

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(78) 703 final

Brussels, 12 December 1978

AMENDED PROPOSAL FOR A SEVENTH DIRECTIVE
PURSUANT TO ARTICLE 54(3)(g)
OF THE EEC TREATY CONCERNING GROUP ACCOUNTS

(Presented by the Commission to the Council
pursuant to the second paragraph of article
149 of the EEC Treaty)

COM(78) 703 final

EXPLANATORY MEMORANDUM

I. INTRODUCTION

This amended proposal for a seventh Directive, based on Article 54(3)(g) of the EEC Treaty and concerning group accounts has two main objectives. In the first place, account has been taken of the Opinions of the European Parliament of 16 June 1978(1) and of the Economic and Social Committee of 24 February 1977 (2). In addition, the adoption by the Council on 25 July 1978 of the fourth Directive, based on the same article of the Treaty and concerning the annual accounts of certain kinds of company (3), has made necessary a series of amendments to the proposal for a seventh directive which are listed in the annex to this memorandum. The memorandum itself is limited to an explanation of the amendments which have been made in the light of the two Opinions cited above.

II. COMMENTS ON THE ARTICLES

Article 5(d), Article 17a, Article 20(4a), Article 20(b))

Parliament requested, in the form of an amendment to Article 9, that information should be given concerning holdings in enterprises presumed to be dependent within the meaning of Article 2(2) but not forming part of a group since they are not managed on a unified basis. The Commission considers that, in expressing this view, Parliament did not wish to propose an extension of the scope of the obligation to consolidate in itself, which explains why Parliament expressed its full agreement with the definitions contained in Articles 1 to 4. In order to satisfy the wishes of Parliament, the Commission, in its amended proposal, has envisaged the following provisions :

1. Inclusion of undertakings between which there exists a relationship of the kind specified in Article 2(2) in the category of affiliated undertakings (Article 5(d);

(1) OJ No. 163, 10.7.78, p. 60.

(2) OJ No. 75, 26.3.77, p. 5.

(3) OJ No. L 222, 14.8.78, p. 11.

2. Application of the equity method to holdings in the capital of associated undertakings within the meaning of Article 1 which are presumed to be dependent within the meaning of Article 2(2). This rule shall apply in the case of holdings of an undertaking forming part of a group (Article 17), and in the case of an undertaking not part of a group (Article 17a).
3. In the case of holdings in the capital of undertakings which are not associated, but which are presumed to be dependent, indication in the notes of the differences between the values which figure in the balance sheet and the values according to the equity method (Article 20(4a) and Article 20b).

Article 6a

According to the original proposal (Article 6(2)(a)), each dependent group undertaking having its registered office within the Community and through which other group undertakings are dominated is obliged to draw up sub-group consolidated accounts. Parliament considers that an obligation of this kind imposed generally on sub-groups would entail the imposition of excessive costs and in the present circumstances, would be of limited interest. Sub-group accounts should not therefore be drawn up when the dominant undertaking publishes accounts for the group as a whole in conformity with the seventh Directive. The present amended proposal suggests an intermediate solution. While retaining Parliament's conception of the subsidiary character of sub-group accounts in relation to the accounts of the group as a whole, the Commission considers, in agreement with the opinion of the EEC Accountants' Study Group, that other conditions must be fulfilled if the omission of sub-group accounts is to be justified. In particular, reference should be made to the agreement of shareholders or members of the dependent undertaking concerned, to a declaration that the dominant undertakings guarantees the commitments entered into by the dependent undertaking, and to certain disclosure provisions in this context.

Article 6b

The initial proposal (Article 6(2)(b)) dealt with the case of several dependent undertakings within the EEC which find themselves at the same level in relation to a dominant undertaking outside the EEC. In this situation, sub-group accounts would also have to be drawn up relating to all these dependent undertakings as well as all other group undertakings dominated through them. Parliament, and also the Economic and Social Committee consider such an obligation too onerous. Consolidated accounts drawn up for the group as a whole should suffice on condition that certain supplementary information is given on the activities of the group within the Community. The Commission is of the opinion that in these particular cases also, the omission of sub-group accounts of this kind could only be justified under the same conditions as those proposed for Article 6a. In addition, the Commission is in favour of the idea put forward by Parliament of requiring information which distinguishes for certain activities between those inside and those outside the Community. However, this break down should be made in the accounts of all groups and sub-groups wherever the undertaking which is obliged to draw up the accounts has its registered office. The break down seems to be appropriate as regards employees (Article 20(8)), categories of activity and geographical markets (Article 20(7)), as well as research and development (Article 22(2)(d)).

Article 8

The original proposal provided that the Member States should apply the Directive to banks and insurance companies "in so far as possible". Parliament and the Economic and Social Committee consider this text too imprecise. Parliament has proposed an enumeration of the articles that the Member States need not apply to the enterprises in question. In this amended proposal, the Commission adopts Parliament's view by limiting the exemptions which are possible until subsequent co-ordination to the rules relating to structure (Article 11) and valuation (Articles 15 and 16) for the consolidated accounts and by making it clear that these exemptions apply only to a group undertaking, whether dominant or dependent, which carries out the activity in one of the sectors specified.

Article 10(3)

The amended proposal has followed Parliament's Opinion in specifying that the audit of group accounts required by Article 23 shall apply to the issue of the non-consolidation of a group undertaking by reason of its minor importance for the purposes of giving a true and fair view of the group's situation.

Article 14(1)(e)

The original proposal required a separate audit of the interim accounts of a group undertaking. To avoid supplementary expenses, Parliament expressed itself in favour of an audit for these accounts at the same time as the audit of the group accounts. The amended proposal adopts this solution.

Article 15(d)

In accordance, as far as substance is concerned, with Parliament and taking its inspiration from a provision in the fourth Directive (see paragraph 4 of the annex), the concept of deferred taxation has been re-defined.

Article 16

The amended proposal has adopted in their entirety the Opinions of Parliament and the Economic and Social Committee regarding the writing-off of consolidation differences which cannot be attributed to an item in the consolidated balance sheet in applying the provisions of the fourth directive on writing-off good-will (see paragraph 5 of annex).

ANNEX

Amendments to the proposal for a seventh Directive
consequent upon adoption of the fourth Directive

- (1) Supplementary information and departures from generally applicable provisions in order to give a true and fair view of the group's situation

Article 9 (4) to (6) - amended proposal for a seventh Directive

Article 2 (4) to (6) - fourth Directive

- (2) Drawing up of a group consolidated balance sheet in an abridged form

Article 11 (2) - amended proposal for a seventh Directive

Article 11 - fourth Directive

- (3) Drawing up of a group consolidated profit and loss account in an abridged form

Article 11(3) - amended proposal for a seventh Directive

Article 27 - fourth Directive

- (4) Definition of deferred taxation

Article 15 (d) - amended proposal for a seventh Directive

Article 43 (11) - fourth Directive

- (5) Consolidation differences non-attributable to items in the consolidated group balance sheet

Article 16 - amended proposal for a seventh Directive

Article 37 (2) - fourth Directive

- (6) Information in the notes to the accounts concerning participating interests of group undertakings

Article 20 (5) - amended proposal for a seventh Directive

Article 43 I (2) - fourth Directive

(7) Information in the notes to the accounts concerning financial commitments outside the group that are not shown in the group consolidated balance sheet

Article 20 (6) - amended proposal for a seventh Directive
Article 43 I (7) - fourth Directive

(8) Break down in the notes to the accounts of the net amount of the group's turnover by category of product and by geographical market

Article 20 (7) - amended proposal for a seventh Directive
Article 43 I (8) - fourth Directive

(9) Information in the notes to the accounts concerning persons employed by group undertakings

Article 20 (8) - amended proposal for a seventh Directive
Article 43 I (9) - fourth Directive

(10) Information in the notes to the accounts on the extent to which the calculation of the group's profit or loss for the financial year has been affected by valuation of items made to obtain tax relief

Article 20 (9) - amended proposal for a seventh Directive
Article 43 I (10) - fourth Directive

(11) Drawing up of notes to the accounts in abridged form

Article 20 a - amended proposal for a seventh Directive
Article 44 - fourth Directive

(12) Omission of certain information likely to be prejudicial to one of the undertakings concerned

Article 21 (1) (b) - amended proposal for a seventh Directive
Article 45 (1) (b) - fourth Directive

(13) Omission of a break down of the net amount of a group's turnover by category of product and by geographical market

Article 21 (2) - amended proposal for a seventh Directive
Article 45 (2) - fourth Directive

(14) Content of group annual report

Article 22 - amended proposal for a seventh Directive
Article 46 - fourth Directive

(15) Exemption from obligatory audit of group consolidated accounts

Article 23 (2) (a) - amended proposal for a seventh Directive
Article 51 (2) - fourth Directive

(16) Publication procedures for group consolidated accounts and annual report

Article 24 (1) - amended proposal for a seventh Directive
Article 47 (1) - fourth Directive

(17) Publication of group consolidated accounts and annual report in abridged form

Article 24 (2), (3) - amended proposal for a seventh Directive
Article 47 (2), (3) - fourth Directive

(18) Repeal of transitional provisions of fourth Directive

Article 26a - amended proposal for a seventh Directive
Article 57, 58 & 61 - fourth Directive

(19) Enlargement of functions of Contact Committee to include problems arising from the seventh Directive

Article 26b - amended proposal for a seventh Directive

Article 52 - fourth Directive

(20) Bringing into force of national provisions

Article 26 - amended proposal for a seventh Directive

Article 55 - fourth Directive

II

(Preparatory Acts)

COMMISSION

Amended proposal for a Seventh Directive pursuant to Article 54 (3) (g) of the EEC Treaty concerning group accounts ⁽¹⁾

(Submitted by the Commission to the Council pursuant to the second paragraph of Article 149 of the EEC Treaty on 14 December 1978)

ORIGINAL PROPOSAL

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Proposal for a Seventh Council Directive pursuant to Article 54 (3) (g) of the EEC Treaty concerning group accounts

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 54 (3) (g) thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas Directive ... of the ... ⁽²⁾ for coordination of national legislation regarding the annual accounts of limited liability companies applies to the accounts of individual companies;

Whereas at present a growing number of companies are no longer managed independently but belong to groups in which management of the undertakings belonging to the group is coordinated in the interests of the whole group; whereas the annual accounts of companies belonging to a group cannot by themselves give a true and fair view of their position; whereas group accounts should therefore be drawn up in order to give a true and fair view of the

Whereas the Council on 25 July 1978 adopted Directive 78/660/EEC ⁽¹⁾ for coordination of national legislation regarding the annual accounts of limited liability companies which applies to the accounts of individual companies;

unchanged

⁽¹⁾ OJ No C 121, 2. 6. 1976, p. 2.

⁽²⁾ Amended proposal for a Fourth Directive on annual accounts (Supplement 6/74 — Bulletin of the EC).

⁽¹⁾ OJ No L 222, 14. 8. 1978, p. 11.

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economic unit constituted by the group and whereby the position of a company belonging to the group can be determined more easily; whereas coordination of national laws on group accounts is therefore essential in order to complete the scope of the Directive referred to above and to attain the objective that information required to be published by companies within the Community to protect the interests of their members, their employees and third parties be drawn up on equivalent lines and may be duly compared;

Whereas groups of companies are in fact economic units in which all the member companies and undertakings are managed on a central and unified basis in the interest of the whole group; whereas this central and unified management within a group is normally exercised as a result of the relationships of dependence linking group undertakings;

Whereas, however, a group sometimes consists of undertakings which exist on an equal footing with one another; whereas a definition of groups must be given which takes account of these economic characteristics;

Whereas the purpose of coordinating laws on group accounts is to protect all the interests subsisting in limited liability companies; whereas in order to provide such protection, it must become compulsory to draw up group accounts both in respect of companies heading a group and those which are in a position of dependency within a group; whereas in order that the information given is complete, it is also necessary that, when a group is organized with several levels, special consolidated accounts be drawn up for the different parts of the group (sub-group accounts);

Whereas group accounts should give a true and fair view of the assets, liabilities, financial position and results of the group; whereas the annual accounts of all the undertakings belonging to a group should in principle therefore be required to be consolidated; whereas when the accounts are consolidated, the relevant items in the annual accounts of group undertakings should be incorporated in full in the group accounts, with interests held by persons

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Whereas groups of companies are in fact economic units in which all the member companies and undertakings are managed on a unified basis in the interest of the whole group; whereas this unified management within a group is normally exercised as a result of the relationships of dependence linking group undertakings; (English text only)

unchanged

whereas in order that the information given is complete, it is also necessary that, when a group is organized with several levels, special consolidated accounts be drawn up for the different parts of the group (sub-group accounts) unless the dominant undertaking has drawn up a consolidated account for the whole group in accordance with this Directive and the shareholders or members, as well as any creditors have been adequately protected;

unchanged

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outside the group being shown separately; whereas, however, the necessary corrections should be made in order to eliminate any transactions or financial relationships between group undertakings;

Whereas a number of general principles relating to the drawing up of group accounts and the valuation of items in those accounts must be laid down in order to ensure that items are presented coherently and can be readily compared both as regards the methods used to value them and the periods covered by the accounts;

Whereas holdings in the capital of undertakings over which group undertakings exert a significant influence without however controlling such undertakings should also be valued realistically in the group accounts by taking account of the results obtained by the relevant undertakings;

Whereas it is of vital importance for all those having an interest in a company belonging to a group that information on the structure of groups should be published; whereas it is therefore essential that the notes to the group accounts should contain precise information on the undertakings belonging to the group and the nature of the legal relationship connecting them to the group,

HAS ADOPTED THIS DIRECTIVE:

SECTION 1

SECTION 1

Definitions

Definitions

*Article 1**Article 1*

1. For the purposes of this Directive, an associated undertaking means an undertaking over which another undertaking exercises, directly or indirectly, a significant influence.

unchanged

2. An undertaking is presumed to be associated with another undertaking where the latter undertaking holds, directly or indirectly, 20 % or more of the capital of the former undertaking or of the votes attaching to shares issued by that undertaking.

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3. For purposes of application of paragraphs 1 and 2, holdings of a dependent undertaking within the meaning of Article 2 of the Directive, and holdings of a person acting on behalf of the undertaking or of an undertaking dependent on it shall be regarded as forming part of the holding of one undertaking in the capital of another.

Article 2

1. For the purposes of this Directive, a dependent undertaking means an undertaking over which another undertaking, referred to as the dominant undertaking, is able, directly or indirectly, to exercise a dominant influence.

2. An undertaking is presumed to be dependent on another undertaking where the latter undertaking, directly or indirectly:

- (a) holds the major part of the undertaking's subscribed capital; or
- (b) controls the majority of the votes attaching to shares issued by the undertaking; or
- (c) can appoint more than half of the members of the undertaking's administrative, managerial or supervisory body.

3. Holdings of an undertaking dependent on the dominant undertaking and holdings of another person acting on behalf of the dominant undertaking or of an undertaking dependent on it shall be regarded as forming part of the holding of the dominant undertaking.

Article 3

1. For the purposes of this Directive, a dominant undertaking and one or more undertakings dependent on it shall constitute a group if the dominant undertaking exercises in practice its dominant influence to the effect that all such undertakings are managed on a central and unified basis by the dominant undertaking. Each such undertaking is a group undertaking.

2. Where an undertaking is dependent on another undertaking as defined in Article 2 of this Directive, the dominant undertaking and the dependent undertaking are presumed to constitute a group.

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Article 2

unchanged

Article 3

1. For the purposes of this Directive, a dominant undertaking and one or more undertakings dependent on it shall constitute a group if the dominant undertaking exercises in practice its dominant influence to the effect that all such undertakings are managed on a unified basis by the dominant undertaking. Each such undertaking is a group undertaking. (English text only)

2. unchanged

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Article 4

1. Undertakings between which no relationship of dependency as defined in Article 2 exists shall also be regarded as constituting a group for the purposes of this Directive if all such undertakings are managed on a central and unified basis. Each such undertaking is a group undertaking.

2. Where in a group as defined in paragraph 1, one or more group undertakings exercise in practice a dominant influence on one or more other undertakings to the effect that all such undertakings are managed on a central and unified basis, those dependent undertakings shall also form part of the group and each of them is a group undertaking.

Article 5

For the purposes of Directive ...⁽¹⁾ of ... and of this Directive, the following are affiliated undertakings:

- (a) undertakings between which a relationship exists as defined by Article 1 of this Directive;
- (b) dominant and dependent undertakings within the meaning of Article 2 of this Directive;
- (c) undertakings forming part of a group within the meaning of Articles 3 and 4 of this Directive.

SECTION 2

Scope

Article 6

- 1. (a) Where a dominant undertaking of a group has its registered office within the Community, it shall draw up group accounts and a group annual report if either the dominant undertaking of the group or any dependent

Article 4

1. Undertakings between which no relationship of dependency as defined in Article 2 exists shall also be regarded as constituting a group for the purposes of this Directive if all such undertakings are managed on a unified basis. Each such undertaking is a group undertaking. (English text only)

2. Where in a group as defined in paragraph 1, one or more group undertakings exercise in practice a dominant influence on one or more other undertakings to the effect that all such undertakings are managed on a unified basis, those dependent undertakings shall also form part of the group and each of them is a group undertaking. (English text only)

Article 5

For the purposes of Directive 78/660/EEC and of this Directive, the following are affiliated undertakings:

- (a) unchanged
- (b) unchanged
- (c) unchanged
- (d) undertakings between which a relationship exists as defined by Article 2 (2) of this Directive.

SECTION 2

Scope

Article 6

- 1. (a) unchanged

⁽¹⁾ Amended proposed for a Fourth Directive on annual accounts (Supplement 6/74 — Bulletin of the EC).

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group undertaking is established as one of the following types of company:

— *in Germany:*

die Aktiengesellschaft, die Kommanditgesellschaft auf Aktien, die Gesellschaft mit beschränkter Haftung;

— *in Belgium:*

la société anonyme / de naamloze vennootschap, la société en commandite par actions / de commanditaire vennootschap op aandelen, la société de personnes à responsabilité limitée / de personen vennootschap met beperkte aansprakelijkheid;

— *in Denmark:*

Aktieselskab, Kommandit-Aktieselskab, Anpartsselskab;

— *in France:*

la société anonyme, la société en commandite par actions, la société à responsabilité limitée;

— *in Ireland:*

companies incorporated with limited liability;

— *in Italy:*

la società per azioni, la società in accomandita per azioni, la società a responsabilità limitata;

— *in Luxembourg:*

la société anonyme, la société en commandite par actions, la société à responsabilité limitée;

— *in The Netherlands:*

de naamloze vennootschap, de besloten vennootschap met beperkte aansprakelijkheid;

— *in the United Kingdom:*

companies incorporated with limited liability.

— *in Ireland:*

public companies limited by shares or by guarantee, private companies limited by shares or by guarantee;

unchanged

— *in the United Kingdom:*

public companies limited by shares or by guarantee, private companies limited by shares or by guarantee.

(b) Without prejudice to the provisions of Article 10, the annual accounts of all undertakings forming part of the group, without regard to where their registered offices are situated, shall be consolidated. The group accounts shall be drawn up as of the same date as the annual accounts of the dominant group undertaking.

2. Without prejudice to the provisions of Article 10, the annual accounts of all undertakings forming part of the group, without regard to where their registered offices are situated, shall be consolidated. The group accounts shall be drawn up as of the same date as the annual accounts of the dominant group undertaking.

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Article 6a

2. (a) Each dependent group undertaking having its registered office within the Community and through which other group undertakings are dominated shall draw up consolidated sub-group accounts and a sub-group annual report where one of those undertakings is established as one of the types of company referred to in paragraph 1 (a). However, this requirement does not apply to a dependent group undertaking which has not been established as one of those types of company provided that the dominant group undertaking publishes group accounts in conformity with the provisions of this Directive.

The annual accounts of all undertakings forming part of the sub-group without regard to where their registered offices are situated, shall be consolidated. The consolidated sub-group accounts shall be drawn up as of the same date as the annual accounts of the dependent group undertaking which has to draw up the consolidated sub-group accounts.

1. Each dependent group undertaking having its registered office within the Community and through which other group undertakings are dominated shall draw up sub-group consolidated accounts and a sub-group annual report where one of those undertakings is established as one of the types of company referred to in Article 6 (1). Article 6 (2) shall apply *mutatis mutandis*.

2. However, the Member States may exempt undertakings referred to in paragraph 1 which are governed by their national laws from the obligation to establish sub-group consolidated accounts and a sub-group annual report, where the following conditions are fulfilled:

- (a) the annual accounts of all undertakings forming part of the sub-group shall be consolidated in the group accounts;
- (b) the group consolidated accounts and annual report shall be drawn up audited and published in accordance with this Directive;
- (c) all shareholders or members of the dependent enterprise have declared their agreement to the exemption from such obligation; this declaration shall be made in respect of every financial year;
- (d) the dominant enterprise has declared that it guarantees the commitments entered into by the dependent enterprise;
- (e) the exemption concerning the drawing up of the sub-group consolidated accounts and sub-group annual report shall be disclosed in the notes to the group consolidated accounts;
- (f) the declarations referred to in (c) and (d) shall be published by the dependent undertaking in accordance with Article 3 of Directive 68/151/EEC⁽¹⁾ provided that this enterprise is established as one of the types of company referred to in Article 6 (1).

Article 6b

- (b) Consolidated sub-group accounts and a sub-group annual report shall also be drawn up where the registered office of the dominant group undertaking is situated outside the Community and one or more dependent

1. Sub-group consolidated accounts and a sub-group annual report shall also be drawn up where the registered office of the dominant group undertaking is situated outside the Community and one or more dependent group undertakings having

⁽¹⁾ OJ No L 65, 14. 3. 1968, p. 8.

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group undertakings having their registered office within the Community are placed at the same level towards the dominant group undertaking and where one of those dependent group undertakings or one of the group undertakings dominated through them is established as one of the types of companies referred to in paragraph 1 (a). This requirement applies to each dependent group undertaking which is placed at the same level within the group and nearest to the dominant group undertaking. However, where none of these undertakings is established as one of the types of companies referred to in paragraph 1 (a), only one of them needs to draw up the consolidated sub-group accounts and the sub-group annual report.

In the consolidated sub-group accounts referred to in the preceding subparagraph shall be consolidated the annual accounts of all the dependent group undertakings referred to in the second sentence of the preceding subparagraph as well as of all other group undertakings dominated through them without regard to where their registered offices are situated. The second sentence of paragraph 2 (a) applies.

- (c) The provisions of Articles 9 to 25 apply to the consolidated sub-group accounts and the sub-group annual report referred to in (a) and (b) of this paragraph.

Article 7

1. Each group undertaking within the meaning of Article 4 (1) whose registered office is situated within the Community shall draw up group accounts and a group annual report, where either that undertaking itself or a dependent group undertaking within the meaning of Article 4 (2) is established as one of the types of companies referred to in Article 6 (1) (a). In the latter case, only one of the group undertakings within the meaning of Article 4 (1) needs to draw up the group accounts and the group annual report.

2. The provisions of Article 6 (1) (b) and (2) of Articles 9 to 25 shall also apply in respect of the group accounts and group annual report referred to in this Article.

Article 8

In so far as is possible, the Member States shall apply the provisions of this Directive regarding the

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their registered office within the Community are placed at the same level towards the dominant group undertaking and where one of those dependent group undertakings or one of the group undertakings dominated through them is established as one of the types of companies referred to in Article 6 (1). This requirement applies to each dependent group undertaking which is placed at the same level within the group and nearest to the dominant group undertaking. However, where none of these undertakings is established as one of the types of companies referred to in Article 6 (1), only one of them needs to draw up the sub-group consolidated accounts and the sub-group annual report.

2. The annual accounts of all the dependent group undertakings referred to in the second sentence of paragraph 1, as well as of all other group undertakings dominated through them irrespective of where their registered offices are situated, shall be consolidated in the sub-group accounts referred to in paragraph 1. The last sentence of Article 6 (2), together with Article 6a (2) shall apply *mutatis mutandis*.

Article 6c

The provisions of Articles 9 to 25 also apply to the sub-group consolidated accounts and the sub-group annual report referred to in Articles 6a and 6b.

Article 7

1. Each group undertaking within the meaning of Article 4 (1) whose registered office is situated within the Community shall draw up group accounts and a group annual report, where either that undertaking itself or a dependent group undertaking within the meaning of Article 4 (2) is established as one of the types of company referred to in Article 6 (1). In the latter case, only one of the group undertakings within the meaning of Article 4 (1) needs to draw up the group accounts and the group annual report.

2. The provisions of Article 6 (2), 6a, 6b and of Articles 9 to 25 shall also apply in respect of the group accounts and group annual report referred to in this Article.

Article 8

Pending subsequent coordination, Member States shall not be bound to apply Articles 11, 15 and 16

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presentation of group accounts and consolidation principles where a group undertaking is a credit institution or an insurance company.

with regard to an undertaking forming part of a group where that undertaking is a bank, other financial institution or an insurance undertaking.

SECTION 3

SECTION 3

Drawing up of group accounts

Drawing up of group accounts

*Article 9**Article 9*

1. The group accounts shall comprise the group consolidated balance sheet, the group consolidated profit and loss account and the notes to the accounts. These documents shall constitute a composite whole.
2. The group accounts shall give a true and fair view of the group's assets, liabilities, financial position and results.
3. They shall be presented clearly and in conformity with the provisions of the Directive.

1. unchanged
2. unchanged
3. unchanged
4. Where the application of this Directive is not sufficient to give a true and fair view within the meaning of paragraph 2, additional information shall be given.
5. Where, in exceptional cases, the application of a provision of Section 3 is incompatible with the obligation laid down in paragraph 2, a derogation shall be made from such provision in order to give a true and fair view within the meaning of paragraph 2. Any such derogation shall be disclosed in the notes to the accounts together with a proper explanation of the reasons therefor and a statement of its effect on the assets, liabilities, financial position and profit or loss. Member States may define the said exceptional cases and lay down the relevant special rules of derogation.
6. Member States may authorize or require the disclosure in the group accounts of other information in addition to that which is to be disclosed in accordance with this Directive.

*Article 10**Article 10*

1. A group undertaking may be omitted from a consolidation if it is of only minor importance for the purposes of Article 9 (2) of this Directive. Application of this provision must be indicated in the notes to the accounts.

1. A group undertaking may be omitted from a consolidation if it is of only minor importance for the purposes of Article 9 (2). The application of this provision shall be mentioned in the notes to the accounts, together with a proper explanation of the reasons therefor.

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2. Where several group undertakings satisfy the requirement of paragraph 1, they shall nevertheless be consolidated if those undertakings taken as a whole are of a certain importance for the purposes of Article 9 (2) of the Directive.

Article 11

Without prejudice to the provisions of Article 12 below, Articles 3 to 27 of Directive ... ⁽¹⁾ of ... shall apply in respect of the presentation of group accounts.

Article 12

1. (a) The book values of holdings in the capital of undertakings whose accounts are consolidated shall be compensated with the corresponding percentage of the capital of the undertakings in question including reserves, results and results brought forward. This compensation shall be carried out on the basis of the values existing at the moment of the acquisition of these holdings. Differences arising from compensation shall be entered directly against the relevant items in the group consolidated balance sheet. Any balance not so attributable shall be shown as a separate item with an

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2. unchanged

Article 11

3. The audit of group accounts required by Article 23 shall also relate to the observance of the provisions of the preceding paragraphs.

1. Without prejudice to Article 12 of this Directive, Articles 3 to 30 of Directive 78/660/EEC shall apply in respect of the presentation of group accounts.

2. When at the date of the group consolidated balance sheet, the limits of two of the three criteria referred to in Article 11 of Directive 78/660/EEC are not exceeded at group level, Member States may permit the dominant group undertaking to draw up a group consolidated balance sheet in an abridged form in accordance with that Article. Article 12 of the abovementioned Directive shall apply.

3. In addition, when at the date of the group consolidated balance sheet, the limits of two of the three criteria referred to in Article 27 of Directive 78/660/EEC are not exceeded at group level, Member States may authorize the dominant group undertaking to depart, within the limits of the said Article, from the layouts prescribed by Articles 23 to 26 of the said Directive. Article 12 thereof shall apply.

Article 12

unchanged

⁽¹⁾ Amended proposal for a Fourth Directive on annual accounts (Supplement 6/74 — Bulletin of the EC).

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appropriate heading. Amounts entered under this item shall be explained in the notes to the accounts.

- (b) By way of derogation from paragraph 1 (a), holdings in the capital of the group's dominant undertaking held by dependent group undertakings whose accounts are consolidated shall not be consolidated. Such holdings shall be shown in the group accounts as the group's own shares.

2. Without prejudice to the provisions of Articles 14, 15, 17 and 18, the asset and liability items in the balance sheets of group undertakings whose accounts are consolidated shall be incorporated in full in the group consolidated balance sheet. Shares held by persons outside the group in the capital, reserves, results or results brought forward of such dependent group undertakings shall be shown as a separate item with an appropriate heading.

*Article 13**Article 13*

Without prejudice to the provisions of Articles 14, 15, 17 and 18, income and expenditure shown in the profit and loss accounts of group undertakings whose accounts are consolidated shall be incorporated in full in the group consolidated profit and loss account. Shares held by persons outside the group in the results of dependent group undertakings shall be shown as a separate item with an appropriate heading in the group consolidated profit and loss account.

unchanged

*Article 14**Article 14*

1. Group accounts shall be drawn up in accordance with the following general principles:

1. unchanged

(a) the methods of consolidation may not be changed from one year to the next;

(a) unchanged

(b) debts and claims between group undertakings whose accounts are consolidated shall be eliminated;

(b) unchanged

(c) income and expenditure relating to transactions between group undertakings whose accounts are consolidated shall be eliminated;

(c) unchanged

(d) profits relating to transactions between group undertakings whose accounts are consolidated shall be eliminated;

(d) unchanged

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- (c) annual accounts which are included in the consolidation shall, in so far as is possible, be drawn up as of the same date as the group accounts. Where the financial year of a group undertaking does not coincide with that adopted for the group accounts, the accounts of that undertaking may be consolidated only on the basis of audited interim accounts drawn up as at year-end for the group.

2. (a) Departures from the general principle set out in 1 (a) shall be permitted in exceptional cases. Where the principle is departed from, an indication thereof shall be given in the notes to the accounts, together with an explanation of the reasons therefor, and an assessment of the effect on the group's assets, liabilities, financial position and results.

- (b) Departures from the general principle set out in 1 (d) shall be permitted where the transaction relates to a fixed asset which has a limited useful life and has been concluded according to normal market conditions. Where the principle is departed from, an indication thereof shall be given in the notes to the accounts.

Article 15

Valuation of items in the group accounts shall be carried out in accordance with the following general principles:

- (a) items included in the consolidation shall be valued in conformity with Articles 28 to 39 of Directive ...⁽¹⁾ of ...;
- (b) the same valuation rules must be applied in drawing up annual accounts to be included in the consolidation. Departures from this principle shall be permitted in exceptional cases. Where the principle is departed from this shall be indicated, together with the reasons therefor, in the notes to the accounts, and items valued in accordance with different rules shall be consolidated only after having been valued in accordance with the valuation rules applied by the dominant group undertaking;

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- (e) annual accounts which are included in the consolidation shall, in so far as is possible, be drawn up as of the same date as the group accounts. Where the financial year of a group undertaking does not coincide with that adopted for the group accounts, the accounts of that undertaking may be consolidated only on the basis of interim accounts drawn up as at year-end for the group. These interim accounts shall also be included in the audit of the group accounts required by Article 23.

2. (a) unchanged

- (b) unchanged

Article 15

Valuation of items in the group accounts shall be carried out in accordance with the following general principles:

- (a) items included in the consolidation shall be valued in conformity with Articles 31 to 42 of Directive 78/660/EEC.
- (b) unchanged

⁽¹⁾ Amended proposal for a Fourth Directive on annual accounts (Supplement 6/74 — Bulletin of the EC).

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- (c) without prejudice to the provisions of Article 12 (1) (a), 14 (1) (d), paragraphs (a) and (b) above and Articles 17 and 18, the same values must be ascribed to the items incorporated in the group consolidated balance sheet as in the balance sheets of group undertakings;
- (d) deferred taxation arising in consolidation shall be taken into account. Such taxation shall be shown separately either in the group consolidated balance sheet and profit and loss account or in the notes to the accounts.

(c) unchanged

- (d) account shall be taken of the difference between the tax charged for the financial year and for earlier financial years and the amount of tax payable in respect of those years, provided that this difference is material for the purposes of future taxation. This amount shall be disclosed as a cumulative amount either in the group consolidated balance sheet under a separate item with an appropriate heading, or in the notes to the accounts.

*Article 16**Article 16*

Differences arising in consolidation which, pursuant to Article 12 (1) (a), have been entered against the relevant items in the group consolidated balance sheet shall be dealt with in accordance with the rules laid down in Articles 29 to 39 of Directive ...⁽¹⁾ of ...

Differences arising in consolidation which, pursuant to Article 12 (1) (a), have been entered against the relevant items in the group consolidated balance sheet shall be dealt with in accordance with the rules laid down in Articles 31 to 42 of Directive 78/660/EEC.

Where consolidation differences cannot be entered wholly or in part against the various items in the group consolidated balance sheet and are shown as such as a separate item on the assets side, the value of that item shall be written off over a maximum period of five years.

Where consolidation differences cannot be entered wholly or in part against the various items in the group consolidated balance sheet and are shown as such as a separate item on the assets side, the value of that item shall be written off in accordance with Article 37 (2) of the abovementioned Directive.

*Article 17**Article 17*

1. Holdings of group undertakings in the capital of undertakings which are associated with group undertakings within the meaning of Article 1 of this Directive, shall be shown in the group consolidated balance sheet as a separate item with an appropriate heading.

unchanged

2. The following principles shall apply to the valuation in the group consolidated balance sheet of the holdings referred to in paragraph 1:

- (a) The amount of any differences existing when such holdings were acquired between their

⁽¹⁾ Amended proposal for a Fourth Directive on annual accounts (Supplement 6/74 — Bulletin of the EC).

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purchase price and the corresponding percentage of the capital of such associated undertakings, including reserves, results and results brought forward, shall be shown separately in the group consolidated balance sheet or in the notes to the accounts. The values making up this amount shall be analysed in the notes to the accounts. For the purpose of valuing the holdings in question in the group consolidated balance sheet, the various components making up these differences shall be dealt with in accordance with the provisions of Article 16.

- (b) The purchase price of holdings in the capital of an associated undertaking shall be increased or reduced in the group consolidated balance sheet by the profits or losses realized by this undertaking on a *pro rata* basis according to the percentage of capital held by the group undertaking. These amounts shall be shown each year in the group consolidated profit and loss account as a separate item with an appropriate heading. Where the associated undertaking distributes dividends to the group undertaking, the book value of the holding in the group consolidated balance sheet, shall be reduced accordingly.

- (c) The provisions of Article 14 (1) (d) shall be taken into account.

3. Application of paragraphs 1 and 2 above may be waived where the holding in the capital of the associated undertaking is of only minor importance for the purposes of Article 9 (2) of this Directive. Such waiver must be indicated in the notes to the accounts.

Article 17a

1. Where undertakings not forming part of a group hold shares in the capital of undertakings which are associated within the meaning of Article 1 and presumed to be dependent within the meaning of Article 2 (2), the provisions of Article 17 shall apply *mutatis mutandis* to the inclusion and valuation of those shares in the annual accounts of the undertaking holding them.

2. Member States shall not be bound to apply paragraph 1 if neither the undertaking which holds the shares nor the undertaking in which they are held

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Article 18

1. Where a group undertaking manages another undertaking jointly with one or more undertakings which do not form part of the group, Member States may authorize the accounts of that undertaking to be consolidated in the group accounts on a *pro rata* basis according to the percentage of capital held by the group undertaking.

2. Articles 9 to 16 shall apply *mutatis mutandis* to the proportional consolidation of accounts referred to in paragraph 1.

3. Where this Article applies, Article 17 shall not apply if the undertaking whose accounts are consolidated on a proportional basis is an associated undertaking within the meaning of Article 17.

Article 19

The notes to the accounts shall contain commentary on the group consolidated balance sheet and profit and loss account in such manner as to give a true and fair view of the group's assets, liabilities, financial position and results.

Article 20

In addition to the information required under other provisions of this Directive, the notes to the accounts shall in any event include information in respect of the following matters:

1. the valuation methods applied to the various items in the group accounts, and the methods employed in calculating the value adjustments. For items in the annual accounts of group undertakings in foreign currency which have been incorporated in the group accounts, the rates of exchange used for their conversion into local currency must be indicated;
2. the name and registered office of group undertakings whose accounts have been consolidated, the percentage of the capital held in those undertakings and the legal relationships between them. The same information must be given in respect of group undertakings whose accounts have not been consolidated pursuant to Article 10;

Article 18

unchanged

Article 19

unchanged

Article 20

is established as one of types of company referred to in Article 6 (1).

3. Article 17 (3) shall apply *mutatis mutandis*.

In addition to the information required under other provisions of this Directive, the notes to the accounts shall include information in respect of at least the following matters:

1. unchanged
2. the name and registered office of group undertakings whose accounts have been consolidated, the percentage of the capital held in those undertakings and the legal relationships between them. The same information shall be given in respect of group undertakings whose accounts have not been consolidated pursuant to Article 10, together with an explanation for their exclusion from consolidation.

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3. the name and registered office of undertakings associated with a group undertaking and which appear in the group accounts pursuant to Article 17, and the percentage of the capital held in such undertakings. The same information must be given in respect of undertakings associated with a group undertaking to which Article 17 (3) has been applied;
4. the name and registered office of undertakings whose accounts have been consolidated on a proportional basis pursuant to Article 18 together with the percentage of the capital held in such undertakings;
5. the name and registered office of undertakings other than those referred to in paragraphs 2, 3 and 4 above, in which group undertakings hold not less than 10 % of the capital, stating the percentage of the capital held and the subscribed capital, reserves and results for the most recent financial year of the undertaking in question;
6. the overall amount of financial commitments outside the group which are not shown in the group consolidated balance sheet, in so far as this information is of assistance in assessing the financial position of the group. Commitments existing with regard to undertakings which do not form part of the group but are affiliated with a group undertaking shall be shown separately;

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3. the name and registered office of undertakings associated with a group undertaking and which appear in the group accounts pursuant to Article 17, and the percentage of the capital held in such undertakings. The same information shall be given in respect of undertakings associated with a group undertaking to which Article 17 (3) has been applied, together with a proper explanation of the reasons therefor;
4. unchanged
 - (a) the name and registered office of undertakings other than those referred to in paragraphs 2, 3 and 4 which are presumed to be dependent, within the meaning of Article 2 (2), on a group undertaking, together with the amounts of the differences between the value of the shares in the capital of these enterprises appearing in the group consolidated balance sheet and the value attributable to them in accordance with Article 17 (2);
5. the name and registered office of undertakings other than those referred to in paragraphs 2, 3 and 4 in which group undertakings, either themselves or through a person acting in his own name but on behalf of the group undertakings, hold at least a percentage of the capital which the Member States cannot fix at more than 20 %, showing the proportion of the capital held, the amount of capital and reserves, and the profit or loss for the latest financial year of the undertaking concerned for which accounts have been adopted. This information may be omitted where for the purposes of Article 9 (2) it is of negligible importance only. The information concerning capital and reserves and the profit or loss may be omitted where the undertaking concerned does not publish its balance sheet and less than 50 % of its capital is held (directly or indirectly) by the group undertaking;
6. the total amount of financial commitments outside the group which are not shown in the group consolidated balance sheet, in so far as this information is of assistance in assessing the financial position of the group. Commitments concerning pensions and commitments existing with regard to undertakings which do not form part of the group but are affiliated with a group undertaking shall be shown separately;

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| <p>7. the net amount of the group's turnover, broken down by category of product and activity, and by geographical market. The amount contributed by each category and market to the group's result for the year must be indicated;</p> <p>8. the number of persons employed by group undertakings during the year, broken down by category, and, if they are not shown separately in the group consolidated profit and loss account, the whole of the personnel costs relating to the accounting period, broken down as provided in Article 20, point 1 6 of Directive .. ⁽¹⁾ of ...;</p> <p>9. the taxes included in the operating result, the financial result or the exceptional result of the group;</p> <p>10. the amount of the changes in the group's result for the year due to the application of tax laws.</p> | <p>7. the group's net turnover within the meaning of Article 28 of Directive 78/660/EEC, broken down by categories of activity and into geographical markets in so far as, taking account of the manner in which the sale of products and the provision of services falling within the group's ordinary activities are organized, these categories and markets differ substantially from one another. The break down by geographical market shall distinguish in particular between the internal and external markets of the Community;</p> <p>8. the average number of persons employed by group undertakings during the year, broken down by category and according to whether they are employed inside or outside the Community, together with, if they are not shown separately in the group consolidated profit and loss account, the whole of the staff costs relating to the financial year, broken down as provided for in Article 23 (6) of Directive 78/660/EEC;</p> <p>9. the extent to which the calculation of the profit or loss of the group for the financial year has been affected by a valuation of the items which, by way of derogation from the principles enunciated in Articles 31 and 34 to 42 of Directive 78/660/EEC, was made in the financial year in question or in an earlier financial year with a view to obtaining tax relief. Where the influence of such a valuation on the group's future tax charges is material, details shall be disclosed;</p> <p>10. deleted</p> |
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Article 20a

When at the date of the group consolidated balance sheet, the limits of two of the three criteria referred to in Article 11 of Directive 78/660/EEC are not exceeded at group level, Member States may permit the dominant group undertaking to draw up abridged notes to their group accounts without the information required by Article 20 (6) to (9) of this Directive.

Article 12 of Directive 78/660/EEC shall apply.

⁽¹⁾ Amended proposal for a Fourth Directive on annual accounts (Supplement 6/74 — Bulletin of the EC).

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Article 21

1. Member States may allow the particulars stipulated in Article 20, points 2, 3, 4 and 5:

- (a) to take the form of a statement filed in accordance with Article 3 (1) and (2) of Directive 68/151/EEC of 9 March 1968 ⁽¹⁾. This shall be indicated in the notes to the accounts;
- (b) to be omitted when their nature is such that, in the view of a reasonable businessman, they would be seriously prejudicial to any of the undertakings to which these provisions relate. The omission of the particulars shall be mentioned in the notes to the accounts.

2. Member States may allow the particulars stipulated by Article 20, point 7 to be omitted where the requirements laid down in Article 24 of Directive ... ⁽²⁾ of ... are satisfied by the group as a whole. The second paragraph of Article 24 of that Directive shall apply.

⁽¹⁾ First Council Directive of 9 March 1968 on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, with a view to making such safeguards equivalent throughout the Community (OJ No L 65, 14. 3. 1968).

⁽²⁾ Amended proposal for a Fourth Directive on annual accounts (Supplement 6/74 — Bulletin of the EC).

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Article 20b

1. Where undertakings not forming part of a group hold shares in the capital of undertakings which are presumed to be dependent within the meaning of Article 2 (2), but which are not associated within the meaning of Article 1, the notes to the annual accounts of these enterprises shall include information at least as to the name and registered office of the undertakings presumed dependent, together with the amounts of the differences between the value of these shares appearing in the balance sheet of these undertakings and the value attributable to them in accordance with Article 17 (2).

2. Article 17a (2) shall apply.

Article 21

1. Member States may allow the particulars stipulated in Article 20 (2), (3), (4), (4a) and (5):

- (a) unchanged
- (b) to be omitted when their nature is such that they would be seriously prejudicial to any of the undertakings affected by these provisions. Member States may make such omissions subject to prior administrative or judicial authorization. Any such omission shall be disclosed in the notes to the accounts.

2. Paragraph 1 (b) shall also apply to the information prescribed by Article 20 (7). When at the date of the group consolidated balance sheet, the limits of two of the three criteria referred to in Article 27 of Directive 78/660/EEC are not exceeded at group level, Member States may permit the disclosures prescribed by Article 20 (7) of this Directive to be omitted. Article 12 of Directive 78/660/EEC shall apply.

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SECTION 4

SECTION 4

Group annual report

Group annual report

*Article 22**Article 22*

1. The group's annual report shall contain a detailed review of the development of the group's business and of its position.
2. The report shall also give particulars of:
 - (a) important events that have occurred since the year-end;
 - (b) the group's likely future development;
 - (c) the activities of the group with regard to research and development and the costs thereof.

1. unchanged
2. unchanged
 - (a) unchanged
 - (b) unchanged
 - (c) the activities of the group in the field of research and development, broken down into activities inside and outside the Community;
 - (d) acquisitions of own shares by group undertakings in accordance with Article 22 (2) of Directive 77/91/EEC ⁽¹⁾.

SECTION 5

SECTION 5

*Article 23**Article 23*

1. (a) The dominant group undertaking shall cause the group accounts to be audited by one or more persons authorized by national law to audit accounts.
- (b) The person or persons responsible for auditing the accounts shall also verify that the group annual report is consistent with the group accounts of that financial year.
2. (a) Member States may waive the compulsory auditing provisions of paragraph 1 where the requirements laid down in Article 49 (2) of Directive ... ⁽¹⁾ of ... are satisfied by the group as a whole and where none of the group undertakings is established under any of the forms specified in Article 1 (1) (a) of that Directive. The third subparagraph of Article 49 (2) of that Directive shall apply.

1. (a) unchanged
- (b) unchanged
2. (a) When at the date of the group consolidated balance sheet, the limits of two of the three criteria referred to in Article 11 of Directive 78/660/EEC are not exceeded at group level, the Member States may relieve the dominant undertaking of the obligation imposed by paragraph 1. Article 12 of the abovementioned Directive shall apply.

⁽¹⁾ Amended proposal for a Fourth Directive on annual accounts (Supplement 6/74 — Bulletin of the EC).

⁽¹⁾ OJ No L 26, 31. 1. 1977, p. 1.

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- (b) Where paragraph 2 (a) is applied, the Member States shall introduce appropriate sanctions into their law for cases in which group accounts and group annual reports are not drawn up in accordance with the requirements of this Directive.

- (b) unchanged

SECTION 6

SECTION 6

Publication

Publication

Article 24

Article 24

1. (a) Group accounts, the group annual report and the report submitted by the person responsible for auditing the accounts shall be published by the dominant undertaking of the group in the manner provided in Article 44 of Directive ...⁽¹⁾ of ...

1. (a) Group account, duly approved, and the group annual report, together with the opinion submitted by the person responsible for auditing the group accounts, shall be published as laid down by the laws of each Member State in accordance with Article 3 of Directive 68/151/EEC. The second subparagraph of Article 47 (1) of Directive 78/660/EEC shall apply to the group annual report.

- (b) Articles 45 and 46 of that Directive shall also apply.

- (b) Articles 48 and 49 of Directive 78/660/EEC shall also apply.

2. Notwithstanding paragraph 1 (a), Member States may permit:

2. Notwithstanding paragraph 1 (a), when at the date of the group consolidated balance sheet, the limits of two of the three criteria referred to in Article 11 of Directive 78/660/EEC are not exceeded at group level, the Member States may permit the dominant group undertaking to publish:

- (a) the publication merely of a group consolidated balance sheet abridged as provided in Article 50 (2) (b) of Directive ...⁽¹⁾ of ..., and of notes to the accounts not necessarily including the explanations required under Article 20, points 6 to 10, of this Directive. Such derogation shall be permitted only where the requirements laid down in Article 49 (2) of Directive ...⁽¹⁾ of ... are satisfied by the group as a whole and where none of the group undertakings is established under any of the forms specified in Article 1 (1) (a) of that Directive. The third subparagraph of Article 49 (2) of that Directive shall apply;

- (a) a group consolidated balance sheet in an abridged form in accordance with Article 47 (2) (a) of the abovementioned Directive;

⁽¹⁾ Amended proposed for a Fourth Directive on annual accounts (Supplement 6/74 — Bulletin of the EC).

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- (b) publication to be effected only as prescribed by Article 3 of Directive 68/151/EEC of 9 March 1968. Such derogation shall be permitted only where the requirements laid down in Article 50 (2) (a) of Directive ...⁽¹⁾ of ... are satisfied by the group as a whole and where none of the group undertakings is established under any of the forms specified in Article 1 (1) (a) of that Directive. The second subparagraph of Article 50 (2) (a) of that Directive shall apply.

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- (b) abridged notes without the information prescribed by Article 20 (6) to (9) of this Directive.

In addition, the Member States may relieve such dominant undertakings from the obligation to publish the group consolidated profit and loss accounts, the group annual report and the opinions of the person responsible for auditing the group accounts.

Article 12 of Directive 78/660/EEC shall apply.

3. When at the date of the group consolidated balance sheet, the limits of two of the three criteria referred to in Article 27 of Directive 78/660/EEC are not exceeded at group level, the Member States may permit the dominant group undertaking to publish:

- (a) a group consolidated balance sheet in an abridged form in accordance with Article 47 (3) (a) of the abovementioned Directive; and
(b) abridged notes without the information prescribed by Article 20 (7) and (9) of this Directive.

The present paragraph shall be without prejudice to paragraph 1 in so far as it relates to the group consolidated profit and loss account, the group annual report and the report of the person responsible for auditing the group accounts.

Article 12 of Directive 78/660/EEC shall apply.

SECTION 7

Final provisions

Article 25

1. When the first group accounts are drawn up pursuant to this Directive, the book value of a holding and the percentage of the capital that it represents at the time of such first consolidation pursuant to this Directive may be taken into account for purposes of application of Article 12 (1) (a) of this Directive. Any difference between these two values which represents a liability shall be entered against group reserves in the group consolidated balance sheet.

SECTION 7

Final provisions

Article 25

unchanged

⁽¹⁾ Amended proposed for a Fourth Directive on annual accounts (Supplement 6/74 — Bulletin of the EC).

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2. The provisions of paragraph 1 shall apply *mutatis mutandis* to the valuation pursuant to Article 17 (2) of a holding in the capital of an undertaking associated with a group undertaking and to the proportional consolidation according to Article 18.

Article 26

1. Member States shall, within 18 months of notification of this Directive, make all the amendments to their laws, regulations and administrative provisions necessary to comply with the provisions of this Directive, and shall forthwith inform the Commission thereof. They shall bring such amendments into force within 30 months of notification of this Directive.

2. The Member States shall communicate to the Commission the texts of the essential provisions of internal law which they adopt subsequently in the field covered by this Directive.

Article 27

This Directive is addressed to the Member States.

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Article 26

1. The Member States shall bring into force the laws, regulations and administrative provisions necessary for them to comply with this Directive within two years of its notification. They shall forthwith inform the Commission thereof.

2. The Member States may stipulate that the provisions referred to in paragraph 1 shall not apply until 18 months after the end of the period provided for in that paragraph.

3. The Member States shall ensure that they communicate to the Commission the texts of the main provisions of national law which they adopt in the field covered by this Directive.

Article 26a

Articles 57, 58 and 61 of Directive 78/660/EEC shall apply until the expiration of a period of 30 months from the notification of this Directive.

Article 26b

The Contact Committee set up on the basis of Article 52 of Directive 78/660/EEC shall also have as its function:

- (a) to facilitate, without prejudice to Articles 169 and 170 of the Treaty, harmonized application of this Directive through regular meetings dealing in particular with practical problems arising in connection with its application;
- (b) to advise the Commission, if necessary, on additions or amendments to this Directive.

Article 27

unchanged