

**Response from British American Tobacco (BAT)**

DCP/CRG/FRED31-SHAREBASEDPAYMENTS

Mr. Paul Ebling  
Accounting Standards Board  
Holborn Hall  
100 Grays Inn Road  
LONDON WC1X 8AL

6 March 2003

Dear Mr Ebling,

**FRED31: SHARE-BASED PAYMENTS**

As regards ED2 we have not responded directly but attached is a copy of a response in which we have been involved and which we broadly agree with. On the specific questions raised by the ASB we have the following comments.

- Q1: We disagree with the proposal for an effective date of 1 January 2004. As we have commented in connection with prior documents issued by the ASB, we believe that the move to IFRS should be in one change from 2005 and not on an earlier piecemeal basis. Also on this particularly contentious topic we would prefer all major standard setters to converge at the same time.
- Q2: We agree that all UK entities (subject to the point on FRSSE) should apply the proposed standard. However, as you will see from the attached, we would hope that there will be more latitude in the final standard to moderate some of the consequent cost of compliance.
- Q3: As for Q2.
- Q4: As for Q2.
- Q5: We are not aware of any other requirements subject to the final comment below.
- Q6: See Q22 in the attached.
- Other: We agree with the IASB that any IFRS should not address the detailed balance sheet entries on share capital, share premium and other reserves given differing national requirements. However there is a need to have more general guidance from the ASB to ensure a reasonable consistency of approach in the UK e.g. if a company at grant date or later purchases shares and these are all used to meet the requirements at exercise date, the balance on the Treasury stock account is highly unlikely to equal the balance built up in other reserves, so how is the difference treated in reserves? We would suggest that once the ASB has considered this issue, its provisional conclusions are issued for comment.

Yours sincerely,

DAVID POTTER  
Head of Finance and Accounting