Company law: annual accounts and consolidated accounts of certain types of companies (amend. Directives 78/660/EEC, 83/349/EEC, 86/635/EEC, 91/674/EEC)

2004/0250(COD) - 15/12/2005 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by and made some amendments to the Commission's text, which were the results of a compromise reached by Parliament, Council and Commission:

-Parliament felt that costly and inefficient over-regulation should be avoided, in particular for SMEs. Measures to enhance business transparency and liability for inappropriate behaviour should be proportionate to their actual benefit to shareholders and other interested parties. Excessive demands regarding disclosure should be avoided: the duty of disclosure should only be extended where this is relevant and necessary;

-the inclusion of off-balance sheet transactions in the notes is not necessary, since the rules of IAS 1, Presentation of Financial Statements, already give a sufficient guarantee that information relevant to decision-making is disclosed by the companies. The Commission's proposal to this effect, which amounts to treating listed and unlisted companies in the same way, is also, in the Parliament's opinion, unnecessary, since unlisted companies by definition do not make any claims on the capital market and there is thus no "public interest" in the inclusion of off-balance sheet transactions in the notes. The duty of disclosure of transactions with related parties, which the Commission also calls for in its proposal, was regarded as disproportionate. Parliament deleted the Commission proposals to this effect.

-Parliament clarified the proposed principle of collective responsibility for the proper drawing up and publication of the annual report and financial statement. Responsibility and liability are separate, the one does not automatically entail the other. Responsibility and liability derive solely from national law. The directive does not create any new law on liability. Members of the board are only collectively responsible for the activities of the board to which they belong, and are only liable on the basis of their own responsibility. Collective responsibility exists only within a board and not between boards.

-On the corporate governance statement, Parliament felt that this should not form part of the financial statement, since this would require a management assessment. In addition, a number of the items of information required in the corporate governance statement were felt to be superfluous and disproportionate, since the benefit of inclusion in the corporate governance statement would be far exceeded by the effort and costs involved.

-There was a new article inserted in Directive 78/660/EC, which provides a 20 % increase of the thresholds for small and medium-sized companies, and which is reflected in the amendments.