



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

To Whom It May Concern;

We appreciate the opportunity to comment on ED 233, "Australian Additional Disclosures – Investment Entities" (the ED or 233). The matters raised in the ED are of importance to us and we feel that they are of equal importance to the users of our fund financial statements. Before we comment on the seven specific requested queries, let me provide an overview of our business and associated financial reporting, along with some high level comments on accounting standards.

Our business consists of a range of financial services businesses, but the focus of this response is in relation to our funds management operation. In relation to funds management, we have 23 registered managed investment schemes. We have total funds under management of \$4.16 billion. We are part of the international Zurich Financial Services Australia Ltd group, with our ultimate parent located in Switzerland.

As a business operating within a broader international group, we are particularly concerned with the direction of the Australian Standard setter requiring additional disclosures in relation to investment entities over and above the other key jurisdictions that our business operates. From our group perspective one key benefit of adopting IFRS was to allow consistent, meaningful and robust reporting for our products, regardless of the jurisdiction that the accounts are prepared and lodged. We are very concerned that the additional disclosure requirements suggested by the AASB will reduce comparability with financial statements issued by our international colleagues, increase the cost of local financial statement preparation and, unfortunately, potentially reduce reliance that our investors place on the financial statements (due to additional disclosure of consolidated information when they are purely interested in the fair value of underlying investments).

We do not support alternative view 1 that was included within ED233. We believe, for all of the reasons noted above, that the AASB should adopt the amendments to provide exemption from consolidation for investment entities as outlined by the IASB, without modification.

Let me address each of the specific questions requested for comment in the ED.

- 1. The appropriateness of the proposed Australian additional disclosures and whether such disclosures are warranted*

We can see no basis on which additional disclosure is warranted in the Australian context given the fact that this issue appears to have gone through due process internationally and it was not seen as necessary. We do not see any compelling evidence from the ED to support the need for additional disclosure. In particular, the additional disclosure suggested in the ED is very comprehensive, effectively being consolidated primary statements (profit & loss, balance sheet, cashflows and changes of equity).

In relation to our own funds, our experience has been that investors are particularly interested in the fair value of investments and we are not aware of any users focussed on consolidated information. Evidence of this is the fact that there is very little demand for current financial statements, but there is regular accessing of unit pricing information from our registry system.

- 2. Whether there are any alternative approaches/disclosure strategies that can be employed to minimise the adverse impact on decision-making of the loss of consolidated information*



The thrust of the above query infers that not having consolidated information for an investment entity negatively impacts decision-making of users of the financials. We would caution making that assumption, as our experience at the board, financial planner and ultimate investor perspective has been that consolidated information in managed investments schemes has often confused these key users. In particular, the resulting disclosure of outside equity interest has been very challenging to adequately explain to our users, as they are significantly more focussed on the carrying value of the individual investment units. Our experience has been that the use of a 50% ownership, or some other basis, has historically been quite arbitrary and can vary significantly depending on the actions of other investors.

If there is to be additional disclosure, we strongly believe it would not consist of consolidated primary statements, as that really defeats the purpose of the exemption. We believe that the disclosures proposed by the IASB are sufficient.

- 3. If the AASB's proposals proceed, whether you agree with not providing relief to Tier 2 entities from any of the proposed Australian additional disclosure requirements.*

As detailed above, we feel strongly that additional disclosure, over and above other IFRS jurisdictions, is not warranted for any reporting entity, so naturally we totally disagree with not providing relief to Tier 2 entities.

- 4. Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to not-for-profits or public sector entities*

We have no comment to make in relation to the above query.

- 5. Whether, overall, the proposals would result in financial statements that would be relevant to users.*

We are afraid that if the proposed disclosures suggested in the ED were adopted, the relevance of the financials to our users would be significantly reduced. Our clients invest in our funds to gain exposure to selected markets and manage their affairs on a fair value basis. Therefore the international investment entity exemption fits very well with their needs. To provide both the fair value basis, along with a gross up of consolidated information, with outside equity interests, would be, we believe, a backward step.

It is perhaps an unfortunate fact, but for most, if not all, of our funds, the users typically focus on the product disclosure statement and the regular unit pricing and benchmarking information that we provide, as opposed to the financial statements. We fear that requiring both the fair value financials, on which effectively our investors do base their decisions, along with consolidated additional disclosure of primary statements will only confuse our investors. That is not desirable from either our perspective or the accounting profession generally.

- 6. Whether the proposals are in the best interest of the Australian economy*

We do not believe the proposals are in the best interest of the Australian economy. For some years the Australian government has been stating their desire for Australia to be a key global market in relation to asset management. While this development has yet to fully deliver significant foreign funds into Australia, we do have a concern that if Australia requires additional disclosures there will be a negative reaction from potential foreign clients. Therefore, we feel that the proposals, if adopted, would put Australia at an economic disadvantage because it will cost more to comply with local accounting standards due to the need to obtain consolidated information. That additional disclosure would need to be compiled, reviewed, audited and assessed by our board. This will result in additional time and cost associated with the financial statement close process. This is particularly the case in our group where Australia would be the only country requiring additional disclosure, which will result in challenging discussions within our group as to the efficiency of the Australian operation.



7. *Costs and benefits of the proposal*

As stated above, we see little, if any, benefits of the proposal for additional disclosure for Australian investment entities. In relation to costs, that is difficult to quantify, but most certainly there would be a substantial cost associated with preparing additional disclosures, having them audited and then reviewed by our board. This would also create greater pressure on already tight time frames of releasing the final statements.

We thank you for the opportunity to comment on ED 233. In summary, we do not support Australia moving away from IFRS and requiring additional consolidated financial information. Our rationale is both philosophical and practical. We strongly believe that if Australia is operating under IFRS then we should be consistent with what other jurisdictions are disclosing and secondly we see no benefit to end users of the proposed additional disclosure. In fact, we actually see the provision of additional material as detriment to decision making for our key stakeholders.

If you have any queries in relation to our submission, please do not hesitate to contact.

A handwritten signature in black ink, appearing to read 'Rafael Uy', is positioned above the printed name.

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