



*The AUSTRALIAN
PRIVATE EQUITY &
VENTURE CAPITAL
ASSOCIATION Limited*

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

11 March 2013

Re: ED233 Investment Entities

Dear Sir,

The Australian Private Equity & Venture Capital Association Limited ("AVCAL") is a national association which represents the private equity ("PE") and venture capital ("VC") industries. AVCAL's members comprise most of the active private equity and venture capital firms in Australia. These firms provide capital for early stage companies, later stage expansion capital, and capital for management buyouts of established companies.

AVCAL, on behalf of its members, strongly opposes the proposal to have investment entities prepare additional consolidated information as if all its controlled entities are consolidated. For private equity and venture capital entities, the purpose is to invest for capital growth and long-term returns for investors (predominantly superannuation or pension funds from Australia and overseas) rather than to generate benefits from synergies with the entities that are acquired. Therefore, the suggested additional consolidated information serves no purpose to our investors who are the users of these financial reports.

As an industry body we support global best practice and we believe that is the approach currently adopted by the IASB. The IASB's deliberation included the types of disclosures that would be relevant for users of these financial statements, and they concluded that it was not necessary to include the additional disclosures being proposed by the AASB. Australian entities gave feedback to the IASB and the IASB crafted a position which we believe is now international best practice. The IASB found no basis or evidence to support the additional consolidated disclosure now suggested in ED233.

As noted in our previous submission on ED220, AVCAL itself has developed reporting guidelines for its members, which were developed in conjunction with investor input as to the types of information they identified as being useful. During that exercise, it was clear that consolidated financial information was not considered relevant, in contrast to information about the value of their investment and how that has changed.

Neither do we agree with Alternative View 1 included in ED233, due to the reasons discussed above, and included in our previous submission on ED220.

In summary we strongly oppose the proposals outlined in ED233 due to the following:

- ED233 is inconsistent with international best practice;

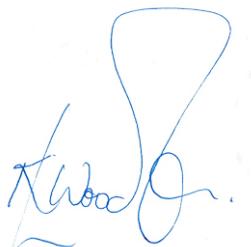
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- ED233 will place Australian entities at an international competitive disadvantage to attract funds. This in turn will have a negative impact on Australian economic activity, employment and GDP;
- ED233 would add cost to our members, for no benefit, and will reduce superannuation returns;
- The investors in private equity (predominantly superannuation funds) have international portfolios and prefer consistent global reporting; and
- We see no evidence, nor has the AASB provided any evidence, that the users of Australian investment entities differ to the rest of the world, such that additional disclosure is warranted.

It would be appreciated if you could note our detailed objections above and amend ED233 accordingly.
Thank you.

Kind regards,

A handwritten signature in blue ink, appearing to read "Katherine Woodthorpe".

Dr Katherine Woodthorpe,
Chief Executive
AVCAL