

Lisa Cloutter

AASB 9-10 February 2011
Agenda paper 5.2

Sent: Wednesday, 12 January 2011 8:40 AM
To: 'Colignon Fabienne'
Cc: McGregor Warren; Raymond Yu; Stewart Michael
Subject: RE: KMP as individuals [SEC=UNCLASSIFIED]
Categories: UNCLASSIFIED

Dear Fabienne
Thanks for the update.

We will be maintaining a keen interest in the progress of the recommended change, given that it has implications for a number of Australia's domestic requirements regarding KMP disclosures and for facilitating compliance with IFRSs in many jurisdictions.

If you consider that we can assist in the analysis that your Board wants, please let us know.

Kind regards
Angus

From: Colignon Fabienne [mailto:fcolignon@ifrs.org]
Sent: Tuesday, 11 January 2011 8:36 PM
To: Angus Thomson
Cc: McGregor Warren; Raymond Yu; Stewart Michael
Subject: RE: KMP as individuals [SEC=UNCLASSIFIED]

Dear Angus,

Thanks for your wishes. Happy New Year to you and to your family too!

The issue on key management personnel was presented to the Board in October 2010 where Board members expressed concerns over potential unintended consequences of a change to the definition of a related party. Therefore they directed the staff to provide further analysis at a future meeting.

As you may know, the Board's agenda is full for the next months and no slot has been provided so far for the Board to discuss further developments on this issue. You may also have noticed that the publication of the *Improvements to IFRSs* ED for the cycle 2009-2011 has been delayed to April 2011.

Please find below the link to the October IASB Update on this specific issue:
<http://www.ifrs.org/Current+Projects/IASB+Projects/Annual+Improvements/Meeting+Summaries+and+Obs>

Kind regards,
Fabienne

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Please consider the environment before printing this email

From: Angus Thomson [mailto:AThompson@asb.gov.au]
Sent: 11 January 2011 06:24
To: Colignon Fabienne

21/01/2011

Cc: McGregor Warren; Raymond Yu
Subject: KMP as individuals [SEC=UNCLASSIFIED]

Dear Fabienne
Best wishes for 2011.
I hope Christmas-time provided you with a good break from work.

You may recall that the NSS highlighted the issue of key management personnel of entities that don't have their own employees to the IASB.
Subsequently, the IFRS Interpretations Committee agreed the following in September 2010:

The Committee received a request asking whether key management personnel (KMP), as defined in IAS 24 *Related Party Disclosures*, can include an entity as opposed to individuals. The issue arises specifically when a reporting entity hires key management services from a separate management entity. A second question raised is whether the reporting entity should disclose the remuneration paid by the management entity to the individuals providing the KMP services for the reporting entity, or the service fees paid by the reporting entity to the management entity for the KMP services

The Committee recommends that the Board should amend, within Annual Improvements, the definition of a related party in IAS 24 to clarify that a management entity that provides KMP services to a reporting entity is deemed to be identified as the relevant related party in respect of those KMP services. Consequently, the service fees paid by the reporting entity to the management entity would be disclosed. The Committee also recommends that the individuals who are employees or directors of the management entity and are acting as KMP of the reporting entity should not be identified as a related party (unless they qualify as related parties for other reasons). The revised definition would apply to the management entity's parent, its subsidiaries and its fellow subsidiaries.

I'd be grateful if you could advise where this issue is at and whether the IASB plans to progress it through the 2011 annual improvements.

Kind regards
Angus

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21/01/2011