

ADMISSION BOARD COMMUNIQUÉ NO. 7/2008 OF 30 MAY 2008

Valuation and recognition of post-employment benefits in the interim financial statements as per IAS 19

I. BACKGROUND

IAS 19p93A ff. provides for the possibility to recognise actuarial gains and losses outside profit or loss directly in a "statement of recognised income and expense" or "statement of comprehensive income". IAS 34p13 stipulates that an entity must apply the same format in the interim financial statements as it did in its most recently published IFRS annual financial statements.

Upon examination of issuers' semi-annual financial statements, the SWX Swiss Exchange has determined that, in connection with the aforementioned recognition of actuarial gains and losses, the actuarial valuations of defined benefit obligations as well as the valuation of plan assets are mostly made only at year's end. Thus in contrast to the requirements of IFRS, the recognition and presentation of actuarial gains and losses in equity was waived in those issuer's interim financial statements.

II. REQUIREMENTS OF THE STANDARD

Under IAS 34p28 ff., an entity must principally apply in its interim financial statements the same accounting policies as it did in its annual financial statements. To this purpose, the measurements for interim financial statements are to be made on a year-to-date basis. In this regard, IAS 34 Appendix C4 refers to IAS 19 and the necessity to determine such present and market values as at **each balance sheet date**. Furthermore, this Appendix states that, for the purposes of interim financial reporting, a reliable measurement can be often obtained by extrapolation of the latest actuarial valuation (i.e. updating the actuarial estimates and pension cost).

III. ASSESSMENT

When changes in market conditions or post-employment benefit plans occur, it is therefore necessary to recognise also in the interim financial statements any material experience adjustments or, as it were, the effects of changes in actuarial assumptions. Hence the results of the extrapolation for the interim financial statements or of any actuarial valuation must, if material, be recognised in equity.

In this connection, the SWX will be reviewing issuers' 2008 semi-annual financial statements with regard to the recognition and presentation of post-employment benefits and, if necessary, enforce the relevant rules.

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