

BABCOCK & BROWN

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14 June 2006

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

Dear Sir

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

I refer to the recent release of ED148 "Proposed amendments to AASB 101 "Presentation of Financial Statements: A Revised Presentation" and the invitation for comments from Australian constituents on the proposed amendments.

This letter sets out Babcock & Brown Limited's response to point (b) within the specific matters for comment of ED148 "Proposed amendments to AASB 101 Presentation of Financial Statements: A Revised Presentation" being the proposal to adopt a revised definition of "general purpose financial report" in paragraph 7 of IASB ED.

Proposed amendment

As part of proposed amendment to AASB 101 the current definition for "general purpose financial report" is to be removed and the definition in Paragraph 7 of ED 148 is to be inserted being:

"General purpose financial statements are those intended to meet needs of users who are not in a position to require an entity to prepare tailored reports to their particular information needs. General purpose financial statements include those that are presented separately or within public documents such as a regulatory filing or report to shareholders."

Babcock & Brown's view on the proposed amendment to definition

Babcock & Brown does not support the inclusion of the following additional words in the definition to general purpose financial reports:

"to include those that are presented separately or within public documents such as a regulatory filing or report to shareholders".

Sydney
 Melbourne
 Brisbane
 San Francisco
 San Diego
 Dallas
 New York
 Greenwich
 Dublin
 Madrid
 London
 Paris
 Luxembourg
 Milan
 Munich
 Johannesburg
 Dubai
 Kuala Lumpur
 Hong Kong
 Tokyo

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I consider this change will have onerous unintended consequences to all major corporate groups in Australia.

The amendment as proposed will result in all large proprietary (Pty) companies that lodge financial statements with ASIC now being required to prepare general financial reports. For large corporate groups, such as Babcock & Brown Limited (BBL), which have numerous wholly owned companies in Australia, the consequences of this amendment will include:

- The requirement to prepare general purpose financial reports for all large wholly owned Pty entities within a group, including those that do **not** meet the reporting entity definition in SAC 1 "Definition of Reporting Entity". These entities currently prepare special purpose financial reports (there being no users of the financial statements, who are not in a position to require the preparation of tailored reports to meet their particular information needs);
- Not only will general purpose financial statements be required for the entity that is itself a large Pty company but all entities that consolidate that entity will be required to prepare general purpose financial statements;
- Large Pty companies would have to comply with all the disclosure requirements of accounting standards including those which would normally be excluded in preparation of special purpose financial reports, such as:
 - Preparation of consolidated accounts
 - Related party disclosures
 - Financial instruments disclosures
 - Segment reporting disclosure
- Additional resources will be needed to prepare accounts given the increased level of disclosures;
- Significant additional costs from increased audit requirements will be incurred

We believe strongly that the current definition of "general purpose financial report" within AASB 101 should be retained and that large Pty companies should be able to prepare special purpose financial reports where it can be shown that they are not reporting entities.

It would appear that the proposed amendment is in response to ASIC's concern that certain entities which are required to prepare financial reports under the Act (and are actually reporting entities) erroneously only prepare special purpose financial reports.

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This amendment is seeking to address the erroneous reporting by certain reporting entities, but because of its scope, also requires all large Pty companies, who currently correctly prepare special purpose financial reports, to now prepare general purpose financial reports at significant cost for no value. It would be in my view better to address the issue of non compliance with these entities in breach of the law than force all entities to comply with the proposed amendments of the new standard.

We believe that the proposed amendment highlighted above will be extremely punitive to large groups, resulting in additional costs and reduced returns to our shareholders for no tangible benefit.

This is an issue we feel very strongly about and about and would be pleased to discuss with you.

Please feel free to contact me on 02-9229-1501 if you have any queries on the matters above.

Yours faithfully

A handwritten signature in black ink that reads "Michael Larkin". The signature is written in a cursive style with a large initial 'M' and a distinct 'L'.

Michael Larkin
Chief Financial Officer