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UK EXTENDS USE OF INTERNATIONAL ACCOUNTING STANDARDS

Jacqui Smith, Minister for Industry and the Regions, today announced that from January 2005, all British companies will be able to use (IAS) International Accounting Standards as an alternative to UK accounting standards.

European law requires listed companies to use IAS from 2005 when preparing their consolidated accounts.

However, as the result of a public consultation - it will be extended so that:

- publicly traded companies in the UK will also be permitted to use IAS in their individual accounts from the same date; and
- other companies and limited liability partnerships in the UK will be permitted to use IAS in both their individual and consolidated accounts from the same date.

Jacqui Smith said:

“This is an important development in financial reporting. The Government is committed to the idea of internationally agreed accounting standards. Accounts will be more transparent and more easily comparable, which will benefit users, and lead to more efficient capital markets.

“The use of International Accounting Standards is gathering pace throughout the global economy. IAS is the way forward and we’re giving all our companies the choice to use it.

“The response to our consultation on the wider use of IAS revealed strong support for the move.

“It makes sense for business – giving them choice and flexibility and the opportunity to speak in the new global accounting language. Companies can now start planning for any changes they want to make to their accounting procedures.”

Notes for Editors

1. In addition to the EU member states, over 70 countries currently permit or require the use of IAS by some or all of their domestic listed companies, or have announced plans to do so.

2. The Regulation of the European Parliament and of the Council of 19 July 2002 on the Application of International Accounting Standards (EC No. 1606/2002) will require companies whose securities are admitted to trading on regulated markets in the European Union (publicly traded companies) to prepare their consolidated accounts on the basis of accounting standards issued by the International Accounting Standards Board, from 2005.

3. To apply for the purposes of this Regulation, individual standards must be “adopted” in accordance with a procedure set out in the Regulation. In accordance with the adoption procedure, the European Commission, acting on advice from an accounting technical committee of experts, makes a proposal for adoption to the Accounting Regulatory Committee (ARC), a committee of member state representatives. The ARC votes on the adoption proposal under qualified majority voting rules.

4. The Regulation is directly applicable to publicly traded companies from 1 January 2005.

5. The Regulation gives Member States the option to extend the application of the Regulation, on a compulsory or voluntary basis, to the individual as well as the consolidated accounts of publicly traded companies, and to the accounts of non-publicly traded companies.

6. Member States also have the option to defer application of the Regulation until 1 January 2007 in the case of:

- publicly traded companies which have only their debt securities (eg bonds) admitted on an EU regulated market;
- publicly traded companies whose securities are admitted to trading on markets outside the EU and which, for that purpose, currently use internationally accepted accounting standards (eg US standards).

7. DTI issued a consultation document on possible extension of the application of the Regulation last year. The consultation document is available at www.dti.gov.uk/consultations. A summary of responses to the consultation is available at <http://www.dti.gov.uk/cld/iasregulation.htm>. Copies of the responses (others than those specified as confidential) can be viewed at the DTI Library, 1 Victoria Street, London SW1H 0ET.

8. Copies of the IAS Regulation are available on the European Union website (www.europa.eu.int/index_en.htm).

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