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Our ref sh/gf/815

For the attention of Susanne Pust Shah

Contact Steve Hubbard
Tel 020 7694 8088

28 May 2015

Dear Sir / Madam

Financial Reporting Exposure Draft 61: Draft Amendments to FRS 102 Share-based payments with cash alternatives

We welcome the opportunity to comment on the draft amendments to FRS 102 set out in the above Financial Reporting Exposure Draft.

We are supportive of the proposed changes as we believe they represent an improvement over the existing requirements of FRS 102 and more closely align the requirements of FRS 102 with existing IFRSs.

Should you wish to discuss any of the points raised in this response, please contact Steve Hubbard on 020 7694 8088 or Gary Fenton on 0121 232 3865.

Yours faithfully

KPMG LLP

Enclosures:

Appendix 1: Responses to specific questions raised in FRED 61

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Question 1: The proposed requirements for share-based payment transactions with cash alternatives:

- (a) align the requirements in FRS 102 with full IFRS and previous UK and Irish GAAP in cases where the entity can choose to settle in cash or equity;**
- (b) retain the current requirements of FRS 102 to recognise a liability where the recipient can require settlement in cash; and**
- (c) generalise the requirements to include those cases where the settlement method is dependent on an external event.**

Do you agree with this proposal and the draft amendments to paragraph 26.15 of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*? If not, why not?

We agree that the proposed requirements achieve greater consistency with FRS 102 and existing IFRSs.

We believe that the fundamental principle to determine whether an entity should classify a share-based payment arrangement as cash-settled is whether it has a present obligation to delivery cash or other assets to the counterparty and that the proposed requirements achieve that result.

Question 2: The amendments are proposed to be effective from 1 January 2015. Nevertheless, entities were able to apply FRS 102 to accounting periods commencing prior to 1 January 2015 and if so, may have adopted the extant requirements of paragraph 26.15 of FRS 102. Based on the assumption that this will not be an issue for many entities, if any, FRED 61 does not contain any transitional provisions. Do you agree that transitional provisions are not required for the purposes of this proposed amendment? If not, please tell us what transitional provisions you would suggest and why.

We agree with the proposed effective date. We do not believe transitional provisions are required.