COMMISSION REGULATION (EC) No 610/2007

of 1 June 2007

amending Regulation (EC) No 1725/2003 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 Interpretations Committee's (IFRIC) Interpretation 10

(Text with EEA relevance)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

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 1725/2003 [2] certain international standards and interpretations that were extant at 14 September 2002 were adopted.

(2) On 20 July 2006, the International Financial Reporting Interpretations Committee (IFRIC) published IFRIC Interpretation 10 *Interim Financial Reporting and Impairment*, hereinafter 'IFRIC 10'. IFRIC 10 clarifies that impairment losses on goodwill and certain financial assets ('available for sale' equity investments and unquoted equity instruments measured at cost) that are recognised in an interim financial statement must not be reversed in subsequent interim or annual financial statements. The interpretation was required due to an apparent conflict between the requirements of International Accounting Standard (IAS) 34 Interim Financial Reporting and those in IAS 36 Impairment of assets, and the impairment provisions related to certain financial assets in IAS 39 Financial instruments: Recognition and measurement.

(3) The consultation with the Technical Expert Group (TEG) of the European Financial Reporting Advisory Group (EFRAG) confirms that IFRIC 10 meets the technical criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

(4) Regulation (EC) No 1725/2003 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 1725/2003, 'International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 10 *Interim Financial Reporting and Impairment*', is inserted as set out in the Annex to this Regulation.

Article 2

Each company shall apply IFRIC 10 as set out in the Annex to this Regulation as from the commencement date of its 2007 financial year at the latest, except for companies with a November or December commencement date which shall apply IFRIC 10 as from the commencement date of the 2006 financial year at the latest.

Article 3

This Regulation shall enter into force on the third day following 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, 1 June 2007.

For the Commission

Charlie McCREEVY

Member of the Commission

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

[2] OJ L 261, 13.10.2003, p. 1. Regulation as last amended by Regulation (EC) No 1329/2006 (OJ L 247, 9.9.2006, p. 3).

ANNEX

INTERNATIONAL FINANCIAL REPORTING STANDARDS

'IFRIC 10	IFRIC Interpretation 10 *Interim Financial Reporting and Impairment*'

IFRIC INTERPRETATION 10

Interim Financial Reporting and Impairment

References

— IAS 34 *Interim financial reporting*

— IAS 36 *Impairment of assets*

— IAS 39 *Financial instruments: recognition and measurement*

Background

1. An entity is required to assess goodwill for impairment at every reporting date, to assess investments in equity instruments and in financial assets carried at cost for impairment at every balance sheet date and, if required, to recognise an impairment loss at that date in accordance with IAS 36 and IAS 39. However, at a subsequent reporting or balance sheet date, conditions may have so changed that the impairment loss would have been reduced or avoided had the impairment assessment been made only at that date. This Interpretation provides guidance on whether such impairment losses should ever be reversed.

2. The Interpretation addresses the interaction between the requirements of IAS 34 and the recognition of impairment losses on goodwill in IAS 36 and certain financial assets in IAS 39, and the effect of that interaction on subsequent interim and annual financial statements.

Issue

3. IAS 34 paragraph 28 requires an entity to apply the same accounting policies in its interim financial statements as are applied in its annual financial statements. It also states that 'the frequency of an entity's reporting (annual, half yearly, or quarterly) shall not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes shall be made on a year-to-date basis'.

4. IAS 36 paragraph 124 states that 'An impairment loss recognised for goodwill shall not be reversed in a subsequent period'.

5. IAS 39 paragraph 69 states that 'Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss'.

6. IAS 39 paragraph 66 requires that impairment losses for financial assets carried at cost (such as an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured) should not be reversed.

7. The Interpretation addresses the following issue:

   Should an entity reverse impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost if a loss would not have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only at a subsequent balance sheet date?

Consensus

8. An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

9. An entity shall not extend this consensus by analogy to other areas of potential conflict between IAS 34 and other standards.

Effective date and transition

10. An entity shall apply the Interpretation for annual periods beginning on or after 1 November 2006. Earlier application is encouraged. If an entity applies the Interpretation for a period beginning before 1 November 2006, it shall disclose that fact. An entity shall apply the Interpretation to goodwill prospectively from the date at which it first applied IAS 36; it shall apply the Interpretation to investments in equity instruments or in financial assets carried at cost prospectively from the date at which it first applied the measurement criteria of IAS 39.