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2. IFRS 2 is effective for annual periods beginning on or after 1 January 2005. IFRS 2 will amend IAS 19 by:

   (a) removing from its scope employee benefits to which IFRS 2 applies, and

   (b) removing all references to equity compensation benefits and equity compensation plans.

3. Furthermore, IAS 32 requires treasury shares to be deducted from equity. When IFRS 2 becomes effective, it will amend IAS 32 to state that paragraphs 33 and 34 of IAS 32 (relating to treasury shares) shall be applied to treasury shares purchased, sold, issued or cancelled in connection with employee share option plans, employee share purchase plans, and all other share-based payment arrangements.

ISSUES

4. The first matter addressed by this Amendment is the inclusion of equity compensation plans within the scope of SIC-12.

5. The second matter addressed by this Amendment is to exclude from the scope of SIC-12 other long-term employee benefit plans. Until the Amendment becomes effective, 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 the accounting for post-employment benefit plans.

AMENDMENT

6. Paragraph 6 of SIC-12 is amended as follows.

   This Interpretation does not apply to post-employment benefit plans or other long-term employee benefit plans to which IAS 19 applies.

EFFECTIVE DATE

7. An entity shall apply this Amendment for annual periods beginning on or after 1 January 2005. If an entity applies IFRS 2 for an earlier period, this amendment shall be applied for that earlier period.

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STANDING INTERPRETATIONS COMMITTEE INTERPRETATION SIC-13

Jointly controlled entities — non-monetary contributions by venturers

Paragraph 11 of IAS 1 (revised 1997), presentation of financial statements, requires that financial statements should not be described as complying with International Accounting Standards unless they comply with all the requirements of each applicable standard and each applicable interpretation issued by the Standing Interpretations Committee. SIC interpretations are not intended to apply to immaterial items.

Reference: IAS 31 (revised 1998), financial reporting of interests in joint ventures.

Issue

1. IAS 31.39 (revised 1998) refers to both contributions and sales between a venturer and a joint venture as follows: ‘When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction should reflect the substance of the transaction’. In addition, IAS 31.19 (revised 1998) says that ‘a jointly controlled entity is a joint venture which involves the establishment of a corporation, partnership or other entity in which each venturer has an interest’. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities (‘JCEs’).

2. Contributions to a JCE are transfers of assets by venturers in exchange for an equity interest in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE (‘additional consideration’).

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3. The issues are:

(a) when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an equity interest in the JCE should be recognised by the venturer in the income statement;

(b) how additional consideration should be accounted for by the venturer; and

(c) how any unrealised gain or loss should be presented in the consolidated financial statements of the venturer.

4. This interpretation deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an equity interest in the JCE that is accounted for using either the equity method or proportionate consolidation.

Consensus

5. In applying IAS 31.39 to non-monetary contributions to a JCE in exchange for an equity interest in the JCE, a venturer should recognise in the income statement for the period the portion of a gain or loss attributable to the equity interests of the other venturers except when:

(a) the significant risks and rewards of ownership of the contributed non-monetary asset(s) have not been transferred to the JCE;

(b) the gain or loss on the non-monetary contribution cannot be measured reliably; or

(c) the non-monetary assets contributed are similar to those contributed by the other venturers. Non-monetary assets are similar to those contributed by other venturers when they have a similar nature, a similar use in the same line of business and a similar fair value. A contribution meets the similarity test only if all of the significant component assets thereof are similar to those contributed by the other venturers.

Where any of the exceptions (a) through (c) applies, the gain or loss would be considered unrealised and would therefore not be recognised in the income statement unless paragraph 6 also applies.

6. If, in addition to receiving an equity interest in the JCE, a venturer receives monetary or non-monetary assets dissimilar to those it contributed, an appropriate portion of gain or loss on the transaction should be recognised by the venturer in the income statement.

7. Unrealised gains or losses on non-monetary assets contributed to JCEs should be eliminated against the underlying assets under the proportionate consolidation method or against the investment under the equity method. Such unrealised gains or losses should not be presented as deferred gains or losses in the venturer's consolidated balance sheet.

Date of consensus: June 1998.

Effective date: this interpretation becomes effective for annual financial periods beginning on or after 1 January 1999; earlier application is encouraged. Changes in accounting policies should be accounted for according to the transition requirements of IAS 8.46.

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STANDING INTERPRETATIONS COMMITTEE INTERPRETATION SIC-15

Operating leases — incentives

Paragraph 11 of IAS 1 (revised 1997), presentation of financial statements, requires that financial statements should not be described as complying with International Accounting Standards unless they comply with all the requirements of each applicable standard and each applicable interpretation issued by the Standing Interpretations Committee. SIC interpretations are not intended to apply to immaterial items.