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COMMISSION REGULATION (EC) No .../.. (DRAFT)

amending Regulation (EC) No 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, as regards IAS No 32 and IFRIC No 1

(Text with EEA relevance)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community.

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards¹, and in particular Article 3 (1) thereof,

Whereas:

(1) By Commission Regulation (EC) No 1725/2003² certain international standards and interpretations that were extant at 1 September were adopted.

(2) On 17 December 2003 the International Accounting Standard Board (IASB) published revised International Accounting Standard (IAS) 32 *Financial Instruments: Disclosure and Presentation* as part of the IASB's initiative to improve fifteen standards in time for them to be used by companies adopting IAS for the first time in 2005. In revising IAS 32, the IASB did not reconsider the fundamental approaches contained in it. IAS 32 establishes basic principles for the classification of instruments as liabilities or equity. In determining whether the instruments should be classified as liabilities or equity, the entity must consider all of the terms and conditions of the respective contract.

(3) Following bilateral discussions with representatives of the cooperative world and due to a request by the Commission, the IASB invited its International Financial Reporting Interpretation Committee (IFRIC), to develop an interpretation to facilitate the application of the revised IAS 32. The draft interpretation was published for public consultation in June 2004 and will be applicable on the same date as this IAS, which is 1 January 2005.

(4) On 27 May 2004, the IASB released IFRIC Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. The Interpretation addresses the way how to account for changes in existing decommissioning, restoration and similar liabilities that fall within the scope of IAS 16 *Property, Plant and Equipment* and are recognised as a provision under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

¹ OJ L 243, 11.09.2003, p.1

² OJ L 261, 13.10.2003, p.1. Regulation as amended by Regulation (EC) No 707/2004 OJ L 111, 17.4.2004, p.3)

(5) The consultation with technical experts in the field confirms that the revised IAS 32 *Financial Instruments: Disclosure and Presentation* and IFRIC Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* meet the technical criteria for adoption set out in Article 3 (2) of Regulation (EC) No 1606/2002 and in particular the requirement of being conducive to the European public good.

(6) Regulation (EC) No 1725/2003 should therefore be amended accordingly.

(7) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee.

HAS ADOPTED THIS REGULATION:

Article 1

Annex to regulation (EC) No 1725/2003 is amended as follows:

- (1) the text of International Accounting Standard (IAS) 32 *Financial Instruments: Disclosure and Presentation* set out in the Annex to this Regulation, is inserted;
- (2) the text of the Interpretation IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* set out in the Annex to this Regulation, is inserted.

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

Done at Brussels, [...]

For the Commission
Frederik BOLKESTEIN
Member of the Commission

ANNEX

INTERNATIONAL FINANCIAL REPORTING STANDARDS	
IAS 32	<i>Financial Instruments: Disclosure and Presentation</i>
IFRIC 1	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>

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