

Hill House
1 Little New Street
London EC4A 3TR
United Kingdom

Tel: National +44 20 7936 3000
Direct Telephone: +44 20 7007 0907
Direct Fax: +44 20 7007 0158
www.deloitte.com
www.iasplus.com

**Deloitte
Touche
Tohmatsu**

8 September 2004

Mr. Kevin Stevenson, Chairman
International Financial Reporting Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Stevenson,

Scope of SIC 12 Consolidation—*Special Purpose Entities*

Deloitte Touche Tohmatsu is pleased to comment on the International Financial Reporting Interpretations Committee's (IFRIC) Draft Interpretation 7 - *Scope of SIC-12 Consolidation—Special Purpose Entities* (the draft Interpretation or D7).

We support the removal of 'equity compensation plans' from the scope exemption in SIC 12 and encourage the IFRIC to continue its project on providing guidance to determine whether these plans should or should not be consolidated. However, we question whether the additional change—unrelated to equity compensation plans—that eliminates defined contribution plans accounted for under IAS 19 from the exemption is appropriate at this time.

We understand this project was a response to the issuance of IFRS 2 *Share-based Payment* and believe a complete and thorough analysis of the effect of any additional changes should be conducted prior to making further changes to the scope of SIC 12. While it may be uncommon for a defined contribution plan accounted for under IAS 19 to meet the criteria for consolidation in SIC 12, we do not believe the basis noted in BC4 to be an adequate explanation for the change. The effect of this change is a move towards a rule-based approach—without sufficient discussion of the principle behind the change.

Further, we suggest the word "also" in paragraphs 3 and BC2 be replaced with "continue to" to make clear that the requirement to deduct treasury shares from equity—regardless of how they were purchased, sold, or issued—is not a new requirement, but a continuation of the current requirement in IFRS.

We appreciate the opportunity to provide our comments. If you have any questions concerning our comments, please contact Ken Wild in London at (020) 7007 0907.

Sincerely,

Deloitte Touche Tohmatsu
