



Fox Group Holdings Pty Ltd
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22 April 2010

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

E-mail: standard@asb.gov.au

Dear Sir,

DIFFERENTIAL FINANCIAL REPORTING REDUCED DISCLOSURE REGIME

We refer to the AASB Consultation Paper and the AASB Exposure Draft ED 192 Differential Financial Reporting – Reducing Disclosure Requirements, February 2010.

Linfox Pty Ltd is a “large proprietary company” which, pursuant to the “grandfathering” provisions of subsection 319(4) of the *Corporations Act* 2001 is exempt from lodging financial statements.

Linfox’s view is that no proprietary company should be required to lodge financial statements with ASIC.

However, given the existing statutory framework Linfox has concerns that the proposed changes have not considered the application of the Reduced Disclosure Regime (RDR) for grandfathered entities. The proposed changes seek to increase the cost burden of preparing financial statements for related party transactions (even under the RDR) that are of no benefit to the users of the financial statements.

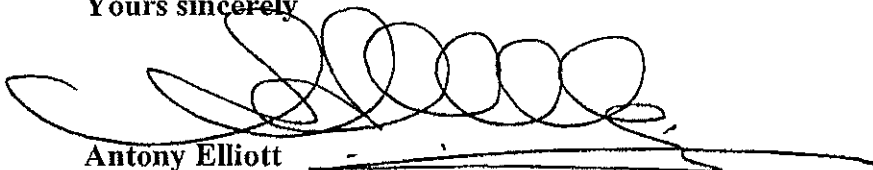
As requested in the Exposure Draft we provide specific comments, on questions asked as follows:

- Linfox agrees with the utilisation of a second tier of reporting requirements for preparing financial statements for-profit private sector entities. When an entity is neither publicly accountable nor a reporting entity, or utilises the grandfathering provisions and does not lodge accounts with ASIC, there are not users that justify the economic burden of the extra reporting requirements.
- Linfox agrees that entities within the second tier should be able to apply a reduced disclosure regime, however, again do not see any benefit from including related party

transactions for entities that are neither publicly accountable nor a reporting entity, or utilise the grandfathering provisions.

- Linfox does not agree with the AASB's view that general purpose financial statements (GPFS) are the only financial statements that are considered to be prepared in accordance with Australian Accounting Standards. The existing special purpose financial statements adopted the necessary accounting standards that are applicable to each entities circumstance and included information that was useful for the users of those financial statements. This was the correct adoption of the reporting entity concept and provided users with the information they required – a key element of the reporting entity concept. It is unclear from clause 9.10 of the Consultation Paper how the reporting entity concept is to be used in the future given the publicly accountable concept.
- We do not agree with the extent and nature of the proposed disclosures under the RDR. The reporting of related party transactions increases the cost burden on entities in preparing their financial statements.
- We believe that AASB 124 *Related Party Disclosures* should be excluded from the RDR. The reporting of this information is of no benefit to users, especially when an entity is grandfathered. Further the information is costly to produce.
- Overall, the proposals do not result in reducing the costs of preparing our financial statements, primarily because of the addition of costly disclosures for related party transactions.
- The proposal is not in the best interest of the Australian economy as it includes unnecessary related party disclosures that are not useful to users, especially entities that are grandfathered entities. If the related party disclosures were omitted, especially for grandfathered entities, and given that the existing statutory framework continues, the proposals overall would benefit the Australian economy.

Yours sincerely

A handwritten signature in black ink, consisting of several large, overlapping loops and a long horizontal stroke at the bottom.

Antony Elliott
Managing Director
Fox Private Group