AstraZeneca PLC
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8th October 2004

CL 43

Dear Sirs

Exposure draft "Cash Flow Hedge Accounting of Forecast Intragroup Transactions"

We are writing in response to the proposed amendments to IAS 39 "Financial Instruments: Recognition and Measurement" set out in the recent exposure draft "Cash Flow Hedge Accounting of Forecast Intragroup Transactions".

The background to the current exposure draft was the decision, on improving IAS 39, to remove IGC 137-14, a change that, regrettably, did not feature in the exposure draft of improvements to IAS 39 and that, as such, was not subject to adequate due process. The current exposure draft seeks to deal with the resulting gap in guidance and consequential difficulties this presents entities in accounting from 1 January 2005.

Whilst we are pleased that the Board has attempted to deal with this issue, we do not agree with the current proposals, for two reasons:

- Firstly, the solution does not address the issue that users are concerned with, in that, whilst the exposures faced are entirely independent of the group's presentation currency, the solution links them. As a result, two identical groups can present different results depending on the presentation currency adopted.
- Secondly, under the law of unintended consequences, the amendment allows substantially unrestricted hedging of group cash flows, in effect allowing hedging of net investments in subsidiaries.

In addition, the proposals do not address the concerns raised in paragraph 3 of the background. Notwithstanding any redrafting to address our comments above, the effective date of the proposed amendment is 1 January 2006 (and any standard that could be adopted early is unlikely to available until well into 2005), resulting in accounting guidance that will necessitate a temporary, unrealistic change for an area of business activity that entities are currently engaged in.

We understand the theoretical concerns of the Board that led to the removal of IGC 137-14. However, we believe that the pragmatic response would be to reinstate the original IGC 137-14 guidance (with a consequential amendment in the wording of paragraph 80), noting the resulting exception to the IAS 39 principle of only allowing hedge accounting for transactions involving a 3rd party external to the entity. The fact that the Board has already allowed an exception to this principle in retaining the guidance originally set out in IGC 137-13 sets a precedent here.

These responses represent the views of AstraZeneca PLC. Should you have any queries or wish to discuss these responses further, please do not hesitate to contact Bill Hicks (+44 1625 517294) or Andy Chard (+44 1625 517279).

Yours faithfully

Bill Hicks
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