



Group Finance
Level 9A, 833 Collins Street
Melbourne Vic 3008
Phone 03 8654 4415
Rob.Goss@anz.com
www.anz.com

Rob Goss
Head of Accounting Policy, Governance and Compliance

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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)

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.