

# Insights into IFRS 2

## Presentation and disclosure of share-based payment transactions

Share-based payments have become increasingly popular over the years, with many entities using equity instruments or cash and other assets based on the value of equity instruments as a form of payment to directors, senior management, employees and other suppliers of goods and services.

While the general accounting principles have remained largely unchanged since the introduction of IFRS 2 'Share-based Payment' in 2004, share-based payments is an area that is not well understood in practice and entities often have difficulty in applying the requirements to increasingly complex and innovative share-based payment arrangements.

Our 'Insights into IFRS 2' series is aimed at demystifying IFRS 2 by explaining the fundamentals of accounting for share-based payments using relatively simple language and providing insights to help entities cut through some of the complexities associated with accounting for these types of arrangements.

This article provides a summary of the IFRS 2 presentation and disclosure requirements for share-based payments, along with example disclosures.

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## Summary of IFRS 2 disclosure requirements

IFRS 2 requires an entity to disclose information that enables users of the financial statements to understand the nature and extent of share-based payment arrangements that existed during the period. To give effect to this overall principle, an entity provides disclosure that falls into three categories of information that enables users to understand:

- 1 the nature and extent of share-based payment arrangements that existed during the period
- 2 how the fair value of goods or services received, or the fair value of the equity instruments granted, during the period was determined, and
- 3 the effect of share-based payment transactions on the entity's profit or loss for the period and on its statement of financial position.

Below we explore the disclosure required in each of these three categories and provide example disclosures. The majority of the examples are excerpts from the **GTIL IFRS Example Consolidated Financial Statements 2025**, which are based on the activities and results of Illustrative Corporation and its subsidiaries ('the Group'). The examples have been amended where necessary, and will not be amended for any updates made subsequent to publishing. The principal activities of the Group include sales of telecommunications hardware and software, related after-sales service, consulting, and construction of telecommunications systems.

# Understanding the nature and extent of share-based payment arrangements that existed during the period

## Disclosure requirement set out in IFRS 2.45(a)

The entity must disclose at least the following:

- A description of each type of share-based payment arrangement that existed at any time in the period, including the general terms and conditions of each arrangement, such as:
  - Vesting requirements
  - Maximum term of options granted
  - Method of settlement (ie in cash or equity)

An entity with substantially similar types of share-based payment arrangements may aggregate this information.

### Example disclosure

As at 31 December 2025, the Group maintained two share-based payment schemes for employee remuneration, the Star Programme and the Stay Programme. Both programmes will be settled in equity.

The Star Programme is part of the remuneration package of the Group's senior management. Options under this programme will vest if certain conditions, as defined in the programme, are met. It is based on the performance of the Illustrative Corporation's shares compared to other companies in the Greatstocks Stock Exchange within a specified period. The evolution of the Company's share market price over the vesting period represents at a minimum 80% of the evolution observed for the share's portfolio of the other companies. This condition represents a market condition that was taken into consideration when determining the fair value of the option.

In addition, participants in this programme have to be employed until the end of the agreed vesting period. Upon vesting, each option allows the holder to purchase one ordinary share at a discount of 25% of the market price determined at grant date.

During the current financial year, a new award of 100 000 options was granted to senior management.

The Stay Programme is part of the remuneration package of the Group's research and development and sales personnel. Options under this programme will vest if the participant remains employed for the agreed vesting period. The maximum term of the options granted under the Stay Programme (ie the vesting period) ends on 31 January 2026. Upon vesting, each option allows the holder to purchase one ordinary share at a discount of 20% of the market price determined at grant date.

### Disclosure requirement set out in IFRS 2.45(b)

The entity must disclose at least the number and weighted average exercise prices of share options for each of the following groups of options:

- Outstanding at the beginning of the period
- Granted during the period
- Forfeited during the period
- Exercised during the period
- Expired during the period
- Outstanding at the end of the period
- Exercisable at the end of the period

#### Example disclosure

Share options and weighted average exercise prices are as follows for the reporting periods presented:

	Star Programme		Stay Programme	
	Number of shares	Weighted average exercise price per share	Number of shares	Weighted average exercise price per share
<b>Outstanding at 1 January 2024</b>	<b>300,000</b>	<b>5.81</b>	<b>95,250</b>	<b>6.24</b>
Granted	-	-	-	-
Forfeited	(513)	5.81	(1,012)	6.24
Exercised	-	-	-	-
<b>Outstanding at 31 December 2024</b>	<b>299,487</b>	<b>5.81</b>	<b>94,238</b>	<b>6.24</b>
Granted	100,000	7.81	-	-
Forfeited	(312)	5.81	(3,489)	6.24
Exercised	(270,000)	5.81	-	-
<b>Outstanding at 31 December 2025</b>	<b>129,175</b>	<b>6.45</b>	<b>90,749</b>	<b>6.24</b>
Exercisable at 31 December 2024	-	-	-	-
Exercisable at 31 December 2025	29,175	6.45	-	-

### Disclosure requirement set out in IFRS 2.45(c)

The entity must disclose at least, for share options exercised during the period, the weighted average share price at the date of exercise.

If share options were exercised on a regular basis throughout the period, the entity may instead disclose the weighted average share price during the period.

#### Example disclosure

The weighted average share price per share at the date of exercise was CU 11.19 (no options were recognised in 2024).

### Disclosure requirement set out in IFRS 2.45(d)

The entity must disclose, for share options outstanding at the end of the period, the range of exercise prices and weighted average remaining contractual life.

If the range of exercise prices is wide, the outstanding options shall be divided into ranges that are meaningful for assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

#### Example disclosure

	Star Programme	Star Programme	Stay Programme
<b>Grant date</b>	<b>1 January 2022</b>	<b>1 February 2025</b>	<b>5 January 2021</b>
Vesting period ends	31 December 2024	31 January 2028	31 January 2026
Share price date of grant	CU 8.00	CU 10.01	CU 7.00
Volatility	50%	50%	50%
Option life	5 years	5 years	7 years
Dividend yield	1%	1%	1%
Risk-free investment rate	4%	4%	4%
Fair value per option at grant date	CU 4.00	CU 6.70	CU 5.30
Exercise price at date of grant	CU 6.08	CU 7.61	CU 5.81
Exercisable from/to	1 January 2025/ 31 December 2026	1 February 2028/ 31 December 2030	1 February 2026/ 4 January 2028
<b>Weighted average remaining contractual life</b>	<b>1.0 years</b>	<b>4.1 years</b>	<b>2.0 years</b>

\*The relevant disclosure has been highlighted in purple.



# Understanding the determination of the fair value of goods or services received, or the fair value of the equity instruments granted

If the entity measured the fair value of goods or services received as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments granted, the entity must disclose at least the following for each of the disclosure requirements listed below:

## Disclosure requirement set out in IFRS 2.47(a)

For share options granted during the period, the weighted average fair value of those options at the measurement date and information on how that fair value was measured, including:

- the option pricing model used, and inputs to the model (weighted average share price, exercise price, expected volatility, option life, expected dividends, risk-free interest rate and any other inputs)
- how the expected volatility was determined, including the extent to which expected volatility is based on historical volatility
- whether and how any other features of the option grant were incorporated into the measurement of the fair value, such as a market condition

### Example disclosure

The fair values of options granted were determined using a variation of the binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The performance condition related to the Star Programme, being a market condition, has been incorporated into the measurement by means of actuarial modelling. The following principal assumptions were used in the valuation:

	Star Programme	Star Programme	Stay Programme
<b>Grant date</b>	<b>1 January 2022</b>	<b>1 February 2025</b>	<b>5 January 2021</b>
Vesting period ends	31 December 2024	31 January 2028	31 January 2026
Share price date of grant	CU 8.00	CU 10.01	CU 7.00
Volatility	50%	50%	50%
Option life	5 years	5 years	7 years
Dividend yield	1%	1%	1%
Risk-free investment rate	4%	4%	4%
Fair value per option at grant date	CU 4.00	CU 6.70	CU 5.30
Exercise price at date of grant	CU 6.08	CU 7.61	CU 5.81
Exercisable from/to	1 January 2025/ 31 December 2026	1 February 2028/ 31 December 2030	1 February 2026/ 4 January 2028
Weighted average remaining contractual life	1.0 years	4.1 years	2.0 years

The underlying expected volatility was determined by reference to historical data of Illustrative Corporation Ltd's shares over a period of time since its flotation on the Greatstocks Stock Exchange. No special features inherent to the options granted were incorporated into measurement of fair value.

### Disclosure requirement set out in IFRS 2.47(b)

For other equity instruments granted during the period (ie other than share options), the number and weighted average fair value of those equity instruments at the measurement date, and information on how that fair value was determined, including:

- if the fair value was not measured on the basis of an observable market price, how it was determined
- whether and how expected dividends were incorporated into the measurement of fair value
- whether and how any other features of the equity instruments were incorporated into the measurement of fair value

#### Example disclosure

The fair value of equity-classified performance share units ('PSU') has been measured using a Monte Carlo simulation, which takes into account the fair value of the Group's common shares on the grant date, expected dividends that may accrue to the PSU holder, and specific conditions attached to the PSU plan such as market conditions based on actuarial modelling.

The total fair value of PSUs granted under the PSU plan for the year ended 31 December 2025 was CU 10,000 (2024 – CU 20,500). The weighted average grant date fair value of the PSUs granted during the year ended was CU 4.50 (2024 – CU 2.90).

### Disclosure requirement set out in IFRS 2.47(c)

For share-based payment arrangements that were modified during the period:

- an explanation of those modifications
- the incremental fair value granted
- information on how the incremental fair value granted was measured

#### Example disclosure

On 1 December 2025, the Group modified certain employee share options by decreasing the vesting period from 4 years to 2 years, and reducing the exercise price from CU 10 to CU 8. The fair value of the options prior to the modification was CU 4.32, and the fair value of the options after the modification was CU 5.07. The incremental fair value of CU 0.75 will be recognised as an expense from the date of modification to the vesting date. The fair value was determined using the Black-Scholes model using the following inputs:

- Share price at grant date: CU 10
- Exercise price: CU 8
- Volatility: 58%
- Risk-free interest rate: 5%
- Maturity: 2 years

### Disclosure requirement set out in IFRS 2.48

If the entity has measured directly the fair value of goods or services received during the period, the entity must disclose how that fair value was determined (eg whether the fair value was measured at a market price for those goods or services).

#### Example disclosure

During the year ended 31 December 2025, the Group engaged a marketing agency to run a campaign in exchange for 1,500 shares. The Group determined the fair value of the marketing services to be CU 5,000 based on marketing agency's quoted price for the campaign.

If, in rare circumstances, the fair value of goods or services received in share-based payment transactions with non-employees cannot be measured reliably, the following disclosure applies:

**Disclosure requirement set out in IFRS 2.049**

If the entity has rebutted the presumption in paragraph 13 that the fair value of goods or services received in transactions with non-employees can be measured reliably, the entity must disclose that fact and give an explanation of why the presumption was rebutted.

**Example disclosure**

During the year ended 31 December 2025, the Group engaged a contractor to design and develop a new software. Due to the proprietary nature of the software and high level of customisation and specialisation, the Group determined the fair value of the software could not be reliably determined.<sup>1</sup>

## Understanding the effect of share-based payment transactions on the entity’s profit or loss for the period and on its statement of financial position

The following disclosures are to enable users to understand the effect of share-based payment transactions on the entity’s profit or loss for the period and on its statement of financial position.

**Disclosure requirement IFRS 2.51(a)**

The total expense recognised for the period arising from share-based payment transactions in which the goods or services received did not qualify for recognition as assets and hence were recognised immediately as an expense, including separate disclosure of that portion of the total expense that arises from transactions accounted for as equity-settled share-based payment transactions.

**Example disclosure**

Expenses recognised for employee benefits are analysed below:

	<b>2025</b>	<b>2024</b>
Wages, salaries	97,808	91,318
Social security costs	11,229	10,608
Share-based payments	298	466
Pensions – defined benefit plans	1,308	1,930
Pensions – defined contribution plans	4,491	5,343
Less: capitalised as development costs	(1,325)	(150)
	<b>113,809</b>	<b>109,515</b>

In total, CU 298 (2024: CU 466) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss and credited to retained earnings.

<sup>1</sup> Paragraph IFRS 2.13 notes it would be rare for an entity to rebut the presumption that the fair value of goods or services can be measured reliably. The disclosure is for illustrative purposes and is not reflective of the evidence required to overcome the presumption.

### Disclosure requirement IFRS 2.51(b)

For liabilities arising from share-based payment transactions:

- the total carrying amount at the end of the period, and
- the total intrinsic value at the end of the period of liabilities for which the counterparty's right to cash or other assets had vested by the end of the period (eg vested share appreciation rights)

#### Example disclosure

Details of the liabilities arising from share appreciation rights (SARs) are as follows:

In thousands	2025	2024
Total carrying amount of liabilities for SARs	500	300
Total intrinsic value of liabilities for vested benefits	-	300

## Presentation

IFRS 2 requires an entity to recognise equity-settled share-based payment transactions as changes in equity but does not specify how this is presented, ie in a separate reserve within equity or within retained earnings. In practice, either approach is permitted under IFRS Accounting Standards but this is subject to local regulations in some jurisdictions.

### How we can help

We hope you find the information in this article helpful in giving you insight into aspects of IFRS 2. If you would like to discuss any of the points raised, please contact [infor@sa.gt.com](mailto:infor@sa.gt.com)