

19 Chicester Street  
The Gap, Brisbane  
Australia, 4061

International Accounting Standards Board,  
Cannon Street,  
London EC4M 6XH,  
United Kingdom

March 5<sup>th</sup> 2003

Attn: Ms. Kimberley Crook - Project Manager,  
Fax No. 44 - 20 - 7246 6411

Dear Sirs,

**Re: ED Share Based Payment**

I've pondered for some time as to how I might comment on the above Exposure Draft. I imagine that you will likely receive numerous comment letters expressing a wide variety of views. Some of them will be very dull. Here are a few of mine. I would expect a number will, to some extent, be echoed by others:

=====

Scene a Melbourne taxi heading to the MCG

Taxi Driver: *(With typical squeaky high pitched Melbourne taxi driver accent)* "So Ritchie, tell us about that exposure draft on share based payment, you're reading.

Ritchie Benaud: "Pretty poor effort that!"

Taxi Driver: "Oh....why's that?"

Ritchie Benaud: "Well! *(Angrily)* I just don't know where to begin. Its...."

Taxi Driver: *(Innocently)* "But I thought this SBP stuff was supposed to provide us users with high quality, transparent and comparable financial information, You know, no more funny numbers after that Enron thingy. Numbers we people on the street could trust and understand. Numbers to help us decide where to invest our pension money. Numbers...

Ritchie Benaud: *(Interrupting. becoming increasingly frustrated)* "Well that stated objective gets dropped faster than a Pommie slip can put down his first chance at a catch....Besides the IASB don't believe they're writing standards for people like us. As far as they're concerned it's the analysts. Bloody analysts!! That's alt they're Interested In...."

Taxi Driver: *(Interrupting)* "Aw come on Ritchie: It's a short draft IFRS, only 56 paragraphs long. How can it be so?"

Ritchie Benaud: *(Authoritatively)* "Listen mate. I'm telling you. I saw something like this happen a few years back when they came out with LAS 39. *(Seen it before, got the T-shirt tone)* Same sort of scenario; a bit longer, 171 paragraphs, all looking fine and dandy, lots of theoretical conceptual, stuff thrown in, but the moment anyone came to try and put the bloody thing into play and implement it, it took more reinforcements than a visiting Pommie Ashes squad. This time, before anyone's even tried to put it into action for real, they need 4 "integral" appendices, one glossary, 43 paragraphs of draft implementation guidance and 310 explanatory basis of conclusions paragraphs. Struth It's enough to turn your bone, ivory, beige, cream and off white jackets grey!"

Taxi Driver: *(A little scared)* Oh....so you think this one's going to be difficult...

Ritchie Benaud: *(Butting In)* 'Difficult I'll give you bloody difficult. Do you know what an option pricing model such as the Black Scholes model is?"

Taxi Driver: *(Knowingly)* Yeah, he's that colored bloke who plays for Manchester United isn't he? No wait as minute that's Andy Cole; no, wrong again, I tell a lie, they sold him didn't they? Anyway what does it matter which team he plays for? They paid him a lot of money to exercise their option to sign him up didn't they? *(Contentedly)* That's what It's all about"

Ritchie Benaud: *(In a self satisfied and assured tone)* "See?! My point precisely...the average man hasn't got a clue. *(Pausing briefly)* You probably think a binomial method is some sort of safe sex style for small gay people."

Taxi Driver: "Well I wouldn't have put it quite like that, but from what I could see from the video I was watching the other day, you're probably not far off."

Ritchie Benaud: "Dear, oh dear, oh dear! Whatever was he thinking?" *(Looks out of window gathering thoughts for a few seconds. Continuing, very matter of factly)* The point is this; Listen, when I captained Australia, and Captains were leaders, before I sent batsmen into bat I gave him instructions on how I wanted them to play each bowler. I'd say, 'watch this bowler... He puts the odd faster delivery down. If he does so don't charge him, the chances are you'll be stumped if you miss it. Be prepared to hold your ground if you think this is how he's attacking you. And if the other guy comes into the attack, pad up to him. A leggie's never going to get you LBW 'cause you're a right hander, and so on'. This draft IFRS doesn't do that for the option pricing model method it mandates. It doesn't even explain what the differences between the various models are, when to use them, when not to use them, how significant the inputs are if you vary them. *(Pauses again)* If this ED were a human it would bat like a Pom. *(Further pause)* Do you know I've already heard one very well known tycoon explain how he and his mates can make the whole of his company's charge simply go away under these fancy models simply by ramping up his company's share price just before the options are granted. Just imagine how easy it would be for the thinly traded public companies to do the same thing. And where do you begin to start if you're a small private start up 'reporting entity?"

Taxi Driver: "But that kind of defeats the object doesn't it?"

Ritchie Benaud: "Precisely. But nobody will care because they can say they followed the standard. And that's another thing...The whole emphasis is on seeing the fair value of employee

services charged through the income statement and yet they say go through an exercise of estimating when everyone is going to leave in, paragraph la-di-da 15 (b) and account for the costs based on that estimate, which is bound to be wrong, when they could quite simply come up with the correct number every time and stop accounting for the unit of service when the employee actually leaves. That way the income statement charge would always measure the correct number of units service received"

Taxi Driver: "Yeah, but Ritchie if everybody follows the standard then surely that's ok mate? We'd all be doing the same thing, so we'd all be comparable? Besides think how many people that would keep employed preparing all those estimates that could be argued about for ages. That would be good for taxis wouldn't it?"

Ritchie Benaud: "Comparably wrong I'd say. What's the value in that? They should reread paragraphs 30 and 31 of their framework. Someone ought to tell them that."

Taxi Driver: "Seems pretty clear to me Ritch' Someone's made a booboo Got any other problems with it?"

Ritchie Benaud: "You bet. But I'm sure they're going to get lots of people telling them about them. All I can say is they'd better bloody listen to them. Coz if the IASB team and, in particular its captain, continue to display that kind of performance, it can only be a very short time before the selectors are forced into wholesale changes"

Taxi Driver: "Bad as that is It? *(Pause as me taxi slows to a stop)* Here we are then that's Seven ninety-five *(pauses)* cash Ritchie! Don't you go trying to offer me shares in Benaud Enterprises like you did last time, telling me they're worth \$100 each and then asking for me change!!

Ritchie Benaud: "Well they are worth that much, *(dejectedly)* but not according to this draft IFRS. *(Muttering)* They got that one right at least *(Upbeat)* There you go...eight dollars keep the change"

Taxi Driver: "Car thanks Ritchie Got any final thoughts?"

Ritchie Benaud: "Well *(pauses)* fortunately for the IASB its not a one test series. And, although it's one nil down, there's still an opportunity for it to fight back, level and even win this best of three series. So, two to play; all to play for. I'll look forward to the pleasure of your company to see whether the IASB can pull this one back in just a little while. *(Closes door' walks off into distance, fading)* testing, testing, two....two.... two options for twenty two months service..."

=====

Yours Sincerely,



Rudy van der Maat