II

(Non-legislative acts)

REGULATIONS

COMMISSION REGULATION (EU) 2015/28

of 17 December 2014

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 Standards 2, 3 and 8 and International Accounting Standards 16, 24 and 38

(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 December 2013, the International Accounting Standards Board (IASB) published *Annual Improvements to International Financial Reporting Standards 2010-2012 Cycle* (the annual improvements), in the framework of its regular improvement process which aims at streamlining and clarifying the standards. The objective of the annual improvements is to address non-urgent, but necessary issues discussed by the IASB during the project cycle that began in 2010 on areas of inconsistency in International Financial Reporting Standards or where clarification of wording is required. Amendments to International Financial Reporting Standard (IFRS) 8 and to International Accounting Standards (IAS) 16, 24 and 38 are clarifications or corrections to the respective standards. Amendments to IFRS 2 and IFRS 3, involve changes to the existing requirements or additional guidance on the implementation of those requirements.

(3) Amendments to IFRS 3 imply by way of consequence amendments to IAS 37 and IAS 39 in order to ensure consistency between international accounting standards.

(4) Those amendments to existing standards contain some references to IFRS 9 that at present cannot be applied as IFRS 9 has not been adopted by the Union. Therefore any references 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*.

(5) The consultation with the Technical Expert Group of the European Financial Reporting Advisory Group confirms that the improvements meet the technical criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

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

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

([1]) OJ L 243, 11.9.2002, p. 1

([2]) Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (OJ L 320, 29.11.2008, p. 1)

HAS ADOPTED THIS REGULATION:

Article 1

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

(a) IFRS 2 *Share-based payment* is amended as set out in the Annex to this Regulation;

(b) IFRS 3 *Business combinations* is amended as set out in the Annex to this Regulation;

(c) IFRS 8 *Operating segments* is amended as set out in the Annex to this Regulation;

(d) IAS 16 *Property, plant and equipment* is amended as set out in the Annex to this Regulation;

(e) IAS 24 *Related party disclosures* is amended as set out in the Annex to this Regulation;

(f) IAS 38 *Intangible assets* is amended as set out in the Annex to this Regulation;

(g) IAS 37 *Provisions, contingent liabilities and contingent assets* and 39 *Financial instruments: recognition and measurement* are amended in accordance with the amendments to IFRS 3 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*.

Article 2

Each company shall apply the amendments referred to in Article 1(1), at the latest, as from the commencement date of its first financial year starting on or after 1 February 2015.

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, 17 December 2014.

For the Commission

The President

Jean-Claude JUNCKER

ANNEX

Annual Improvements to IFRSs 2010–2012 Cycle [1]

Amendment to IFRS 2 *Share-based Payment*

Paragraphs 15 and 19 were amended and paragraph 63B was added.

Transactions in which services are received

…

15 If the equity instruments granted do not vest until the counterparty completes a specified period of service, the entity shall presume that the services to be rendered by the counterparty as consideration for those equity instruments will be received in the future, during the *vesting period*. The entity shall account for those services as they are rendered by the counterparty during the vesting period, with a corresponding increase in equity. For example:

(a) …

(b) if an employee is granted share options conditional upon the achievement of a *performance condition* and remaining in the entity's employ until that performance condition is satisfied, and the length of the vesting period varies depending on when that performance condition is satisfied, the entity shall presume that the services to be rendered by the employee as consideration for the share options will be received in the future, over the expected vesting period. …

Treatment of vesting conditions

19 A grant of equity instruments might be conditional upon satisfying specified vesting conditions. For example, a grant of shares or share options to an employee is typically conditional on the employee remaining in the entity's employ for a specified period of time. There might be performance conditions that must be satisfied, such as the entity achieving a specified growth in profit or a specified increase in the entity's share price. Vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Hence, on a cumulative basis, no amount is recognised for goods or services received if the equity instruments granted do not vest because of failure to satisfy a *vesting condition*, eg the counterparty fails to complete a specified service period, or a performance condition is not satisfied, subject to the requirements of paragraph 21.

…

EFFECTIVE DATE

…

63B *Annual Improvements to IFRSs 2010–2012 Cycle*, issued in December 2013, amended paragraphs 15 and 19. In Appendix A, the definitions of 'vesting conditions' and 'market condition' were amended and the definitions of 'performance condition' and 'service condition' were added. An entity shall prospectively apply that amendment to share-based payment transactions for which the grant date is on or after 1 July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

In Appendix A, the definitions of 'market condition' and 'vesting conditions' are amended and the definitions of 'performance condition' and 'service condition' are added

Appendix A

Defined terms

This appendix is an integral part of the IFRS.

…

market condition

A **performance condition** upon which the exercise price, vesting or exercisability of an **equity instrument** depends that is related to the market price (or value) of the entity's **equity instruments** (or the equity instruments of another entity in the same group), such as:

(a) attaining a specified share price or a specified amount of **intrinsic value** of a **share option** or

(b) achieving a specified target that is based on the market price (or value) of the entity's **equity instruments** (or the equity instruments of another entity in the same group) relative to an index of market prices of **equity instruments** of other entities.

A market condition requires the counterparty to complete a specified period of service (ie a **service condition**); the service requirement can be explicit or implicit.

…

performance condition

A **vesting condition** that requires:

(a) the counterparty to complete a specified period of service (ie a **service condition**); the service requirement can be explicit or implicit; and

(b) specified performance target(s) to be met while the counterparty is rendering the service required in (a).

The period of achieving the performance target(s):

(a) shall not extend beyond the end of the service period; and

(b) may start before the service period on the condition that the commencement date of the performance target is not substantially before the commencement of the service period.

A performance target is defined by reference to:

(a) the entity's own operations (or activities) or the operations or activities of another entity in the same group (ie a non-market condition); or

(b) the price (or value) of the entity's **equity instruments** or the equity instruments of another entity in the same group (including shares and **share options**) (ie a **market condition**).

A performance target might relate either to the performance of the entity as a whole or to some part of the entity (or part of the group), such as a division or an individual employee.

…

service condition

A **vesting condition** that requires the counterparty to complete a specified period of service during which services are provided to the entity. If the counterparty, regardless of the reason, ceases to provide service during the **vesting period**, it has failed to satisfy the condition. A service condition does not require a performance target to be met.

…

vesting conditions

A condition that determines whether the entity receives the services that entitle the counterparty to receive cash, other assets or **equity instruments** of the entity, under a **share-based payment arrangement**. A vesting condition is either a **service condition** or a **performance condition**.

Amendment to IFRS 3 *Business Combinations*

Paragraphs 40 and 58 are amended and paragraph 64I and paragraph 67A and its related heading are added.

Contingent consideration

…

40 The acquirer shall classify an obligation to pay contingent consideration that meets the definition of a financial instrument as a financial liability or as equity on the basis of the definitions of an equity instrument and a financial liability in paragraph 11 of IAS 32 *Financial Instruments: Presentation*. The acquirer shall classify as an asset a right to the return of previously transferred consideration if specified conditions are met. Paragraph 58 provides guidance on the subsequent accounting for contingent consideration.

…

Contingent consideration

58 Some changes in the fair value of contingent consideration that the acquirer recognises after the acquisition date may be the result of additional information that the acquirer obtained after that date about facts and circumstances that existed at the acquisition date. Such changes are measurement period adjustments in accordance with paragraphs 45–49. However, changes resulting from events after the acquisition date, such as meeting an earnings target, reaching a specified share price or reaching a milestone on a research and development project, are not measurement period adjustments. The acquirer shall account for changes in the fair value of contingent consideration that are not measurement period adjustments as follows:

(a) …

(b) Other contingent consideration that:

(i) is within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with IFRS 9.

(ii) is not within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

…

Effective date

…

64I *Annual Improvements to IFRSs 2010–2012 Cycle*, issued in December 2013, amended paragraphs 40 and 58 and added paragraph 67A and its related heading. An entity shall apply that amendment prospectively to business combinations for which the acquisition date is on or after 1 July 2014. Earlier application is permitted. An entity may apply the amendment earlier provided that IFRS 9 and IAS 37 (both as amended by *Annual Improvements to IFRSs 2010–2012 Cycle*) have also been applied. If an entity applies that amendment earlier it shall disclose that fact.

…

REFERENCE TO IFRS 9

67A If an entity applies this Standard but does not yet apply IFRS 9, any reference to IFRS 9 should be read as a reference to IAS 39.

Consequential amendments to other IFRSs resulting from the amendment to IFRS 3

Amendment to IFRS 9 *Financial Instruments* (issued in November 2009)

Paragraph 5.4.4 is amended and paragraph 8.1.4 is added.

Investments in equity instruments

5.4.4 At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this IFRS that is not *held for trading* and is also not contingent consideration of an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

…

8.1 EFFECTIVE DATE

…

8.1.4 *Annual Improvements to IFRSs 2010–2012 Cycle*, issued in December 2013, amended paragraph 5.4.4 as a consequential amendment derived from the amendment to IFRS 3. An entity shall apply that amendment prospectively to business combinations to which the amendment to IFRS 3 applies.

Amendment to IFRS 9 *Financial Instruments* (issued in October 2010)

Paragraphs 4.2.1 and 5.7.5 are amended and paragraph 7.1.4 is added.

4.2 Classification of financial liabilities

4.2.1 An entity shall classify all financial liabilities as subsequently measured at amortised cost using the *effective interest method*, except for:

(a) …

(e) contingent consideration of an acquirer in a business combination to which IFRS 3 *Business Combinations* applies. Such contingent consideration shall subsequently be measured at fair value.

…

Investments in equity instruments

5.7.5 At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this IFRS that is not *held for trading* and is also not contingent consideration of an acquirer in a business combination to which IFRS 3 applies.

…

7.1 EFFECTIVE DATE

…

7.1.4 *Annual Improvements to IFRSs 2010–2012 Cycle*, issued in December 2013, amended paragraphs 4.2.1 and 5.7.5 as a consequential amendment derived from the amendment to IFRS 3. An entity shall apply that amendment prospectively to business combinations to which the amendment to IFRS 3 applies.

Amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Paragraph 5 is amended and paragraph 99 is added.

SCOPE

…

5 When another Standard deals with a specific type of provision, contingent liability or contingent asset, an entity applies that Standard instead of this Standard. For example, some types of provisions are addressed in Standards on:

(a) …

(d) employee benefits (see IAS 19 *Employee Benefits*);

(e) insurance contracts (see IFRS 4 *Insurance Contracts*). However, this Standard applies to provisions, contingent liabilities and contingent assets of an insurer, other than those arising from its contractual obligations and rights under insurance contracts within the scope of IFRS 4; and

(f) contingent consideration of an acquirer in a business combination (see IFRS 3 *Business Combinations*).

…

EFFECTIVE DATE

…

99 *Annual Improvements to IFRSs 2010–2012 Cycle*, issued in December 2013, amended paragraph 5 as a consequential amendment derived from the amendment to IFRS 3. An entity shall apply that amendment prospectively to business combinations to which the amendment to IFRS 3 applies.

Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* [1]

Paragraph 9 is amended and paragraph 108F is added.

Definitions

…

9 The following terms are used in this Standard with the meanings specified:

…

Definitions of four categories of financial instruments

A *financial asset or financial liability at fair value through profit or loss* is a financial asset or financial liability that meets any of the following conditions.

(a) …

(aa) It is contingent consideration of an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

(b) …

EFFECTIVE DATE AND TRANSITION

…

108F *Annual Improvements to IFRSs 2010–2012 Cycle*, issued in December 2013, amended paragraph 9 as a consequential amendment derived from the amendment to IFRS 3. An entity shall apply that amendment prospectively to business combinations to which the amendment to IFRS 3 applies.

Amendments to IFRS 8 *Operating Segments*

Paragraphs 22 and 28 are amended and paragraph 36C is added.

General information

22 An entity shall disclose the following general information:

(a) factors used to identify the entity's reportable segments, including the basis of organisation (for example, whether management has chosen to organise the entity around differences in products and services, geographical areas, regulatory environments, or a combination of factors and whether operating segments have been aggregated);

(aa) the judgements made by management in applying the aggregation criteria in paragraph 12. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics; and

(b) types of products and services from which each reportable segment derives its revenues.

…

(1) IFRS 9 *Financial Instruments* (issued in October 2010) and IFRS 9 *Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)* (issued in November 2013) deleted the 'Definitions of four categories of financial instruments' in paragraph 9 of IAS 39.

Reconciliations

28 An entity shall provide reconciliations of all of the following:

(a) ...

(c) the total of the reportable segments' assets to the entity's assets if the segment assets are reported in accordance with paragraph 23.

(d) ...

TRANSITION AND EFFECTIVE DATE

…

36C *Annual Improvements to IFRSs 2010–2012 Cycle*, issued in December 2013, amended paragraphs 22 and 28. An entity shall apply those amendments for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

Amendment to IAS 16 *Property, Plant and Equipment*

Paragraph 35 is amended and paragraphs 80A and 81H are added.

Revaluation model

…

35 When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways:

(a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or

(b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amount of the adjustment of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs 39 and 40.

…

TRANSITIONAL PROVISIONS

…

80A Paragraph 35 was amended by *Annual Improvements to IFRSs 2010–2012 Cycle*. An entity shall apply that amendment to all revaluations recognised in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period. An entity may also present adjusted comparative information for any earlier periods presented, but it is not required to do so. If an entity presents unadjusted comparative information for any earlier periods, it shall clearly identify the information that has not been adjusted, state that it has been presented on a different basis and explain that basis.

EFFECTIVE DATE

…

81H *Annual Improvements to IFRSs 2010–2012 Cycle*, issued in December 2013, amended paragraph 35 and added paragraph 80A. An entity shall apply that amendment for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Amendment to IAS 24 *Related Party Disclosures*

Paragraph 9 is amended and paragraphs 17A, 18A and 28C are added.

DEFINITIONS

9 **The following terms are used in this Standard with the meanings specified:**

A *related party* is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) …

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) …

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

…

All entities

…

17A **If an entity obtains key management personnel services from another entity (the 'management entity'), the entity is not required to apply the requirements in paragraph 17 to the compensation paid or payable by the management entity to the management entity's employees or directors.**

18 **…**

18A **Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.**

…

EFFECTIVE DATE AND TRANSITION

…

28C *Annual Improvements to IFRSs 2010–2012 Cycle*, issued in December 2013, amended paragraph 9 and added paragraphs 17A and 18A. An entity shall apply that amendment for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Amendment to IAS 38 *Intangible Assets*

Paragraph 80 is amended and paragraphs 130H–130I are added.

Revaluation model

…

80 When an intangible asset is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways:

(a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated amortisation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or

(b) the accumulated amortisation is eliminated against the gross carrying amount of the asset.

The amount of the adjustment of accumulated amortisation forms part of the increase or decrease in the carrying amount that is accounted for in accordance with paragraphs 85 and 86.

…

TRANSITIONAL PROVISIONS AND EFFECTIVE DATE

…

130H *Annual Improvements to IFRSs 2010–2012 Cycle*, issued in December 2013, amended paragraph 80. An entity shall apply that amendment for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

130I An entity shall apply the amendment made by *Annual Improvements to IFRSs 2010–2012 Cycle* to all revaluations recognised in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period. An entity may also present adjusted comparative information for any earlier periods presented, but it is not required to do so. If an entity presents unadjusted comparative information for any earlier periods, it shall clearly identify the information that has not been adjusted, state that it has been presented on a different basis and explain that basis.