



PRESS RELEASE

Many UK companies blind to impact of international accounting standards warns pensions expert

Stock market values of many companies which have large pension fund deficits, could be seriously affected by the appearance of shortfalls on balance sheets - for the first time this year.

This is just one of a number of major 'axis shifts' in the way balance sheets are being read by analysts and investors, due to the changeover from the old SSAP24 accounting system, to the new and fundamentally different FRS 17 rules - governing the way companies measure and disclose defined benefit pension costs.

The changes are just starting to 'bite' now, but their impact may have been missed by many companies, warns Ian Sykes, a director in KPMG's pension practice.

Mr Sykes welcomes the changes as he prepares to address a meeting of the Society of Pension Consultants on May 18th to explain how the new system works.

He said: "The old, hopelessly vague, SSAP24 has been replaced by a very prescriptive FRS 17. Pension deficits will now have to be assessed objectively and put onto the employer's balance sheet - where they should have been all along."

UK companies with stock market listings will actually be adopting international accounting standards this year says Mr. Sykes, who warns that some companies in the pensions industry may fall into the trap of thinking the forthcoming international IAS 19 pension standard will be the same as FRS 17, but this is not the case.

He explained: "Many companies advisers think that FRS 17 and IAS 19 are identical, but there are significant differences which need to be highlighted. The international pension standard IAS 19 is 'unfinished business'. It has a number of options and grey areas in it that people need to understand. We're already seeing signs of some confusion as we work on the latest round of this

year's accounts, and I hope to be able to help clear up misunderstandings at the SPC meeting."

John Mortimer, SPC Secretary added: "For some companies, FRS 17 will be history even before it is mandatory because they will be disclosing on the basis of IAS 19 , which itself contains some important departures from FRS 17. All of which helps to stress the importance of Ian's talk to the industry on May 18th."

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For further details

John Mortimer

020 7353 1688

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NOTES FOR EDITORS

SPC is the representative body for the providers of the advice and services needed to establish and operate occupational and personal pension schemes and related benefits. Its Members include accounting firms, solicitors, life offices, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. SPC is the only body to focus on the whole range of pension related functions across the whole range of non-State provision, through such a wide spread of providers of the advice and services.

The vast majority of the 500 largest pension funds use the services of one or more of its Members. Many thousands of smaller funds and individuals also do so. SPC's growing membership collectively employs some 14,000 staff providing pension related advice and services.