Commission Regulation (EU) No 1254/2012 of 11 December 2012 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 10, International Financial Reporting Standard 11, International Financial Reporting Standard 12, International Accounting Standard 27 (2011), and International Accounting Standard 28 (2011) (Text with EEA relevance)

COMMISSION REGULATION (EU) No 1254/2012

of 11 December 2012

amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 10, International Financial Reporting Standard 11, International Financial Reporting Standard 12, International Accounting Standard 27 (2011), and International Accounting Standard 28 (2011)

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

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 standards[(1)], and in particular Article 3(1) thereof,

Whereas:

(1) By Commission Regulation (EC) No 1126/2008[(2)] certain international standards and interpretations that were in existence at 15 October 2008 were adopted.

(2) On 12 May 2011, the International Accounting Standards Board (IASB) published International Financial Reporting Standard (IFRS) 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, as well the amended International Accounting Standard (IAS) 27 *Separate Financial Statements* and IAS 28 *Investment in Associates and Joint Ventures*. The objective of IFRS 10 is to provide a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 *Consolidated and Separate Financial Statements* and Interpretation 12 of the Standing Interpretations Committee (SIC) *Consolidation—Special Purpose Entities* (SIC-12). IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement, and replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities–Non-monetary Contributions by Venturers*. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new IFRSs, the IASB also issued the amended IAS 27 and IAS 28.

Changes to legislation: *There are outstanding changes not yet made to Commission Regulation (EU) No 1254/2012. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

(3) This Regulation endorses IFRS 10, IFRS 11, IFRS 12, and the amended IAS 27 and IAS 28, as well as the resulting amendments to other standards and interpretations. Those standards and amendments to existing standards or interpretations contain some references to IFRS 9 that at present cannot be applied as IFRS 9 has not been adopted by the Union yet. Therefore, any reference to IFRS 9 as laid down in the Annex to this Regulation should be read as a reference to IAS 39 *Financial Instruments: Recognition and Measurement*. Additionally, any consequential amendment to IFRS 9 resulting from the Annex to this Regulation cannot be applied.

(4) The consultation with the Technical Expert Group (TEG) of the European Financial Reporting Advisory Group (EFRAG) confirms that IFRS 10, IFRS 11, IFRS 12, and the amended IAS 27 and IAS 28 meet the technical criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

(5) Regulation (EC) No 1126/2008 should therefore be amended accordingly.

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

HAS ADOPTED THIS REGULATION:

Article 1

1 The Annex to Regulation (EC) No 1126/2008 is amended as follows:

a International Financial Reporting Standard (IFRS) 10 *Consolidated Financial Statements* is inserted as set out in the Annex to this Regulation;

b IFRS 1, IFRS 2, IFRS 3, IFRS 7, International Accounting Standard (IAS) 1, IAS 7, IAS 21, IAS 24, IAS 27, IAS 32, IAS 33, IAS 36, IAS 38, IAS 39, and Interpretation 5 of the International Financial Reporting Interpretations Committee (IFRIC 5) are amended, and Interpretation 12 of the Standing Interpretations Committee (SIC-12) is replaced in accordance with IFRS 10 as set out in the Annex to this Regulation;

c IFRS 11 *Joint Arrangements* is inserted as set out in the Annex to this Regulation;

d IFRS 1, IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 12, IAS 18, IAS 21, IAS 24, IAS 32, IAS 33, IAS 36, IAS 38, IAS 39, IFRIC 5, IFRIC 9, and IFRIC 16 are amended, and IAS 31 and SIC-13 are replaced in accordance with IFRS 11 as set out in the Annex to this Regulation;

e IFRS 12 *Disclosure of Interests in Other Entities* is inserted as set out in the Annex to this Regulation;

f IAS 1, and IAS 24 are amended in accordance with IFRS 12 as set out in the Annex to this Regulation;

g The amended IAS 27 *Separate Financial Statements* is inserted as set out in the Annex to this Regulation;

h The amended IAS 28 *Investment in Associates and Joint Ventures* is inserted as set out in the Annex to this Regulation.

2 Any reference to IFRS 9 as laid down in the Annex to this Regulation shall be read as a reference to IAS 39 *Financial Instruments: Recognition and Measurement*.

3 Any consequential amendment to IFRS 9 resulting from the Annex to this Regulation shall not be applied.

***Changes to legislation:** There are outstanding changes not yet made to Commission Regulation (EU) No 1254/2012. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

Article 2

Each company shall apply IFRS 10, IFRS 11, IFRS 12, the amended IAS 27, the amended IAS 28, and the consequential amendments referred to in points (b), (d) and (f) of Article 1(1), at the latest, as from the commencement date of its first financial year starting on or after 1 January 2014.

Article 3

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

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 11 December 2012.

For the Commission

The President

José Manuel BARROSO

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ANNEX

INTERNATIONAL ACCOUNTING STANDARDS

IFRS 10	**IFRS 10 Consolidated Financial Statements**
IFRS 11	**IFRS 11 Joint Arrangements**
IFRS 12	**IFRS 12 Disclosure of Interests in Other Entities**
IAS 27	**IAS 27 Separate Financial Statements**
IAS 28	**IAS 28 Investment in Associates and Joint Ventures**

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INTERNATIONAL FINANCIAL REPORTING STANDARD 10 *Consolidated Financial Statements*

OBJECTIVE

1 The objective of this IFRS is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

Meeting the objective

2 To meet the objective in paragraph 1, this IFRS:

(a) requires an entity (the *parent*) that controls one or more other entities (*subsidiaries*) to present consolidated financial statements;

(b) defines the principle of *control*, and establishes control as the basis for consolidation;

(c) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and

(d) sets out the accounting requirements for the preparation of consolidated financial statements.

3 This IFRS does not deal with the accounting requirements for business combinations and their effect on consolidation, including goodwill arising on a business combination (see IFRS 3 *Business Combinations*).

SCOPE

4 An entity that is a parent shall present consolidated financial statements. This IFRS applies to all entities, except as follows:

(a) a parent need not present consolidated financial statements if it meets all the following conditions:

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(i) it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;

(ii) its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);

(iii) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and

(iv) its ultimate or any intermediate parent produces consolidated financial statements that are available for public use and comply with IFRSs.

(b) post-employment benefit plans or other long-term employee benefit plans to which IAS 19 *Employee Benefits* applies.

Control

5 An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee.

6 An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

7 Thus, an investor controls an investee if and only if the investor has all the following:

(a) **power over the investee (see paragraphs 10–14);**

(b) **exposure, or rights, to variable returns from its involvement with the investee (see paragraphs 15 and 16); and**

(c) **the ability to use its power over the investee to affect the amount of the investor's returns (see paragraphs 17 and 18).**

8 An investor shall consider all facts and circumstances when assessing whether it controls an investee. The investor shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed in paragraph 7 (see paragraphs B80–B85).

9 Two or more investors collectively control an investee when they must act together to direct the relevant activities. In such cases, because no investor can direct the activities without the co-operation of the others, no investor individually controls the investee. Each investor would account for its interest in the investee in accordance with the relevant IFRSs, such as IFRS 11 *Joint Arrangements*, IAS 28 *Investments in Associates and Joint Ventures* or IFRS 9 *Financial Instruments.*

Power

10 An investor has power over an investee when the investor has existing rights that give it the current ability to direct the *relevant activities*, ie the activities that significantly affect the investee's returns.