International Accounting Standards Board®

Press Release

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IFRIC publishes proposed guidance on changes in contributions to employee share purchase plans

The International Financial Reporting Interpretations Committee (IFRIC)* today released for public comment a draft Interpretation D11 *Changes in Contributions to Employee Share Purchase Plans*.

D11 clarifies how an entity should apply IFRS 2 *Share-based Payment* if an employee ceases to contribute to an employee share purchase plan (ESPP) and, as a consequence, is no longer able to buy shares in the plan. The IFRIC concluded that the entity should account for this event as a cancellation. Therefore, in accordance with paragraph 28(a) of IFRS 2, the entity should recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

D11 also clarifies how an entity should apply IFRS 2 if an employee changes from one ESPP to another. The IFRIC concluded that the entity should account for this event in accordance with paragraph 28(c) of IFRS 2. For example, if the entity identifies the equity instruments granted to the employee under the new ESPP as replacements for the equity instruments granted to that employee under the original ESPP, the entity should account for this event as a modification of the original grant of equity instruments.

The proposals are open for public comment until 1 March 2005.

Introducing D11, Kevin Stevenson, the Chairman of the IFRIC, commented:

> D11 provides guidance on a matter that has been the source of some confusion in the United Kingdom and may also arise elsewhere. D11 clarifies that, if an employee

* The IFRIC is the interpretative arm of the International Accounting Standards Board (IASB).

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ceases to contribute to an ESPP and, as a consequence, is no longer to buy shares in the plan, the employer should account for this event as a cancellation under IFRS 2. D11 also addresses the related question of accounting where an employee has changed from one ESPP to another.

Subscribers to the IASB's Comprehensive Subscription Service can view the draft Interpretation from the secure online services area of the IASB's Website (www.iasb.org). Those wishing to subscribe should contact:

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From 17 December 2004 the complete text of the draft Interpretation will be freely available from the Website.

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NOTES TO EDITORS

About the IFRIC

The IFRIC first met in February 2002. It comprises 12 voting members (all part-time) drawn from a variety of countries and professional backgrounds, and it meets about nine times a year under a non-voting chairman. The IFRIC's principal role is to consider, on a timely basis within the context of International Financial Reporting Standards and the IASB *Framework*, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching consensus on the appropriate accounting treatment. In developing Interpretations, the IFRIC works closely with similar national interpretation committees.

About the IASB

The IASB, based in London, began operations in 2001. It is funded by contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The 14 IASB members (12 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB co-operates with national accounting standard-setters to achieve convergence in accounting standards around the world.

A Deloitte & Touche study indicates that 92 countries will either require or permit the use of IFRSs for publicly traded companies beginning in 2005. The 92 countries include Australia, the member states of the European Union, and Russia. At present, some 35 countries require the use of international standards for all domestic listed companies, six other countries require the use of international standards for some companies, and many countries base their national practices on international standards. In September 2002 the IASB and the US standard-setter, the Financial Accounting Standards Board, reached an agreement to work towards the convergence of existing US and international practices and the joint development of future standards. Recently, the IASB and the Accounting Standards Board of Japan agreed to initiate discussions to eliminate differences between IFRSs and Japanese standards.

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