

Distributable Profits: Guidance from ICAEW

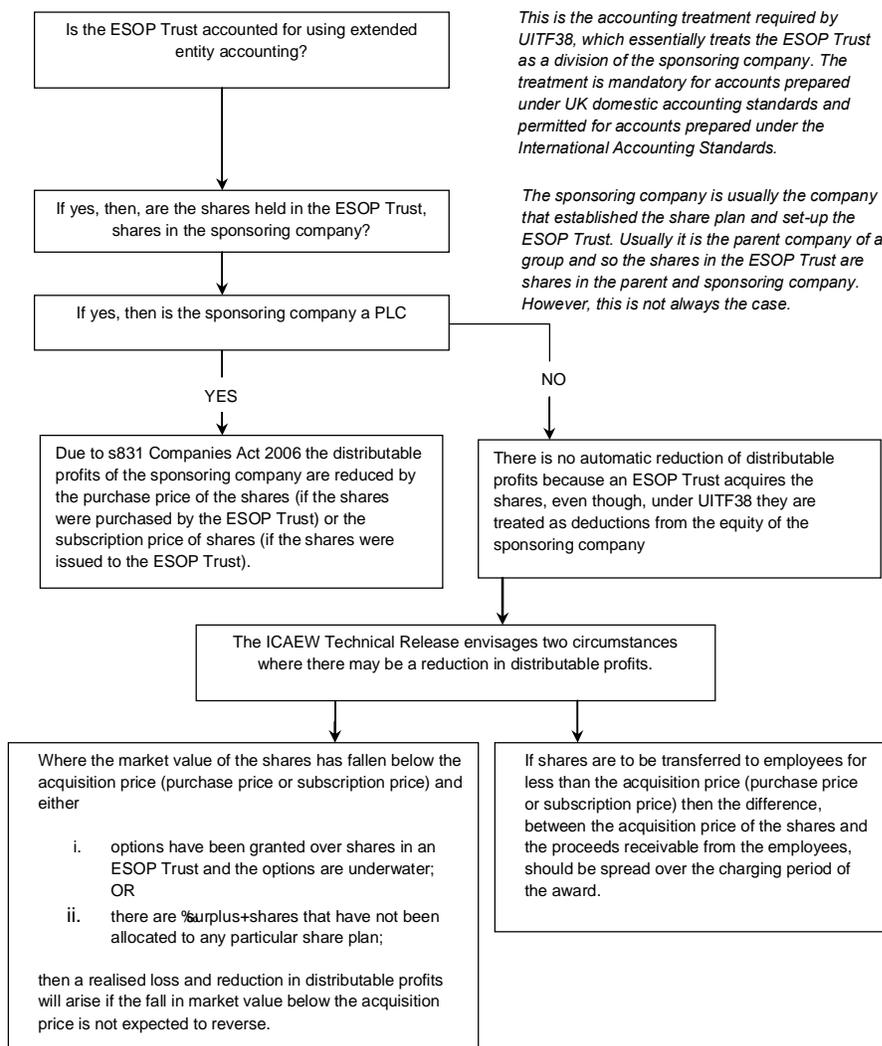
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At the end of 2009, the institute of Chartered Accountants England and Wales (ICAEW) released an exposure draft (ED) which proposes additional guidance on realised and distributable profits under the Companies Act 2006. This ED Technical Release (03/09) proposes revisions to the treatment of shares held in an ESOP Trust. A copy of the ED Technical Release can be obtained here. Comments to the ICAEW are requested by 19 March 2010.

Under the existing Technical Release (01/09) the treatment for distributable profits purposes, of surplus shares or shares to be transferred to employees for less than the acquisition price, is determined by the accounting treatment that would have been required under UITF 13. However, UITF13 has been redundant for many years. This link to a superseded accounting standard was potentially misleading and confusing. The ED proposes redrafting the Technical Release to base the treatment on current Generally Accepted Accounting Practice (GAAP).

Technical Release (03/09) should not change the relevant accounting treatment for distributable profits, which may be summarised in the flowchart set out below.



If you would like more information please contact William Franklin on 0121 262 4034 or you can email him on william.franklin@davidpett.co.uk.

We will be pleased to provide tax and legal advice, financial modelling, plan documentation, share based payments accounting and general consultancy in relation to share plans.

For more information please contact us on 0845 223 8822 or enquiries@davidpett.co.uk