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CL 236A

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Dear Mr Ebling

Financial Reporting Exposure Draft 31 - Share-based payment

We are responding to the invitation to comment on the financial reporting exposure draft 31.

BG is broadly in agreement with the proposals in respect of accounting for share-based payment set out in this exposure draft. However, we would like to make the following points on areas where we do not agree with the approach set out in the draft:

- BG considers that the approach adopted by the US standard SFAS 123, that of reversing amounts recognised during the vesting period if the instruments are forfeited, is preferable to the method set out in the draft, when a cost is recognised even if the grant is forfeited. An alternative approach would be to terminate on a prospective basis any amounts to be recognised in the profit and loss account in respect of a grant when it is clear that it will never vest.
- BG considers that when a grant of equity instruments is cancelled or settled in cash before the vesting date no further recognition of expense should be made as the vesting period has been terminated.

Our responses to the specific questions set out in the Invitation to comment are attached.

Yours sincerely

Terry Sach
Group Financial Controller (Acting)