

EXPOSURE DRAFT

ED 143
September 2005

Director and Executive Disclosures by Disclosing Entities: Removal of AASB 1046 and Addition to AASB 124

Prepared by the
Australian Accounting Standards Board



Australian Government

**Australian Accounting
Standards Board**

Commenting on this Exposure Draft

Constituents are strongly encouraged to respond to the AASB. The AASB is seeking comment by 15 November 2005. Comments should be addressed to:

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Accounting Standard AASB 124 *Related Party Disclosures* is set out in paragraphs 1 to Aus25.7.3. All paragraphs have equal authority. Terms defined in this Standard are in *italics* the first time they appear in the Standard. AASB 124 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation and Application of Standards*, which identifies the UIG Interpretations.

PREFACE

Reasons for Issuing ED 143 ***Director and Executive Disclosures by Disclosing*** ***Entities: Removal of AASB 1046 and Addition to*** ***AASB 124***

The Australian Accounting Standards Board (AASB) has implemented the Financial Reporting Council's policy of adopting the Standards of the IASB for application to reporting periods beginning on or after 1 January 2005. The AASB's Standards have been changed to adopt the IASB Standards effective at that date by replacing relevant existing AASB Standards with Australian Standards equivalent to the International Financial Reporting Standards (IFRSs) of the IASB.

As part of this process, AASB 124 *Related Party Disclosures*, the Australian equivalent to IAS 24 *Related Party Disclosures*, was issued in July 2004, to become effective for annual reporting periods beginning on or after 1 January 2005. AASB 124 provided relief to disclosing entities from the disclosures otherwise required in relation to key management personnel (KMP), because disclosing entities were required to comply with the more detailed disclosure regime in AASB 1046 *Director and Executive Disclosures by Disclosing Entities*, effective for reporting periods ending on or after 30 June 2004.

When AASB 1046 was issued, the Board was aware it would need revision before the end of 2005, since it refers to AASB Standards that will become ineffective at the end of 2005, when they are replaced by the Australian equivalents to IFRSs. In considering the revision of AASB 1046, the Board reached the conclusion that it would be preferable to include its requirements in AASB 124, rather than retaining AASB 1046 as a separate Standard.

In issuing this Exposure Draft (ED), proposing to withdraw AASB 1046 and add certain disclosures to AASB 124, the Board has taken the opportunity to reconsider the application structure of AASB 124. When the financial statements of a parent are presented with the consolidated financial statements, AASB 1046 applies only to the consolidated financial statements. The Board has decided to propose removing the current relief from KMP disclosures for parent entities to facilitate their compliance with IFRS. In many cases the KMP of the parent will be the same as the KMP of the group and removing the relief will be inconsequential. In some cases the KMP will be different. The Board notes that there is no relief for parent entities in IAS 24.

The Board has also decided to propose the removal of the definitions of specified director, executive and specified executive (including the requirement to specify at least five executives with the highest authority) and rely solely on the definition of KMP in AASB 124. The Board considers that the term KMP captures the relevant people responsible for an entity's governance and it provides an explicit link to the notions underlying AASB 124.

The Board has reconsidered the exemption provided in AASB 124 to disclosing entities that comply with the more detailed regime of individual disclosures required by AASB 1046. In the interests of ensuring unambiguous compliance with IFRSs, it has decided to propose that disclosing entities be required to provide in respect of compensation of the KMP the same group totals required to be disclosed by all other for-profit reporting entities and in addition the more detailed disclosures on the compensation of individuals, currently required by AASB 1046. Therefore, the Board proposes to remove the partial exemption for disclosing entities from AASB 124.

AASB 124 requires disclosure of the compensation of KMP (on a group, not individual, basis) divided into at least five categories (the four in AASB 119 *Employee Benefits* plus share-based payment in AASB 2 *Share-based Payment*). As part of the realignment of the disclosure requirements in AASB 1046 to accord with the new Australian equivalents to IFRSs, it is proposed to make substantial changes to the definitions and the layout of the requirements as well as delete much of the commentary. It is not intended that these changes diminish the quality and quantity of disclosures required from disclosing entities.

The addition to AASB 124 of the disclosures previously required by AASB 1046 does not cause non-compliance with IFRSs. The IASB has stated it regards requirements for more detailed disclosures than the basic disclosures required by AASB 124 as the responsibility of national standard setting bodies. The IASB does not intend to issue an IFRS addressing the same areas covered by AASB 1046.

Two other events have influenced the changes proposed in this ED:

- the emergence of questions as to how AASB 124 applies to registered managed investment schemes (MIS) and other similar entities; and
- the amendments in 2004 and 2005 to the *Corporations Act 2001* and Corporations Regulations affecting section 300A of the Act.

The Board considered the issues relating to MIS at its meeting in June 2004. Following that meeting, the Board issued a Press Release (21 June 2004), clarifying that AASB 1046 applies to those MIS that are disclosing entities. The Board stated it intended to include additional guidance relevant to application by MIS when revising AASB 1046. The additional guidance is

currently included in Appendix 1 in this ED. The issue has evolved and now concerns whether a MIS with no employees has KMP under the AASB 124 definition of KMP, whether employees associated with the responsible entity of a MIS are the KMP of that MIS and whether the management fee paid to a reporting entity involves compensation under AASB 124. The Board seeks comments from constituents, including comment on international practice, as to how MIS and other similar entities should apply AASB 124.

The enactment of the CLERP 9 changes to section 300A of the Corporations Act has been accompanied by the issue of two Regulations referring to AASB 1046. The first, Corporations Regulation 2M.3.03, issued in July 2004, required certain of the remuneration disclosures specified in AASB 1046 to be made by listed companies in the new section of the Directors' Report (the Remuneration Report) in respect of those individuals specified in accordance with the revised section 300A(1)(c). In consequence, this was seen to result in considerable duplication of remuneration disclosures for listed companies, with many disclosures being required in both the Remuneration Report and the financial report. Where there were differences between the law and the Accounting Standards, for example, in the basis for selecting executives to be subject to the enhanced disclosure, these were seen as likely to confuse users and increase preparation costs for listed companies. On 7 July 2005, Corporations Regulation 2005 (No. 4) was issued aimed at resolving the duplication problem. It exempts a listed company that chooses to locate in its Remuneration Report the remuneration information otherwise required by AASB 1046 from providing remuneration disclosures about its directors and executives in its financial report. Due to the similarity in definitions between section 300A in the Corporations Act and KMP in AASB 124, the Board expects the KMP group (or groups) for a listed company will generally include all executives identified by section 300A of the Corporations Act.

Main Proposals

Application Date

It is proposed that the revised Standard be applicable to annual reporting periods ending on or after 31 December 2005. Consistent with the applicability of the Standards to which it refers, AASB 2 and AASB 119, early adoption of the revised AASB 124 will not be permitted for periods beginning before 1 January 2005.

First-time Application

It is proposed that application of the revised AASB 124 will occur effectively in the first annual reporting period beginning on or after 1 January 2005 in the context of adopting all Australian equivalents to IFRSs. Accordingly, the

requirements of AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, the Australian equivalent of IFRS 1 *First-time Adoption of International Financial Reporting Standards*, will need to be observed.

Transitional Provisions

Although it would not be the first period in which disclosing entities are required to make the disclosures required by Aus25.1 to Aus25.7.3, it would be the first time that the disclosures are required for KMP rather than specified directors and specified executives. The change in definitions may result in remuneration disclosures for some KMP previously not considered specified directors or specified executives, and therefore comparative information will be required for such individuals if they were a key management person in the prior period. The Board notes that providing any transitional relief in respect of the aggregate totals required by AASB 124 would result in non-compliance with IFRS. However, the Board would welcome constituents' views as to whether transitional provisions should be included in AASB 124 in respect of paragraphs Aus25.1 to Aus25.7.3 for individual disclosures.

Scope of Application

This Standard will be required to be applied by all for-profit entities, irrespective of whether they are corporate or non-corporate entities. For most corporate entities, this Standard would replace AASB 1017 *Related Party Disclosures*, since the existing AASB 124 only applies to annual reporting periods beginning on or after 1 January 2005 and this ED proposes the application of the revised AASB 124 to annual reporting periods ending on or after 31 December 2005.

The existing AASB 124 permits non-corporate, for-profit entities to choose to apply this Standard instead of AAS 22 *Related Party Disclosures*. It is proposed that the revised AASB 124 replace AAS 22 and apply to non-corporate, not-for-profit entities that are not public sector entities.

The Board proposes extending the requirements to disclose certain minimum descriptive information in respect of each key management person beyond disclosing entities, to all reporting entities required to apply AASB 124. The Board considers that it is useful for all reporting entities to disclose the identities, positions and related information for each key management person.

Disclosures

It is proposed that the applicability of disclosures required in paragraphs Aus16.2 and Aus16.3 should be extended to all entities covered by AASB 124, requiring them to disclose certain minimum descriptive

information in respect of each key management person (refer to paragraph Aus16.1), as well as information on changes that occur in the period after the reporting date and prior to the date when the financial report is authorised for issue (refer to paragraph Aus16.2),

In respect of the disclosures required by AASB 1046 for disclosing entities, it is proposed that the revised requirements in paragraphs Aus25.1 to Aus25.7.3 remain unchanged in substance, despite the changes in the definitions and terminology. Paragraphs Aus25.1 to Aus25.7.3 reflect the fact that this Standard is a principles based Standard. Paragraphs Aus25.1 to Aus25.7.3 do not include extensive measurement guidance, since the measurement principles are located in other Standards.

It is proposed the term 'remuneration' as used in AASB 1046 be changed to 'compensation', as the Board has decided this best reflects IFRS compliance. To ensure articulation with the terminology of the Corporations Act, it is proposed to include a definition of remuneration that specifically equates the two terms. As a result of the amendments in 2004 and 2005 to section 300A of the Corporations Act, the Board proposes to incorporate relevant subsections of section 300A in AASB 124 (paragraph Aus25.3 in this ED).

The name of the first category of compensation will be changed from 'primary benefits' to 'short-term benefits', to accord with the terminology in AASB 119 and AASB 124. The changes to the structure of categories of compensation (refer to paragraph Aus25.2) will cause some changes to the classification used in AASB 1046, but it is intended these changes should not result in omission from disclosures of information currently required.

It is the Board's intention to delete all the current Appendices to this ED when issuing the final revised AASB 124.

Managed Schemes

For some entities, such as some registered MIS, the entity has no employees, but there is another entity responsible for its governance that does have employees. This would imply that for these entities, their KMP are not employed by the entity itself, but rather are employed by the responsible entity or another entity that provides services to the responsible entity. The view taken in this ED is that such an entity would need to determine its KMP from among the management personnel of the responsible entity or another entity that provides services to the responsible entity. For example, in the case of a disclosing entity that is a registered MIS section 285 of the Corporations Act may help in identifying KMP.

AASB 124 paragraph 16 requires all entities (not only disclosing entities) to disclose the compensation of KMP.

In the case of a registered MIS, it is unusual for the compensation of its KMP to be provided directly by the MIS. Commonly, a MIS pays a management fee to its responsible entity. The view taken in this ED is that the management fee indirectly provides the compensation of the KMP for managing the MIS. In effect, the reporting entity or another entity that provides services to the responsible entity, pays the KMP compensation for services to the MIS on behalf on the MIS.

The Board considers that the indirect payment of compensation as part of a management fee falls within the meaning of compensation and considers this to be the case notwithstanding that the basis of the calculation of the management fee may not have any relationship to the compensation of KMP. The view taken in this ED is that non-disclosure of the compensation of KMP in such circumstances would be a breach of AASB 124 paragraph 16 and IAS 24 paragraph 16.

The Board considers that this view should apply no matter how many interposed entities there might be between the reporting entity and its KMP. The Board also considers that, in the process of fulfilling its obligations to those entities for which it is responsible, it is important that the responsible entity identifies the cost of governance for each scheme.

Another view is that the management fee is not paid on behalf of the MIS in respect of compensation of the KMP of the MIS. Under this view, any amounts paid by the responsible entity or another entity that provides services to the responsible entity to their management personnel are not regarded as meeting the definition of compensation and that the MIS therefore makes no compensation payments to any of its KMP. Some also consider that not all entities required to apply this Standard necessarily have KMP – for example, a MIS when the responsible entity KMP governs the activities of a MIS.

The views on whether:

- a managed scheme indirectly pays compensation to its KMP via a management fee, and whether this meets the definition of compensation in AASB 124, and IAS 24; and
- the KMP of a managed scheme can be employees of a responsible entity or similar entity;

are crucial for determining the treatment required for IFRS compliance. The Board decided at its September 2005 meeting to seek a wide range of views on this issue (internationally and domestically), before the issue of the final revised AASB 124.

While this discussion has largely been focussed on registered MIS, the same issues are relevant in respect of aggregate compensation disclosures for all similar entities (including trusts) that apply this Standard in respect of their KMP.

Request for Comments

Comments are invited on any of the proposals in the Exposure Draft by 15 November 2005. The Board would prefer that respondents express a clear opinion on whether or not a proposal is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the major issues. The Board regards both critical and supportive comments as essential to a balanced review of the issues and will consider all submissions, whether they address all issues in this Exposure Draft or only one issue.

Specific Matters for Comment

The Board would particularly value comments on the following issues.

1. Proposal to remove parent relief from AASB 124

Do you support the proposals to:

- (a) remove parent relief from AASB 124; and
- (b) rely on the definition of KMP and remove the requirement that the director and executive disclosures apply to the directors of the parent entity and at least five specified executives?

Do you consider that the removal of parent relief from AASB 124 is appropriate and sufficient to ensure IFRS compliance in respect of both parent and group entities?

2. Scope of AASB 124

Do you agree with the proposal that AASB 124 be required to be applied by non-corporate for-profit entities (and not AAS 22)?

3. Amalgamation of AASB 1046 with AASB 124

Do you agree that the quality and quantity of disclosing entity disclosures will not be detrimentally affected by amalgamating AASB 1046 with AASB 124?

4. Specified director, executive and specified executive
Do you agree with the proposal to use the term KMP and remove the definitions of specified director, executive and specified executive?
5. Subtotals for compensation and loans for directors and non-director KMP
Do you agree with the deletion of the requirement to disclose subtotals for compensation and loans for directors and non-director KMP (i.e. requiring only one KMP total)?
6. Former KMP
Do you agree with the proposal to delete the requirement for separate disclosure of transactions or balances with former KMP?
7. Prescribed benefits
Do you agree with the proposal to delete the AASB 1046 requirement for separate disclosure of prescribed benefits in each component of the five categories of compensation?
8. Entities that have to disclose details of KMP
Do you agree with the proposal that all entities covered by AASB 124, not only disclosing entities, be required to disclose certain minimum descriptive information in respect of each key management person (refer to paragraph Aus16.1) and information on changes that occur in the period after the reporting date and prior to the date when the financial report is authorised for issue (refer to paragraph Aus16.2)?
9. Incorporation of section 300A(1)(ba) into AASB 124 paragraph Aus25.3
Do you agree with the Board's proposal to incorporate section 300A(1)(ba) of the Corporations Act into AASB 124?
10. Do you agree that the "other transaction" disclosures in paragraphs Aus25.5.3 to Aus25.7 should be by individual director when the disclosures in paragraph 18 are disaggregated into "key management personnel of the entity or its parent" and "other related parties"?

11. No Appendices to final revised AASB 124

Do you agree with the Board's proposal to delete all the Appendices to this ED when issuing the final revised AASB 124?

12. Transitional provisions

Do you consider that transitional provisions should be included in AASB 124 in respect of paragraphs Aus25.1 to Aus25.7.3, since it is the first time that disclosing entities are required to make the disclosures required by paragraphs Aus25.1 to Aus25.7.3 in respect of KMP rather than specified directors and specified executives?

13. Application to managed schemes (including MIS)

- (a) Do you agree that when a managed scheme (including a MIS) pays a management fee to its responsible entity, the managed scheme indirectly provides the compensation of the KMP for managing the MIS for the purposes of paragraph 16?
- (b) Do you agree that the KMP of managed schemes that are disclosing entities (including MIS) should be subject to the same disclosure regime as all other disclosing entities in paragraphs Aus25.1 to Aus25.7.3 or should be required to make fewer disclosures, and perhaps only those required by paragraphs 1 to 22 of AASB 124?
- (c) Do you agree that the KMP of a managed scheme are among the individuals paid by the responsible entity (or by another entity that provides services to the responsible entity)?

14. Are there any other disclosure requirements you believe should be:

- (a) added; or
- (b) deleted?

15. Are the proposals in the best interest of the Australian economy?

COMPARISON WITH INTERNATIONAL PRONOUNCEMENTS

AASB 124 and IAS 24

Paragraphs 1 to 22 of AASB 124 are equivalent to IAS 24 *Related Party Disclosures* as issued and amended by the IASB.

Paragraphs that have been added to this Standard (and do not appear in the text of IAS 24) are identified with the prefix “Aus”, followed by the number of the relevant IASB paragraph and decimal numbering. Paragraphs Aus25.1 to Aus25.7.3 require disclosing entities to provide additional details about key management personnel (KMP) that are not required by IAS 24.

Compliance with IAS 24

Entities that comply with AASB 124 will simultaneously be in compliance with IAS 24.

Compliance with the additional KMP disclosures required by paragraphs Aus25.1 to Aus25.7.3 of AASB 124 is not needed for IFRS compliance.

AASB 124 and IPSAS 20

International Public Sector Accounting Standards (IPSASs) are issued by the Public Sector Committee of the International Federation of Accountants.

IPSAS 20 *Related Party Disclosures* (October 2002) is drawn primarily from the 1994 version of IAS 24. Apart from the fact that AASB 124 is not required to be applied by not-for-profit public sector entities, the main differences between IPSAS 20 and paragraphs 1 to 22 of AASB 124 are:

- (a) IPSAS 20 contains additional commentary clarifying application to public sector entities;
- (b) AASB 124 includes post-employment benefit plans in the definition of related parties;
- (c) AASB 124 defines compensation as comprising five categories (the four used in AASB 119 *Employee Benefits* and the fifth as in AASB 2 *Share-based Payment*) and requires disclosure of the aggregate compensation of KMP for each category;

- (d) IPSAS 20 requires additional disclosures about KMP, including the number of individuals included in the compensation disclosures as well as specific details relating to loans to individuals;
- (e) IPSAS 20 does not require the disclosure of information about transactions between related parties that occurred on normal terms and conditions;
- (f) IPSAS 20 does not explicitly require disclosure of any balances with related parties; and
- (g) AASB 124 requires disclosures about transactions and balances with related parties to be separated by category of related party and specifies disclosures in greater detail (for example, aggregate amounts of items of similar nature for each category).

In respect of paragraphs Aus25.1 to Aus25.7.3 of AASB 124, IPSAS 20 does not distinguish between entities on the basis of the level of their public accountability and does not contain requirements equivalent to the details required to be disclosed for individuals by disclosing entities.

ACCOUNTING STANDARD AASB 124

RELATED PARTY DISCLOSURES

Objective

1. The objective of paragraphs 1 to 22 of this Standard is to ensure that an entity's financial report contains the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of *related parties* and by transactions and outstanding balances with such parties.
- Aus1.1 The objective of paragraphs Aus25.1 to Aus25.7.3 of this Standard is to require *disclosing entities* to disclose additional information relating to *key management personnel*.

Application

- Aus1.2 **Subject to paragraph Aus1.3, paragraphs 1 to 22 of this Standard apply to:**
- (a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001* and that is a reporting entity;**
 - (b) **general purpose financial reports of each other reporting entity; and**
 - (c) **financial reports that are, or are held out to be, general purpose financial reports.**
- Aus1.3 **Paragraphs 1 to 22 of this Standard do not apply to general purpose financial reports of public sector entities.**
- Aus1.4 **Paragraphs Aus25.1 to Aus25.7.3 of this Standard apply to each disclosing entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act*.**
- Aus1.5 **This Standard applies to annual reporting periods ending on or after 31 December 2005.**
- Aus1.6 **This Standard shall not be applied to annual reporting periods beginning before 1 January 2005.**

- Aus1.7** The requirements specified in paragraphs 1 to 22 of this Standard apply to the financial report where information resulting from their application is material in accordance with AASB 1031 *Materiality*.
- Aus1.8** The disclosures required by paragraphs Aus25.1 to Aus25.7.3 of this Standard are deemed material.
- Aus1.9** When applicable, this Standard supersedes:
- (a) **AASB 1046 *Director and Executive Disclosures by Disclosing Entities*, made on 27 January 2004 and notified in the *Commonwealth of Australia Gazette*, No S 66 on 28 January 2004 (FRLI registration number F2005B01348);**
 - (b) **AASB 1046A *Amendments to Accounting Standard AASB 1046*, made on 28 September 2004 and notified in the *Commonwealth of Australia Gazette*, No S 400 on 29 September 2004 (FRLI registration number F2005B01349); and**
 - (c) **AASB 124 *Related Party Disclosures*, made on 15 July 2004, notified in the *Commonwealth of Australia Gazette* No S 294 on 22 July 2004 (FRLI registration number F2005B01195) and amended by AASB 2004-3 *Amendments to Australian Accounting Standards*, notified in the *Commonwealth of Australia Gazette* No S 559 on 23 December 2004 (FRLI registration number F2005B00704).**
- Aus1.10** This Standard will be registered on the Federal Register of Legislative Instruments, together with an Explanatory Statement, as required by the *Legislative Instruments Act 2003*.

Scope

- 2. This Standard shall be applied in:**
- (a) **identifying related party relationships and transactions;**
 - (b) **identifying outstanding balances between an entity and its related parties;**
 - (c) **identifying the circumstances in which disclosure of the items in (a) and (b) is required; and**

(d) determining the disclosures to be made about those items.

3. This Standard requires disclosure of *related party transactions* and outstanding balances in the separate financial statements of a parent, venturer or investor presented in accordance with AASB 127 *Consolidated and Separate Financial Statements*.
4. Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's financial report. Intragroup related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the group.

Purpose of Related Party Disclosures

5. Related party relationships are a normal feature of commerce and business. For example, entities frequently carry on parts of their activities through subsidiaries, joint ventures and associates. In these circumstances, the entity's ability to affect the financial and operating policies of the investee is through the presence of *control, joint control or significant influence*.
6. A related party relationship could have an effect on the profit or loss and financial position of an entity. Related parties may enter into transactions that unrelated parties would not. For example, an entity that sells goods to its parent at cost might not sell on those terms to another customer. Also, transactions between related parties may not be made at the same amounts as between unrelated parties.
7. The profit or loss and financial position of an entity may be affected by a related party relationship even if related party transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the entity with other parties. For example, a subsidiary may terminate relations with a trading partner on acquisition by the parent of a fellow subsidiary engaged in the same activity as the former trading partner. Alternatively, one party may refrain from acting because of the significant influence of another – for example, a subsidiary may be instructed by its parent not to engage in research and development.
8. For these reasons, knowledge of related party transactions, outstanding balances and relationships may affect assessments of an entity's operations by users of financial reports, including assessments of the risks and opportunities facing the entity.

Definitions

9. The following terms are used in this Standard with the meanings specified.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include:

- (a) the individual's domestic partner and children;
- (b) children of the individual's domestic partner; and
- (c) dependants of the individual or the individual's domestic partner.

Compensation includes all employee benefits (as defined in AASB 119 *Employee Benefits*) including employee benefits to which AASB 2 *Share-based Payment* applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:

- (a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;
- (b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- (c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;
- (d) termination benefits; and
- (e) share-based payment.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the contractually agreed sharing of control over an economic activity.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Related party – a party is related to an entity if:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the entity that gives it significant influence over the entity; or
 - (iii) has joint control over the entity;
- (b) the party is an associate (as defined in AASB 128 *Investments in Associates*) of the entity;
- (c) the party is a joint venture in which the entity is a venturer (see AASB 131 *Interests in Joint Ventures*);
- (d) the party is a member of the key management personnel of the entity or its parent;
- (e) the party is a *close member of the family of an individual* referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

A *related party transaction* is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

***Significant influence* is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.**

Aus9.1 The following terms are also used in this Standard with the meaning specified.

***Director* means:**

- (a) a person who is a director under the Corporations Act; and**
- (b) in the case of entities governed by bodies not called a board of directors, a person who, regardless of the name that is given to the position, is appointed to the position of member of the governing body, council, commission or authority.**

***Disclosing entity* is defined in the Corporations Act.**

***Remuneration* is compensation as defined in this Standard.**

Aus9.1.1 Although the defined term ‘compensation’ is used in this Standard rather than the term ‘remuneration’, both words refer to the same concept and all references in the Corporations Act to the remuneration of directors is taken as referring to compensation as defined and explained in this Standard.

- 10. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.**
- 11. In the context of this Standard, the following are not necessarily related parties:**
 - (a) two entities simply because they have a *director* or other member of key management personnel in common, notwithstanding (d) and (f) in the definition of ‘related party’;**
 - (b) two venturers simply because they share joint control over a joint venture;**

- (c)
 - (i) providers of finance,
 - (ii) trade unions,
 - (iii) public utilities, and
 - (iv) government departments and agencies,simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process); and
- (d) a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, merely by virtue of the resulting economic dependence.

Disclosure

12. Relationships between parents and subsidiaries shall be disclosed irrespective of whether there have been transactions between those related parties. An entity shall disclose the name of the entity's parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial reports available for public use, the name of the next most senior parent that does so shall also be disclosed.

Aus12.1 When any of the parent entities and/or ultimate controlling parties named in accordance with paragraph 12 is incorporated or otherwise constituted outside Australia, an entity shall:

- (a) **identify which of those entities is incorporated overseas and where; and**
- (b) **disclose the name of the ultimate controlling entity incorporated within Australia.**

13. To enable users of financial reports to form a view about the effects of related party relationships on an entity, it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.

14. The identification of related party relationships between parents and subsidiaries is in addition to the disclosure requirements in AASB 127, AASB 128 and AASB 131, which require an appropriate listing and description of significant investments in subsidiaries, associates and jointly controlled entities.

15. When neither the entity's parent nor the ultimate controlling party produces financial reports available for public use, the entity discloses the name of the next most senior parent that does so. The next most senior parent is the first parent in the group above the immediate parent that produces consolidated financial statements available for public use.
16. **An entity shall disclose key management personnel compensation in total and for each of the following categories:**
- (a) short-term employee benefits;
 - (b) post-employment benefits;
 - (c) other long-term benefits;
 - (d) termination benefits; and
 - (e) share-based payment.
- Aus16.1 **The following details about each key management person shall be disclosed:**
- (a) the name of the person;
 - (b) the position held; and
 - (c) where the period of responsibility is less than the reporting period, the date or dates identifying the period of responsibility.
- Aus16.2 **If any of the following changes occur in the period after the reporting date and prior to the date when the financial report is authorised for issue, the name, position and date for each person involved shall be disclosed for:**
- (a) each change in the chief executive officer and directors of the entity; and
 - (b) the retirement of any key management person (other than a director or chief executive officer).
17. **If there have been transactions between related parties, an entity shall disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. These disclosure**

requirements are in addition to the requirements in paragraph 16 to disclose key management personnel compensation. At a minimum, disclosures shall include:

- (a) the amount of the transactions;
- (b) the amount of outstanding balances and:
 - (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
 - (ii) details of any guarantees given or received;
- (c) provisions for doubtful debts related to the amount of outstanding balances; and
- (d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

18. The disclosures required by paragraph 17 shall be made separately for each of the following categories:

- (a) the parent;
- (b) entities with joint control or significant influence over the entity;
- (c) subsidiaries;
- (d) associates;
- (e) joint ventures in which the entity is a venturer;
- (f) key management personnel of the entity or its parent; and
- (g) other related parties.

19. The classification of amounts payable to, and receivable from, related parties in the different categories as required in paragraph 18 is an extension of the disclosure requirement in AASB 101 *Presentation of Financial Statements* for information to be presented either on the balance sheet or in the notes. The categories are extended to provide a more comprehensive analysis of related party balances and apply to related party transactions.

20. The following are examples of transactions that are disclosed if they are with a related party:
- (a) purchases or sales of goods (finished or unfinished);
 - (b) purchases or sales of property and other assets;
 - (c) rendering or receiving of services;
 - (d) leases;
 - (e) transfers of research and development;
 - (f) transfers under licence agreements;
 - (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);
 - (h) provision of guarantees or collateral; and
 - (i) settlement of liabilities on behalf of the entity or by the entity on behalf of another party.

Participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities is a transaction between related parties (see paragraph 34B of AASB 119 as issued in December 2004).
[Note: This part of paragraph 20 applies only to accounting periods beginning on or after 1 January 2006 and to accounting periods beginning before 1 January 2006 and on or after 1 January 2005 for those entities that choose to early-adopt AASB 119 (December 2004) and AASB 2004-3 before 1 January 2006.]

21. Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.
22. **Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.**

Effective Date of IAS 24

23. [Deleted by the AASB]

Withdrawal of IAS 24 (reformatted 1994)

24. [Deleted by the AASB]

Other Key Management Personnel Disclosures by Disclosing Entities

Aus25.1 Paragraphs Aus25.2 to Aus25.7.3 of this Standard apply to each disclosing entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act. The disclosures required of disclosing entities by paragraphs Aus25.2 to Aus25.7.3 are in addition to those required by paragraphs 1 to 22.

Compensation

Aus25.2 For each key management person, the following components of the categories required by paragraph 16, shall be disclosed:

- (a) short-term employee benefits. Amounts in this category shall be divided into at least the following components:**
 - (i) cash salary, fees and short-term compensated absences;**
 - (ii) short-term cash profit-sharing and other bonuses;**
 - (iii) non-monetary benefits; and**
 - (iv) other short-term employee benefits;**
- (b) post-employment benefits. Amounts in this category shall be divided into at least the following components:**
 - (i) pension and superannuation benefits; and**
 - (ii) other post-employment benefits;**
- (c) other long-term employee benefits, separately identifying amounts attributable to long-term incentive plans;**
- (d) termination benefits; and**

- (e) **share-based payment. Amounts in this category shall be divided into at least the following components:**
 - (i) **shares and units;**
 - (ii) **options and rights;**
 - (iii) **cash-settled share-based payment transactions;**
 - (iv) **all other forms of share-based payment compensation (including hybrids); and**
 - (v) **modifications to the terms of options, rights or other share-based payment transactions.**

Aus25.2.1 In the case of a grant of options (including transactions involving loans that are in substance options) to a key management person, the number of employees, being only one, will not change during the vesting period. It is assumed that grants of options with vesting conditions will only be made to a key management person who is expected to remain until the end of the vesting period.

Aus25.2.2 While it is expected most grants will be prospective, paragraph Aus25.2 includes retrospective grants, bonuses and allocations, whether cash, equity or other benefits, that are paid or arise in this reporting period and were not previously disclosed as compensation.

Principles of Compensation

Aus25.3 The following details concerning the compensation of each key management person shall be disclosed:

- (a) **discussion of board policy for determining the nature and amount of compensation of key management personnel of the entity; and**
- (b) **discussion of the relationship between such policy and the entity's performance;**
- (c) **if an element of the compensation of a key management person is dependent on the satisfaction of a performance condition:**
 - (i) **a detailed summary of the performance condition;**

- (ii) **an explanation of why the performance condition was chosen; and**
 - (iii) **a summary of the methods used in assessing whether the performance condition is satisfied and an explanation of why those methods were chosen; and**
 - (iv) **if the performance condition involves a comparison with factors external to the entity:**
 - (A) **a summary of the factors to be used in making the comparison; and**
 - (B) **if any of the factors relates to the performance of another entity, of two or more other entities or an index in which the securities of an entity or entities are included – the identity of that entity, of each of those entities or of the index;**
- (d) **for each grant of a cash bonus, performance-related bonus or share-based payment compensation benefit, whether part of a specific contract for services or not, the terms and conditions of each grant affecting compensation in this or future reporting periods, including:**
 - (i) **the grant date;**
 - (ii) **the nature of the compensation granted;**
 - (iii) **the service and performance criteria used to determine the amount of compensation; and**
 - (iv) **if there has been any alteration of the terms or conditions of the grant since the grant date, the date, details and effect of each alteration;**
- (e) **for each contract for services between the key management person and the disclosing entity (or any of its subsidiaries), such further explanations as are necessary in addition to those prescribed in subparagraphs (c) and (d) to provide an understanding of how the amount of compensation in the current reporting period was determined and how the terms of the contract affect compensation in future periods;**

- (f) if an element of the compensation consists of securities of a body and that element is not dependent on the satisfaction of a performance condition – an explanation of why that element of the compensation is not dependent on the satisfaction of a performance condition;
- (g) an explanation of the relative proportions of those elements of the person’s compensation that are related to performance and those elements of the person’s compensation that are not; and
- (h) if the person is employed by the entity under a contract – the duration of the contract, the periods of notice required to terminate the contract and the termination payments provided for under the contract.

Modification of Terms of Equity-settled Share-based Payment Transactions

Aus25.4 Where the terms of equity-settled share-based payment transactions (including options or rights) granted as compensation to a key management person have been altered or modified by the issuing entity during the reporting period, the following details shall be disclosed for each such person:

- (a) the date of each alteration of the terms;
- (b) the market price of the underlying equity instrument at the date of alteration;
- (c) the terms of the grant immediately prior to alteration, including the number and class of the underlying equity instruments, exercise price, time remaining until expiry and each other condition in the terms affecting the vesting or exercise of the option or other right;
- (d) the new terms; and
- (e) the difference between the total of the fair value of the options or other rights affected by the alteration immediately before the alteration and the total of the fair value of those options or other rights immediately after the alteration.

Equity Instruments

Different Classes to be Separately Identified

Aus25.5 All disclosures required by paragraphs Aus25.5.1 to Aus25.5.5 refer to equity instruments issued or issuable by the disclosing entity and any of its subsidiaries and shall be separated into each class of equity instrument identifying each class by:

- (a) the name of the issuing entity;
- (b) the class of equity instrument; and
- (c) if the instrument is an option or right, the class and number of equity instruments for which it may be exercised.

Options and Rights Provided as Compensation

Aus25.5.1 The following details of options and rights over equity instruments provided as compensation to each key management person shall be disclosed:

- (a) the number of options and the number of rights that, during the reporting period, have;
 - (i) been granted; and
 - (ii) vested;
- (b) particulars of the terms and conditions of each grant made during the reporting period, including:
 - (i) the fair value per option or right at grant date;
 - (ii) the exercise price per share or unit;
 - (iii) the amount, if any, paid or payable by the recipient;
 - (iv) the expiry date;
 - (v) the date or dates when the options or rights may be exercised; and

- (vi) a summary of the service and performance criteria that must be met before the beneficial interest vests in the person.

Equity Instruments Provided on Exercise of Compensation Options and Rights

Aus25.5.2 The following details of the equity instruments provided as a result of the exercise during the reporting period of options and rights granted as compensation to each key management person shall be disclosed:

- (a) the number of equity instruments;
- (b) when the number of options or rights exercised differs from the number of equity instruments disclosed under (a), the number of options or rights exercised;
- (c) the amount paid per instrument; and
- (d) the amount unpaid per instrument.

Options and Rights Holdings

Aus25.5.3 In respect of options and rights held, whether directly, indirectly or beneficially, by each key management person, including their related parties (as referred to in (e) and (f) of the related party definition), disclosure shall be made of the number:

- (a) held at the start of the reporting period;
- (b) granted during the reporting period as compensation;
- (c) exercised during the reporting period;
- (d) resulting from any other change during the reporting period;
- (e) held at the reporting date;
- (f) vested at the reporting date;
- (g) vested and exercisable at the reporting date; and
- (h) vested and unexercisable at the reporting date.

Equity Holdings and Transactions

Aus25.5.4 In respect of equity instruments (other than options and rights) held directly, indirectly or beneficially by each key management person, including their related parties (as referred to in (e) and (f) of the related party definition), disclosure shall be made of the number:

- (a) held at the start of the reporting period;
- (b) granted during the reporting period as compensation;
- (c) received during the reporting period on exercise of options or rights;
- (d) resulting from any other change during the reporting period;
- (e) held at the reporting date; and
- (f) if any such are included in the number disclosed under subparagraph (e) above, held nominally at the reporting date.

Aus25.5.5 If transactions involving equity instruments, other than share-based payment compensation, have occurred between a key management person, including their related parties (as referred to in (e) and (f) of the related party definition) and the issuing entity during the reporting period, the nature of each different type of transaction shall be disclosed where the terms or conditions were more favourable than those which it is reasonable to expect the entity would have adopted if dealing at arm's length with an unrelated person. For each such transaction, the details of the terms and conditions shall be disclosed.

Loans

Aus25.6 The details required by paragraph Aus25.6.1 shall be disclosed separately in respect of each aggregate of loans made, guaranteed or secured, directly or indirectly, by the disclosing entity and any of its subsidiaries to:

- (a) all key management personnel, including their related parties (as referred to in (e) and (f) of the related party definition); and

- (b) each key management person, including their related parties (as referred to in (e) and (f) of the related party definition) by name whose aggregate loan amount exceeded \$100,000 at any time during the reporting period.

Aus25.6.1 In respect of each aggregate of loans to key management personnel and to each key management person as required by paragraph Aus25.6, the following details shall be disclosed:

- (a) the amount outstanding at the start of the reporting period;
- (b) the amount of interest paid and payable in respect of the reporting period to the disclosing entity and any of its subsidiaries;
- (c) the difference between the amount disclosed in accordance with subparagraph (b) above and the amount of interest that would have been charged on an arm's-length basis;
- (d) each write-down and each allowance for doubtful receivables recognised by the disclosing entity and any of its subsidiaries;
- (e) the amount outstanding at the reporting date;
- (f) for each key management person only, the highest amount of indebtedness during the reporting period;
- (g) for key management personnel only, the number of persons included in the group aggregate at the reporting date; and
- (h) a summary of the terms and conditions of the loans.

Aus25.6.2 For the purposes of paragraphs Aus25.6 and Aus25.6.1 loans do not include loans involved in transactions that are in substance options, including non-recourse loans.

Other Transactions and Balances

Aus25.7 In respect of transactions during the reporting period between the disclosing entity and any of its subsidiaries and each key management person, including their related parties

(as referred to in (e) and (f) of the related party definition), other than transactions covered by paragraphs Aus25.4 to Aus25.6.1 or excluded by paragraph Aus25.7.3, the following details shall be disclosed:

- (a) each type of transaction of different nature;
- (b) the terms and conditions of each type of transaction or, where there are different categories of terms and conditions within each type, the terms and conditions of each category of transaction; and
- (c) for each type of transaction or, where there are different categories within each type, each category of transaction:
 - (i) the names of the persons involved; and
 - (ii) the aggregate amount recognised.

Aus25.7.1 In respect of each aggregate amount disclosed in accordance with paragraph Aus25.7, the following details shall be disclosed:

- (a) the total of amounts recognised as revenue, separately identifying where applicable the total amounts recognised as:
 - (i) interest revenue; and
 - (ii) dividend revenue;
- (b) the total of amounts recognised as expense, separately identifying where applicable the total amounts recognised as:
 - (i) interest expense; and
 - (ii) write-downs of receivables and allowances made for doubtful receivables; and
- (c) any further disclosures necessary to provide an understanding of the effects of the transactions on the financial statements.

Aus25.7.2 In respect of assets and liabilities at the reporting date recognised in relation to transactions identified in

accordance with paragraph Aus25.7, disclosure shall be made of:

- (a) the total of all assets, classified into current and non-current assets and, where applicable, any allowance for doubtful receivables at the reporting date; and
- (b) the total of all liabilities, classified into current and non-current liabilities.

Aus25.7.3 Transactions with and amounts receivable from or payable to a key management person (including their related parties) are excluded from the requirements of paragraphs Aus25.7 to Aus25.7.2 when:

- (a) they occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing at arm's length with an unrelated person; and
- (b) information about them does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the key management person; and
- (c) they are trivial or domestic in nature.

APPENDIX 1

MANAGED SCHEMES

This appendix accompanies, but is not part of, AASB 124.

- A1 For some entities, such as some registered managed investment schemes (MIS), the entity has no employees, but there is another entity responsible for its governance that does have employees. This would imply that for some entities, such as some registered MIS, their key management personnel (KMP) are not employed by the entity itself, but rather are employed by the responsible entity. Such an entity would need to determine its KMP from among the management personnel of that responsible entity. In the case of a disclosing entity that is a registered MIS, section 285 of the *Corporations Act 2001* may help in identifying the MIS's KMP.
- A2 In the case of a registered MIS, it is likely to be rare that the compensation of its KMP is provided directly by the MIS. Commonly, a MIS pays a management fee to its responsible entity and thus indirectly provides the compensation of the KMP for managing the MIS. In effect the reporting entity or another entity that provides services to the responsible entity, pays the KMP compensation for services to the MIS on behalf of the MIS. This falls within the meaning of compensation, even when the responsible entity itself does not directly pay its KMP but pays a management fee to another entity (commonly the parent of the responsible entity) that remunerates the KMP. In the process of fulfilling its obligations to those entities for which it is responsible, it is important that the responsible entity identifies the cost of governance for each scheme.
- A3 Compensation disclosures should show the cost of compensation of the KMP allocated on an appropriate basis to each MIS for which the entity is responsible. Such amounts allocated for (internal) management purposes can be disclosed in the (external) financial reports of each MIS, accompanied by an explanation of the basis for allocation. Where an executive of the responsible entity is occupied solely with the management of one MIS, the need for allocation does not arise. All compensation disclosures are classified in accordance with paragraph Aus25.2.

APPENDIX 2

COMPENSATION DISCLOSURES ILLUSTRATED

This appendix accompanies, but is not part of, AASB 124.

Table 2.1 illustrates how a disclosing entity might disclose the compensation of its key management personnel (consolidated basis) to comply with the requirements of paragraph Aus25.2 of this Standard, and Table 2.2 illustrates compliance with paragraph 16. In this example there are no “other long-term benefits”, no “termination benefits” and no “share-based payment” other than options.

Table 2.1 Compensation of Key Management Personnel

Entity 124A Ltd year ended 31 December 20X6									
COMPENSATION Key Management Personnel (Consolidated)									
\$'000	Salary & Fees	Short-term			Other	Post employment		Share-based	TOTAL
		Cash Bonus	Non-Monet.			Super-annuation	Retirement benefits	Payment Options	
	<i>Chairman (non-executive)</i>								
Annert, A.	104	-	-	-	8	42	-	154	
20X6	96	-	-	-	8	32	-	136	
20X5	<i>Director and Chief Executive Officer</i>								
Bushed, B.	780	117	88	8	94	-	137	1,223	
20X6	710	107	78	10	85	-	274	1,265	
20X5	<i>Director (non-executive)</i>								
Court, C.	52	-	2	-	4	22	-	80	
20X6	48	-	1	-	4	16	-	69	
20X5	<i>Director (non-executive): retired 27 March 20X6</i>								
Diver, D.	13	-	-	-	1	11	-	25	
20X6	48	-	-	-	4	16	-	68	
20X5	<i>Director (non-executive): elected 27 March 20X6</i>								
Edgar, E.	39	-	-	-	3	13	-	55	
20X6	<i>General Manager, Operations</i>								
Gina, G.	550	83	59	15	66	-	247	1,019	
20X6	510	77	33	13	61	-	-	694	
20X5	<i>General Counsel & Company Secretary</i>								
Henry, H.	370	67	38	4	44	-	227	750	
20X6	350	63	29	12	42	-	227	723	
20X5	<i>Chief Financial Officer</i>								
Iola, I.	430	90	37	3	52	-	124	735	
20X6	410	86	32	3	49	-	124	704	
20X5	<i>General Manager, Marketing: resigned 8 January 20X7</i>								
Jonah, J.	330	43	45	-	40	-	69	526	
20X6	320	42	39	-	38	-	137	576	
20X5	<i>General Manager, Export: appointed 2 April 20X6</i>								
Kelly, K.	340	65	23	-	41	-	197	665	
20X6	Total compensation: Key management Personnel (Consolidated)								
20X6	3,000	464	290	29	353	88	1,000	5,231	
20X5	2,978	419	250	51	348	76	877	4,998	

Group totals for 20X5 are the same as disclosed in the 20X5 report. They do not necessarily equal the sums of amounts disclosed for 20X5, as different individuals were Key Management Personnel in 20X5.

Table 2.2 Compensation by Category

Entity 124A Ltd year ended 31 December 20X6		
COMPENSATION BY CATEGORY: Key Management Personnel (Consolidated)		
<i>Disclosure of Totals in each category of Compensation for Key Management Personnel required by paragraph 16 of AASB 124 is equivalent to the totals disclosed in terms of paragraph Aus25.2 of AASB 124.)</i>		
Category	20X6 \$'000	20X5 \$'000
Short-term	3,791	3,698
Post Employment	441	424
Other Long-term	0	0
Termination	0	0
Share-based Payment	1,000	877
	<u>5,231</u>	<u>4,998</u>

APPENDIX 3

EQUITY HOLDING DISCLOSURES ILLUSTRATED

This appendix accompanies, but is not part of, AASB 124.

Tables 3A to 3D illustrate how a disclosing entity might disclose the equity holdings of its key management personnel (consolidated basis) to comply with the requirements of paragraphs Aus25.5 to Aus25.5.5 of this Standard.

Table 3A Compensation Options (paragraph Aus25.5.1)

Entity 124A Ltd year ended 31 December 20X6		Key Management Personnel (Consolidated)					
Options: Compensation		Options: Compensation					
	Vested	Granted			Terms & conditions for each Grant		
	Number	Number	Grant Date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
Bushed, B.	700,000						
Jonah, J.	350,000						
Kelly, K.		360,000	31 Mar X6	\$2.92	\$8.50	31 Mar Y0	31 Mar Y3
Total	1,050,000	360,000					

All grants of options vest after 4 years (to the extent that vesting criteria are met) or are forfeited. Options expire three years after vesting. Exercise price equals market price at date of grant. The service & performance criteria, together with other details required are described in Note xx (not illustrated).

Table 3B Shares issued on Exercise of Compensation Options (paragraph Aus25.5.2)

Entity 124A Ltd year ended 31 December 20X6			
Options: Compensation			
Exercised by Key Management Personnel (Consolidated)			
	Shares Issued	\$ per share	\$ per share
	Number	Paid	Unpaid
Bushed, B.	50,000	4.00	0.00
Jonah, J.	100,000	4.00	0.00
Total	150,000		

Table 3C Options and Rights Holdings (paragraph Aus25.5.3)

Entity 124A Ltd year ended 31 December 20X6								
Option holdings: Key Management Personnel (Consolidated)								
	Balance 1 Jan X6	Granted as Remune- ration	Options Exercised *	Net Change Other	Balance 31 Dec X6	Vested at 31 Dec X6		
						Total	Exer- cisable	Unexer- cisable
Annert, A.	-	-	(1,000)	1,000	-	-	-	-
Bushed, B.	800,000	-	(64,000)	(86,000)	650,000	650,000	650,000	-
Court, C.	-	-	(1,500)	1,500	-	-	-	-
Diver, D.	-	-	(2,000)	2,000	-	-	-	-
Edgar, E.	-	-	(200)	200	-	-	-	-
Gina, G.	360,000	-	(8,000)	8,000	360,000	-	-	-
Henry, H.	360,000	-	(3,000)	3,000	360,000	-	-	-
Iola, I.	240,000	-	(1,000)	1,000	240,000	-	-	-
Jonah, J.	400,000	-	(107,500)	(42,500)	250,000	250,000	250,000	-
Kelly, K.	-	360,000	(100)	100	360,000	-	-	-
Total	2,160,000	360,000	(188,300)	(111,700)	2,220,000	900,000	900,000	-

*Note:
Rights Issue on 1 June 20X6 to all shareholders on basis 1 for 10; exercisable 5 July 20X6.
Net change includes options forfeit

Table 3D Shareholdings (paragraph Aus25.5.4)

Entity 124A Ltd year ended 31 December 20X6					
Option holdings: Key Management Personnel (Consolidated)					
Number of F.P. ordinary shares	Balance A Jan X6	Received as Remuneration	Options Exercised	Net Change Other	Balance 31 Dec X6
Annert, A.	10,000	-	1,000	1,000	12,000
Bushed, B.	140,000	-	64,000	(32,000)	172,000
Court, C.	15,000	-	1,500	1,000	17,500
Diver, D.	20,000	-	2,000	-	22,000
Edgar, E.	2,000	-	200	-	2,200
Gina, G.	80,000	-	8,000	(5,000)	83,000
Henry, H.	30,000	-	3,000	(2,000)	31,000
Iola, I.	10,000	-	1,000	-	11,000
Jonah, J.	75,000	-	107,500	(35,833)	146,667
Kelly, K.	1,000	-	100	1,000	2,100
Total	383,000	-	188,300	(71,833)	499,467

APPENDIX 4

LOANS DISCLOSURES ILLUSTRATED

This appendix accompanies, but is not part of, AASB 124.

Table 4 illustrates how a disclosing entity might disclose loans to its key management personnel (consolidated basis) to comply with the requirements of paragraphs Aus25.6 to Aus25.6.2 of AASB 124.

Disclosure on an individual basis is required only when the aggregate loan of a key management person exceeded \$100,000 during the reporting period and comparative amounts are not required even if that individual was classified as key management personnel in the preceding reporting period. For the group aggregate for key management personnel, disclosure of comparative amounts is required but not the highest amount outstanding during the reporting period.

Table 5 Loans Disclosures (paragraph Aus25.6.1)

Entity 124A Ltd year ended 31 December 20X6						
LOANS						
Key Management Personnel (Consolidated)						
	Balance 1 Jan X6	Interest Charged	Interest Not Charged	Write- off	Balance 31 Dec X6	Number In group 31 Dec X6
Total						
20X6	720,000	20,000	61,000	-	786,000	6,000
20X5	541,000	19,000	56,000	-	909,000	7,000
Individuals with loans above \$100,000 in reporting period						
	Balance 1 Jan X6	Interest Charged	Interest Not Charged	Write- off	Balance 31 Dec X6	In group 31 Dec X6
Bushed, B.	150,000	-	17,000	-	162,000	210,000
Gina, G.	90,000	6,000	14,000	-	263,000	280,000
Henry, H.	160,000	4,000	8,000	-	48,000	181,000
Jonah, J.	289,000	8,000	18,000	-	240,000	312,000
<i>Note: Directors are not charged interest on their loans. Executives are charged interest at the concessional rate of 3% p.a. Average commercial rate of interest (unsecured loans) during year = 9.5%. A summary of other terms and conditions is given in Note XY (not illustrated).</i>						

APPENDIX 5

APPLYING PARAGRAPHS AUS25.1 TO AUS25.7.3

This appendix accompanies, but is not part of, AASB 124.

- A1 The following paragraphs identify and explain how some of the disclosures required by paragraphs Aus25.1 to Aus25.7.3 are constructed and classified. They are grouped by reference to the relevant disclosure requirements.

Compensation

- A2 The following apply in respect of paragraphs Aus25.2 to Aus25.4.

Details about Compensation

- A2.1 Entities may enter into contracts for services with key management personnel (KMP) that may have notice periods or provide for pre-determined compensation on voluntary or involuntary retirement of the person or on takeover of the entity. Disclosure of the existence of each such contract is required by this Standard. The details required by paragraph Aus25.3(c) include such items as the length of notice or contract periods, whether or not the contract provides for pre-determined compensation, the basis for determining compensation and the timing and manner of payment of any such compensation. Paragraph Aus25.3(d) requires disclosures of details of each grant (of a cash bonus or share-based payment) that is not fully vested by reporting date.

Equity Holdings

- A3 The following apply in respect of paragraphs Aus25.5 to Aus25.5.5.

Different Classes to be Separately Identified

- A3.1 An equity instrument such as a performance right, that may entitle the holder to receive a share without further payment, is classified separately from options that incorporate exercise prices. Options over fully-paid ordinary shares in the same entity comprise a class separate from performance rights. Options over fully-paid ordinary shares are not treated as separate classes based on different exercise prices or expiry dates. Options over different numbers of underlying equity instruments are treated as separate classes based on the number per

option: for example, an option exercisable for one share is treated as a class separate from an option that may be exercised for two shares. Similar classification based on the number of underlying equity instruments is also applicable to rights. Restricted shares, where the full beneficial entitlement will pass to the person only if specified performance or service criteria are satisfied at some date in the future, are classified separately from vested ordinary shares.

A3.2 Appendix 4 provides illustrations of numeric disclosures required by paragraphs Aus25.5 to Aus25.5.5.

Equity Instruments Provided on Exercise of Compensation Options and Rights

A3.3 Paragraph Aus25.5.2 requires disclosure of the number of equity instruments provided as a result of the exercise of options or rights originally granted as compensation to KMP. Paragraph Aus25.5.2 does not apply to the exercise of options or rights otherwise acquired by the person, for example, through a rights issue by a company to all shareholders.

A3.4 All shares or units provided as a result of the exercise of options or rights originally granted as compensation are included in the disclosures required by paragraph Aus25.5.2, irrespective of any arrangement whereby the equity instruments are issued, on exercise, in the name of a party other than the original recipient.

Options and Rights Holdings

A3.5 The aggregate in each of the categories for each key management person includes the total of that class of equity instrument held by parties related to that person. In accordance with paragraph Aus25.5, separate aggregates are disclosed for each class of option or right. Separate disclosure of lapsed or forfeited options and rights is not required. Except for paragraph Aus25.5.1(b), the number disclosed will include all options or rights whether or not received by the person as compensation. An illustration of the disclosures required by paragraph Aus25.5.3 is provided in Table 4C, Appendix 4.

A3.6 The number of options or rights disclosed under paragraph Aus25.5.3(b) is the same as required by paragraph Aus25.5.1(a)(i) and is repeated in this context for convenience, to provide a complete statement for the reporting period.

A3.7 A reduction in the number of instruments held because of lapse or forfeit is included, together with any other increases and decreases, in the number disclosed under paragraph Aus25.5.3(d).

Equity Holdings and Transactions

A3.8 Paragraph Aus25.5.4 requires disclosure of details of all classes of shares or other equity instruments excluding options and rights held by each key management person, such as ordinary shares, preference shares, restricted stock awards, share grants or any convertible instruments not classified as liabilities. Paragraph Aus25.5 requires separate disclosure for each class. With the exception of the number disclosed in accordance with paragraph Aus25.5.4(b), it is unnecessary to distinguish the numbers of equity instruments acquired as compensation.

A3.9 The number of equity instruments disclosed in accordance with paragraph Aus25.5.4(b) includes only those instruments granted in this reporting period to a key management person as compensation. It includes equity instruments held by a trustee on behalf of the key management person and those to which the beneficial entitlement will not pass until satisfaction of the qualifying service or performance criteria.

A3.10 The number of shares or other equity instruments referred to in paragraph Aus25.5.4(c) includes all those issued (or otherwise provided) during the reporting period on the exercise of options or rights by persons, irrespective of whether the options or rights were received as compensation or acquired through transactions or entitlements not related to compensation.

A3.11 A reduction in the number of shares or other equity instruments held because of sales is included, together with any other increases and decreases (including forfeiture), in the number disclosed in accordance with paragraph Aus25.5.4(d).

Other Equity Transactions

A3.12 Disclosure of details is required only in respect of equity transactions other than share-based payment compensation undertaken by the disclosing entity (or any subsidiary) that are with and favourable to key management personnel of the disclosing entity, including their related parties (as referred to in (e) and (f) of the related party definition). Such transactions include dividend reinvestment, share issues, unit issues, sales and purchases of shares or units, share buy-backs and selective capital reductions, where the terms are more favourable than those available to other shareholders or investors.

A3.13 The details of equity instrument transactions between a key management person and entities other than the disclosing entity (or any of its subsidiaries), whether on-market or otherwise, are not required to be disclosed. Disclosure of the net effect of increases and decreases in the number of equity instruments held by each key management person is required by paragraph Aus25.5.4(d).

Loans

A4 The following apply in respect of paragraphs Aus25.6 to Aus25.6.2.

A4.1 The aggregate loan of a key management person is included in their group aggregate if any amount was owing during the period and is not excluded on the grounds that no amount was owing at the end of the reporting period nor on the grounds that the amount owed was less than \$100,000 at all times during the reporting period.

A4.2 Individual disclosure is required only where the aggregate amount of loans attributable to a key management person (and personally-related entities) exceeded \$100,000 at any time during the reporting period. Even if only one personal aggregate exceeded \$100,000 during the year, details are required in respect of that person. Comparative amounts are not required in respect of personal aggregates.

A4.3 In respect of the key management personnel group aggregate for key management personnel, it is not necessary to disclose the highest amount during the reporting period as this is relevant only to persons. Disclosure of the key management personnel group aggregate is required irrespective of whether the amount is more or less than \$100,000, or whether the amount includes a loan that exceeded \$100,000. Comparative amounts are required in respect of key management personnel group aggregates. Appendix 5 provides an illustration of disclosures required by paragraphs Aus25.6 to Aus25.6.1.

A4.4 Any amounts disclosed in accordance with paragraphs Aus25.6.1(c) or Aus25.6.1(d) are included in the compensation of the person involved, irrespective of the level of total indebtedness of that person, in the component identified by paragraph Aus25.2(a)(iii).

Other Transactions and Balances

A5 The following apply in respect of paragraphs Aus25.7 to Aus25.7.3.

A5.1 Transactions between a disclosing entity or any of its subsidiaries and its key management personnel may occur only because of the relationship. Key management personnel hold positions of fiduciary

responsibility in relation to an entity and are accountable to those who provide resources to the entity, through disclosure of their transactions with the entity. Examples of such transactions include goods or services provided or received, property, plant and equipment leased to or from an entity in the consolidated group and sales, purchases or transfers of assets at fair value or otherwise. For example, if a disclosing entity had an investment in the equity of a company controlled by a director, then dividends received from that company would be disclosed in accordance with paragraph Aus25.7.1(a)(ii) and the investment in accordance with paragraph Aus25.7.2(a).

- A5.2 Paragraphs Aus25.7 to Aus25.7.2 require detailed disclosures for transactions between the entity and those primarily responsible for its governance, including their related parties (as referred to in (e) and (f) of the related party definition), but exempt from disclosure transactions that either qualify under paragraph Aus25.7.3 or are covered in the requirements in any of paragraphs Aus25.2 to Aus25.6.1, including the exclusions thereto. For example, the share, unit, option and other equity instrument transactions of the key management personnel of an entity, including their related parties (as referred to in (e) and (f) of the related party definition), are covered by paragraphs Aus25.5 to Aus25.5.5 and thus are excluded from the scope of other transactions. This means that share, unit, option and other equity instrument transactions with directors of subsidiaries in the consolidated group, that are not required to be disclosed by paragraphs Aus25.5 to Aus25.5.5, are not subject to additional disclosure requirements under paragraphs Aus25.7 to Aus25.7.2.

Other Transactions Excluded from Disclosure

- A5.3 For transactions and amounts meeting all three conditions set out in paragraph Aus25.7.3, it is not necessary to provide any details, general description or indication of their existence. The conditions include the requirement that the transactions were, or balances receivable or payable are, subject to terms and conditions no more favourable than those which it is reasonable to expect would have applied if the entity had been dealing at arm's length with an unrelated person. It is also required that the transactions or balances be 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 relate to the personal household activities of persons.