

AstraZeneca**Question 1 - Initial recognition of actuarial gains and losses**

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 recognised income and expense.

Do you agree with the addition of this option? If not, why not?

We agree with the proposed addition of this option.

We recognise the fact that this is an intermediate step and do not believe that this amendment will prejudice the proposed project to review the income statement. However, we do believe that the area of pension accounting is in need of review and would urge the IASB to complete such a review as soon as practicable.

Although we recognise that this amendment will provide a further option for the treatment of actuarial gains and losses we believe that it will encourage more entities to recognise the full extent of their obligations in respect of their defined benefit pension funds. Furthermore, we believe that recognising such gains and losses outside the profit and loss reflects better their nature, which tends to be outside the control of management.

Question 2 - Initial recognition of the effect of the limit on the amount of a surplus that can be recognised as an asset

Paragraph 58(b) of IAS 19 limits the amount of a surplus that can be recognised as an asset to the present value of any economic benefits available to an entity in the form of refunds from the plan or reductions in future contributions to the plan (the asset ceiling). The Exposure Draft proposes that entities that choose to recognise actuarial gains and losses as they occur, outside profit or loss in a statement of recognised income and expense, should also recognise the effect of the asset ceiling outside profit or loss in the same way, ie in a statement of recognised income and expense. Do you agree with the proposal? If not, why not?

Agree.

We concur that the asset ceiling is recognised to the extent that future economic benefits accrue to the enterprise. This is a fundamental concept in accounting for assets.

We also agree that parties previously recognising actuarial gains and losses outside the income statement should also recognise the effect of the asset ceiling outside the income statement.

Question 3 - Subsequent recognition of actuarial gains and losses

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 (ie they should not be recycled).

Do you agree with this proposal? If not, why not?

We disagree in the instance of disposal of subsidiaries. As part of the disposal process a top up contribution is often made to the scheme to eliminate any deficit in the scheme (these deficits arising principally through actuarial gains and losses). We would recommend that this amount would form part of the eventual profit or loss on disposal and therefore lead to a recycling of actuarial gains and losses through the profit and loss account.

Question 4 - Recognition within retained earnings

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?

Agree

When actuarial gains and losses are recognised outside the profit and loss account we agree that they should form part of retained earnings. Recognition of the gains and losses as a separate component of equity could lead to the build up and maintenance of a reserve for which there is no trigger event to release the reserve and transfer the amount into retained earnings.

Question 5 - Treatment of defined benefit plans for a group in the separate or individual financial statements of the entities in the group

(a) The Exposure Draft proposes an extension of the provisions in IAS 19 relating to multi-employer plans for use in the separate or individual financial statements of entities within a consolidated group that meet specified criteria.

Do you agree with this proposal? If not, why not?

(b) The Exposure Draft sets out the criteria to be used to determine which entities within a consolidated group are entitled to use those provisions.

Do you agree with the criteria? If not, why not?

We agree with the intention of the proposals to extend the multi-employer exemptions to group companies. However we do not believe that the amendments achieve the objective and note also that the proposed IFRIC draft would narrow the option further.

Question 6 - Disclosures

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?

Question 7 - Further disclosures

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.

Agree

We agree with both proposals for additional disclosures. This will provide the users of financial statements more information in a specialised area. Being a group listed on the US stock exchange and therefore having to provide additional information to our US investors we feel that these proposals would bring our base GAAP in line with the additional requirements required by USGAAP