


Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

180 Lonsdale Street
Melbourne VIC 3000
GPO Box 78B
Melbourne VIC 3001 Australia

DX 111
Tel: +61 (0) 3 9208 7000
Fax: +61 (0) 3 9208 7001
www.deloitte.com.au

Mr David Boymal 
Chairman
Australian Accounting Standards Board
PO Box 204
COLLINS STREET WEST VIC 8007

21 February 2007

Our ref: DR:EL

Dear David

Re: ED 151 *Australian Additions to, and Deletions from, IFRSs*

Deloitte Australia welcomes the opportunity to comment on the exposure draft ED 151 *Australian Additions to, and Deletions from, IFRSs* ('ED 151').

We welcome the AASB's moves to align Australian equivalents to International Financial Reporting Standards ('A-IFRS') with those issued by the IASB. Full alignment with IFRS is in the best interests of the Australian economy and represents the best way to maximise the returns from the IFRS convergence process. We have supported a full convergence approach throughout the Board's convergence process and are pleased that the need for full convergence has now been recognised.

We therefore strongly support the proposals in ED 151 and encourage the AASB to finalise the amendments to the various affected Standards as a priority topic in its work plan. In particular, we would prefer to see any amendments made before 30 June 2007 in order that they might be early adopted by those entities that wish to do so.

The transitional arrangements around the proposals in ED 151 that are implemented by the AASB will be a critical component of the proposals and will require careful drafting. There is urgent need for the AASB to address these transitional aspects to ensure that Australian entities are both:

- able to make an unreserved statement of compliance with IFRS Standards, and
- are not disadvantaged or restricted because of the late introduction of accounting policy choices in Australia by comparison to their international counterparts who have had the benefit of all accounting policy choices under a 'full' IFRS reporting environment.

Notwithstanding our strong support of the proposals in ED 151, we do not believe that the full convergence process will be completed by their implementation. Therefore, we have set out in section C of the appendix additional matters that we believe the AASB should consider as part of this project.

The appendix addresses the following matters:

A. General

1. Comment on due process surrounding ED 151
2. Transitional provisions in any resultant amending Standard
3. Hierarchy of pronouncements and status of AASB views

B. Matters proposed by ED 151

1. Proposal to allow proportionate consolidation as a method of accounting for jointly controlled entities
2. Proposal to require the top Australian company to present consolidated financial statements
3. Exemption from applying the equity method/proportionate consolidation
4. Proposal to amend the definition of 'separate financial statements'
5. Proposal to retain the additional Australian disclosures in respect of key management personnel
6. Proposal not to amend existing requirements in respect of the extractive industries
7. Proposal to remove the additional Australian disclosures from AASB 133 *Earnings per Share*

C. Further matters that should be addressed by the AASB

1. Existing Australian Standard AASB 1031 *Materiality*
2. Existing domestic Interpretations
3. Existing differences in terminology between the international and domestic standards
4. Transitional provisions previously removed from other A-IFRS
5. Introductory paragraphs to IFRS
6. Other editorial differences not specifically identified in ED 151
7. Scope of AASB 114 *Segment Reporting*

D. Other

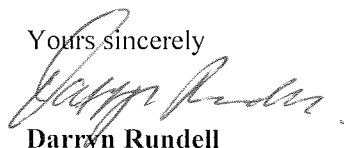
1. Apparent misalignment between the application of various standards in interim financial reports and annual financial reports

We acknowledge that in some areas, the AASB is limited in the actions that it might take as result of its governing legislation, directives from the Financial Reporting Council and the interaction with other legislation and requirements. However, it is incumbent upon the AASB to take a leadership role in these matters to bring them to a rapid and satisfactory conclusion.

We again congratulate the AASB for taking these steps towards full convergence with IFRS and look forward to their implementation.

If you have any questions concerning our comments, please contact Darryn Rundell on (03) 9208 7916.

Yours sincerely



Darryn Rundell

Partner

APPENDIX: MATTERS RELATED TO FULL CONVERGENCE FOR THE AASB TO CONSIDER IN FINALISING THE PROPOSALS IN ED 151

A. GENERAL

1. Comment on due process surrounding ED 151

One of our concerns with the proposals in the ED is the final form the amendments will take. The exposure draft identifies certain amendments and notes that further ‘editorial changes and other matters’ identified by staff will also be made to the Accounting Standards. While we are unwilling to prolong the time for the Board to make an amending Standard incorporating the ED proposals, we believe that it is important that all the proposed amendments be made available for public review in a form of due diligence before being passed. We believe it would also be useful if, when an Accounting Standard resulting from the exposure draft is approved, a copy of the ‘marked-up’ compiled Standards were placed on the AASB website in addition to the ‘clean’ compilations prepared by the staff of the AASB. This will assist users in identifying changes, editorial or otherwise, that may otherwise go unnoticed.

2. Transitional provisions in any resultant amending Standard

ED 151 does not address any transitional provisions that may be included in the resultant amending Standard.

The transitional arrangements around the proposals in ED 151 that are implemented by the AASB will be a critical component of the proposals and will require careful drafting. There is urgent need for the AASB to address these transitional aspects to ensure that Australian entities are both:

- able to make an unreserved statement of compliance with IFRS Standards, and
- are not disadvantaged or restricted because of the late introduction of accounting policy choices in Australia by comparison to their international counterparts who have had the benefit of all accounting policy choices under a ‘full’ IFRS environment.

The AASB needs to ensure that Australian entities are on an equal footing with their international counterparts by ensuring that the amendments give entities a ‘free choice’ of accounting policies that may be applied, to the extent that it does not impair an Australian entity’s compliance with IFRS. In our opinion, in the absence of any transitional provisions, logically, the opportunity to adopt a new accounting policy would be governed by the requirements in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The introduction of additional accounting policy options into the A-IFRS is akin to the IASB’s introduction of the option to account for actuarial gains and losses directly in retained earnings in a revised IAS 19. Accordingly, the Board may wish to consult with the IASB to determine practice in instances when additional options are introduced into an accounting standard, and also as to the need and wording of any transitional provisions, as necessary. The Board may also wish to clarify whether entities are disadvantaged in any manner if the pronouncement is not early adopted.

3. Hierarchy of pronouncements and status of AASB views

We are aware of the confusion existing as to how, or whether, the views of the Board expressed outside of the Accounting Standards or Interpretations form part of the hierarchy of pronouncements.

Accordingly, we strongly agree with the removal of the 'Differences' sections from the Accounting Standards, as these have in the past caused inadvertent differences in practice (e.g. treatment of contingent rentals in operating leases) or been interpreted to be the manner in which the Accounting Standards would require a certain transaction to be treated (e.g. acquisitions of additional ownership interests after control is gained).

As part of the process of examining whether Australian Interpretations and AASB 1031 *Materiality* should be retained (as commented on in C.1 and C.2 below), in our opinion, the AASB should also reconsider all 'agenda rejection statements' that it has issued which do not have international equivalents, of which add to their international equivalents. The AASB's rejected statements are, similar to the 'Differences' sections, viewed by some as interpreting IFRS. For example, the debate about whether petroleum resources rent taxes should be treated as an income tax may not have needed to occur had it been clear to all that such statements do not form part of the hierarchy of pronouncements and that constituents are not bound by those views.

In our opinion, the Board should issue a clear statement of whether its views as expressed outside of the legal instrument itself, either as part of a reason for not taking an issue onto the AASB's agenda or as part of a media release accompanying the issue of a new pronouncement, form part of the hierarchy of pronouncements or could be viewed as having some legal standing under the Acts Interpretations Act 1901 (Cwth), to avoid differences in interpretation of the status of such materials between companies, their auditors and the regulators.

B. MATTERS PROPOSED BY ED 151

1. Proposal to allow proportionate consolidation as a method of accounting for jointly controlled entities

We agree with this proposal, but note that various changes required to the Standards have not been identified in the exposure draft, including:

- AASB 121.33 and 44 – references to proportionate consolidation will need to be reinserted if the proposal is accepted
- AASB 131.2(c) – references to proportionate consolidation will need to be reinserted into the paragraph to allow entities to similarly be exempted from either of proportionate consolidation or equity accounting when certain conditions are met.

The Board should ensure that any other references to proportionate consolidation that have been previously deleted from the A-IFRS are incorporated into an Accounting Standard resulting from ED 151.

2. Proposal to require the top Australian company to present consolidated financial statements

ED 151 proposes inserting a new Australian paragraph, AASB 127.Aus10.1, to require that the ultimate Australian parent entity, where either itself or the group is a reporting entity, be required to prepare consolidated financial statements, even if it would otherwise meet all the conditions in proposed paragraph AASB 127.10.

We disagree with this proposal. In our view, the inclusion of such a paragraph would be contrary to the principle underlying the AASB's decision to make the A-IFRS Standards more closely aligned with IFRS.

Other

We note that the following change should also be effected, if the proposal to include AASB 127.Aus10.1 is accepted. ED 151 proposes inserting AASB 128 paragraph 13(b) to read '... investment in an associate ...'. IAS 128 paragraph 13(b) uses the language '... interest in an associate ...'. This is an unnecessary amendment and the final paragraph, if inserted, should refer to '... interest in an associate ...' so as not to create any inadvertent differences in interpretation.

3. Exemption from applying the equity method/proportionate consolidation

Reference to IFRS vs. A-IFRS in the 'exemption' paragraphs

ED 151 proposes re-inserting the exemption for Australian entities meeting certain conditions to not present consolidated financial statements (proposed AASB 127.10). Per IAS 27.10, one of the conditions is that the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with International Financial Reporting Standards. The ED does not indicate that the eventuating paragraph to be inserted in AASB 127 will differ from this.

However, the ED does not propose similarly amending paragraph 13(c)(iv) of AASB 128 or paragraph 2(c)(iv) of AASB 131, which provide for similar relief from equity accounting or proportionate consolidation in instances where consolidated financial statements are not prepared. In our opinion, to be consistent with the principle behind the revisions proposed in ED 151, these paragraphs should refer to IFRS (not Australian equivalents to IFRS), consistent with the equivalent IAS, to avoid creating instances where only international entities are able to take advantage of the exemption.

Reference to 'need not present' vs. 'except when' in the 'exemption' paragraphs

ED 151 proposes re-inserting the exemption for Australian entities meeting certain conditions to not present consolidated financial statements (proposed AASB 127.10). Consistent with the wording of IAS 27.10, the proposed 'exemption' paragraph uses the terminology "need not present if and only if". However, we note that AASB 128.13 uses the terminology "except when" (consistent with the wording of IAS 28.13).

In our opinion, there may be potential differences of opinion as to whether the terminology "except when" precludes the use of equity accounting for associates when the criteria of AASB 128.13 (equivalent to IAS 28.13) are satisfied. We encourage the AASB to lobby the IASB/IFRIC to consider the issue so as to avoid diversity in interpretation and therefore, practice.

4. Proposal to amend the definition of 'separate financial statements'

We agree that the definition of 'separate financial statements' in AASB 127 should be amended to be consistent with the equivalent IAS, and note that the definitions in AASB 128 and AASB 131 will need to be similarly updated.

The definition of 'separate financial statements' presently adopted by Australian Accounting Standards precludes investors and venturers that do not have subsidiaries (i.e., that are not parent entities) from preparing separate financial statements in which interests in associates and jointly controlled entities are accounted for at cost or at fair value (thus only permitting the use of equity accounting, subject to the specific exemptions of AASB 128.13 and AASB 131.2). By contrast, similar entities reporting under IFRS are permitted to account for interests in associates and jointly controlled entities using the equity method and to also prepare separate financial statements in which such interests are accounted for at cost or at fair value.

The amendment proposed by ED 151 will eliminate this difference between IFRS and Australian Accounting Standards.

Although we agree with the proposal to amend the definition of 'separate financial statements', we are concerned that such amendment may potentially cause confusion for Australian entities that are required to prepare annual financial reports in accordance with section 295(2) of the Corporations Act 2001, which defines the 'financial statements for the year' as:

- (a) the financial statements in relation to the entity reported on that are required by the accounting standards; and
- (b) if required by the accounting standards – the financial statements in relation to the consolidated entity that are required by accounting standards.

Consideration should be given to the need to clarify the meaning of 'the financial statements in relation to the entity reported on that are required by the accounting standards' in the context the 'four types' of financial statements mentioned in IAS 28.4: separate financial statements, consolidated financial statements, financial statements in which investments are accounted for using the equity method and financial statements in which venturers' interests in joint ventures are proportionately consolidated. Because the Corporations Act 2001 only refers to 'financial statements' and 'consolidated financial statements', it may be unclear as to which 'type' of financial statements are referred to in the Act. Clarification of this matter, whether made by the AASB within the Accounting Standards or by Treasury within the Corporations Act 2001 or the Corporations Regulations, will need to be carefully constructed to ensure that such clarification does not override, or otherwise limit, the operation of the exemptions contained in AASB 128.13 and AASB 131.2 (as amended by ED 151). We suggest that the AASB raise this matter with Treasury before finalising the proposed amendment to the Australian Accounting Standards.

5. Proposal to retain the additional Australian disclosures in respect of key management personnel

Consideration of the Australian paragraphs included in AASB 124 *Related Party Disclosures* have effectively been excluded from the proposals in ED 151 in favour of separate issues papers as part of efforts to rationalise the key management personnel disclosure requirements with the requirements of section 300A of the *Corporations Act 2001*.

We are concerned that this process may be of a longer-term nature, and accordingly, recommend that this matter be given an increased priority by the AASB.

In our view, in the immediate term, the AASB should consider removing the ‘deemed material’ strictures placed on key management personnel disclosures, and leave consideration of the material nature of each of the disclosures specified as a matter of judgement and of good corporate governance for the board of directors of a disclosing entity, to be considered in accordance with the materiality considerations specified by the *Framework*. [Note also our comments in C.1 below as to whether AASB 1031 should be withdrawn.]

In addition, we are concerned that both IAS 24 *Related Party Disclosures* and AASB 124 are unclear in whether disclosures of transactions and balances with related parties (including key management personnel) apply only to the period of time within the reporting period in which a party is related to the entity, or whether the disclosures apply to all transactions and outstanding balances of the reporting period, including those that occurred after the party, for example, ceased to be a related party to the entity. It is our understanding that globally there is diversity in the interpretation of these disclosures. Accordingly, we encourage the AASB to lobby the IASB/IFRIC to consider the issue so as to avoid diversity in interpretation and therefore, practice.

6. Proposal not to amend existing requirements in respective of the extractive industries

We strongly disagree with the ED 151 proposals to retain the Australian specific paragraphs in AASB 6 *Exploration for, and Evaluation of, Mineral Resources*.

Although the AASB has attempted to ‘grandfather’ area of interest accounting, we believe that there are many perhaps unintended consequences of the current approach. Australian entities are disadvantaged by comparison to their international counterparts in areas such as:

- impairment being assessed at the ‘area of interest’ level, whereas international counterparts may be able to test impairment of exploration and evaluation at a much higher level, possibly even as wide as an entire segment
- Australian subsidiaries and associates of foreign parents where group policies require a capitalisation and impairment approach that is not in accordance with the ‘area of interest’ method
- Australian entities raising capital in foreign markets where industry participants currently adopt non-AASB 6 compliant policies, i.e. other than the ‘area of interest method’
- foreign resource-based companies listed on the Australian Stock Exchange and reporting using ‘pure’ IFRS will have more options in approaches adopted and may appear to have more favourable financial reporting outcomes
- newly incorporated entities in Australia will effectively be forced to adopt the ‘area of interest’ method even though equivalent entities in other jurisdictions applying IFRS will not.

The resources industry is one that operates and competes for capital on a truly global scale and we believe that Australian entities should operate under the same accounting requirements as their international counterparts. In a globally competitive environment, it is important that Australia’s competitive advantages in resources are not undermined by Accounting Standard requirements.

The existing Australian paragraphs included in AASB 6 effectively carry forward, with some modification, the requirements from superseded AASB 1022 “Accounting for the Extractive Industries”. These requirements were effectively a hybrid recognition and impairment model, such that exploration and evaluation expenditure could not be capitalised in certain circumstances. By rolling over these requirements into paragraph Aus7.2 of AASB 6, some of the impairment considerations included in paragraphs 18 through 20 are effectively ‘brought forward’ to be addressed at recognition.

By mandating the ‘area of interest’ method, the AASB has made it difficult for Australian entities to adopt other approaches, even though arguably those alternative approaches may be more prudent and conservative. For instance, many Australian resources companies are moving towards a form of ‘successful efforts’ method for accounting for exploration and evaluation expenditure, but are still technically required to comply with the ‘area of interest’ requirements in AASB 6.

The explicit Australian requirements in AASB 6 also prohibit accounting policies that are adopted by other resources industry participants that report under IFRS. For example, the wording of paragraph Aus7.1 of AASB 6 would prohibit an ‘allowance’ approach to the recognition of exploration and evaluation expenditure¹.

In light of the above, we recommend that the AASB consider removing the Australian-specific recognition and measurement requirements from AASB 6, consistent with the other proposals in ED 151.

7. Proposal to remove the additional Australian disclosures from AASB 133 *Earnings per Share*

We agree with the AASB’s proposal to remove paragraphs Aus63.1-Aus63.5 of AASB 133 *Earnings Per Share*, which requires the presentation of an additional earnings per share calculation in some circumstances.

C. FURTHER MATTERS THAT SHOULD BE ADDRESSED BY THE AASB

1. Existing Australian Standard AASB 1031 *Materiality*

The AASB document ‘AASB adoption of IASB standards by 2005’ notes ‘The AASB continues to maintain standards of particular relevance to the Australian environment that deal more specifically with not-for-profit entity issues and/or do not have an equivalent IASB standard.’ and goes on to identify one such standard as AASB 1031 *Materiality*. Guidance on materiality in the IFRS Standards is contained only within the IASB *Framework*.

In retaining AASB 1031, the Board has in effect provided Australian guidance on how to assess materiality for financial reporting purposes. In our opinion, it would be inconsistent with the principle behind the removal of Australian guidance from the A-IFRS standards for the Board not to withdraw the Standard in its entirety.

We note this action would require consequential changes to be made throughout all the existing Australian Accounting Standards.

¹ For example, the ‘allowance’ approach was used by Rio Tinto prior to a change in accounting policy in calendar 2006.

2. Existing domestic Interpretations

As part of the convergence process, the previous Urgent Issues Group of the AASB made a number of domestic Interpretations that do not correspond to an Interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee ('SIC') of the IASB. Whilst the AASB is revisiting the Accounting Standards to ensure full convergence with IFRS, we suggest that the AASB similarly reconsider the domestic Interpretations as to whether they are true Australian-specific issues, or whether they should be withdrawn, to 'level the playing field' for Australian entities. We give as examples Interpretation 1017 *Developer and Customer Contributions for Connections to a Price-Regulated Network* and Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*.

3. Existing differences in terminology between the international and domestic standards

The amendments to date have not yet considered the differences in terminology applied between the IFRS and domestic Standards. We question whether terminology, in general, can be considered to be Australian-specific and therefore reasonably different to that used in the IFRS Standards.

We note that in certain instances, the differences in terminology results in terms being defined differently between the IFRS and A-IFRS. The differences in terminology applied may affect understanding of our financial reports in international markets. Significant interpretative impacts of the differences in terminology may exist and will become more apparent over time. In our view, all Australian Accounting Standards and Interpretations, including domestic Standards and Interpretations, should apply terminology that is consistent with that used in IASB and IFRIC pronouncements.

Common terminology differences we have noted include the use of:

- 'financial reports' vs. 'financial statements'. The AASB should be mindful of the definitions in the Corporations Act 2001 and may need to liaise with the Treasury to ensure that these terms are interpreted consistently.
- 'reporting date' vs. 'balance sheet date'
- 'annual reporting period' vs. 'financial year'
- 'revaluation reserve' vs. 'revaluation surplus'
- 'retained earnings' vs. 'retained profits', and
- 'reporting period' vs. 'accounting period'.

4. Transitional provisions previously removed from other A-IFRS

In making the suite of A-IFRS, the Board decided to remove the transitional provisions included by the IASB in the corresponding IAS/IFRS Standards. For the most part, these have been excluded totally from the Australian Standards, however, in certain instances, the Board has moved the transitional provisions to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*.

We are of the view that the Board should consider re-inserting these deleted paragraphs (and to remove them from AASB 1, where relevant). While these transitional provisions are unlikely to have widespread application to Australian entities, it may assist in the adoption process of new IFRS and IFRIC Interpretations. Accordingly, we support the Board's recent decision to not amend the wording of IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* in making the Australian equivalent Interpretation, but to instead reinsert the transitional provisions in IFRS 2 *Share-Based Payment* into AASB 2 *Share-Based Payment*.

5. Introductory paragraphs to IFRS

Australian equivalents to IFRSs do not include the 'introductory paragraphs' of their international counterparts. We believe that in some cases the introductory paragraphs assist in the interpretation of the IFRS standards. Whilst this extrinsic material may be inferred in some cases through the use of the hierarchy in AASB 108, we would prefer that these introductory paragraphs be included in the Australian Standards to ensure full compliance with IFRS.

6. Other editorial differences not specifically identified in ED 151

We note that the 'Purpose of this Exposure Draft' section of ED 151 indicates that:

- in the interests of brevity, not all consequential amendments relating to the proposals have been shown; and
- a number of editorial changes will be made to Standards based on errors and other matters identified by staff of the IASB and AASB.

We believe that it is important that differences are removed, as far as possible, between the IFRS and A-IFRS and accordingly, identification of all differences that exist is essential. We identify some of these differences below, and note that a complete set of the existing differences will only be identified via a callover between the two documents.

Altered paragraphs

- AASB 134.6. Besides the amendments made for terminology, the last sentence of the paragraph has also been amended to insert the words 'except for comparatives'. Comparative information is required by both the domestic and the international Standard, and accordingly, this insertion should be removed.
- AASB 134.8. The paragraph has been amended from IAS 34, in main to subparagraph (c) in the following manner: a condensed statement of changes in equity showing either (i) all changes in equity, or (ii) changes in equity other than those arising from capital transactions with equity holders acting in their capacity as equity holders owners and distributions to owners. While the Australian amendments may be more consistent with IAS 1/ AASB 101, we believe we should revert to the wording per the international standard until such time as that is changed to avoid non-Australian specific deviations from the IFRS.
- AASB 134.24. The paragraph has been amended to acknowledge AASB 1031. Our preference would be to retain the original IAS paragraphs, and to include an Australian paragraph so as to distinguish between the two, if our proposal in relation to the withdrawal of AASB 1031 is not taken up. If AASB 1031 is withdrawn by the AASB, the paragraph should revert to the equivalent wording in the IAS.

- AASB 138.44. The paragraph has been amended to remove the second government grant option. If the proposal to reinsert the option to recognise government grants in the form of transfers of intangible assets initially at a nominal amount is accepted, the paragraph should be made consistent with the corresponding IAS paragraph.

In addition, we note that various paragraphs in the *Framework* have been amended.

Other editorial differences identified

Differences identified include:

- AASB 101.91 and 92 – in the example income statements, ‘Profit’ has been amended to ‘Profit before income tax’.
- AASB 107.6 – the definition of financing activities refer to ‘contributed capital’ rather than ‘contributed equity’
- AASB 112 Appendix B Example 2 – the illustrative example of the alternative method of explaining the relationship between tax expense (income) and accounting profit should be reinserted if the proposal is accepted
- AASB 114 Appendix A – the decision tree is slightly different to the decision tree in IAS 14 *Segment Reporting*
- AASB 116.24 – The word ‘item’ has been replaced with ‘asset’ in two places in the last two sentences of the paragraph.
- AASB 117.13 – Cross-reference in IAS 17 is to paragraphs 7 – 12, not 6 – 12 as identified in the corresponding domestic Standard
- AASB 127.38 – The last sentence should be deleted if the proposal to remove paragraph Aus9.1 is accepted
- AASB 132.52 – small amendment to (a) Market risk
- In various Standards, ‘e.g.’ has been replaced with ‘for example’, and in others, vice versa

7. Scope of AASB 114 *Segment Reporting*

AASB 114 *Segment Reporting* applies to reporting entities preparing financial reports in accordance with Part 2M.3 of the Corporations Act 2001. The equivalent international Standard, IAS 14 *Segment Reporting*, applies only to entities whose equity or debt securities are publicly traded and to entities that are in the process of issuing equity or debt securities in public securities markets.

ED 151 does not propose amending the scope of AASB 114 to align it with its international counterpart, however, we believe that there is no reason not to align the scope of AASB 114 with IAS 14 and recommend that the AASB consider doing so. We also note that entities may be able to early adopt the forthcoming Australian equivalent standard to IFRS 8 *Operating Segments* and achieve a similar outcome.

OTHER

1. Apparent misalignment between the application of various standards in interim financial reports and annual financial reports

We wish to draw the attention of the Board to the apparent inconsistency between the requirement in AASB 133 *Earnings per Share* and AASB 134 *Interim Financial Reporting* to present earnings per share information.

In general, AASB 133 is applicable only to reporting entities with listed ordinary shares, or that has on issue ordinary shares and is in the process of listing. AASB 134 is applicable to each disclosing entity required to prepare half-year financial reports in accordance with Part 2M.3 of the *Corporations Act 2001*. Accordingly, while non-listed disclosing entities which are not in the process of listing are not required to present earnings per share information in their annual financial reports, such information is required by AASB 134 to be presented in their interim financial report. We question the value or relevance of this information in a interim financial report to an entity that is not listed or in the process of listing.

This may or may not be an issue that can be resolved by the Board, as departure from compliance with this requirement could result in non-listed disclosing entities not being able to state compliance with International Financial Reporting Standards. However, in that event, we would encourage the AASB to lobby the IASB to amend the requirement in paragraph 11 of IAS 34 'Interim Financial Reporting' to require only the presentation of earnings per share information where it would have been presented in the annual financial report in accordance with IAS 33 *Earnings per Share*.