

Company law: annual financial statements, consolidated financial statements and related reports of certain types of undertakings

2011/0308(COD) - 25/09/2012 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Legal Affairs adopted the report by Klaus-Heiner LEHNE (EPP, DE) on the proposal for a directive of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

The committee recommends that the position of the European Parliament in first reading following the ordinary legislative procedure should amend the commission proposal as follows:

Exemptions for certain categories of enterprises and groups: Members want exemptions from certain obligations under the Directive to be granted to undertakings which on their balance sheet dates do not exceed the limits of two of the three following criteria (micro-entities): (a) **balance sheet total: EUR 350 000**; (b) **net turnover: EUR 700 000**; (c) average number of employees during the financial year: 10.

Small undertakings are defined as undertakings which on their balance sheet dates do not exceed the limits of two of the three following criteria: (a) balance sheet total: **EUR 4 000 000**; (b) net turnover: **EUR 8 000 000**.

Member States may define thresholds exceeding these thresholds. However, those thresholds shall not exceed EUR 6 000 000 for the balance sheet total and EUR 12 000 000 for the net turnover.

Alternative measurement basis of fixed assets at revalued amounts: the committee has deleted this provision which permits Member States, by way of derogation, to require in respect of all undertakings or any classes of undertaking measurement of fixed assets at revalued amounts.

Layout of the balance sheet: for the presentation of the balance sheet, Member States must require one or both of the layouts set out in Articles 9 and 9a. If a Member State permits both layouts, it must allow undertakings to choose which of the prescribed layouts to adopt.

Special provisions regarding certain entries in the balance sheets: the amended text states that where the amount repayable on account of any debt is greater than the amount received, the difference may be shown as an asset. It shall be shown separately in the balance sheet or in the notes on the accounts. The amount of that difference shall be written off by a reasonable amount each year and completely written off no later than at the time of repayment of the debt. Provisions may not be used to adjust the values of assets.

Content of the annexes: the report states that the annexes should contain, amongst other things, the following information:

- **for all undertakings:** (i) the amount of advances and credits granted to the members of the administrative, managerial and supervisory bodies, with indications of the interest rates, main conditions and any amounts repaid or written off or waived, as well as commitments entered into on their behalf by way of guarantees of any kind, with an indication of the total for each category at the foot of the balance sheet; (ii) the amount and nature of individual items of income or expenditure which are of exceptional size or incidence; (iii) the average number of employees during the financial year, including subcontractors' staff;

- **for medium-sized and large undertakings and public interest entities**, the nature and business purpose of the undertaking's arrangements that are not included in the balance sheet, provided that the risks or benefits arising from such arrangements are material;
- **for large undertakings and public interest entities**, transactions which have been entered into with related parties by the undertaking, including the amount of such transactions, the nature of the related party relationship and other information about the transactions necessary for an understanding of the financial position of the undertaking, if such transactions are material and have not been concluded under normal market conditions,

The report emphasizes that **payments made to governments** shall also be disclosed by large undertakings and public interest entities, which are active in the banking, construction or telecommunications industry.

However, payments should not need to be disclosed if a single payment or multiple related payments for a **project do not exceed EUR 80,000**.

Micro-entities: in view of the fact that micro-entities have limited resources with which to comply with demanding regulatory requirements, Members feel that it should be possible **to exempt micro-entities** from certain obligations that may impose on them an unnecessarily onerous administrative burden. However, micro-entities should still be subject to any national obligation to **keep records** showing their business transactions and financial position.

Member States are permitted to exempt micro and small entities from a general publication requirement, provided that: (i) **balance sheet information is duly** filed, in accordance with national law, with at least one designated competent authority and that (ii) **the information is transmitted to the business register**, so that a copy should be obtainable upon application.

Mutual recognition: the Commission should facilitate the conclusion of mutual recognition agreements or exemption mechanisms with those third countries that require their industries to publish reports that are equivalent to those required under the Directive.