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Ms Anne McGeachin
Project Manager
International Accounting Standards Board
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13 July 2004

Our ref

Your ref

Dear Ms. McGeachin

Proposed amendments to IAS19 – Employee Benefits

I am writing on behalf of the company to convey our comments on the proposed amendments to IAS19. Generally we are supportive of the Board's proposals, and believe that they will address the issues identified.

Our responses to your questions (save for questions 2 and 5 which are not relevant to our business) are as follows:

Question 1
IAS 19 requires actuarial gains and losses to be recognised in profit or loss, either in the period in which they occur or on a deferred basis. The Exposure Draft proposes that entities should also be allowed to recognise actuarial gains and losses as they occur, outside profit or loss, in a statement of recognized income and expense. Do you agree with the addition of this option? If not, why not?

We agree that this option should be added, and consider that the immediate recognition in full of the surplus or deficit in retirement benefit schemes results in a higher quality balance sheet. We consider that the corridor approach is conceptually flawed and agree with the Board's views expressed at paragraphs BC6 to BC8.

Question 3
The Exposure Draft proposes that, when actuarial gains and losses are recognised outside profit or loss in a statement of recognised income and expense, they should not be recognised in profit or loss in a later period (i.e. they should not be recycled). Do you agree with this proposal? If not, why not?

The Board notes at BC13 that IFRS does not set out a consistent policy on recycling. We do not consider that it is either necessary or desirable that IFRS should seek to set a consistent policy. Recycling should only be required where there is a rational basis for requiring it, which is absent in this case.

Question 4

The Exposure Draft also proposes that, when actuarial gains and losses are recognised outside profit or loss in a statement of recognised income and expense, they should be recognised immediately in retained earnings, rather than recognised in a separate component of equity and transferred to retained earnings in a later period. Do you agree with this proposal? If not, why not?

We agree with the proposal. It is unclear what purpose would be served by recognising such amounts in a separate component of equity, nor what rational basis could be used to support transfer to retained earnings in a later period. The question of whether such amounts should increase or decrease the amounts available for distribution to shareholders should be left for the relevant national or transnational authorities to decide.

Question 6

The Exposure Draft proposes additional disclosures that

(a) provide information about trends in the assets and liabilities in the defined benefit plan and the assumptions underlying the components of the defined benefit cost and

(b) bring the disclosures in IAS 19 closer to those required by the US standard SFAS 132 Employers' Disclosures about Pensions and Other Postretirement Benefits.

Do you agree with the additional disclosures? If not, why not?

We are ambivalent about the proposal to increase disclosure. We agree that this information will be of interest to some users of the accounts.

We are concerned however that the trend to ever increasing levels of disclosure does not overall improve the quality of financial reporting. Voluminous disclosure can result in the key messages of financial statements being lost in the detail. Although non-material disclosures are not required (IAS1 paragraph 31), in the current climate both preparers and auditors of financial statements understandably err on the side of caution.

Question 7

Do you believe that any other disclosures should be required, for example the following disclosures required by SFAS 132? If so, why?

(a) a narrative description of investment policies and strategies;

(b) the benefits expected to be paid in each of the next five fiscal years and in aggregate for the following five fiscal years; and

(c) an explanation of any significant change in plan liabilities or plan assets not otherwise apparent from other disclosures.

SFAS 132 also encourages disclosure of additional asset categories if that information is expected to be useful in understanding the risks associated with each asset category.

We do not consider that these disclosures should be required. The disclosure that would be required under (a) and (b) is not, in our view, relevant to gaining an understanding of the entity's commitment to the retirement plan, although could usefully be a disclosure requirement for the retirement plan's own financial statements. In situations where (c) might be applicable, we believe that the question of whether or not additional disclosure is required is one best left to the professional judgment of auditors.

Although we support the jointly expressed aim of the IASB and FASB to work towards convergence of US GAAP and IFRS, that must be a two-way process with reasonable compromises being made by both sides.

I confirm that we are content for this response to form a part of the public record. Should you require amplification of any of the views expressed in this letter, please contact me.

Yours sincerely

Andrew Tempest
Financial Controls Manager