Ms A Pryde
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International Accounting Standards Board
30 Cannon Street
London
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Ref: accounting issues\ED7 response

Dear Ms Pryde

ED 7 Financial Instruments: Disclosures

The Association of Investment Trust Companies (AITC) is the trade association that represents the interests of investment trust companies (ITCs). ITCs are public companies, listed on the London Stock Exchange, whose primary business is investing in the shares and securities of other companies. The AITC currently represents the interests of around 230 Members and the industry has total assets of approximately £60 billion.

We have two comments to make regarding the above and I apologise for the lateness of my response.

The first is of a general nature and concerns the fact that ED 7 not only deals with disclosures regarding an entity's exposure to risks arising from financial instruments but also emphasises disclosures relating to how those risks are managed.

It follows that for many investment trusts, and other investment entities, where exposure to, for example, geographic or industrial risk in the form of investments in equities is what their shareholders expect, the requirements of ED 7 are not always appropriate. Clearly the requirements of paragraphs 32-45 dealing with the nature and extent of risk arising from financial instruments are not, in many cases, applicable to investment trusts. It is difficult to see how, for example, the sensitivity analysis required by paragraph 43 might be provided.

What we believe is required is that ED 7, and indeed most other exposure drafts, needs to consider the circumstances of investment entities and make provisions accordingly. Indeed we would go further and suggest that investment entities require their own specific reporting standard addressing their particular needs.

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Our second comment concerns paragraph 21 (d) which is apparently requiring the separate disclosure in the income statement or equity of, inter alia, expenses arising on financial assets and financial liabilities. We do not understand why this does not conflict with the requirements of paragraph 43 of IAS 39 which requires certain transaction costs (expenses?) to be included in the initial measurement of the asset/liability if it is not classified as at fair value through profit or loss.

Perhaps we have misunderstood the position but we would very much welcome clarification on this point.

Yours sincerely

John Stevens
Finance Director