financial position as at the beginning of the period should be part of a complete set of financial statements, and that an entity presenting comparative information should therefore be required to present three statements of financial position in its financial statements? If not, why?

No. If the intention is to keep financial statements simple and relevant, this is unnecessary. It is our firm belief that our shareholders wish to use the financial statements to see the current year's performance with regards to the net profit of their company, and that the relevant comparative of the financial position statement is the previous year's closing position. We therefore disagree with the Board's comments in BC9 as we do not believe that this will enhance understandability or help our investors.

Question 3 – Do you agree that non-owner changes in equity should be referred to as 'recognised income and expense' (bearing in mind that an entity is not required to use the term in its financial statements)? If not, why?

No. ALICA strongly disagrees with the definition/principle that unrealised gains on an investment company's investments and other changes in equity that do not go through the Income Statement are recognised income. Investment Companies are, by their very nature, different from 'operating' companies, and it would be extremely misleading to refer to movement in the market price of securities that they invest in as 'recognised income'. As the underlying investments have not been sold, any gains have not been realised, recognised through the income Statement or made available for distribution. To refer to these 'non-realised gains' as recognised income would be extremely misleading to our shareholders.

Is the terminology used in the Standard important if entities are permitted to use other terms in their financial statements? If so, what term would you propose instead of 'recognised income and expense'?

It is extremely important that, if ED148 is adopted, paragraph 8 be maintained, which states that 'an entity may use other terms to describe the totals as long as the meaning is clear'. Should this paragraph be maintained, then the use of terminology becomes less important, as long as future standards also make reference to this and do not enforce the use of this terminology. Paragraph 8 might be altered to clarify that an entity's ability to use other terminology in the totals is relevant throughout the financial statements and accompanying notes.

ALICA will propose that its members use the terminology 'Net profit plus unrealised gains/(losses) on investments'. This will cover the components of 'other recognised income and expense' per paragraph 7(c). Should the components referred to in paragraphs (a) (revaluation surplus) (b) (foreign operations), (d) (hedging) and (e) (defined benefit plans) be material, the wording will be adjusted accordingly.

These components would be shown separately on the new 'Income Statement' where material.

Question 4 – Do you agree that all non-owner changes in equity (ie components of recognised income and expense) should be presented separately from owner changes in equity? If not, why?

Yes. However, ALICA believes that rather than showing the total 'recognised income and expense for the period' in the statement of changes in equity (paragraph 106 (a)), that the net profit for the year and the separate components of the 'other recognised income and expense' be shown separately. This will reinforce to shareholders and other users the difference between net profit and other non-realised gains. Paragraph 8 is again relevant here.

Question 5 – Do you agree that entities should be permitted to present components of recognised income and expense either in a single statement or in two statements?

If so, why is it important to present two statements rather than a single statement?

If you do not agree, why? What presentation would you propose for components of recognised income and expense that are not included in profit or loss?

ALICA would propose showing the components on a single statement. Once again, we would stress the importance of paragraphs 8, 31 and BC4 (in noting that the Board does not propose to make the changes of nomenclature mandatory) in maintaining the entity's ability to describe its financial performance and position in a way that is most clearly relevant to its own shareholders and to other users.

ALICA has no comments on Questions 6 relating to reclassification adjustments.

The Exposure Draft requires the disclosure of income tax relating to each component of other recognised income and expense either on the face of the statement or in the notes.

Question 7 – Do you agree with this proposal? If not, why?

ALICA agrees with the proposal in paragraph 90 that disclosure can be made either on the face of the statement or in the notes.

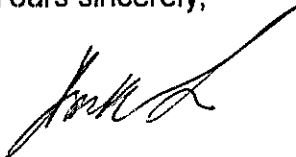
Question 8 – Do you agree that earnings per share should be the only per-share measure that is required or permitted to be presented on the face of the statement of recognised income and expense? If not, which other per share measurement should be required or permitted to be presented on the face of a statement and why?

No. The earnings per share measurements (basic and diluted) should be presented on the face of the primary income statement as currently, but other measurements which are of relevance to the stakeholder and that are used in the entities reporting to its shareholders (ie 'net operating profit per share' or 'dividend per share') should be permitted. These are key measures that investors use, and they should be highlighted.

Further comments – paragraph 79 (iii). The concept of a 'par value' for a share is no longer relevant in Australia, and to make reference to it even to the extent that the shares have no par value, would be confusing. This should be changed to 'par value per share where a share has such a value'.

We would also highlight the importance of paragraph 26 in ensuring that an entity need not specify a specific disclosure if the information is not material and paragraph 97 in showing that components of income and expense that are material should be disclosed separately. We believe that this is consistent with the aim of the Standard in allowing entities to report their results and their financial position in the manner most relevant to their shareholders.

Yours sincerely,



Andrew J Hancock
Secretary

ALICA Members:

*Argo Investments Ltd
Australian Financial Investment Company Ltd
Australian United Investment Company Ltd
Brickworks Investment Company Ltd
Diversified United Investment Ltd
Milton Corporation Ltd
Sylvastate Ltd
Whitefield Ltd*