

## ALTERNATIVE 1 - FULL INCLUSION METHOD

### Main features:

- (a) Present all items of income and expense (including OCI items and remeasurements) within the section to which items relate  
 (b) No recycling

### My performance statement(s)

	CU'm
Revenue	1580
Revenue (discontinued business segment) Footnote on tax	126
Rental income from investment property	32
<b>Total operating income</b>	<b>1738</b>
Other operating expenses	-1025
Other operating expenses (discontinued segment) Footnote on tax	-107
Pension service cost	-43
Impact of change in longevity estimate on gross pension liability	-134
Remeasurement of cash settled employee stock options	-29
Total operating expenses	-1338
<b>Operating profit (showing related TAX) 400-120=</b>	<b>280 *</b>
Impairment of customer related intangible asset (showing tax)	-77
Gain on revaluation of tangible fixed asset (showing tax)	100
Fair value change for investment property (showing tax)	45
Fair value change for investment in equity securities (showing tax)	85
Fair value change for derivatives which qualify as a cash flow hedge (tax)	-67
Change in fair value of pension fund assets (showing tax)	159
Gain on disposal of business segment (showing tax)	56
<b>Net investing, net of tax*</b>	<b>210 *</b>
Interest income on financial assets	11
Interest accretion on gross pension liability	-98
Impact of discount rate change on gross pension liability	25
Interest expense on financial liabilities and leases	-117
Gain on settlement of debt obligation	50
<b>Net financing (showing related TAX) -129+39=</b>	<b>-90 *</b>
Foreign currency translation difference (showing related TAX) -192+58=	-134
<b>Total (Note 1)</b>	<b>266 *</b>

**Note1:** Difference is due to omission of gain on disposal of PP&E (difference of 14 after tax).  
 Based on the classifications of gain on revaluation of tangible fixed asset, we assume this would have been included under the investing section.

\* = Key subtotal

## ALTERNATIVE 2- REMEASUREMENTS SEGREGATED WITHIN SECTIONS

### Main features:

- (a) Each category has an associated remeasurements section to distinguish between remeasurements and non remeasurements
- (b) Discontinued operations disaggregated before business income
- (c) Segregation of OCI items subject to recycling

	CU'm
<b>OPERATING</b>	
Revenue	1580
Pensions - Service cost	-43
Other operating expenses	-1025
Recycling of cash flow hedge	92
<b>Operating income before remeasurements</b>	<b>604 *</b>
Remeasurements related to operating activities (note 1)	-6
<b>Operating income</b>	<b>598 *</b>
<b>NON-OPERATING</b>	
Rental income from investment property	32
<b>Non-operating income before remeasurements</b>	<b>32</b>
Remeasurements related to non-operating activities (note 2)	121
<b>Non-operating income</b>	<b>153</b>
Discontinued operations (note 3)	19
<b>Business income</b>	<b>770</b>
<b>FINANCING</b>	
Interest expense on financial liabilities	-73
Interest expense related to finance leases	-44
Pensions - Interest accretion on gross pension liability - expected return (note 4)	32
Interest income on financial assets	11
Settlement of debt obligation	50
<b>Financing cost before remeasurements</b>	<b>-24</b>
Remeasurements related to financing items (note 5)	5
<b>Financing cost</b>	<b>-19</b>
<b>Profit before income taxes and other G/L subject to recycling</b>	<b>751</b>
Taxation	-225
<b>Net profit before other G/L subject to recycling</b>	<b>526 *</b>
<b>OTHER GAINS AND LOSSES SUBJECT TO RECYCLING, AFTER TAX (Note 6)</b>	<b>-246</b>
<b>Total non-owner changes in equity</b>	<b>280 *</b>

* Reflects the use of a 'net interest' method.	
<b>Note 1 - Remeasurements (operating)</b>	
Impairment of goodwill	-77
Revaluation of tangible fixed asset	100
Remeasurement of cash settled employee stock options	-29
	-6
<b>Note 2 - Remeasurements (non-operating)</b>	
Investment property - Fair value change	45
Discontinued operation - Gain on disposal of business segment	56
Gain on disposal of PP&E	20
	121
<b>Note 3 - Discontinued operations</b>	
Discontinued operation - Revenue to date of disposal (after tax)	126
Discontinued operation - Operating expenses to date of disposal (after tax)	-107
	19
<b>Note 4 - Pensions (financing) * IAS 19 approach could be operating</b>	
Pensions - interest accretion on gross pension liability	-98
Pensions - Expected return on pension fund assets	130
	32
<b>Note 5 - Pensions (actuarial gains and losses) IAS 19 approach</b>	
Pensions - Change in fair value of pension fund assets	159
Less: estimated expected return on pension fund assets	-130
Pensions - Impact of discount rate change on gross pension liability	25
Pensions - Impact of change in longevity estimate on gross pension liability	-134
	-80
Investment in equity securities - Fair value change	85
Total remeasurements related to financing items	5
<b>Note 6 - Other gains and losses subject to recycling:</b>	
Cash flow hedge - FV change for derivatives qualifying as a cash flow hedge	-67
Amount recycled in the period	-92
	Total -159
Foreign currency translation difference	-192
Taxation related to items subject to recycling	105
Total other losses subject to recycling	-246

\* = Key subtotal

## ALTERNATIVE 3 - REMEASUREMENT COLUMN APPROACH

### Main features:

- (a) Layout - columns including before value-based remeasurements, value-based remeasurements, and total.
- (b) Discontinued operations included after operating before investing
- (c) Operating includes all cash flow hedge adjustments, remeasurement of fixed assets, foreign currency translation
- (d) Investing includes investment in equity FV change

My performance statement(s)	Before value-based remeasurements	Value-based remeasurements**	Total	Note
	CU'm	CU'm	CU'm	
<b>Operating</b>				
Revenue - continuing operations	1580		1580	
Operating expenses - continuing operations	-1025		-1025	
Cash flow hedge of future operating expenses - fair value movement		-67	-67	
Cash flow hedge of future operating expenses - realisation	92	-92	0	
Foreign currency translation difference		-192	-192	(1)
Gain on disposal of PPE	20		20	
Remeasurement of cash settled employee options		-29	-29	
Revaluation of tangible fixed asset		100	100	
Impairment of goodwill		-77	-77	
Pensions - service cost	-43		-43	
<b>Result from continuing operations before tax</b>	<b>624</b>	<b>-357</b>	<b>267</b>	
Tax on result from continuing operations	-187	107	-80	
<b>Result from continuing operations after tax</b>	<b>437</b>	<b>-250</b>	<b>187</b>	*
Revenue - discontinued operations			126	
Operating expenses - discontinued operations			-107	
Gain on disposal of business segment			56	
<b>Result of discontinued operations before tax</b>			<b>75</b>	
Tax on result from operations			-23	
<b>Result from discontinued operations after tax</b>			<b>53</b>	*
<b>Investing</b>				
Rental income from investment property	32		32	
Investment property fair value change		45	45	
Investment in equity - fair value change		85	85	
<b>Result from investing before tax</b>	<b>32</b>	<b>130</b>	<b>162</b>	
Tax on result from investing	-10	-39	-49	
<b>Result from investing after tax</b>	<b>22</b>	<b>91</b>	<b>113</b>	*
<b>Financing</b>				
Interest income on financial assets	11		11	
Interest expense on financial liabilities	-73		-73	
Interest expense related to finance leases	-44		-44	
Settlement of debt obligation	50		50	
Pensions - change in fair value of plan asset		159	159	
Pensions - impact of change to longevity estimate		-134	-134	
Pensions - impact of discount rate change		25	25	
Pensions - interest accretion	-98		-98	
<b>Result from financing before tax</b>	<b>-154</b>	<b>50</b>	<b>-104</b>	
Tax on result from financing	46	-15	31	
<b>Result from financing after tax</b>	<b>-108</b>	<b>35</b>	<b>-73</b>	*
<b>Net result</b>	<b>351</b>	<b>-124</b>	<b>280</b>	*

### Notes:

(1) Foreign currency translation difference here are all included within operations. However, it would be preferable to break those down into operating, investing and financing according to the assets, liabilities and transactions that gave rise to the d

\* = Key subtotal

\*\*There were variations to this alternative, as follows:

- (a) presenting all OCI items + all remeasurements in a separate section, and
- (b) segregating certain remeasurements + certain OCI items in a separate section.

## ALTERNATIVE 4- GAINS AND LOSSES SUBJECT TO RECYCLING

### Main features:

- (a) Segregation of non-operating remeasurements and gains and losses subject to recycling  
 (b) Other remeasurements are separate components in each section

<b>Business activities - Operating</b>	CU'm
Revenue	1580
Pensions - Service cost	-43
Other operating expenses	-1025
Recycling of cash flow hedge	92
<b>Operating profit before remeasurements of operating assets</b>	<b>604 *</b>
Gain on disposal of PP&E	20
Remeasurement of cash settled employee stock options	-29
Impairment of goodwill	-77
<b>Operating result</b>	<b>518 *</b>
<b>Business activities - Non-operating</b>	
Rental income from investment property	32
Investment property - Fair value change	45
	77
<b>Financing</b>	
Interest expense on financial liabilities	-73
Settlement of debt obligation	50
Interest expense related to finance leases	-44
Interest accretion on net pension deficit (98-88)*	-10
Interest income on financial assets	11
<b>Financing result</b>	<b>-66</b>
Profit before tax and non-operating remeasurements	529
Taxation	-159
<b>Profit after tax and before disc. ops. and non-operating remeasurements</b>	<b>370 *</b>
<b>Discontinued operations</b>	<b>53</b>
<b>Profit before certain non-operating remeasurements</b>	<b>423 *</b>
<b>Non-operating remeasurements</b>	
Pensions (1)	-38
Investment in equity securities - Fair value change	85
Revaluation of tangible fixed asset	100
Total remeasurements	147
Taxation	-44
Non-operating remeasurements net of tax	103
<b>Profit for the year</b>	<b>526 *</b>
<b>Gains and losses subject to recycling (may be a separate statement)</b>	
Cash flow hedge - FV change for derivatives qualifying as a cash flow hedge	-67
Amount recycled in the period	-92
	-159
Foreign currency translation difference	-192
Amount recycled in the period	0
	-192
Total	-351
Taxation related to items subject to recycling	105
Total gains and losses subject to recycling net of tax	-246
<b>Total non-owner changes in equity</b>	<b>280</b>

\* Reflects the use of a 'net interest' method

### (1) Pensions remeasurement

Pensions - Change in fair value of pension fund assets	159
Less: Int. accretion on gross pension fund assets	-88
Pensions - Impact of discount rate change on gross pension liability	25
Pensions - Impact of change in longevity estimate on gross pension liability	-134
	-38

### (2) Discontinued operations

Discontinued operation - Revenue to date of disposal	126
Discontinued operation - Operating expenses to date of disposal	-107
Discontinued operation - Gain on disposal of business segment	56
	75
Taxation	-23
Discontinued operations net of tax	53

\* = Key performance measure

## ALTERNATIVE 5 - DISCUSSION PAPER

### Main features:

- (a) Distinction between operating, investing and financing.
- (b) Separate sections for OCI and discontinued operations
- (c) No segregation of remeasurements

	CU'm
<b>OPERATING</b>	
Revenue	1580
Pensions - Service cost	-43
Pensions - Interest accretion on gross pension liability*	-98
Pensions - Expected return on pension fund assets*	130
Other operating expenses	-1025
Impairment of goodwill	-77
Remeasurement of cash settled employee stock options	-29
Gain on disposal of PP&E	20
Recycling of cash flow hedge	92
<b>Operating income</b>	<b>550 *</b>
<b>INVESTING</b>	
Rental income from investment property	32
Investment property - Fair value change	45
<b>Investing income</b>	<b>77 *</b>
<b>Business income</b>	<b>627 *</b>
<b>FINANCING</b>	
Interest income on financial assets	11
<b>Financing asset income</b>	<b>11</b>
Settlement of debt obligation	50
Interest expense on financial liabilities	-73
Interest expense related to finance leases	-44
<b>Financing liability expense</b>	<b>-67</b>
<b>Net financing cost</b>	<b>-56</b>
<b>Profit from continuing operations before income taxes and OCI</b>	<b>571</b>
Taxation	-171
<b>Net profit from continuing operations</b>	<b>400 *</b>
<b>DISCONTINUED OPERATIONS</b>	
Profit from discontinued operations after tax	52
<b>NET PROFIT</b>	<b>452 *</b>
<b>OTHER COMPREHENSIVE INCOME (after tax)</b>	
Investment in equity securities - Fair value change	85
Cash flow hedge - FV change for derivatives qualifying as a cash flow hedge	-67
Amount recycled in the period	-92
	-159
Foreign currency translation difference	-192
Revaluation of tangible fixed asset	100
Actuarial gains and losses (Note 2)	-80
Total other comprehensive income	-246
Taxation related to OCI items	74
<b>Total other comprehensive income</b>	<b>-172</b>
<b>Total comprehensive income</b>	<b>280 *</b>

\* Under current IAS 19 these can be classified either in operating or financing. However, under the DP proposals the financing section cannot have non-financial items.

### Note 1 - Discontinued operations

Discontinued operation - Revenue to date of disposal (after tax)	126
Discontinued operation - Operating expenses to date of disposal (after tax)	-107
Discontinued operation - Gain on disposal of business segment (after tax)	56
<b>Profit from discontinued operations before tax</b>	<b>75</b>
Taxation	-23
<b>Profit from discontinued operations after tax</b>	<b>52</b>

### Note 2 - IAS 19 approach

Pensions - Change in fair value of pension fund assets	159
Less: estimated expected return on pension fund assets	-130
Pensions - Impact of change in longevity estimate on gross pension liability	-134
Pensions - Impact of discount rate change on gross pension liability	25
<b>Total</b>	<b>-80</b>

\* = Key subtotal

ALTERNATIVE 6 - STRICTLY-DEFINED BUSINESS ACTIVITIES WITH BASIC OWNERSHIP APPROACH

A	B	C	D	E	F	G	H	I	J	K
			Changes in Assets and Liabilities, Excluding Transactions with Owners							
			Not from Remeasurements	From Remeasurements						
EOY 2008 Balance Sheet	Balance Sheet Changes from M&A and Divestitures		Cash Flows	Accruals, Allocations, and Other	Recurring Valuation Adjustments	Foreign Currency Translation Adjustments	Comprehensive Income (F+G+H)		EOY 2009 Balance Sheet	
Caption in Balance Sheet			Caption in Statement of Cash Flows				Caption in Statement of Comprehensive Income			
<b>BUSINESS: Any company activities of the company other than those related to third-party providers of financing that are not directly linked to operations.</b>										
<b>OPERATING (CORE) ASSETS AND LIABILITIES: Any activity associated with the company's primary operating activities. This includes transactions with customers, employees, vendors, lessors, and other related parties and strategic investments.</b>										
<b>Operating Assets (before pensions):</b>										
Accounts receivable	X	X	Cash received from sales	X	X	X	1,580	Revenue	X	
Inventory	X	X		X	X	X	-	COGS - Change in inventory	X	
	X	X	Cash paid for labor	X	X	X	-	COGS - Labor		
	X	X	Cash paid for inventory purchases	X	X	X	-	COGS - Materials		
Foreign exchange contracts—cash flow hedge	X	X	Cash flow hedge settlements	X	X	X	(67)	Cash flow hedge - FV change for derivatives qualifying as a cash flow hedge	X	
Goodwill	X	X		X	X	X	(77)	Impairment of goodwill	X	
Tangible fixed assets	X	X		X	X	X	100	Revaluation of tangible fixed asset	X	
Lease asset	X	X		X	X	X	-	FV change of leased assets	X	
PP&E	X	X	Cash paid for capital expenditures	X	X	X			X	
	X	X	Cash received from sale of building	X	X	X	20	Gain on disposal of PP&E	X	
Less Accumulated Depreciation	X	X		X	X	X	-	Depreciation expense	X	
Immaterial operating assets	X	X		X	X	X			X	
<b>Operating Assets (before pensions):</b>	<b>XXX</b>	<b>XXX</b>							<b>XXX</b>	
<b>Operating Liabilities (before pensions):</b>										
Accounts payable	X	X	Cash paid for inventory purchases	X	X	X	-	COGS - Materials		
Lease liability	X	X	Lease payments	X	X	X	(44)	Interest expense related to finance leases	X	
Stock option liability	X	X		X	X	X		FV of stock options at grant date during the period	X	
	X	X	Stock option settlements	X	X	X	(29)	Remeasurement of cash settled employee stock options		
Loss contingency	X	X	Legal settlements and defenses	X	X	X		Litigation expense	X	
Immaterial operating liabilities	X	X		X	X	X	(1,025)	Other operating expenses	X	
<b>Operating Liabilities (before pensions):</b>	<b>XXX</b>	<b>XXX</b>							<b>XXX</b>	
			Cash paid for research and development	X			-	Research and development expense		
			Cash paid for compensation	X			-	Compensation expense		
			<b>Net Cash Provided by Operating Activities Before Pensions</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>458</b>	<b>Comprehensive Operating Income Before Pensions</b>		
<b>Pensions:</b>										
Pension plan assets	X	X	Pension contributions/retiree payments	X	X	X	159	Pension expense:		
Pension plan obligations	X	X		X	X	X	(43)	Pension - Plan Assets - Change in fair value of pension fund assets	X	
	X	X	Pension retiree payments	X	X	X	(207)	PBO Changes - Service cost	X	
Pension plan funded status	X	X		X	X	X	(91)	PBO Changes (excluding service cost)	X	
								<b>Net pension expense</b>	<b>X</b>	
<b>Net Operating Assets</b>	<b>XXX</b>	<b>XXX</b>	<b>Net Cash Provided by Operating Activities After Pensions</b>	<b>XXX</b>	<b>XXX</b>	<b>(192)</b>	<b>175</b>	<b>Comprehensive Operating Income After Pensions</b>	<b>XXX</b>	
<b>INVESTING (NON-CORE) ASSETS AND LIABILITIES: Business activities completely unrelated to the core operating units of the company. The only goal of these activities should be to earn an absolute return.</b>										
<b>Investing Assets</b>										
Non-strategic equity investments	X	X			X	X	85	Investment in equity securities - Fair value change	X	
	X	X	Sale of non-strategic equity investments	X				Investment in equity securities - Realized gain on sale		
Investment Property	X	X	Rental income	X	X	X	32	Rental income from investment property	X	
	X	X	Dividends received from non-strategic investments	X	X	X	45	Investment property - Fair value change		
	X	X		X	X	X		Dividend income		
<b>Total Investing Assets</b>	<b>XXX</b>	<b>XXX</b>	<b>Net Cash Provided/(Used) in Investing Activities</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>162</b>	<b>Net Investing Income</b>	<b>XXX</b>	
<b>Net Operating and Investing Assets</b>	<b>XXX</b>	<b>XXX</b>	<b>Net Cash Used in Business Activities</b>	<b>XXX</b>	<b>XXX</b>	<b>(192)</b>	<b>337</b>	<b>Comprehensive Business Income</b>	<b>XXX</b>	
<b>DISCONTINUED OPERATIONS (Only section of the statement where a separate tax allocation would be both useful and meaningful)</b>										
<b>Assets classified as held-for-sale</b>										
Accounts receivable	X		Cash flow from discontinued operations	X	X		126	Discontinued operation - Revenue to date of disposal	X	
PP&E	X			X	X		56	Discontinued operation - Gain on disposal of business segment	X	
Assets classified as held-for-sale	XXX								XXX	
Liabilities classified as held-for-sale	X								X	
	X						(107)	Discontinued operation - Operating expenses to date of disposal		
Income taxes payable	X	X	Cash paid on income tax payable	X	X		X	Current tax expense	X	
<b>Net Assets Held-for-Sale</b>	<b>XXX</b>	<b>XXX</b>	<b>Cash flow from discontinued operations</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>75</b>	<b>Loss from discontinued operations</b>	<b>XXX</b>	
<b>FINANCING ASSETS AND LIABILITIES: Financing should be restricted to third-party providers of financing that have no other relationships with the company. This excludes transactions with customers, employees, vendors, lessors, and other related parties.</b>										
<b>Financing Assets:</b>										
Cash	X	X	Change in cash	X	X				X	
Other Financing Assets:				X	X		11	Interest income on financial assets		
<b>Total Financing Assets</b>	<b>XXX</b>	<b>XXX</b>							<b>XXX</b>	
<b>Financing Liabilities:</b>										
Debt	X	X	Debt settlement	X	X	X	50	[Gain from] Settlement of debt obligation	X	
	X	X	Cash paid for interest	X	X	X	(73)	Interest expense on financial liabilities		
	X	X	Proceeds from issuance of bonds	X						
Dividends payable	X	X	Dividends paid	X					X	
<b>Total Financing (Liabilities)</b>	<b>XXX</b>	<b>XXX</b>							<b>XXX</b>	
<b>Net Financing Assets (Liabilities)</b>	<b>XXX</b>	<b>XXX</b>	<b>Net Cash Provided by Financing Activities</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>(12)</b>	<b>Comprehensive Financing Expense</b>	<b>XXX</b>	
<b>INCOME TAXES: Income taxes cannot be meaningfully disaggregated into operating, investing, financing, and discontinued operations. To assign amounts across categories would seem arbitrary.</b>										
Income taxes payable	X	X	Cash paid on income tax payable	X	X		X	Current tax expense	X	
Deferred tax liability	X	X		X	X		X	Deferred tax expense	X	
Deferred tax liability	X	X		X	X		X	Change in valuation allowance	X	

Notes  
A  
B  
C  
D  
E  
F  
G  
H  
I  
J  
K

<b>Net Tax (Liabilities)</b>	<b>XXX</b>	<b>XXX</b>	<b>Net Cash Used in Income Tax Activities</b>	<b>(120)</b>	<b>(120)</b>	<b>Comprehensive Income Tax Expense</b>	<b>XXX</b>
<b>Total Net Assets</b>	<b>XXX</b>	<b>XXX</b>	<b>Net Cash Flows</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>280</b>
<b>EQUITY: Basic ownership approach. Only the most junior tranche of the capital structure is considered equity (in most cases this will be common shares). Everything else is a liability.</b>							
Common stock and APIC	X	X					X
Treasury stock	X	X					X
Retained earnings	X	X				X	X
<b>Total (Equity)</b>	<b>XXX</b>	<b>XXX</b>	<b>Net Cash Provided/(Used) in Equity Activities</b>				<b>XXX</b>

Note: The Balance-Sheet-to-Balance-Sheet Reconciliation provided here is meant as a broad overview and it does not achieve the level of detail I would expect in actual filings. For example, nature and function categorizations are desired, but this example is only at the nature level.

**A.** Some points of emphasis related to the column headings:

1. Balance-sheet-to-balance-sheet reconciliation (BTBR) is most decision-useful format.
2. Changes in assets and liabilities from mergers, acquisitions, and divestitures (COLUMN C) should be disclosed in a separate column.
3. A detailed footnote for M&A and divestitures is necessary to disaggregate inflows and outflows and also to identify the impact of these entities on cash flow and comprehensive income.
4. Fair value changes related to foreign currency translation need to be broken out separately (COLUMN H).

**B.** I advocate very strict, principles-based definitions for operating, investing and financing activities. Everything is considered operating activities unless it qualifies for narrow definitions of investing or financing activities. See my specific definitions for categories in captions at the beginning of each category of the BTBR. In my view, the discussion paper definitions offer too much flexibility and could create abuse opportunities.

**C.** Cash flow hedges should be grouped with the rows of items that they are associated with and be separately broken out as a separate line item on the face of the statement.

**D.** All leases should be listed in the operating section since they will be related to assets that are necessary to run a company's operations. Unlike traditional debt which is easily refinanced without material impacts on operations, lease obligations are contractual and related to specific operating assets. Where counterparties to traditional debt can be easily switched out through refinancing the debt, lessors own specific operating assets used by the company. To change counterparties to a lease involves switching operating assets which can disrupt operations.

**E.** This "other operating expenses" quantity is too large. When drafting a final standard, boards should make efforts to ensure the "other operating expenses" line item is very small number relative to other expense items. "Other operating expenses" should be a description reserved exclusively for expenses related to immaterial operating assets and liabilities. A footnote detailing the contents of immaterial operating assets and liabilities should be required to ensure the category is not used as a dumping ground for inconvenient information.

**F.** I strongly disagree with board's decision to disaggregate pensions between operating, investing, and financing. Disaggregated approach across categories obscures decision-useful information. To me, a pension or OPEB plans are business segments though that is not traditionally how managements want investors to view them. Specifically, I characterize a pension plan as an insurance subsidiary writing annuity contracts. To a financial institution, the operating, investing, and financing categorizations are not relevant because everything is operating when you are in the business of earning a spread. Companies with pensions are attempting to earn a spread on their assets that can potentially reduce future contributions. I am not concerned about retiree and active employee split because to me the primary issue is asset liability management. Traditional insurers invest largely in fixed income, but most pension plans have equities as their largest allocation. Therefore, they are actively taking risks that traditional insurers would avoid. As more plans move to liability-driven investing, disaggregation among the various categories will lead to misleading displays of decision-useful information.

I have split pension obligations into service cost/plan amendments and all other changes in obligations. I have broken out service cost/plan amendments from all other fair value changes in obligations, because some analysts care to apply multiples to the service cost component but not the other components.

<b>Pension Plan Assets:</b>	
<b>159</b>	<b>Pensions - Change in fair value of pension fund assets</b>
<b>Pension Projected Benefit Obligation (PBO):</b>	
<b>(43)</b>	<b>Pensions - Service cost</b>
(134)	Pensions - Impact of change in longevity estimate on gross pension liability
25	Pensions - Impact of discount rate change on gross pension liability
(98)	Pensions - Interest accretion on gross pension liability
<b>(207)</b>	<b>PBO Changes (exclude service cost)</b>
<b>(250)</b>	<b>Total PBO Changes</b>

**G.** Taxation across operating, investing, and financing categories is interdependent on decisions in other categories. Because of this interdependence, category allocations would not provide decision useful information. The only area where there is value to splitting out tax allocation is discontinued operations.

**H.** For simplicity, I have assumed all foreign currency translation impacts relate to business activities. To the extent there are foreign currency impacts on discontinued operations, financing, or tax items, allocations should also be assigned to those items.

**I.** Cash-settled or share-settled nature of stock options is irrelevant - they are operating liabilities either way under this approach. With cash-settled options, the company could calculate the cash liability and issue shares in the open market to meet that liability and give the cash proceeds from market participants to employees. Dilution is possible regardless of whether it is cash or share settled.