

COMMISSION REGULATION (EU) No 550/2010

of 23 June 2010

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 (IFRS) 1

(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 accounting standards and interpretations that were in existence at 15 October 2008 were adopted.
- (2) On 23 July 2009, the International Accounting Standards Board (IASB) published Amendments to International Financial Reporting Standard (IFRS) 1 *First-time adoption of international financial reporting standards*, hereinafter 'amendments to IFRS 1'. According to the amendments to IFRS 1 entities with oil and gas activities transitioning to IFRSs are allowed to use carrying amounts for oil and gas assets determined under their previous accounting rules. Those entities that decide to use that exemption should be required to measure decommissioning, restoration and similar liabilities relating to oil and gas assets in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets* and to recognise the liability against retained earnings. The amendments to IFRS 1 also concern reassessment of lease determination.
- (3) The consultation with the Technical Expert Group (TEG) of the European Financial Reporting Advisory Group (EFRAG) confirms that the amendments to IFRS 1 meet the technical criteria for adoption set out in Article 3(2)

of Regulation (EC) No 1606/2002. In accordance with Commission Decision 2006/505/EC of 14 July 2006 setting up a Standards Advice Review Group to advise the Commission on the objectivity and neutrality of the European Financial Reporting Advisory Group's (EFRAG's) opinions ⁽³⁾, the Standards Advice Review Group considered EFRAG's opinion on endorsement and advised the Commission that it is well-balanced and objective.

- (4) Regulation (EC) No 1126/2008 should therefore be amended accordingly.
- (5) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Article 1

In the Annex to Regulation (EC) No 1126/2008, International Financial Reporting Standard 1 *First-time adoption of international financial reporting standards* is amended as set out in the Annex to this Regulation.

Article 2

Each company shall apply the amendments to IFRS 1, as set out in the Annex to this Regulation, at the latest, as from the commencement date of its first financial year starting after 31 December 2009.

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, 23 June 2010.

For the Commission
The President
José Manuel BARROSO

⁽¹⁾ OJ L 243, 11.9.2002, p. 1.

⁽²⁾ OJ L 320, 29.11.2008, p. 1.

⁽³⁾ OJ L 199, 21.7.2006, p. 33.

ANNEX

INTERNATIONAL ACCOUNTING STANDARDS

IFRS 1	Amendments to IFRS 1 Additional Exemptions for First-time Adopters
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Amendments to IFRS 1***First-time Adoption of International Financial Reporting Standards***

A heading and paragraphs 31A and 39A are added.

PRESENTATION AND DISCLOSURE**Explanation of transition to IFRSs***Use of deemed cost for oil and gas assets*

31A If an entity uses the exemption in paragraph D8A(b) for oil and gas assets, it shall disclose that fact and the basis on which carrying amounts determined under previous GAAP were allocated.

EFFECTIVE DATE

39A *Additional Exemptions for First-time Adopters* (Amendments to IFRS 1), issued in July 2009, added paragraphs 31A, D8A, D9A and D21A and amended paragraph D1(c), (d) and (l). An entity shall apply those amendments for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

EXEMPTIONS FROM OTHER IFRSS

In Appendix D paragraph D1(c), (d) and (l) and a heading are amended. Paragraphs D8A, D9A and D21A are added.

D1 An entity may elect to use one or more of the following exemptions:

(a) ...

(c) deemed cost (paragraphs D5–D8A);

(d) leases (paragraphs D9 and D9A);

(e) ...

(l) decommissioning liabilities included in the cost of property, plant and equipment (paragraphs D21 and D21A);

(m) ...

Deemed cost

D8A Under some national accounting requirements exploration and development costs for oil and gas properties in the development or production phases are accounted for in cost centres that include all properties in a large geographical area. A first-time adopter using such accounting under previous GAAP may elect to measure oil and gas assets at the date of transition to IFRSs on the following basis:

(a) exploration and evaluation assets at the amount determined under the entity's previous GAAP; and

(b) assets in the development or production phases at the amount determined for the cost centre under the entity's previous GAAP. The entity shall allocate this amount to the cost centre's underlying assets pro rata using reserve volumes or reserve values as of that date.

The entity shall test exploration and evaluation assets and assets in the development and production phases for impairment at the date of transition to IFRSs in accordance with IFRS 6 *Exploration for and Evaluation of Mineral Resources* or IAS 36 respectively and, if necessary, reduce the amount determined in accordance with (a) or (b) above. For the purposes of this paragraph, oil and gas assets comprise only those assets used in the exploration, evaluation, development or production of oil and gas.

Leases

D9A If a first-time adopter made the same determination of whether an arrangement contained a lease in accordance with previous GAAP as that required by IFRIC 4 but at a date other than that required by IFRIC 4, the first-time adopter need not reassess that determination when it adopts IFRSs. For an entity to have made the same determination of whether the arrangement contained a lease in accordance with previous GAAP, that determination would have to have given the same outcome as that resulting from applying IAS 17 *Leases* and IFRIC 4.

Decommissioning liabilities included in the cost of property, plant and equipment

D21A An entity that uses the exemption in paragraph D8A(b) (for oil and gas assets in the development or production phases accounted for in cost centres that include all properties in a large geographical area under previous GAAP) shall, instead of applying paragraph D21 or IFRIC 1:

- (a) measure decommissioning, restoration and similar liabilities as at the date of transition to IFRSs in accordance with IAS 37; and
 - (b) recognise directly in retained earnings any difference between that amount and the carrying amount of those liabilities at the date of transition to IFRSs determined under the entity's previous GAAP
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