



Mr Kevin Stevenson
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 Australian Accounting Standards Board
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Dear Kevin

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the Australian Accounting Standards Board with its comments on Exposure Draft ED 186 'Classification of Rights Issues (proposed amendment to AASB 132/IAS 32) which is a re-badged copy of the International Accounting Standards Board's ED/2009/9 (the ED). We have considered the ED and set out our comments below.

Grant Thornton's response reflects our position as auditors and business advisers both to listed companies and privately held companies and businesses, and this submission has benefited with some initial input from our clients, Grant Thornton International which is working on a global submission to the IASB, and discussions with key constituents.

The views expressed here are preliminary in nature, and a more detailed Grant Thornton's global submission will be finalised by the IASB's due date of 7 September 2009.

Support for the project

- 1 We broadly support the proposed amendment on the grounds that the current classification outcome for rights issues is counter-intuitive
- 2 We would have preferred the issue to have been addressed more broadly, however we recognize the Board intends it to be a narrow amendment in light of its ongoing Financial Instruments with Characteristics of Equity project
- 3 We are concerned over BC11's assertion that the fact that the rights are distributed pro rata to existing shareholders is critical to the conclusion that this is a transaction with owners in their capacity as owners. Applying this assertion more widely could be problematic.
- 4 We do not believe that there are any Australian regulatory issues and on that basis we believe that the proposals would result in financial statements that will be useful to users, and the proposals are in the best interests of the Australian economy.

If you require any further information or comment, please contact me.

Yours sincerely
GRANT THORNTON AUSTRALIA LIMITED



Keith Reilly
National Head of Professional Standards