

# Amendments to IFRS 2 *Share-based Payment*

This document sets out amendments to IFRS 2 *Share-based Payment*. The amendments finalise the proposals that were contained in the exposure draft of proposed amendments to IFRS 2—*Vesting Conditions and Cancellations* published in February 2006.

Entities shall apply these amendments to all share-based payments within the scope of IFRS 2 for annual periods beginning on or after 1 January 2009. Earlier application is permitted.

## Non-vesting conditions

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In the Standard, after paragraph 21, a heading and paragraph 21A are added as follows.

### Treatment of non-vesting conditions

- 21A Similarly, an entity shall take into account all non-vesting conditions when estimating the fair value of the equity instruments granted. Therefore, for grants of equity instruments with non-vesting conditions, the entity shall recognise the goods or services received from a counterparty that satisfies all vesting conditions that are not market conditions (eg services received from an employee who remains in service for the specified period of service), irrespective of whether those non-vesting conditions are satisfied.

## Cancellations

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In the Standard, paragraph 28 is amended as follows.

- 28 If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) ...

In the Standard, paragraph 28(b) is amended as follows.

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- (b) ... Any such excess shall be recognised as an expense. However, if the share-based payment arrangement included liability components, the entity shall remeasure the fair value of the liability at the date of cancellation or settlement. Any payment made to settle the liability component shall be accounted for as an extinguishment of the liability.

In the Standard, after paragraph 28, paragraph 28A is added as follows.

- 28A If an entity or counterparty can choose whether to meet a non-vesting condition, the entity shall treat the entity's or counterparty's failure to meet that non-vesting condition during the vesting period as a cancellation.

## Effective date

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In the Standard, paragraph 62 is added as follows.

- 62 An entity shall apply the following amendments retrospectively in annual periods beginning on or after 1 January 2009:
- (a) the requirements in paragraph 21A in respect of the treatment of non-vesting conditions;
  - (b) the revised definitions of 'vest' and 'vesting conditions' in Appendix A;

- (c) the amendments in paragraphs 28 and 28A in respect of cancellations.

Earlier application is permitted. If an entity applies these amendments for a period beginning before 1 January 2009, it shall disclose that fact.

## Definitions

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In Appendix A, the definitions of ‘vest’ and ‘vesting conditions’ are amended as follows.

**vest** To become an entitlement. Under a **share-based payment arrangement**, a counterparty’s right to receive cash, other assets or **equity instruments** of the entity vests when the counterparty’s entitlement is no longer conditional on the satisfaction of any **vesting conditions**.

**vesting conditions** The conditions that determine whether the entity receives the services that entitle the counterparty to receive cash, other assets or **equity instruments** of the entity, under a **share-based payment arrangement**. Vesting conditions are either service conditions or performance conditions. Service conditions require the counterparty to complete a specified period of service. Performance conditions require the counterparty to complete a specified period of service and specified performance targets to be met (such as a specified increase in the entity’s profit over a specified period of time). A performance condition might include a **market condition**.