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Financial Accounting Standards Board F.a.o. Robert H. Herz - Chairman P.O. Box 5116 Norwalk, Connecticut 06856-5116 USA

International Accounting Standards Board F.a.o. Sir David Tweedie - Chairman 30 Cannon Street LONDON EC4M 6XH United Kingdom

Re. Joint Project on Performance Reporting/Reporting Comprehensive income

Dear Sirs

We take this opportunity to write to you on the joint project of the FASB and the IASB to establish standards for the presentation of information in the financial statements. As we understand the aim of this project, it is to enhance the presentation and usefulness of information reported in financial statements to better assess financial performance and the financial position of companies. In the interests of convergence we support the decision of both Boards to combine their separate projects.

We are concerned with the current direction of the project and question whether the importance of net income is being obscured by concerns with certain financial reporting practices. The central issues for the project are the form and content of the performance statements and the presentation of net income and comprehensive income. There seems to be a presumption that net income should be presented only as a sub-total within a single performance statement that explains comprehensive income. However, comprehensive income is varied in nature, in that it includes only a small subset of assets or liabilities remeasured to fair value, and comprises items like foreign currency translation adjustments that are not income and do not represent a measure of performance. In our view, it is therefore not appropriate to give comprehensive income the prominence a single statement of comprehensive income could command.

Net income is a key measure of performance and an essential part of our communication with users of financial statements. It is obviously not the only important number, but from regular contacts with investors and other users of our financial statements, we know that net income is used as a key metric to understand operating performance of our company. Furthermore, net income has an important role because of its frequent use as a benchmark for incentive compensation. Net income is also used as one of the benchmarks for the distribution of profit to shareholders. Such a distribution cannot be assessed on the basis of a comprehensive income that includes all fair value changes that represent paper gains or losses that can reverse after the balance sheet date. It is not perfect and can therefore be supplemented with additional information, however it cannot be ignored.

Financial information reported to outside investors should be closely aligned with performance measures that are used internally in companies. This is not only efficient; it also allows alignment of the performance measures of management to the goals of outside stakeholders. If net income is not given prominence in our reporting of financial information, management will find it difficult to explain the performance of the company within the context of the traditional financial statements in discussions with stakeholders. We are concerned that in Australia this could ultimately render the performance statement irrelevant and cast doubt over the relevance of our adoption of international financial reporting standards.

In relation to the discussions in the International Working Group on Performance Reporting we are concerned that certain important issues are not being addressed in sufficient depth and that there appears to be a pre-occupation with solving technical accounting issues. The key focus of performance reporting must be on providing clear, understandable information on the financial results that is consistent across companies. The form and content of this communication should be resolved with input from CEOs and CFOs and the investors that provide detailed analysis of the performance of companies. The objective should be to develop principles of reporting, rather than detailed rules and formats.

We hope that our comments in this letter will assist the project in its progress.

Yours sincerely

John V Stanhops

Chief Financial Officer & Group Managing Director

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