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15 March 2013

Manager- Policy Development Unit
Standard Business Reporting
Infrastructure Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: SBRpolicy@treasury.gov.au

Dear Sir

OPTIONS PAPER: USE OF STANDARD BUSINESS REPORTING FOR FINANCIAL REPORTS

We appreciate the opportunity to provide our comments on this Options Paper. Pitcher Partners is an association of independent firms operating from all major cities in Australia. Our clients come from a wide range of industries and include listed and non-listed disclosing entities, large private businesses, family groups, government entities and small to medium sized enterprises.

General comments regarding development of taxonomies

Pitcher Partners is a Foundation Member of XBRL Australia and we have been following development of the XBRL taxonomies over the past decade. We recognise the benefits of a common language for financial reporting but we have concerns that there has been minimal progress by software providers to align their financial reporting software packages with a XBRL taxonomy. We also recognise that the International Accounting Standards Board (IASB) released the first International Financial Reporting Standards (IFRS) Taxonomy in 2011. The IASB update the IFRS taxonomy as new standards are issued and thereby provide an internationally recognised taxonomy that could be used for Australian lodgements.

Given that financial reports lodged with ASIC in Australia are prepared in accordance with Australian Accounting Standards, which are substantially the same as IFRS, the rationale for developing the SBR taxonomy rather than using the IFRS taxonomy as given remains questionable. Unless SBR is equivalent to an "IFRS-plus taxonomy", the development and use of a local taxonomy is also inconsistent with the development of Australian Accounting Standards.

Barriers to adoption of SBR

We concur with the view that financial reports should always be available in a “human-readable” format. However, significant resources would be needed to incorporate a XBRL taxonomy into a financial reporting package locally. As financial reports can be lodged in “pdf” Format, there would be significant cost and no benefit to preparers to lodge a version using the SBR taxonomy. In addition, without audit verification that the SBR tagging had been properly applied, there is the potential risk of misstatement in the SBR version.

Further, this diversion of resources is not justified when:

- The proposed taxonomy does not have international recognition. It would be preferable if software providers could use one taxonomy globally and more cost effective for purchasers of that software;
- The proposed SBR taxonomy may not be maintained in conjunction with the release of new financial reporting standards;
- The complexity in financial reporting continues to present challenges in its “human-readable” format and such issues are likely to present further challenges for XBRL or SBR tagging;
- The debate about differential reporting and concerns about changes to the thresholds for lodgement does not warrant a diversion of resources to tag the financial statements of private companies.

Option 1

We do not support the mandatory lodgement of financial reports using SBR.

We note that on 13 April 2009 the US Securities and Exchange Commission (SEC) mandated the use of XBRL for financial statement information. However, companies registered with the SEC are *significantly* larger than the companies that are required to lodge with ASIC. In fact a majority of the ASX listed companies in Australia would be considerably smaller than SEC registered companies. We are seriously concerned that Australian companies should not be burdened with regulation that is **not** aligned with the size and nature of the Australian business environment. We consider that onerous reporting requirements will be detrimental to growing Australian businesses, which would be forced to divert resources to meeting regulatory requirements without adding value to their business.

Option 2

We support the voluntary lodgement of financial reports in XBRL format but consider that the IFRS taxonomy, rather than SBR, should be permitted. This would encourage software providers to develop financial reporting packages for a global market, rather than a small local market.

Option 3

We are not against maintaining the status quo in the short-term, recognising that a majority of Australian businesses are not of the size and scale of multinational businesses. Although there may be some pressure to provide “machine-readable” financial information to global investors in capital markets in the future, we consider that a “wait and monitor” strategy would be preferred given the size of the Australian capital market. We consider that such additional costs of listing will further discourage businesses from seeking funding from the capital market.

Interim recommendation

An interim recommendation would be to develop lodgement of key financial data tagged using SBR/XBRL, rather than a full financial report. This could be achieved by tagging the input data prior to lodgement or by tagging the input cells in a pro-forma form designed for collection of key financial information. This would reduce implementation costs considerably, but also provide a useful tool for analysis and identification of exceptions for regulatory or other examination. We consider that this type of “stream-lined” financial reporting would be a better fit for the size and nature of the majority of Australian businesses.

Please do not hesitate to contact us if there are any matters arising from this submission which you would like to discuss further.

Yours faithfully
PITCHER PARTNERS



S D AZOOR HUGHES
Partner