



# Press Release

FOR IMMEDIATE RELEASE

30 June 2004

## **IFRIC publishes proposed amendment to the scope of SIC-12**

The International Financial Reporting Interpretations Committee (IFRIC)<sup>\*</sup> today released for public comment Draft Amendment D7 proposing an amendment to the scope of Interpretation SIC-12 *Consolidation—Special Purpose Entities*.

SIC-12 currently excludes from its scope post-employment benefit plans and equity compensation plans. Such plans are, at present, within the scope of the accounting standard IAS 19 *Employee Benefits* (as amended in 2002). However, when the accounting standard IFRS 2 *Share-based Payment* becomes effective,<sup>†</sup> IAS 19 will no longer apply to equity compensation plans. Furthermore, IFRS 2 will amend IAS 32 *Financial Instruments: Disclosure and Presentation* (as revised in 2003), so that its requirement to deduct treasury shares from equity will also apply to shares purchased, sold, issued or cancelled in connection with employee share option plans, employee share purchase plans, and all other share-based payment arrangements.

The Draft Amendment proposes removing the scope exclusion in SIC-12 for equity compensation plans. Hence, an entity that controls an employee benefit trust (or similar entity) set up for the purposes of a share-based payment arrangement would be required to consolidate that trust.

The Draft Amendment also proposes that the scope exclusion in SIC-12 for post-employment benefit plans should be amended to include other long-term employee benefit plans, to ensure consistency with the requirements of IAS 19. At present, SIC-12 does not exclude other long-term employee benefit plans from its scope. However, IAS 19 requires those plans to be accounted for in a manner similar to that for post-employment benefit plans.

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<sup>\*</sup> The IFRIC is the interpretative arm of the International Accounting Standards Board (IASB).

<sup>†</sup> IFRS 2 was issued in February 2004 and is effective for annual periods beginning on or after 1 January 2005.

The proposals are open for public comment until 13 September 2004.

Introducing the proposals, the Chairman of the IFRIC, Kevin Stevenson, said:

The IFRIC was asked by the IASB to consider whether the scope exclusion in SIC-12 for equity compensation plans should be removed when IFRS 2 becomes effective. At the same time, the IFRIC reviewed the scope exclusion in SIC-12 for post-employment benefit plans. It concluded that the scope exclusion should be amended to ensure consistency with the requirements of IAS 19 relating to post-employment benefit plans and other long-term employee benefit plans.

Subscribers to the IASB's Comprehensive Subscription Service can view the Draft Amendment D7 from the secure online services area of the IASB's Website ([www.iasb.org](http://www.iasb.org)). From 1 July the text of the Draft Amendment will be freely available from the Website.

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## NOTES TO EDITORS

### **About the IFRIC**

1. The IFRIC first met in February 2002. It comprises 12 voting members (all part-time) drawn from a variety of countries and professional backgrounds, and it meets about every two months under a non-voting chairman. The IFRIC's principal role is to consider, on a timely basis within the context of International Financial Reporting Standards and the IASB *Framework*, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching consensus on the appropriate accounting treatment. In developing Interpretations, the IFRIC works closely with similar national interpretation committees.

### **About the IASB**

2. The IASB, based in London, began operations in 2001. It is funded by contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The 14 IASB members (12 of whom are full-time) reside in nine countries and have a variety of professional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB cooperates with national accounting standard-setters to achieve convergence in accounting standards around the world.
3. At present, some 35 countries require the use of international standards for all domestic listed companies, six other countries require the use of international standards for some companies, and many countries base their national practices on international standards. In 2002, several jurisdictions, including Australia, the European Union, and Russia, announced that they would require the application of international standards on or before 1 January 2005. In September 2002, the IASB and the US standard-setter, the Financial Accounting Standards Board, reached an agreement to work towards the convergence of existing US and international practices and the joint development of future standards.