

Dr. Alexander Schaub  
Director General  
European Commission  
Directorate General for the Internal Market  
1049 Brussels

4 January 2005

Dear Dr. Schaub,

**Adoption of IFRIC amendment to SIC-12 *Consolidation-Special Purpose Entities***

Based on the requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards we are pleased to provide our opinion on the adoption of the amendment to SIC-12 *Consolidation-Special Purpose Entities* (SIC 12) as published by the IFRIC on 11 November 2004.

EFRAG welcomes the amendment to SIC 12, which was exposed as IFRIC Draft Amendment D7. Equity compensation plans are henceforth included within the scope of SIC 12. At the same time other long-term employee benefit plans are excluded from the scope of SIC 12.

EFRAG's main concern expressed when commenting on IFRIC D7 was the need for clarification of the intended treatment of defined contribution plans. In the final amendment to SIC 12 it has been clarified that defined contribution plans are, as previously, excluded from the scope of SIC 12.

The amendment to SIC 12 becomes effective for annual periods beginning on or after 1 January 2005.

EFRAG has evaluated the amendment to SIC 12 based on input from standard setters and market participants in accordance with EFRAG's due process.

**EFRAG conclusion**

EFRAG supports the amendment to the interpretation and has concluded that it meets the requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards that:

- i. it is not contrary to the 'true and fair principle' set out in Article 16(3) of Council Directive 83/349/EEC and Article 2(3) of Council Directive 78/660/EEC; and
- ii. it meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

For the reasons given above, EFRAG believes that it is in the European interest to adopt the amendment to SIC-12 Consolidation-Special Purpose Entities and, accordingly, EFRAG recommends its adoption.

On behalf of the members of EFRAG, I should be happy to discuss our advice with you, other officials of the EU Commission or the Accounting Regulatory Committee as you may wish.

Yours sincerely,

Stig Enevoldsen  
**EFRAG, Chairman**