

Accounting Standard

AASB 1017
February 1997

Related Party Disclosures

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Defined words appear in <i>italics</i> the first time they appear in a section. The definitions are in Section 9. Standards are printed in bold type and commentary in light type.

MAIN FEATURES OF THE STANDARD

The Standard prescribes disclosures about related party relationships, transactions and balances in relation to three major groups of related parties: directors (broadly defined), the "wholly-owned group", and "other related parties". The Standard also requires disclosure of the identity of certain controlling entities.

Major Features of Revisions to the Standard

This revision to the superseded Standard was proposed in Exposure Draft ED 67 "Information to be Disclosed in Financial Reports". The revisions are intended to enable Schedule 5 to be removed from the Corporations Regulations. A comprehensive review of the disclosure requirements in this Standard will be undertaken again at a later date.

The revisions ensure:

- (a) the requirements in this Standard are, to the extent possible, consistent with certain of the disclosure requirements contained in Schedule 5 to the Corporations Regulations
- (b) the requirements in this Standard apply to disclosing entities which are not companies, consistent with the requirements of Accounting Standard AASB 1030 "Application of Accounting Standards to Financial Year Accounts and Consolidated Accounts of Disclosing Entities other than Companies"
- (c) that relationships, transactions and balances with non-corporate related parties, in addition to those with related bodies corporate, are subject to the disclosure requirements
- (d) the requirements in this Standard are presented in a plain English format, consistent with the approach adopted in recent standards and exposure drafts issued by the Australian Accounting Standards Board.

Aside from amendments to effect the revisions outlined above, the requirements of the Standard remain the same as those of the superseded Standard.

ACCOUNTING STANDARD
AASB 1017 "RELATED PARTY DISCLOSURES"

1 Application

1.1 Subject to paragraphs 1.2 and 1.3, this Standard applies to each *entity* which is required to prepare *financial statements* in accordance with Part 3.6 of the Corporations Law and which:

- (a) is a *reporting entity*; or**
- (b) holds those financial statements out to be, or form part of, a *general purpose financial report*.**

1.2 Where a requirement of this Standard is inconsistent with any provision of the Corporations Law or the Corporations Regulations, the requirement does not apply.

1.3 This Standard deems the *director*-related disclosures required by Section 4 to be material because of their nature.

1.3.1 The standards specified in this Standard apply to the *financial report* where information resulting from their application is material. This requirement is set out in Accounting Standard AASB 1031 "Materiality" which provides guidance on the role of materiality in making judgements in the preparation and presentation of financial reports. The director-related disclosures in Section 4 are deemed by this Standard to be material in all circumstances, irrespective of the amounts involved.

2 Operative Date

2.1 This Standard applies to *financial years* ending on or after 30 June 1997.

2.2 This Standard may be applied to financial years ending before 30 June 1997 where an election has been made in accordance with subsection 285(3) of the Corporations Law.

2.3 When operative, this Standard supersedes Accounting Standard AASB 1017 "Related Party Disclosures" as approved by notice

published in the *Commonwealth of Australia Gazette* No. S 155 on 1 June 1993.

- 2.3.1 Notice of this Standard was published in the *Commonwealth of Australia Gazette* on 28 February 1997.

3 Purpose of Standard

- 3.1 The purpose of this Standard is to require disclosure in the *financial report* of information relating to relationships, transactions and balances with *related parties* of the reporting entity, including the remuneration and retirement benefits of directors, loans received by directors and other director-related transactions.**

- 3.1.1 The existence of a related party relationship may expose a reporting entity to risks, or provide opportunities, which would not have existed in the absence of the relationship. Related party relationships may, therefore, have a material effect on the performance, financial position, and financing and investing of a reporting entity. Consistent with Statement of Accounting Concepts SAC 2 "Objective of General Purpose Financial Reporting", which states that *general purpose financial reports* shall provide information useful to users for making and evaluating decisions about the allocation of scarce resources, users of the financial report need to be informed of related party relationships and transactions. Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist.
- 3.1.2 A material effect on performance, financial position, and financing and investing may occur as a result of transactions taking place between related parties where such transactions would not have occurred, or would not have occurred on the same basis, in the absence of the related party relationship. Such an effect may also occur as a result of one of the related parties directing the other party to transact with a particular party or to transact on particular terms and conditions. Furthermore, one party may direct the other not to transact with certain other entities, and this also could have a material effect on the performance, financial position, and financing and investing of a reporting entity.
- 3.1.3 Whether a related party relationship exists needs to be determined in the light of the prevailing circumstances. In considering each possible related party relationship, attention will need to be directed to the substance of the relationship and not merely its legal form.

4 Disclosures Relating to Directors

Names of Directors

- 4.1** The *accounts* must disclose the name of each person holding the position of *director* of the *entity* at any time during the *financial year*, or, where *consolidated accounts* are presented, the consolidated accounts must disclose the name of each person holding the position of director of the *parent entity* in the *economic entity* at any time during the financial year.

Remuneration of Directors

- 4.2** Subject to paragraph 4.4, the accounts must disclose:

- (a) the aggregate of the income paid or payable, or otherwise made available, in respect of the financial year, to all directors of the entity, directly or indirectly, by the entity or by any *related party*; and
- (b) the number of directors of the entity whose total income paid or payable, or otherwise made available, in respect of the financial year, directly or indirectly, by the entity or by any related party, falls within each successive \$10,000 band of income.

- 4.3** Subject to paragraph 4.4, the consolidated accounts must disclose the aggregate of the income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the economic entity, directly or indirectly, by the entities of which they are directors or any related party.

- 4.4** Where a person:

- (a) is a director of an entity that is at the *reporting date* a *wholly-owned subsidiary* of a parent entity formed or incorporated in Australia; and
- (b) is an *executive officer* of that parent entity; and
- (c) is not a director of that parent entity; and

- (d) is required to be a director of the entity in order to discharge, in whole or in part, his or her duties as an executive officer of that parent entity;

that person must be treated for the purposes of paragraphs 4.2 and 4.3 as if that person were not a director of the entity.

4.5 In paragraphs 4.2 and 4.3, "income", in relation to a director of an entity, means all their remuneration:

- (a) in connection with the management of the affairs of the entity, or any of its subsidiaries, whether as a director or otherwise; and
- (b) by way of brokerage or commission in consideration of:
 - (i) subscribing or agreeing to subscribe, whether absolutely or conditionally, for shares, units, other *equity instruments* (including options) or debentures of the entity or any related party; or
 - (ii) procuring or agreeing to procure subscriptions for shares, units, other equity instruments (including options) or debentures of the entity or any related party; and
- (c) by way of bonuses, commissions or salaries;

but does not include any amount subject to paragraphs 4.7 to 4.9.

4.6 In paragraph 4.5, "remuneration" means any money, consideration or benefit, but does not include:

- (a) in relation to a person who is a director of an entity, amounts in payment or reimbursement of out-of-pocket expenses incurred for the benefit of the entity or any of its subsidiaries; or
- (b) in relation to a person not resident in Australia who is a director of an entity, amounts paid or payable, or otherwise made available, to the person by a parent entity of which he or she is a director or employee and which is an entity formed or incorporated outside Australia and which is not controlled by an entity formed or incorporated in Australia, being amounts

paid or payable, or otherwise made available, to the person as a director or employee of the parent entity; or

- (c) in relation to a person not resident in Australia who is a director of an entity which is *controlled* by a foreign parent entity, amounts paid or payable, or otherwise made available, to the person by a foreign entity which is a subsidiary of the foreign parent entity and which is not a subsidiary of a parent entity formed or incorporated in Australia, as a director or employee of the foreign entity.**

- 4.6.1 The amount of a director's remuneration is determined on the basis of the cost of the remuneration to the entity or related party. Where an entity provides non-monetary benefits to a director, the director's remuneration includes what it effectively cost the entity to provide the benefits. For example, where an entity permits a director to use a house or a holiday home owned by the entity, the cost of that benefit includes the rental foregone by the entity and any related fringe benefits tax.

Retirement Benefits of Directors

- 4.7 **Subject to paragraph 4.9, the accounts must disclose the particulars and the amount of a *prescribed benefit* given during the financial year by the entity or a related party to a person or to a *prescribed superannuation fund* in connection with the *retirement* of a person from a *prescribed office* in relation to the entity.**
- 4.8 **Subject to paragraph 4.9, the consolidated accounts must disclose the particulars and the amount of a prescribed benefit given during the financial year by an entity in the economic entity or a related party to a person or to a prescribed superannuation fund in connection with the retirement of a person from a prescribed office in relation to the entity or a subsidiary.**
- 4.9 **The particulars referred to in paragraphs 4.7 and 4.8:**
- (a) must be particulars that have been disclosed to, and approved in a general meeting by, the members of the entity, in accordance with the Corporations Law; and**
 - (b) may be given in summary form where the directors, having regard to the number of persons to whom those particulars would relate and the nature of those**

particulars, state in the accounts or consolidated accounts, as the case may be, that the provision of full particulars would be unreasonable.

Loans to Directors

- 4.10** Subject to paragraph 4.11, where there remains in existence at the reporting date a loan made, guaranteed or secured by the entity to:
- (a) a director of the entity, a spouse of a director, or a *relative* of a director or spouse; or
 - (b) a director of a related party, a spouse of a director, or a relative of a director or spouse; or
 - (c) a trustee of a trust under which a person referred to in paragraph 4.10(a) or (b) has a beneficial interest, if the loan is made to the trustee in his or her capacity as trustee; or
 - (d) an entity, if a person referred to in paragraph 4.10(a) or (b) has a direct or indirect beneficial interest in shares, units or other equity instruments (excluding options) in the entity the nominal value of which is not less than ten per cent of the nominal value of the issued shares, units or other equity instruments of the entity (excluding options);

the accounts of the entity must disclose the amount of that loan or the aggregate amount of all such loans.

- 4.11** For the purposes of paragraph 4.10(d), if an entity makes, guarantees or secures a loan to an entity referred to in that paragraph, a person referred to in paragraph 4.10(a) or (b) is not to be taken to have a beneficial interest in shares, units or other equity instruments in the entity only because:
- (a) the first-mentioned entity has a *relevant interest* in shares, units or other equity instruments in the entity so referred to; and
 - (b) the person has a relevant interest in shares, units or other equity instruments in the first-mentioned entity.

- 4.12** Subject to paragraph 4.13, where there remains in existence at the reporting date a loan made, guaranteed or secured by an entity in the economic entity to:
- (a) a director of an entity in the economic entity, a spouse of a director, or a relative of a director or spouse; or
 - (b) a director of a related party, a spouse of a director, or a relative of a director or spouse; or
 - (c) a trustee of a trust under which a person referred to in paragraph 4.12(a) or (b) has a beneficial interest; or
 - (d) an entity, if a person referred to in paragraph 4.12(a) or (b) has a direct or indirect beneficial interest in shares, units or other equity instruments (excluding options) in the entity the nominal value of which is not less than ten per cent of the issued shares, units or other equity instruments (excluding options) of the entity;

the consolidated accounts must disclose the amount of that loan or the aggregate amount of all such loans.

- 4.13** For the purposes of paragraph 4.12(d), if an entity makes, guarantees or secures a loan to an entity referred to in that paragraph, a person referred to in paragraph 4.12(a) or (b) must not be taken to have a beneficial interest in shares, units or other equity instruments in the entity only because:
- (a) the first-mentioned entity has a relevant interest in shares, units or other equity instruments in the entity so referred to; and
 - (b) the person has a relevant interest in shares, units or other equity instruments in the first-mentioned entity.

- 4.14** Where the entity or any entity in the economic entity has made loans to any entity referred to in any of paragraphs 4.10(a) to (d) or paragraphs 4.12(a) to (d), the *financial report* must disclose the following in respect of those loans:
- (a) the aggregate amount of loans made during the financial year and the names of the directors concerned, classified by nature of the terms and conditions; and
 - (b) the aggregate amount of repayments received during the financial year and the names of the directors

concerned, classified by nature of the terms and conditions.

Shares, Units, Options and Other Equity Instruments of Directors

- 4.15** Where there have been transactions concerning shares, units, options or other equity instruments during the financial year with directors of the *reporting entity* or their *director-related entities* as holders of shares, units, options or other equity instruments of any entity in the economic entity, the financial report must disclose the following in respect of those transactions:
- (a) the aggregate number of shares, units, options and other equity instruments acquired by those directors and their director-related entities, classified by issuing entity and class of share, unit, option or other equity instrument; and
 - (b) the aggregate number of shares, units, options and other equity instruments disposed of by those directors and their director-related entities, classified by issuing entity and class of share, unit, option or other equity instrument; and
 - (c) the nature of the terms and conditions of each different type of transaction if on terms and conditions more favourable than those which it is reasonable to expect the issuing entity would have adopted if dealing with the holder at arm's length in the same circumstances.
- 4.16** The financial report must disclose the aggregate number of shares, units, options and other equity instruments held as at the reporting date directly, indirectly or beneficially by directors of the reporting entity or their director-related entities in any entity in the economic entity, classified by issuing entity and class of share, unit, option or other equity instrument.
- 4.16.1 Share, unit, option and other equity instrument transactions with directors of the reporting entity and their director-related entities as holders of shares, units, options or other equity instruments are subject to specific disclosure requirements. Such transactions include dividends, share and share option issues, unit and unit option issues, sales and purchases of shares, units or options of another entity in the economic entity, and share buy-backs. The Standard requires disclosure only of transactions undertaken by the reporting

entity (including, for consolidated accounts, any entity in the economic entity). Thus, share, unit, option and other equity instrument transactions between directors and other entities, whether on-market or otherwise, are not required to be disclosed.

- 4.16.2 Directors of the reporting entity comprise, in relation to the accounts of an entity, the directors of the entity, and, in relation to the consolidated accounts of an economic entity, the directors of the economic entity. In normal circumstances, the directors of the economic entity comprise the directors of the entity which is the parent entity in the economic entity. Normally, the directors of entities controlled by the parent entity in the economic entity are not directors, as defined in this Standard, of the economic entity. Therefore, in application to consolidated accounts, paragraphs 4.15 and 4.16 normally apply only to directors of the parent entity in the economic entity and not also to directors of subsidiaries in the economic entity who are not directors of the parent entity. Nevertheless, paragraphs 4.15 and 4.16 require disclosures in connection with shares, units, options and other equity instruments of any entity in the economic entity, including subsidiaries, and not only those of the parent entity in the economic entity.

Other Transactions of Directors

- 4.17 **Subject to paragraph 4.19 and excluding transactions subject to any of paragraphs 4.2 to 4.16, where there have been transactions during the financial year with directors of the entity (or, for consolidated accounts, directors of any entity in the economic entity) or their director-related entities, other than transactions concerning shares, units, options or other equity instruments as holders of shares, units, options or other equity instruments of any entity in the economic entity, the financial report must disclose the following in respect of those transactions:**

- (a) **each different type of transaction;**
- (b) **the nature of the terms and conditions of each different type of transaction; and**
- (c) **for each combination of type of transaction and nature of terms and conditions:**
 - (i) **the names of the directors concerned; and**
 - (ii) **the aggregate amount *recognised*.**

4.18 Subject to paragraph 4.19, the financial report must disclose the following:

- (a)** the aggregate amounts of the following items of revenue or expense included in the determination of the operating profit or loss before income tax for the financial year that resulted from transactions with directors of the entity (or, for consolidated accounts, directors of any entity in the economic entity), or their director-related entities, and including amounts related to loans subject to paragraphs 4.10 and 4.12:
 - (i)** interest revenue;
 - (ii)** dividend revenue;
 - (iii)** interest expense; and
 - (iv)** provisions for doubtful receivables and write-downs of receivables;
- (b)** the aggregate amounts receivable from and payable to directors of the entity (or, for consolidated accounts, directors of any entity in the economic entity) or their director-related entities recognised as at the reporting date, excluding loans subject to paragraphs 4.10 and 4.12, classified into current and non-current categories;
- (c)** the aggregate amount of the provisions for doubtful receivables recognised as at the reporting date in respect of the receivables disclosed pursuant to paragraph 4.18(b), classified into current and non-current categories;
- (d)** the aggregate amount of the provisions for doubtful receivables recognised as at the reporting date in respect of the loans subject to paragraphs 4.10 and 4.12, classified into current and non-current categories; and
- (e)** for any other benefits:
 - (i)** paid or payable, or otherwise made available, in respect of the financial year, to directors of the entity (or, for consolidated accounts, directors of any entity in the economic entity) or their director-related entities;

(ii) **resulting from transactions undertaken during the financial year or earlier with the reporting entity; and**

(iii) **not otherwise required to be disclosed by this Standard;**

the names of the directors concerned and the aggregate amount recognised.

4.19 Transactions with and amounts receivable from and payable to directors of the entity (or, for consolidated accounts, directors of any entity in the economic entity) or their director-related entities which:

(a) **occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arm's length in the same circumstances;**

(b) **do not have the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the directors, if disclosed in the financial report only by general description; and**

(c) **are trivial or domestic in nature;**

must be excluded from the detailed disclosures required by paragraphs 4.17 and 4.18. Such transactions and amounts receivable or payable must be disclosed in the financial report by general description.

4.19.1 Transactions between a reporting entity and its directors are normally subject to the control or *significant influence* of the directors concerned, and thus may be conducted only because of the related party relationship. Directors hold a position of fiduciary responsibility in relation to a reporting entity, and thus need to be accountable to those who provide resources to the entity, through disclosure of their transactions with the entity. Examples of such transactions include services provided or received, property and equipment leased to or from an entity in the economic entity, sales, purchases or transfers of assets at fair value or otherwise, loans made, and borrowings repaid.

- 4.19.2 Paragraph 4.17 requires detailed disclosures for transactions with directors of the entity (or, for consolidated accounts, directors of any entity in the economic entity) or their director-related entities, subject to paragraph 4.19. However, some types of transactions are excluded from the scope of paragraph 4.17. Transactions which are the subject of specific disclosure requirements in any of paragraphs 4.2 to 4.16 are excluded. As a result, the share, unit, option and other equity instrument transactions of directors of the reporting entity or their director-related entities, which are covered by paragraphs 4.15 and 4.16, are excluded from the scope of paragraph 4.17. Furthermore, in relation to consolidated accounts, share, unit, option and other equity instrument transactions of directors of any entity in the economic entity are also excluded from the scope of paragraph 4.17. This means that share, unit, option and other equity instrument transactions of directors of subsidiaries in the economic entity who are not also directors of the reporting entity are not required to be disclosed by either paragraph 4.15 or 4.17.
- 4.19.3 Transactions with and amounts receivable from and payable to directors and their director-related entities which are subject to paragraphs 4.17 or 4.18 are to be disclosed by general description when the conditions set out in paragraph 4.19 are satisfied. These conditions include the transactions being carried out under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transaction was at arm's length, or balances receivable or payable resulting from such transactions, and the transactions or balances being trivial or domestic in nature. Transactions or balances are trivial in nature when they are of little or no interest to the users of the financial report in making and evaluating decisions about the allocation of scarce resources. Transactions or balances are domestic in nature when they are related to the director's personal household activities.

5 Disclosures Relating to the Wholly-Owned Group

- 5.1 **Where there have been transactions during the *financial year* with *related parties* in the *wholly-owned group*, the *financial report* must disclose the following in respect of those transactions:**
- (a) **each different type of transaction; and**
 - (b) **the nature of the terms and conditions of each different type of transaction.**

- 5.2 The financial report must disclose the following in relation to related parties in the wholly-owned group:**
- (a) the aggregate amounts of the following items of revenue or expense included in the determination of the operating profit or loss before income tax for the financial year that resulted from transactions with related parties:**
 - (i) interest revenue;**
 - (ii) dividend revenue;**
 - (iii) interest expense; and**
 - (iv) provisions for doubtful receivables and write-downs of receivables;**
 - (b) the aggregate amounts of debts other than trade debts, recognised as at the reporting date, classified into current and non-current categories, due and receivable from and payable to:**
 - (i) the ultimate parent entity in the wholly-owned group; and**
 - (ii) any subsidiary of that parent entity;**
 - (c) the aggregate amounts receivable from and payable to related parties recognised as at the reporting date, including amounts disclosed in accordance with paragraph 5.2(b) above, classified into current and non-current categories;**
 - (d) the aggregate amount of the provisions for doubtful receivables from related parties recognised as at the reporting date, classified into current and non-current categories; and**
 - (e) the percentage of equity interest held in each related party, directly or indirectly, in the form of:**
 - (i) shares;**
 - (ii) units;**
 - (iii) share options;**

- (iv) unit options; and
- (v) other *equity instruments*, classified by nature.

5.3 Where *consolidated accounts* are presented for an *economic entity*, the disclosure requirements set out in paragraphs 5.1 and 5.2 do not apply to such accounts in respect of those transactions between a parent entity and its subsidiaries or between entities *controlled* by the same parent entity that have been eliminated for consolidation purposes.

6 Disclosures Relating to Other Related Parties

6.1 In paragraphs 6.2 to 6.4, "other related parties" means *related parties* other than *directors* of the *entity*, their *director-related entities* and entities in the *wholly-owned group*.

6.2 Subject to paragraph 6.5 and excluding transactions concerning shares, units, options or other *equity instruments* with directors of related parties and their director-related entities as holders of shares, units, options or other equity instruments of any entity in the *economic entity*, where there have been transactions during the *financial year* with other related parties, the *financial report* must disclose the following in respect of those transactions:

- (a) each different type of transaction;
- (b) the nature of the terms and conditions of each different type of transaction; and
- (c) for each combination of type of transaction and nature of terms and conditions:
 - (i) the classes of related parties involved, classes being determined according to the nature of the related party relationship; and
 - (ii) the aggregate amount *recognised*.

6.3 Where transactions with other related parties are individually material, particulars of those individual transactions, including the identities of related parties involved, the terms and conditions of the transactions, and the aggregate amounts recognised must be disclosed in the financial report.

- 6.4** Subject to paragraph 6.5, the financial report must disclose the following in relation to other related parties:
- (a)** the aggregate amounts of the following items of revenue or expense included in the determination of the operating profit or loss before income tax for the financial year that resulted from transactions with related parties, for each class of related party:
 - (i)** interest revenue;
 - (ii)** dividend revenue;
 - (iii)** interest expense; and
 - (iv)** provisions for doubtful receivables and write-downs of receivables;
 - (b)** the aggregate amounts of debts other than trade debts, recognised as at the *reporting date*, classified into current and non-current categories, due and receivable from and payable to:
 - (i)** the ultimate *parent entity* of the entity;
 - (ii)** any *subsidiary* of that parent entity; and
 - (iii)** any other related party;
 - (c)** the aggregate amounts receivable from and payable to related parties recognised as at the reporting date, including amounts disclosed in accordance with paragraph 6.4(b) above, classified into current and non-current categories for each class of related party;
 - (d)** the aggregate amount of the provisions for doubtful receivables from related parties recognised as at the reporting date, classified into current and non-current categories for each class of related party;
 - (e)** the percentage of equity interest held in each related party, directly or indirectly, in the form of:
 - (i)** shares;
 - (ii)** units;

- (iii) share options;
 - (iv) unit options; and
 - (v) other equity instruments, classified by nature; and
- (f) for any other benefits:
- (i) paid or payable, or otherwise made available, in respect of the financial year, to related parties;
 - (ii) resulting from transactions undertaken during the financial year or earlier with the *reporting entity*; and
 - (iii) not otherwise required to be disclosed by this Standard;

the classes of related parties involved and the aggregate amount recognised.

6.5 Transactions with and amounts receivable from and payable to directors of related parties or their director-related entities which:

- (a) occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arm's length in the same circumstances;
- (b) do not have the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the directors, if disclosed in the financial report only by general description; and
- (c) are trivial or domestic in nature;

must be excluded from the detailed disclosures required by paragraphs 6.2 and 6.4. Such transactions and amounts receivable or payable shall be disclosed in the financial report by general description.

- 6.6** Where *consolidated accounts* are presented for an economic entity, the disclosure requirements set out in paragraphs 6.2 to 6.4 do not apply to such accounts in respect of those transactions between a parent entity and its subsidiaries or between entities controlled by the same parent entity that have been eliminated for consolidation purposes.

Classes of Related Parties

- 6.6.1 Related parties will need to be divided into classes according to the nature of the related party relationship. Without limiting the classes that may be disclosed in the *accounts* and consolidated accounts, the related party classes of an entity would normally comprise:
- (a) directors of the entity, and their director-related entities;
 - (b) entities in the wholly-owned group, which includes *wholly-owned subsidiaries*; and
 - (c) as "other related parties" classes:
 - (i) directors of related parties, who are not directors of the entity, and their director-related entities;
 - (ii) parent entities which are not part of the wholly-owned group;
 - (iii) entities subject to common control which are not part of the wholly-owned group;
 - (iv) entities controlled by the entity which are not part of the wholly-owned group, that is, partly-owned subsidiaries;
 - (v) associates; and
 - (vi) additional related parties.

Related Party Transactions

- 6.6.2 Related party transactions are a common feature of the activities of many entities. Some examples of common types of transactions between related parties are: sales, purchases and transfers of property; services received or furnished; use of assets by lease or otherwise; intercompany loans; provision of credit facilities; guarantees; maintenance of bank balances as compensating balances for the benefit of another; and options.

- 6.6.3 Related party transactions are frequently conducted as part of an entity's normal operations and are accounted for at normal commercial values. In other circumstances, the amounts ascribed to related party transactions may be more or less than their fair values or may not be recognised at all; for example, administrative services provided by an entity to a related party free of charge. Transactions between related parties are considered to be related party transactions even though they may not be recognised.
- 6.6.4 To the extent that transactions have not been conducted at fair value between an entity and its related parties or to the extent that they are conducted only because of the related party relationship, the performance, financial position, and financing and investing of the entity may be materially different from that which would have been the case had the transactions taken place at fair value, or had they not occurred at all.
- 6.6.5 Knowledge of the nature of related party transactions and the relationship between the transacting parties may therefore affect the perceptions held by users of the accounts or consolidated accounts with respect to the risks and opportunities facing a reporting entity.
- 6.6.6 Where the reporting entity has had transactions with a particular class of related party and the transactions were of different types (for example, supply of raw materials and purchase of management services), it will be necessary to identify each different type of transaction considered to be relevant to users of the accounts or consolidated accounts. Similarly, where the reporting entity has had transactions with a particular class of related party, some of which have been conducted on a certain set of terms and conditions and others which have been conducted on different sets of terms and conditions (for example, on a normal commercial basis and free of charge), it will be necessary to disclose each set of terms and conditions. Disclosure, for each combination of type of transaction and nature of terms and conditions, of the aggregate amount recognised for that combination that involved related parties would assist users of the financial report to better understand the effects of the related party transactions on the reporting entity. The conducting of transactions free of charge would be disclosed under the terms and conditions requirement. Such transactions are not to be measured for inclusion in aggregate amount disclosures.
- 6.6.7 Disclosure of details of particular transactions with individual related parties would frequently be too voluminous to be easily understood. Accordingly, information would normally be aggregated by type of transaction, nature of terms and conditions, and class of related party. However, disclosure on an individual

basis may be more informative when there are significant transactions with specific related parties.

7 Disclosure of Controlling Entities

7.1 The *financial report* must disclose the identity of the ultimate parent entity (which is not a person) in the wholly-owned group (if any), and, if different, the identity of the ultimate Australian parent entity (which is not a person) and, if different, the identity of the ultimate parent entity (which is not a person).

7.1.1 The disclosure of certain parent entities is considered to be relevant to users of the financial report since the performance, financial position, and financing and investing of the *reporting entity* may be materially different from that which would have existed in the absence of the *control* relationship.

8 Comparative Information

8.1 Subject to paragraph 8.2, the *financial report* must disclose information for the preceding corresponding *financial year* which corresponds to the disclosures specified for the current financial year.

8.2 If the disclosure requirements in this Standard have not previously applied to the *entity*, the information required by paragraph 8.1 need not be disclosed.

9 Definitions

9.1 In this Standard:

accounts is defined in the Corporations Law

authorised trustee corporation is defined in the Corporations Law

borrowing corporation is defined in the Corporations Law

capacity means ability or power, whether direct or indirect, and includes ability or power that is presently exercisable as a result of, by means of, in breach of, or by revocation of, any of or any combination of the following:

- (a) trusts; and
- (b) relevant agreements; and
- (c) practices

whether or not enforceable

consolidated accounts is defined in the Corporations Law

control means the *capacity* of an *entity* to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable that other entity to operate with it in pursuing the objectives of the controlling entity

director means:

- (a) any person that directs an entity in its financial and operating activities independently or in concert with others (regardless of whether known by that title); or
- (b) any person occupying or acting in the position of director of an entity, by whatever name called and whether or not validly appointed to occupy or duly authorised to act in the position; or
- (c) any person in accordance with whose directions or instructions the directors of an entity are accustomed to act

director-related entities means, in relation to particular *directors*, the spouses of such directors, *relatives* of such directors or spouses, and any other entity under the joint or several *control* or *significant influence* of such directors, spouses or relatives

economic entity means a group of entities comprising the *parent entity* and each of its *subsidiaries*

entity means any legal, administrative, or fiduciary arrangement, organisational structure or other party (including a person) having the capacity to deploy scarce resources in order to achieve objectives

equity instrument means any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities

executive officer is defined in the Corporations Law

financial report means *accounts* or *consolidated accounts* or both

financial statements is defined in the Corporations Law

financial year is defined in the Corporations Law

general purpose financial report means a *financial report* intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs

holding company is defined in the Corporations Law

listed corporation is defined in the Corporations Law

parent entity means an entity which controls another entity

prescribed benefit is defined in the Corporations Law

prescribed office is defined in the Corporations Law

prescribed superannuation fund is defined in the Corporations Law

profit and loss account is defined in the Corporations Law

recognised means reported on, or incorporated in amounts reported on, the face of the *profit and loss account* or balance sheet (whether or not further disclosure of the item is made in notes)

related party means, in relation to an entity:

- (a) any other entity that, at any time during the *financial year*, has control or significant influence over the entity; or
- (b) any other entity that, at any time during the *financial year*, is subject to control or significant influence by the entity; or

- (c) any other entity that, at any time during the financial year, is controlled by the same entity that controls the entity – referred to as a situation in which entities are subject to common control; or
- (d) any other entity that, at any time during the financial year, is controlled by the same entity that significantly influences the entity; or
- (e) any other entity that, at any time during the financial year, is significantly influenced by the same entity that controls the entity; or
- (f) any director of the entity or any of their *director-related entities*; or
- (g) any director of any other entity identified as a *related party* under any of paragraphs (a) to (e), or any of their director-related entities;

but excludes any other entity (except those identified as a related party under paragraph (f)) where the related party relationship results solely from normal dealings of:

- (h) financial institutions; or
- (i) *authorised trustee corporations*; or
- (j) fund managers; or
- (k) trade unions; or
- (l) statutory authorities; or
- (m) government departments; or
- (n) local governments

relative is defined in the Corporations Law

relevant interest is defined in the Corporations Law

reporting date means the end of the financial year to which the financial report relates

reporting entity means an entity (including an *economic entity*) in respect of which it is reasonable to expect the existence of

users dependent on *general purpose financial reports* for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources, and includes but is not limited to the following:

- (a) a *listed corporation*; and
- (b) a *borrowing corporation*; and
- (c) a company which is not a subsidiary of a *holding company* incorporated in Australia and which is a subsidiary of a foreign company where that foreign company has its securities listed for quotation on a *stock market* or those securities are traded on a stock market

retirement is defined in the Corporations Law

significant influence means the capacity of an entity to affect substantially (but not control) either, or both, of the financial and operating policies of another entity

stock market is defined in the Corporations Law

subsidiary means an entity which is controlled by a parent entity

wholly-owned group means:

- (a) in relation to an entity which is a *wholly-owned subsidiary*, the group of entities comprising:
 - (i) the ultimate parent entity which holds, directly or indirectly, 100% of the shares, units or other *equity instruments* (excluding options) of the entity; and
 - (ii) the wholly-owned subsidiaries of that parent entity; or
- (b) in relation to an entity which is not a wholly-owned subsidiary, the group of entities comprising that entity and the wholly-owned subsidiaries of that entity

wholly-owned subsidiary means an entity in respect of which 100% of the shares, units or other equity instruments

(excluding options) are held, directly or indirectly, by a parent entity.

Control

- 9.1.1 A related party relationship would be established through the existence of control by one entity over another. The existence of the relationship and the types of transactions between the parent entity and its subsidiaries will need to be disclosed in the financial reports of each entity in accordance with the requirements of this Standard.
- 9.1.2 Any of the following factors would normally indicate the existence of control by one entity of another entity:
- (a) the capacity to dominate the composition of the board of directors or governing board of another entity;
 - (b) the capacity to appoint or remove all or a majority of the directors or governing members of another entity;
 - (c) the capacity to control the casting of a majority of the votes cast at a meeting of the board of directors or governing board of another entity;
 - (d) the capacity to cast, or regulate the casting of, a majority of the votes that are likely to be cast at a general meeting of another entity, irrespective of whether the capacity is held through shares, units, options or other equity instruments; and
 - (e) the existence of a statute, agreement, or trust deed, or any other scheme, arrangement or device, which, in substance, gives an entity the capacity to enjoy the majority of the benefits and to be exposed to the majority of the risks of that entity, notwithstanding that control may appear to be vested in another party.
- 9.1.3 Since the holding of an equity interest usually entitles the investor to an equivalent percentage interest in the voting rights of the investee, a majority equity interest would normally, though not necessarily, be accompanied by the existence of control. However, it is the voting rights rather than the equity interest that provide the potential for control.
- 9.1.4 The indicators of control outlined in paragraph 9.1.2 need to be distinguished from the circumstance where control of a particular entity is jointly held by two or more unrelated entities such that none

unilaterally controls that entity. In this case none of the entities would qualify as one which controlled the entity, although each may have significant influence over the entity.

- 9.1.5 The definition of "control" is such that, on rare occasions, an entity may appear to be under the control of two unrelated entities. An example of this would occur where one entity exercises dominance of the decision-making in relation to the operating policies of another entity while another entity simultaneously possesses the capacity to dominate decision-making without exercising that power during the financial year. However the concept of control employed in this Standard is defined in terms of dominance of both the financial and operating policy decisions, which implies a singular line of power. In the example cited in this paragraph, if neither of the entities is in the position of absolute dominance over the third entity, the relationship would be one of joint control determined by implicit agreement, rather than control.

Significant Influence

- 9.1.6 A related party relationship would also be established through the existence of significant influence by one entity over another. The most common form of relationship based on significant influence would be that between an investor and its associate. The existence of the relationship and any transactions between the related parties will need to be disclosed in the financial reports of each entity in accordance with the requirements of this Standard.
- 9.1.7 Factors which would normally indicate whether an investor / associate relationship based on significant influence exists would be the extent of equity interest between the entities; participation in decisions on the distribution or retention of the associate's profits; and participation in other ways in policy-making decisions of the associate.
- 9.1.8 Economic dependence, where one entity is dependent on another entity in that it relies on the latter for a significant volume of its business, would be unlikely to constitute control, but together with other factors may give rise to significant influence.

Related Parties

- 9.1.9 The term "entity" includes a group of entities comprising a parent entity and each of its subsidiaries operating together to pursue objectives consistent with those of the parent entity. Thus, an entity external to a group of entities which is a related party of an entity within the group is also a related party of the group.

- 9.1.10 Two entities would not be related parties only because they have directors in common. Furthermore, except in the case of entities that are related parties under any of paragraphs (c) to (e) of the definition of "related party" in paragraph 9.1, two entities that are related parties of a third entity are not thereby related parties of each other: there must be a related party relationship between the two entities themselves. For example, entities are not related parties by virtue of being associates of the same investor. In addition, trusts with beneficiaries that are related parties of an entity would also be related parties of the entity where the beneficiaries control or significantly influence the trusts.
- 9.1.11 The definition of "related party" in paragraph 9.1 also excludes entities from being treated as related parties where the related party relationship results solely from normal dealings of certain types of entities, as listed in the definition. Either of the entities involved in such a related party relationship may be the entity that is one of the listed types. Normal dealings of a party that is one of the listed types of entities would comprise transactions entered into in the course of that party's operations on terms and conditions not materially different from those on similar transactions undertaken or which would be undertaken by that party with other, unrelated entities. However, the exclusion in the definition of "related party" would not apply if a related party relationship results from other dealings between an entity and such a party. For example, if one entity has control or significant influence over the other entity otherwise than through normal dealings, such as by way of ownership of capital, the entities are related parties. When the exclusion in the definition does not apply, the full requirements of this Standard would apply to all the transactions between the entities.

Directors

- 9.1.12 Directors holding office at any time during the financial year are included in the definition of "related party" because they hold positions of great responsibility within an entity. Therefore, directors need to be subject to a high level of accountability through disclosure in the financial report of their transactions with the entity. In accordance with paragraph 9.1.11, the normal dealings exclusion in the "related party" definition does not apply to directors of the *reporting entity* or to their director-related entities.
- 9.1.13 Directors include directors and alternate directors of entities, trustees, and liquidators in relation to the entities they have responsibility for liquidating. Former directors are also to be

regarded as directors in respect of transactions with an entity that relate to their former position as a director. For example, benefits paid to a former director after the person has resigned from office would need to be included in the disclosures if the benefits paid relate to the previous related party relationship.

Common Control

- 9.1.14 Entities subject to common control are included in the definition of "related party" because, while there may be no direct relationship between the controlled entities, the controlling entity could cause these other entities to transact or not to transact with one another. The relationship could therefore have a material effect on the performance, financial position, and financing and investing of the controlled entities.

CONFORMITY WITH INTERNATIONAL AND NEW ZEALAND ACCOUNTING STANDARDS

Conformity with International Accounting Standards

As at the date of issue of this Standard, compliance with this Standard will ensure conformity with International Accounting Standard IAS 24 "Related Party Disclosures", with the following exceptions:

- (a) IAS 24 includes key management personnel as related parties. This Standard does not specifically include key management personnel as related parties. However, any person in accordance with whose directions the directors of the entity are accustomed to act are included within the definition of director, and accordingly would be included as related parties.
- (b) IAS 24 doesn't exclude authorised trustee corporations and fund managers as related parties where the related party relationship results solely from normal dealings. This Standard excludes those entities as related parties.
- (c) IAS 24 requires disclosure of pricing policies where there have been transactions between related parties, and the proportion or the amount of those transactions. This Standard requires disclosure of the amount and the nature of the terms and conditions of most transactions; some transactions with directors or their director-related entities are to be disclosed by general description.

Conformity with New Zealand Accounting Standards

As at the date of issue of this Standard, compliance with this Standard will ensure conformity with Statement of Standard Accounting Practice SSAP-22 "Related Party Disclosures" and Financial Reporting Standard FRS-9 "Information to be Disclosed in Financial Statements", with the following exceptions:

- (a) SSAP-22 includes entities subject to common significant influence as related parties. This Standard does not include as related parties entities that are significantly influenced by the same entity that significantly influences the entity.

- (b) SSAP-22 includes key management personnel as related parties. This Standard does not specifically include key management personnel as related parties. However, any person in accordance with whose directions the directors of the entity are accustomed to act are included within the definition of director, and accordingly would be included as related parties.
- (c) SSAP-22 doesn't exclude authorised trustee corporations and fund managers as related parties where the related party relationship results solely from normal dealings. This Standard excludes those entities as related parties.
- (d) SSAP-22 requires disclosure of the proportion or the amount of transactions between related parties. This Standard requires disclosure of the amount and the nature of the terms and conditions of most transactions; some transactions with directors or their director-related entities are to be disclosed by general description.
- (e) SSAP-22 requires the identity of each related party with which material transactions have occurred to be disclosed. This Standard only requires disclosure of the classes of related parties with which material transactions have occurred. This Standard would require the identities of related parties to be disclosed where transactions with those related parties are individually material.
- (f) FRS-9 requires disclosure of total directors' fees in relation to directors of the entity or the economic entity. This Standard requires disclosure of total directors' remuneration in relation to the entity or each entity in the economic entity, but excludes certain income of directors and amounts in relation to directors' retirement benefits from this disclosure.
- (g) FRS-9 requires disclosure of the interest rates and the terms of repayment in relation to loans made to directors and non-current amounts payable to directors. This Standard does not require these disclosures.

The following Appendices form part of the commentary and are provided for illustrative purposes only.

APPENDIX 1

EXAMPLES OF ENTITIES THAT WOULD NORMALLY BE RELATED PARTIES

This Appendix presents examples of related party relationships on the basis of the definitions in paragraph 9.1.

Related parties of a reporting entity would normally include:

- (a) entities that, directly or indirectly, through one or more intermediaries, control or are controlled by the reporting entity;
- (b) entities that are controlled by the same entity that controls the reporting entity;
- (c) entities that are controlled by the same entity that significantly influences the reporting entity;
- (d) entities that are significantly influenced by the same entity that controls the reporting entity;
- (e) entities that significantly influence the reporting entity or are associates of the reporting entity;
- (f) directors or liquidators of the reporting entity;
- (g) spouses and other close members of the family of any persons described in (f);
- (h) individuals and close members of the family of such individuals that have significant influence or control over the reporting entity through an equity interest in the reporting entity; and
- (i) superannuation plans of which the reporting entity is manager or trustee.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely its legal form.

APPENDIX 2

SUMMARY OF RELATED PARTY TRANSACTIONS DISCLOSURES

This Appendix presents a summarised list of the disclosures required by this Standard in relation to transactions with related parties. It does not list the non-transactions based disclosures, and does not include all of the detail necessary for preparing disclosures that comply with the Standard. The disclosures listed are summarised for the major types of related party.

Directors

1 Remuneration of Directors

- (a) For the entity (paragraphs 4.2, 4.4 to 4.6):
 - (i) aggregate amount; and
 - (ii) number of directors in \$10,000 bands.
- (b) For the economic entity: aggregate amount (paragraphs 4.3 to 4.6).

2 Retirement Benefits of Directors

Full or summarised particulars and amounts (paragraphs 4.7 to 4.9).

3 Loans to Directors

- (a) Aggregate amount receivable at the reporting date (paragraphs 4.10 to 4.13).
- (b) Aggregate amounts of loans made and repayments received, and names of directors concerned, by nature of terms and conditions (paragraph 4.14).

Directors of the Reporting Entity and Their Director-Related Entities

4 Shares, Units, Options and Other Equity Instruments

- (a) Aggregate number of shares, units, options and other equity instruments acquired and disposed of, by issuing entity and class of share, unit, option or equity instrument (paragraphs 4.15(a) and (b)).
- (b) Nature of terms and conditions of such transactions when more favourable than if at arm's length (paragraph 4.15(c)).
- (c) Aggregate number held as at the reporting date, by issuing entity and class of share, unit, option or equity instrument (paragraph 4.16).

Directors and Their Director-Related Entities

[Note exclusion for certain transactions and balances: to be disclosed by general description – paragraph 4.19]

5 Other Transactions

Aggregate amounts and names of directors concerned by type of transaction and nature of terms and conditions (paragraph 4.17).

6 Revenues and Expenses

Aggregate amounts of interest revenue (including interest revenue from loans to directors), interest expense, dividend revenue and doubtful debts expense (paragraph 4.18(a)).

7 Assets and Liabilities

- (a) Aggregate amounts of receivables (excluding loans to directors) and payables, classified into current and non-current (paragraph 4.18(b)).

- (b) Aggregate amounts of provisions for doubtful receivables, classified into current and non-current:
 - (i) for loans to directors (paragraph 4.18(d)); and
 - (ii) for other receivables (paragraph 4.18(c)).

8 Other Benefits

Aggregate amount and names of directors concerned (paragraph 4.18(e)).

Entities in the Wholly-Owned Group

[Note exemptions for consolidated accounts – paragraph 5.3]

9 Transactions

Description of types of transactions and nature of terms and conditions (paragraph 5.1).

10 Revenues and Expenses

- (a) Aggregate amounts of interest revenue, interest expense, dividend revenue and doubtful debts expense (paragraph 5.2(a)).

11 Assets and Liabilities

- (a) Aggregate amounts of debts other than trade debts, classified into current and non current categories, receivable from and payable to:
 - (i) the ultimate parent entity in the wholly-owned group; and
 - (ii) any subsidiary of that parent entity (paragraph 5.2(b)).
- (b) Aggregate amounts of receivables and payables, classified into current and non-current (paragraph 5.2(c)).

- (c) Aggregate amount of provision for doubtful debts, classified into current and non-current (paragraph 5.2(d)).
- (d) Percentage equity interests in shares, units, share options, unit options and other equity instruments (paragraph 5.2(e)).

Other Related Parties

[Note exclusion for certain transactions and balances of directors and their director-related entities: to be disclosed by general description – paragraph 6.5]

[Note exemptions for consolidated accounts – paragraph 6.6]

12 Transactions

Aggregate amounts and classes of related parties involved by type of transaction and nature of terms and conditions; or specific details (paragraphs 6.2 and 6.3).

13 Revenues and Expenses

- (a) Aggregate amounts of interest revenue, interest expense dividend revenue and doubtful debts expense (paragraph 6.4(a)).

14 Assets and Liabilities

- (a) Aggregate amounts of debts other than trade debts, categorised into current and non-current categories, receivable from and payable to:
 - (i) the ultimate parent entity of the entity;
 - (ii) any subsidiary of that parent entity; and
 - (iii) any other related party (paragraph 6.4(b)).

- (b) Aggregate amounts of receivables and payables, by class of related party; classified into current and non-current (paragraph 6.4(c)).
- (c) Aggregate amounts of provisions for doubtful debts, by class of related party; classified into current and non-current (paragraph 6.4(d)).
- (d) Percentage equity interests in shares, units, share options, unit options and other equity instruments (paragraph 6.4(e)).

15 Other Benefits

Aggregate amount and classes of related parties involved (paragraph 6.4(f)).

APPENDIX 3

ILLUSTRATION OF THE WHOLLY-OWNED GROUP DEFINITION

This Appendix illustrates the meaning of the definition of "wholly-owned group" in paragraph 9.1 by reference to an example organisational structure that is not intended to represent any existing economic entity. It is assumed in this Appendix that the entity that holds the majority of or whole of the equity interest in another entity controls that entity.

For convenience, the definition in paragraph 9.1 is duplicated here:

"wholly-owned group means:

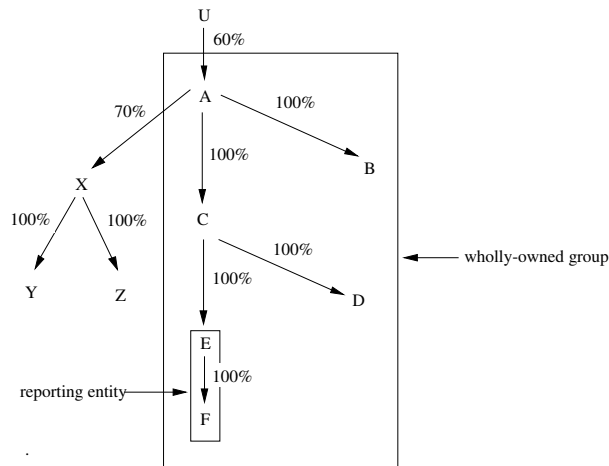
- (a) in relation to an entity which is a wholly-owned subsidiary, the group of entities comprising:
 - (i) the ultimate parent entity which holds, directly or indirectly, 100% of the shares, units or other equity instruments (excluding options) of the entity; and
 - (ii) the wholly-owned subsidiaries of that parent entity; or
- (b) in relation to an entity which is not a wholly-owned subsidiary, the group of entities comprising that entity and the wholly-owned subsidiaries of that entity".

Example 1

In this example (see the diagram on the next page), the economic entity consisting of entities E and F is assumed to be the reporting entity. As the economic entity is a wholly-owned entity controlled by entity C, paragraph (a) of the definition of "wholly-owned group" is relevant.

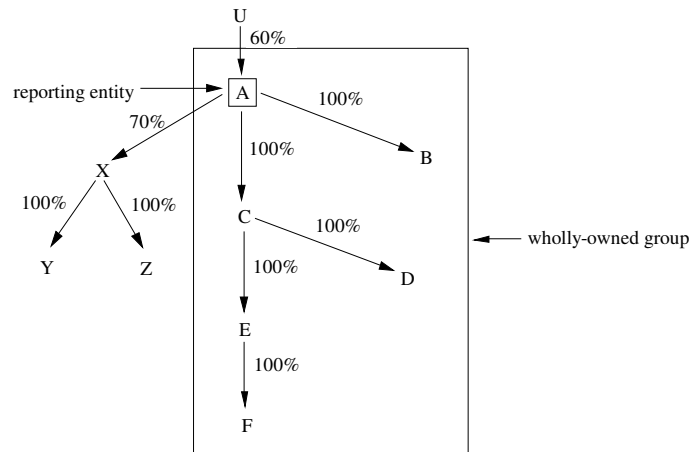
The ultimate parent entity with an equity interest of 100% in E and F is entity A. Therefore the wholly-owned group for the reporting entity consists of entity A and the wholly-owned subsidiaries of A, being B, C, D, E and F. Entities X, Y and Z are not part of the wholly-owned group because they are not wholly-owned subsidiaries of A.

Example 1



Example 2

Example 2



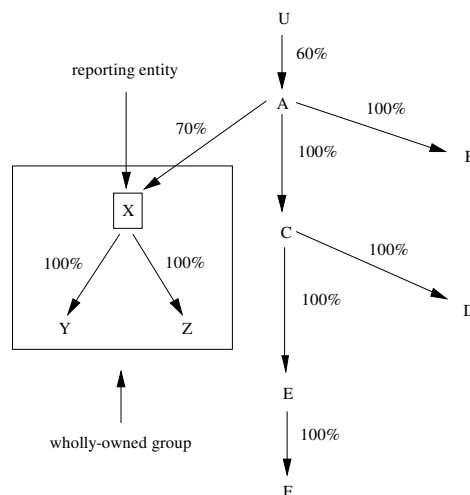
In this example, entity A is taken to be the reporting entity. As A is not a wholly-owned subsidiary, paragraph (b) of the definition of "wholly-owned group" is relevant.

The wholly-owned group for the reporting entity consists of entity A itself and its wholly-owned subsidiaries, being B, C, D, E and F.

Examples 1 and 2 illustrate that the composition of the wholly-owned group is the same for each of the entities A, B, C, D, E and F and for each economic entity consisting of combinations of those entities. The reach of the "wholly-owned group" definition does not therefore depend on the position of the entity within a structure of wholly-owned subsidiaries.

Example 3

Example 3



In this example, entity X is taken to be the reporting entity. As X is not a wholly-owned subsidiary, paragraph (b) of the definition of "wholly-owned group" is relevant.

The wholly-owned group for the reporting entity consists of entity X itself and its wholly-owned subsidiaries, being Y and Z. None of the other entities in the organisational structure are included in the wholly-owned group, as entity X is not a wholly-owned entity. The composition of the wholly-owned group is the same for each of the entities X, Y and Z.

BACKGROUND TO REVISION

This section does not form part of the Standard. It is a summary of the development of the Standard and the Australian Accounting Standards Board's consideration of the key issues dealt with in the Standard.

- 1 The issue of the Standard follows consideration of the responses received on Exposure Draft ED 67 "Information to be Disclosed in Financial Reports", which was prepared by the Australian Accounting Standards Board and released in December 1995.
- 2 The Exposure Draft followed an Invitation to Comment "Proposals to Revise Schedule 5 to the Corporations Regulations and Consider Replacement by an Accounting Standard", which was prepared by the Board and the Commonwealth Attorney-General's Department, and released in November 1993.
- 3 The revisions ensure:

- (a) the requirements in this Standard are, to the extent possible, consistent with certain of the disclosure requirements contained in Schedule 5 to the Corporations Regulations

The superseded Standard addressed similar disclosure requirements to those in clauses 11 (interest or dividends to or from related and other corporations), 18 (debts, charges or options), 25 (remuneration of directors) and 26 (payments to persons or to prescribed superannuation funds) of Schedule 5. In order to expedite the removal of Schedule 5 from the Corporations Regulations, revisions have been made to the superseded Standard to be consistent with those Schedule 5 disclosure requirements, subject to amendments for other matters noted below.

- (b) the requirements in this Standard apply to disclosing entities which are not companies, consistent with the requirements of Accounting Standard AASB 1030 "Application of Accounting Standards to Financial Year Accounts and Consolidated Accounts of Disclosing Entities other than Companies"
- (c) that relationships, transactions and balances with non-corporate related parties are required to be disclosed in addition to those with related bodies corporate

In revising the requirements to specifically address their application by disclosing entities that are not companies,

amendments were made to ensure that relationships, transactions and balances with non-corporate related parties, in addition to those with related bodies corporate, are subject to the disclosure requirements. For example, in the accounts, remuneration of directors now includes income paid by the entity or any related party, in connection with managing the affairs of the entity or any of its subsidiaries, not only income received from the entity or from a related body corporate for managing the affairs of those entities. In addition, amendments were made to extend references to shares and share options, as a form of equity in companies, to encompass other forms of equity held in non-corporate entities. For example, information regarding share, unit, option or other equity instrument transactions with directors of the reporting entity during the financial year is now required to be disclosed.

(d) the requirements in this Standard are presented in a plain English format, consistent with the approach adopted in recent standards and exposure drafts issued by the Board.

4 Aside from amendments to effect the revisions outlined above, the requirements of the Standard remain the same as those of the superseded Standard.

International Harmonisation

5 Because the focus of the review is on the existing Schedule 5 disclosure requirements, a further revision to achieve greater harmony between this Standard and those of the International Accounting Standards Committee will need to be undertaken as part of the Board's international harmonisation program. The Board intends to issue an Exposure Draft on Related Party Disclosures during the course of the international harmonisation program.