

Procedure file

Basic information	
COD - Ordinary legislative procedure (ex-codecision procedure) Directive	2004/0250(COD) Procedure completed
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)	
Subject 3.45.03 Financial management of undertakings, business loans, accounting	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	JURI Legal Affairs		20/01/2005
		PPE-DE LEHNE Klaus-Heiner	
	Committee for opinion	Rapporteur for opinion	Appointed
	ECON Economic and Monetary Affairs		07/03/2005
		PSE ETTL Harald	
Council of the European Union	Council configuration	Meeting	Date
	Agriculture and Fisheries	2730	22/05/2006
	Economic and Financial Affairs ECOFIN	2666	07/06/2005
European Commission	Commission DG	Commissioner	
	Financial Stability, Financial Services and Capital Markets Union		

Key events			
27/10/2004	Legislative proposal published	COM(2004)0725	Summary
27/01/2005	Committee referral announced in Parliament, 1st reading		
07/06/2005	Debate in Council	2666	Summary
28/11/2005	Vote in committee, 1st reading		
01/12/2005	Committee report tabled for plenary, 1st reading	A6-0384/2005	
15/12/2005	Results of vote in Parliament		
15/12/2005	Decision by Parliament, 1st reading	T6-0518/2005	Summary
22/05/2006	Act adopted by Council after Parliament's		

	1st reading		
14/06/2006	Final act signed		
14/06/2006	End of procedure in Parliament		
16/08/2006	Final act published in Official Journal		

Technical information

Procedure reference	2004/0250(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Directive
Legal basis	EC Treaty (after Amsterdam) EC 044-p1
Stage reached in procedure	Procedure completed
Committee dossier	JURI/6/25516

Documentation gateway

Legislative proposal		COM(2004)0725	27/10/2004	EC	Summary
Economic and Social Committee: opinion, report		CES0844/2005	13/07/2005	ESC	
Committee opinion	ECON	PE359.918	18/07/2005	EP	
Amendments tabled in committee		PE360.323	25/07/2005	EP	
Amendments tabled in committee		PE364.890	21/11/2005	EP	
Committee report tabled for plenary, 1st reading/single reading		A6-0384/2005	01/12/2005	EP	
Text adopted by Parliament, 1st reading/single reading		T6-0518/2005	15/12/2005	EP	Summary
Commission response to text adopted in plenary		SP(2006)0053	12/01/2006	EC	
Draft final act		03675/4/2005	14/06/2006	CSL	

Additional information

European Commission	EUR-Lex
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Final act

[Directive 2006/46](#)
[OJ L 224 16.08.2006, p. 0001-0007](#) Summary
[Corrigendum to final act 32006L0046R\(01\)](#)
[OJ L 217 18.08.2010, p. 0014](#)

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)

PURPOSE : to further enhance confidence in the financial statements and annual reports published by European companies.

CONTENT : recent corporate scandals have highlighted issues related to board members' misconduct and thereby underlined the need for the Commission to pursue its Action Plan and establish an EU-framework of collective responsibility for board members, including appropriate sanctions and liability. Hence the Commission proposes to ensure that Member States must guarantee that board members are collectively responsible at least towards the company. In this respect, shareholders and other stakeholders need reliable, complete and easily accessible information. This concern is shared by the European Parliament and the Council and should be addressed by amending the Accounting Directives 78/660/EEC and 83/349/EEC as follows:

- Establish collective responsibility of board members: Confidence in the financial statements is linked to who has responsibility for drawing up and publishing them. In line with what is currently prevailing in Member States the responsibility should rest collectively with all board members.
- Enhance transparency about related parties' transactions: Companies' transaction with their managers, the latter's family members or other so-called related parties are often not carried out under normal commercial conditions. While satisfactory transparency is required for all listed European companies, under International Accounting Standards (IAS) more transparency is necessary for unlisted companies.
- Enhance transparency about off-balance arrangements: The disclosure requirements in the Accounting Directives for off-balance sheet commitments are not precise enough. Special Purpose Entities (SPE) is a prominent example: They are captured in the balance sheet if they qualify as a subsidiary but in many cases SPE's may be organised in a different way. Instead of developing complex definitions of an SPE (bearing the immediate risk of circumvention), disclosure should instead be improved by imposing a specific requirement in the notes to the accounts for material off-balance sheet arrangements, including SPE's.
- Introduce a corporate governance statement: Investors on European capital markets have a major interest in listed EU-companies' corporate governance practices. Accordingly, each listed company should ? in a specific section of its annual report - disclose information about its practices in a "corporate governance statement".

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)

The Council approved a general approach, pending the European Parliament's first-reading opinion, on a proposal for a Directive aimed at strengthening investors' and shareholders' confidence in the annual and consolidated accounts of companies. The text provides for greater obligations to disclose information and for the collective responsibility of board members. It aims to supplement other Community measures, in particular the Commission's action plans for financial services and corporate governance. While promoting the reliability of company accounts, the draft Directive has to find a balance to avoid overburdening companies with new administrative obligations, in particular small and medium-sized undertakings. The future Directive will amend the existing "Accounting Directives" (76/660/EEC and 83/349/EEC).

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)

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.

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)

PURPOSE: to facilitate cross-border investments by improving EU-wide comparable financial statements and reports.

LEGISLATIVE ACT: Directive 2006/46/EC of the European Parliament and of the Council amending Council Directive 78/660/EEC on the annual accounts of certain types of companies; 83/349/EEC on consolidated accounts; 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions and 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings.

CONTENT: this Directive amends a number of the EU's accounting Directives by improving disclosure provisions whereby listed EU companies will be obliged to provide annual corporate governance statements. Greater disclosure is also expected vis-à-vis the use of off-balance sheet arrangements and unusual transaction with related parties ? i.e. a spouse or board member. Further, the Directive introduces new thresholds for Small and Medium Sized Enterprises (SME's).

In other provisions, the amended Directives establish the principle of collective responsibility for board members at an EU level as well as introducing an obligation for listed EU companies to provide annual corporate governance statements. These amendments will allow the Member States to align their laws with that of the international accounting standard, IAS 39, on fair value measurement. Threshold (balance sheet total and net turn over) defining SME limited liability companies will be increased by 20%.

The new thresholds read as follows:

Small companies

- Balance sheet total: (former threshold) EUR 3 650 000,00; (new threshold) EUR 4 400 000,00
- Net turn over: (former threshold) EUR 7 300 000,00; (new threshold) EUR 8 800 000,00

Medium sized companies

- Balance sheet total: (former threshold) EUR 14 600 000,00; (new threshold) EUR 17 300 000,00
- Net turn over: (former threshold) EUR 29 200 000, 00; (new threshold) EUR 35 000 000,00

ENTRY INTO FORCE: 05/09/2006.

TRANSPOSITION: 05/09/2008.