

Kimberley Crook  
Project Manager  
International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH

7 March 2003

Dear Ms Crook

**ED 2 – Share-based Payment**

We have considered the proposals set out in ED2 'Share-based Payment'.

Xansa has worked closely with ProShare in the drafting of its detailed response and we support the comments made in their letter. We have not repeated them here.

Xansa has a long-standing reputation for strongly encouraging employee share ownership, with 28% of the ordinary share capital being owned either by employees directly or by trusts which are for the benefit of employees. A significant proportion of these shares were provided by the founder, who was a strong believer in employee ownership, for the benefit of the whole employee base.

The shares in the trusts are awarded to employees in the form of either options under a 'save as you earn' contract or as 'matching shares' (under which employees purchase shares out of their salary, which are then 'matched' in a pre-determined ratio by the trusts). In both cases it is the employee who chooses how much (if any) of their own income to invest, not the company.

It is our view that these awards are not part of the employee's remuneration. The aim of such all-employee schemes is instead, to increase the motivation, commitment and involvement of employees in the company. We request that awards of shares or options made under all-employee schemes, where the extent of participation is determined by the employee, should be outside the scope of the Financial Reporting Standard.

Yours sincerely

Peter Gill  
Finance Director