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Simon Peerless
Accounting Standards Board
5th Floor, Aldwych House
71-91 Aldwych
London
WC2B 4HN

22 March 2008

Dear Sir

**Amendment to FRS 20 (IFRS 2), 'Share-based payment' – Group cash-settled share-based payment transactions**

We are responding to the invitation to comment on the proposed Amendment to FRS 20 (IFRS 2), 'Share-based payment' – Group cash-settled share-based payment transactions. We are pleased to enclose as appendix A PricewaterhouseCoopers' global response to the IASB in respect to the equivalent exposure draft issued by the IASB on IFRS 2, 'Share-based payment'.

In response to the additional questions raised in the Invitation to comment to the ASB amendment to FRS 20, we have the following comments:

**ASB Q1: Are you aware of any issues that would affect UK entities in implementing the proposals set out in this exposure draft?**

No, we are not aware of any issues that would affect UK entities in implementing the proposals set out in the exposure draft.

**ASB Q2: Do you agree that the benefits of the proposals in the exposure draft would outweigh any additional costs involved? If not, why not?**

We agree that the benefits of the proposals would outweigh any additional costs involved and that adopting the exposure draft would be consistent with the ASB's aim of convergance.

Should you have any questions concerning this letter, please contact Iain Selfridge (0207 213 8131).

Yours faithfully

PricewaterhouseCoopers LLP

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**Appendix A – Global response letter to IASB**

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

17 March 2008

Dear Sir

**Exposure draft: Amendments to IFRS 2 Share-based payment and IFRIC 11 IFRS 2 - Group and treasury share transactions - Group cash-settled share-based payment transactions**

We are responding to your invitation to comment on the above Exposure Draft on behalf of PricewaterhouseCoopers.

Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of member firms who commented on this Exposure Draft. 'PricewaterhouseCoopers' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We welcome the opportunity to comment on the proposals, which address one of several implementation issues that have arisen from IFRS 2. We support the proposed accounting for awards that are in the scope of IFRS 2 in the consolidated financial statements, but do not meet the definition of either equity or cash settled arrangements in an entity's separate financial statements. However, we believe that the principles on which the proposals are based should be set out more clearly so they can be applied in circumstances not explicitly considered in IFRS 2 and IFRIC 11.

**Clear statement of underlying principles**

We believe that the principles that underpin IFRIC 11 and the proposals are that:

- The classification and measurement of the share based payment expense in the separate financial statements depends on the party that granted the awards.

- An award granted by an entity that receives the goods or services is classified as cash settled when the entity has an obligation to deliver cash or other assets (including equity instruments of another entity within the Group which is not a subsidiary of the receiving entity) and equity settled when no such obligation exists.

- The charge in the separate financial statements of an entity (or entities) receiving the goods or services in exchange for an award granted by a shareholder or another group entity should be the same (in aggregate) as the charge in the consolidated financial statements. When the entity receiving goods or services has no obligation to deliver cash or other assets to the counterparty, the credit is recognised in equity irrespective of how the expense is calculated.

These principles should be stated clearly in IFRS 2 and IFRIC 11.

**Transactions by shareholders or a parent**

The proposals refer to awards made by a parent, rather than a shareholder. IFRS 2.3 is clear that the scope of IFRS 2 includes transactions in which a shareholder grants an equity settled share based payment in exchange for goods or services (including unidentifiable goods or services as considered in IFRIC 8) received by an entity. The proposed amendments extend the scope of

IFRS 2 to cash settled arrangements granted by a parent or another entity in the same group. We believe that the proposals should be amended to require that they are also applied to grants made by any shareholder.

**Definitions**

The revised text of IFRS 2 describing the scope of equity and cash settled share based payments is much broader than the definition in Appendix A to the standard. We believe that this conflict should be removed and Appendix A revised so that the definitions are consistent with the text. As a minimum this should extend the definitions so that they refer to “equity instruments of the entity’s parent, or equity instruments of another entity in the same group as the entity” as well as “the entity’s shares or other equity instruments of the entity”. This would clarify, for example, that a cash settled award granted by a subsidiary based on the fair value of parent company shares is in the scope of IFRS 2 and IFRIC 11

**Transition provisions**

We agree with the proposed transition provisions.

If you have any questions on the content of this letter, please do not hesitate to contact Richard Keys, PwC Global Chief Accountant (+44 20 7802 4555), or Tony de Bell (+44 20 7213 5336).

Yours faithfully
PricewaterhouseCoopers LLP