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29 September 2010

Sir David Tweedie  
Chairman  
International Accounting Standards Board  
First Floor, 30 Cannon Street  
London EC4M 6XH  
UNITED KINGDOM

*Submitted electronically through the IASB Internet site ([www.iasb.org](http://www.iasb.org))*

Dear Sir David

**Exposure Draft ED/2010/5: Presentation of Items of Other Comprehensive Income**

Thank you for the opportunity to comment on this Exposure Draft (ED). Australia and New Zealand Banking Group Limited (ANZ) is listed on the Australian Securities Exchange and remains one of a select group of banks who continue to be AA rated. Our operations are predominantly based in Australia, New Zealand and Asia and our most recent annual results reported profits of USD2.6 billion and total assets of USD418 billion.

**Summary**

We do not support the Board's proposal to mandate the presentation of the Income Statement/Statement of Profit or Loss together with the Statement of Other Comprehensive Income (OCI).

We encourage the Board to consider the needs of the broader range of financial statements users that rely on Profit and Loss as a well established and understood measure of an organisation's performance. Whilst there are a select group of sophisticated users that may appreciate the concept that the Board is trying to enforce through this proposal, we question whether this proposal will make the financial statements more understandable and useful to a broad range of users. Although the Income Statement will still be included as a component of the overall Statement of Comprehensive Income, including Profit or Loss part way through the single statement is likely to create confusion and undermine the reliance on financial statements as a performance measure.

We believe that such developments further undermine the relevance of the statutory profit and loss statement as a performance measure, increasing the use of alternative measures such as underlying profit. This is ultimately at the expense of comparability and relevance for users.

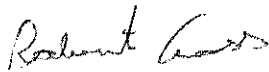
Furthermore, we do not believe that the retention of the existing presentation choice reduces comparability.

The importance of presenting these items separately is further compounded by the lack of a clear principal on which items should be recognised in the Income Statement and which items should be recognised in Other Comprehensive Income. We encourage the Board to continue with this project before embarking on changes to the primary financial statements.

Whilst we are not supportive of the proposals to combine the two statements we believe that a user's ability to evaluate both the current and future performance of an organisation will be enhanced by the proposal to differentiate 'Other Items of Comprehensive Income' between those that will be recycled into the Income Statement and those that will not be recycled.

Detailed comments on the questions raised in the ED are attached to this letter. Should you have any queries on our comments, please contact me at Rob.Goss@anz.com.

Yours sincerely



ROB GOSS  
**Head of Accounting Policy, Governance and Compliance**

Copy: Chairman, Australian Accounting Standards Board (AASB)

## Appendix

**Question 1 – The Board proposes to change the title of the statement of comprehensive income to 'Statement of profit or loss and other comprehensive income' when referred to in IFRS's and its other publications. Do you agree? Why or why not? What alternative do you propose?**

No, we do not agree with the proposal to combine these statements.

**Question 2 – The proposal would require entities to present a statement of profit or loss and other comprehensive income with two sections – profit or loss and items of other comprehensive income. The Board believes this will provide more consistency in presentation and make financial statements more comparable. Do you agree? Why or why not? What alternative do you propose?**

No.

We do not believe that the marginal increase in consistency and comparability in presentation achieved by this proposal merits such a change.

We encourage the Board to consider the needs of the broader range of financial statements users that rely on Profit and Loss as a well established and understood measure of an organisation's performance. Whilst there are a select group of sophisticated users that may appreciate the theoretical concept that the Board is trying to enforce through this proposal we question whether this proposal will make the financial statements more understandable to a broader range of users. Although the Income Statement will still be included as a component of the overall Statement of Comprehensive Income, including Profit or Loss part way through the single statement is likely to create confusion and undermine the reliance on financial statements as a performance measure.

**Question 3 – The exposure draft proposes to require entities to present items of other comprehensive income (OCI) that will be reclassified to profit or loss (recycled) in subsequent periods separately from items of OCI that will not be reclassified to profit or loss. Do you support this approach? Why or why not? What alternative do you propose, and why?**

Yes.

We believe that a user's ability to evaluate both the current and future performance of an entity will be enhanced by the proposal to differentiate Other Items of Comprehensive Income between those that will be reclassified into the income statement and those that will not be reclassified.

**Question 4 – The exposure draft also proposes to require that income tax on items presented in OCI should be allocated between items that might subsequently reclassified to profit or loss and those that will not be reclassified to profit or loss, if the items in OCI are presented before tax. Do you support this proposal? Why or why not? What alternative do you propose and why?**

Yes, for similar reasons presented to Question 3 above.

**Question 5 – In the Board’s assessment:**

**(a) The main benefits of the proposal are:**

- (i) presenting all non-owner changes in equity in the same statement.**
- (ii) improving comparability by eliminating options currently in IAS 1.**
- (iii) maintaining a clear distinction between profit or loss and items of other comprehensive income.**
- (iv) improving clarity of items presented in OCI by requiring them to be classified into items that might be reclassified subsequently to profit or loss and items that will not be reclassified subsequently to profit or loss.**

**(b) The costs of the proposal should be minimal because in applying the existing version of IAS 1, entities must have all the information required to apply the proposed amendments.**

**Do you agree with the Board’s assessment? Why or why not?**

No.

We do not believe that the benefits of the proposal will have a noticeable improvement on comparability of financial statements. Whilst there will be minimal costs to implement the proposal the true costs will be in the loss of the users understanding of an organisation’s performance as shown in the financial statements.

**Question 6 – Do you have any other comments on the proposals?**

We encourage the Board to continue with the formation of a clear principal by which users can evaluate which items will initially be included in the Income Statement and those that will be recognised in OCI, as well as the principal guiding which items will subsequently be recycled into the Income Statement. This deliberation should precede any proposed restructuring of the financial statements.

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AUSTRALIA

30 September 2010

Sir David Tweedie  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UNITED KINGDOM

Dear Sir David

**Exposure Draft ED/2010/5 Presentation of Items of Other Comprehensive Income – Proposed amendments to IAS 1**

Thank you for the opportunity to comment on Exposure Draft ED/2010/5 Presentation of Items of Other Comprehensive Income – Proposed amendments to IAS 1 (the ED). Our comments on the specific questions included in the ED are addressed in the Appendix.

National Australia Bank (NAB) is one of the four major banks in Australia. Our operations are predominantly based in Australia, New Zealand, the United Kingdom, the United States and Asia. In our most recent annual results we reported net profit after tax of A\$2.6 billion and total assets of A\$654 billion.

While we are generally supportive of the IASB's efforts to improve the ability of users to understand financial statements and improve transparency in financial reporting, we are not supportive of the proposal to present all non-owner changes in equity in a single statement of comprehensive income and to eliminate the option of presenting two statements. We do not believe that the adoption of a single statement of comprehensive income will have any significant impact on the consistency and comparability of financial statements. The current option in IAS 1 Presentation of Financial Statements to present performance in two statements already requires the statement of other comprehensive income (OCI) to be presented immediately after the income statement. Therefore, all non-owner changes in equity are already presented together with equal prominence and items of profit or loss are already distinguished from items of OCI. Although the proposed change in presentation will not incur significant compliance cost, these changes may result in undue focus on the bottom line of a single statement which requires re-education of users of financial statements. We do not believe this would be an efficient use of resources, particularly given the extent of time that will be better devoted to implementing the many new standards with significant accounting changes on the horizon (e.g., IFRS 9, proposed changes to insurance accounting, leases, consolidations etc.).

Should you have any queries regarding our comments, please do not hesitate to contact Marc Smit, Head of Group Accounting Policy at [marc.smit@nab.com.au](mailto:marc.smit@nab.com.au).

Yours sincerely



Peter Beharis

General Manager, Group Finance

## **Appendix**

### **Detailed Answers to Questions**

#### **Statement of profit or loss and other comprehensive income**

##### **Question 1**

The Board proposes to change the title of the statement of comprehensive income to "Statement of profit or loss and other comprehensive income" when referred to in IFRS and its other publications.

Paragraphs 10 and BC21 of the Basis for Conclusions explain the reasons for this. Do you agree? Why or why not? What alternative do you propose?

We do not agree with the requirement to present a single statement of profit or loss and other comprehensive income. Hence, we do not agree with the proposal to change the title of the statement.

##### **Question 2**

The proposals would require entities to present a statement of profit or loss and other comprehensive income with two sections – profit or loss and items of other comprehensive income. The Board believes this will provide more consistency in presentation and make financial statements more comparable.

Paragraphs 12, 81 and BC17-BC19 of the Basis for Conclusions explain the reasons for this. Do you agree? Why or why not?

We do not agree. IAS 1 was only recently amended so that an entity has the choice of presenting all income and expenses recognised in a period in either a single statement of comprehensive income or in two statements displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income). As users and investors have a more robust understanding of net profit, the inclusion of comprehensive income within a single statement could be confusing and detract attention from the importance of net profit as a key measure of performance. Furthermore, there does not appear to be wide spread use of any component of comprehensive income as a performance measure. Net profit is a measure that is easily understood and used with great frequency. The use of sub-totals and inclusion of other comprehensive income items after the profit or loss section may obscure a measure that is well known and understood and further confuse users of our financial statements.

#### **Presentation of items of other comprehensive income**

##### **Question 3**

The exposure draft proposes to require entities to present items of other comprehensive income (OCI) that will be reclassified to profit or loss (recycled) in subsequent periods upon derecognition separately from items of OCI that will not be reclassified to profit or loss.

Paragraphs 82A, BC25 and BC26 of the Basis for Conclusions explain the reasons for this. Do you support this proposal? Why or why not? What alternative do you propose and why?

We agree that the requirement to present items that will be reclassified to profit or loss (recycled) separately from those that will not be reclassified will improve the

understandability of OCI as the disclosure highlight when such recycling occurs. This will allow users to understand the potential future profit or loss impact.

#### **Question 4**

The exposure draft also proposes to require that income tax on items presented in OCI should be allocated between items that might be subsequently reclassified to profit or loss and those that will not be reclassified subsequently to profit or loss, if the items in OCI are presented before tax.

Paragraphs 91 and BC27–BC29 of the Basis for Conclusions explain the reasons for this. Do you support this proposal? Why or why not? What alternative do you propose and why?

We agree. To the extent that users are interested in OCI, it is important to provide the tax implications of the OCI items.

#### **Benefits and costs**

#### **Question 5**

In the Board's assessment:

(a) the main benefits of the proposals are:

- (i) presenting all non-owner changes in equity in the same statement.
- (ii) improving comparability by eliminating options in IAS 1.
- (iii) maintaining a clear distinction between profit or loss and items of other comprehensive income.
- (iv) Improving clarity of items in OCI by requiring them to be classified into items that might be reclassified subsequently to profit or loss and items that will not be reclassified subsequently to profit or loss.

(b) the costs of the proposals should be minimal because in applying the existing version of IAS 1, entities must have all the information required to apply the proposed amendments.

Paragraphs BC32-BC36 of the Basis for Conclusions explain the reasons for this. Do you agree with the Board's assessment? Why or why not?

As discussed in the body of our letter, we believe the current reporting requirements adequately meet the objective of (iv) but we do not believe the benefits of items (i), (ii) and (iii) are met.

We are not sure there are benefits from item (i). The issue of comparability is driven by other pronouncements that govern which items are reported in profit or loss or other comprehensive income. Since this ED merely requires presentation of all items in one single statement, it does not change these differences and hence comparability is not addressed in this ED. The adoption of a single statement would result in undue focus on the bottom line and de-emphasize the importance of net profit to financial statement users.

We do not foresee significant costs in complying with the ED as the information is already currently reported by companies.