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

Dear Sir,

**Response to AASB Consultation Paper Differential Financial Reporting –  
Reducing Disclosure Requirements and AASB Exposure Draft ED 192  
Revised Differential Reporting Framework.**

This letter sets out the response from AMP Limited (AMP) to the Australian Accounting Standards Board's (AASB's) Consultation Paper *Differential Financial Reporting – Reducing Disclosure Requirements* dated December 2009 (the Consultation Paper) and Exposure Draft ED 192 *Revised Differential Reporting Framework* dated February 2010 (ED 192).

We acknowledge that the reporting regime set out in ED 192 (the proposed regime) is likely to reduce the burden of financial reporting for non-publicly accountable entities which currently prepare full general purpose financial statements. However, we expect that the proposed regime will significantly increase the financial reporting burden for entities which currently prepare special purpose financial statements for the purpose of meeting their obligation to prepare and lodge under the *Corporations Act 2001*.

AMP does not support the AASB's proposal that all entities required to lodge accounts on a public record (regardless of whether they are reporting entities) be required to prepare general purpose financial statements even with the reduced disclosure applying to the non publicly accountable entities envisaged under the proposed regime. In our view, this aspect of the proposal is inconsistent with the AASB's stated objective of reducing the burden of financial reporting and not likely to provide significant additional benefits to users.

AMP recommends that the AASB maintain the current use of the reporting entity definition as the basis for determining the extent of disclosure requirements for an entity preparing financial reports for lodging under the *Corporations Act 2001*.

Alternatively, the AASB should adopt a limited scope exemption to allow an equivalent of special purpose reporting for an entity which does not have external debt and which is a wholly owned subsidiary of a publically accountable parent.

## About AMP

AMP is a leading wealth management and life insurance group with more than 3.4 million customers and 3,500 employees in Australia and New Zealand. AMP Limited is dual-listed on both the Australian and New Zealand stock exchanges.

Within the AMP Group are a large number of Australian corporate entities including:

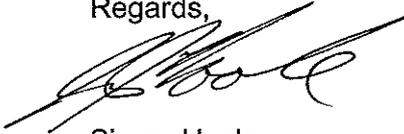
- Entities with listed equity and debt securities;
- unlisted reporting entities ;
- non-reporting entities required to prepare financial statements under the Corporations Act; and
- small proprietary companies not currently required to prepare financial statements.

Detailed comments and a table with references to the specific questions in the ED192 is included as an appendix.

AMP would like to thank the AASB for this opportunity to provide input on the proposed differential reporting regime. We would appreciate any further opportunity to assist the AASB in further developing its proposal.

Please do not hesitate to contact Graham Duff on (02) 9257 6784 if you would like to discuss any of the matters in this document.

Regards,



Simon Hoole  
Group Finance Director

## Appendix – Detailed comments and references to specific request for comments in Consultation Paper and ED 192

### Detailed comments

#### 1. Increased financial reporting burden for non-reporting entities

We expect the proposed regime will impact various types of Australian entities as follows:

Current regime			Proposed regime	
Full IFRS with additional Australian specific related party disclosure	Listed		Listed	Full IFRS with additional Australian specific related party disclosure
Full IFRS with additional Australian specific related party disclosure less EPS and segment reporting	Disclosing entity	No change	Disclosing entity	Full IFRS with additional Australian specific related party disclosure less EPS and segment reporting
Full IFRS less EPS, and segment reporting	Reporting entity	Decreased disclosure	Other publically accountable	Full IFRS less EPS, and segment reporting
AASB 101,107 and 108 plus true and fair view	Non-reporting entity required to lodge financial reports	Increased disclosure	Non-publically accountable required to lodge financial reports	IFRS recognition and measurement and ED 192 Tier 2 disclosures
Nil	Not required to lodge financial reports	No change	Not required to lodge financial reports	Nil

AMP acknowledges and supports the reduction in the financial reporting burden which the proposed regime is likely to achieve by reducing the disclosure requirements for entities

## **Appendix – Detailed comments and references to specific request for comments in Consultation Paper and ED 192**

which are reporting entities under the current regime and do not meet the definition of publically accountable set out in ED 192.

It is important to highlight, however, that there is likely to be a significant increase in the financial reporting burden for non-reporting entities which are required to prepare accounts to be lodged on a public register (such as accounts required to be lodged under the *Corporations Act 2001*).

This increase in financial reporting requirements appears to be in conflict with the AASB's stated objective of reducing the financial reporting burden for Australian businesses.

AMP recommends that the AASB amend its proposals to allow the continued exemption of non-reporting entities from being required to produce general purpose financial statements.

Alternatively, the AASB should adopt a limited scope exemption to allow an equivalent of special purpose reporting for an entity which does not have external debt and which is a wholly owned subsidiary of a publically accountable parent.

### **2. Inconsistency in scope between the proposed regime and IASB's IFRS for SMEs**

The AASB's proposed disclosure regime for Tier 2 entities has been substantially derived from the disclosures in the International Accounting Standards Board's (IASB's) *IFRS for SMEs*. Paragraph 1.2 of IFRS for SMEs provides the following definition of Small and Medium Entities (SMEs):

Small and medium-sized entities are entities that:

- (a) do not have public accountability, and
- (b) publish general purpose financial statements for external users. Examples of external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies.

A non-reporting entity under the existing Australian reporting regime would not meet this definition on the basis that a non-reporting entity, by definition, does not have external users who are dependant upon general purpose financial statements.

By adopting a wider scope for its proposed Tier 2 disclosure regime than is proposed by the IASB in IFRS for SMEs, the AASB is proposing to impose a more onerous financial reporting regime for Australian non-reporting entities than that which will apply to equivalent entities in other jurisdictions which have adopted IFRS for SMEs without modification.

The IASB is in the process of developing its definition of a reporting entity. In March 2010 the IASB issued exposure draft ED/2010/2 on "The Reporting Entity". The proposed definition is similar to the current definition in SAC 1, although more restrictive by limiting potential users to investors, lenders and creditors.

## **Appendix – Detailed comments and references to specific request for comments in Consultation Paper and ED 192**

We recommend that the AASB await the finalisation of the IASB's definition of reporting entities and the further development of the application of the reporting entity concept within IFRS before changing the existing Australian regime for non-reporting entities.

### ***3. Different types of entities which would meet the criteria for applying the Tier 2 disclosure regime.***

Under the regime proposed in the Consultation Paper and ED 192, "Tier 2" reporting would be applied by two very different groups of entities:

1. Privately owned businesses which do not meet the definition of publicly accountable, but which do have external users in the form of shareholders, lenders and other creditors who are dependant upon general purpose financial statements to make decisions as to the allocation of capital and to assess the stewardship of management and directors.
2. Entities which do not have external debt and which is a wholly owned subsidiary of a publically accountable parent.

There is a significant difference in the relative importance and use of financial reports between these two groups of entities. While disclosure requirements based on the IASB's IFRS for SMEs may be appropriate for the first group of entities, we believe that the current "special purpose" reporting regime remains more appropriate for the second group of entities which do not have users who are dependant upon general purpose financial reports.

Paragraph 9.6 of the Consultation Paper implies that there is always public interest in financial reports which are included on a public register. We do not believe that this is necessarily the case. The instance of a wholly owned subsidiary with no external debt is a clear example of an entity which is unlikely to have external users, but may be required to lodge financial reports under the Corporations Act. Similarly a registered scheme which is an intermediate pooling vehicle with only related party unitholders may also have no external users and yet be required to lodge accounts.

We recommend, therefore, that the AASB maintain the current use of the reporting entity definition as the basis for whether disclosure requirements apply to an entity preparing financial reports for the purpose of lodgement under the *Corporations Act 2001*.

Alternatively, the AASB should adopt a limited scope exemption to allow an equivalent of special purpose reporting for an entity which does not have external debt and which is a wholly owned subsidiary of a publically accountable parent.

## **Appendix – Detailed comments and references to specific request for comments in Consultation Paper and ED 192**

### ***4. Application of “publically accountable” in the Australian context***

#### *Trustees and responsible entities*

The definition of Public Accountability provided in paragraph 24 of ED 192 includes entities which “hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.”

A literal reading of this definition may result in entities being publically accountable by virtue of being a superannuation trustee, responsible entity or asset manager.

In our view it is not desirable for entities to be classified as publically accountable by virtue of being a superannuation trustee, responsible entity or asset manager, as the public interest in these entities is only in relation to the trusts or schemes for which they hold fiduciary responsibility. In general the trust or scheme will be a separate entity which will be required to prepare a Tier 1 financial report.

We recommend that the AASB explicitly exclude entities being considered publically accountable by virtue of being a superannuation trustee, responsible entity or asset manager.

**Appendix – Detailed comments and references to specific request for comments in Consultation Paper and ED 192**

<b>Question</b>	<b>Relevant section of the AMP response</b>
<p><i>(a) Whether you agree with the introduction of a second tier of reporting requirements for preparing general purpose financial statements (GPFSSs) for:</i></p> <p style="padding-left: 40px;"><i>(i) for-profit private sector entities that do not have public accountability;</i></p> <p style="padding-left: 40px;"><i>(ii) not-for-profit private sector entities; and</i></p> <p style="padding-left: 40px;"><i>(iii) public sector entities other than those required by the AASB to apply Tier 1?</i></p> <p><i>If not, and you support differential reporting, what other classifications of entities do you think would be more appropriate for differential reporting and why?</i></p>	<p><i>(i) See sections 1, 2 &amp; 3 in relation to the proposal to apply Tier 2 to non-reporting entities.</i></p> <p><i>(ii) &amp; (iii) No relevant comments</i></p>
<p><i>(b) Whether you agree that entities within the second tier should be able to apply the proposed reduced disclosure regime, which retains the recognition and measurement requirements of full IFRSs or would you prefer another approach (e.g. IFRS for SMEs)? If you prefer the IFRS for SMEs, what do you consider to be the specific advantages of the individual differences of recognition and measurement requirements in the IFRS for SMEs compared with full IFRSs?</i></p>	<p>See section 1 &amp; 3 in relation to the application of the proposed regime to reporting entities.</p>
<p><i>(c) The definition of public accountability (which is used to identify those for-profit entities that must apply Tier 1) and whether there are categories of entities in the Australian environment that should be cited as examples of publicly accountable entities other than those already identified in paragraph 26.</i></p>	<p>See section 4.</p>
<p><i>(d) Whether you would require any other classes of public sector entities, such as Government Departments, Government Business Enterprises or Statutory Authorities, to be always categorised as 'Tier 1' reporting entities and, if so, the basis for your view.</i></p>	<p>No relevant comments.</p>
<p><i>(e) The clarification of the meaning of GPFSSs and modifying the way the reporting entity concept is used.</i></p>	<p>See sections 1, 2 &amp; 3.</p>

**Appendix – Detailed comments and references to specific request for comments in Consultation Paper and ED 192**

<b>Question</b>	<b>Relevant section of the AMP response</b>
<i>(f) The extent and nature of the proposed disclosures under the RDR (Tier 2), including whether the RDR would be effective in reducing sufficiently the disclosure burden on entities in preparing their GPFs.</i>	See section 1.
<p><i>(g) Any particular disclosure requirements that:</i></p> <p><i>(i) have been retained in the RDR that you consider should be excluded from the RDR, and your reasons for exclusion;</i></p> <p><i>(ii) have been excluded from the RDR that you consider should be retained, and your reasons for retention.</i></p>	No relevant comments.
<i>(h) Transitional provisions for entities applying Tier 1 or Tier 2 for the first time and moving between Tiers.</i>	No relevant comments.
<i>(i) Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals.</i>	No relevant comments.
<i>(j) Whether, overall, the proposals would result in reducing the costs of preparing GPFs that would remain useful to users.</i>	See introductory section.
<i>(k) Whether the proposals are in the best interest of the Australian economy.</i>	See introductory section.