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Mr David Boymal  
The Chairman  
Australian Accounting Standards Board  
PO Box 204  
COLLINS STREET WEST VIC 8007

19 May 2008  
Our Ref: EL:DR

Dear David

***ED 162 Proposed Amendments to Key Management Personnel Disclosures by Disclosing Entities***

Thank you for the opportunity to comment on the Australian Accounting Standards Board (AASB) Exposure Draft 162 *Proposed Amendments to Key Management Personnel Disclosures by Disclosing Entities* ('ED 162').

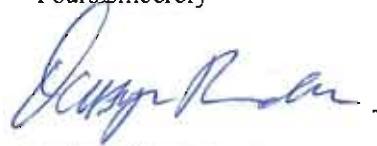
This letter sets out our main comments on ED 162. Our responses to the specific matters for comment raised by the AASB are contained in Appendix A.

Overall, we strongly support the proposal in ED 162 to amend AASB 124 *Related Party Disclosures* ('AASB 124') to remove the requirement for disclosing entities that are companies to present the information required by AASB 124 paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and Aus25.7.2 and welcome the Board's initiatives in this regard. We believe that the requirement for, and extent of, disclosures of compensation and other transactions of an entity's key management personnel with the entity are a matter of corporate governance for Treasury to address. Further, we have always supported full alignment of the Australian Accounting Standards with the International Financial Reporting Standards. Accordingly, we believe that the AASB should give consideration to deleting the remaining Australian specified disclosures in AASB 124 in the near future, whether or not the Treasury has completed its consideration of the disclosure of information about relevant directors and management of both companies and registered schemes.

Member of  
Deloitte Touche Tohmatsu

If you have any questions concerning our comments, please contact Darryn Rundell on (03) 9208 7916.

Yours sincerely



**Darryn Rundell**  
Partner  
Deloitte Touche Tohmatsu

## APPENDIX A Specific Matters for Comment

- (a) whether you agree with the proposal to exclude disclosing entities that are companies from the application of AASB 124 paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and Aus25.7.2

We support the proposal to exclude disclosing entities that are companies from the application of AASB 124 paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and Aus25.7.2. However, we disagree that early adoption of the resultant standard for annual reporting periods ending before 30 June 2008 should not be permitted. We comment further on early adoption and on the effective date of the proposed standard in 'Other Matters' below.

- (b) whether, overall, the proposals would result in financial reports that would be useful to users

We believe that the proposals will result in financial reports that are useful to users. We do not see any value in requiring companies to make similar disclosures in two places in the annual report. Further, we are of the opinion that users of financial reports may potentially find it confusing that information that is not necessarily equivalent is disclosed in different parts of the annual report.

- (c) whether the proposals are in the best interest of the Australian economy

We believe that the proposals are in the best interests of the Australian economy, however, are of the view that this is only a first step in the process. We strongly recommend the deletion of all remaining Australian paragraphs to AASB 124 in the near future. In our opinion, full alignment with International Financial Reporting Standards ('IFRSs') is in the best interests of the Australian economy and represents the best way to maximise the returns from the IFRS convergence process. Accordingly, while we support the efforts of the Board to work together with the Treasury to ensure that Australian users are not disadvantaged by a lack of disclosure on persons of interest, we believe that the Board should give serious consideration to placing a sunset clause on paragraphs Aus25.1 to Aus25.9.3 and to issue a version of AASB 124 that is in all respects equivalent to IAS 24 *Related Party Disclosures* ('IAS 24').

## Other Matters

### *Effective date, early adoption*

#### Effective date

ED 162.3 proposes that the resultant standard apply to annual reporting periods ending on or after 30 June 2008. We note that the Board acknowledges in ED 162.BC4 that the purposes of these amendments are to relieve the duplication of information where information is already required in the remuneration report by the Corporations Act 2001 and Corporations Regulation 2M.3.03.

We wish to draw to the Board's attention that the effective date proposed could, for some companies, result in an outcome inconsistent with the expressed purposes of the amendments. Consider for example, a disclosing entity that is a company that is incorporated before 28 June

2007 and which is reporting for the first time at 30 June 2008. Such an entity is not subject to the compensation amendments made to the Corporations Act 2001 and the Corporations Regulations 2001 in 2007.

The Board may wish to reconsider the wording of paragraph 3.

Early adoption

ED 162.3 proposes that early adoption of the resultant standard would not be permitted. We disagree that early adoption of a resultant standard should not be permitted for a financial year that ends before 30 June 2008, as not permitting early adoption of a resultant standard would disadvantage some companies. For example, disclosing entities that are companies:

- with former 30 June balance dates that have during the current reporting period shortened their financial year end (e.g., a company which has a 9-month reporting period from 1 July 2007 to 31 March 2008), or
- that have annual reporting dates ending in the 7-day period leading up to 30 June 2008, would be required to provide compensation information about their key management personnel in both the remuneration report and the financial report in respect to the current reporting period.

We recommend that the Board consider allowing entities to early adopt the resultant standard, but to limit that availability to only those financial years to which the revised s.300A and Regulation 2M.3.03 disclosures have been provided. The instances in which early adoption is permitted should be made clear in the Basis of Conclusions accompanying the standard. We acknowledge that the wording of an appropriate effective date for a resultant standard is complicated by the revised s.300A requirements being effective for financial years beginning on or after 28 June 2007, while the revised Regulation 2M.3.03 requirements (and omission of Regulation 2M.6.04 and associated Schedule 5B) are only effective for financial years beginning on or after 30 June 2007.

***Matters raised in our submission on ED 151***

As part of our submission on ED 151 *Australian Additions to, and Deletions from, IFRSs* ('ED 151'), we commented on various matters related to AASB 124. We reiterate these comments as part of our submission to ED 162 as there has been little development in these matters since the time of our previous comment.

Materiality

We believe that the Board should give immediate consideration to removing the 'deemed material' strictures placed on key management personnel disclosures, and leave consideration of the material nature of each of the disclosures specified as a matter of judgement and of good corporate governance for the board of directors of a disclosing entity, to be considered in accordance with the materiality considerations specified by the Framework. Further, in our opinion, AASB 1031 *Materiality* ('AASB 1031') should be withdrawn by the Board as it is in effect Australian guidance on how to assess materiality for financial reporting purposes. To retain this Australian Accounting Standard is inconsistent with our understanding of the Board's rationale for the previous removal of Australian guidance from various Australian Accounting Standards. The existence of AASB 1031 may result in differences in application of Australian Accounting Standards compared to IFRSs.

Transactions and balances with related parties

We are also concerned that both IAS 24 and AASB 124 are unclear as to whether disclosures of transactions and balances with related parties (including key management personnel) apply only to the period of time within the reporting period in which a party is related to the entity, or whether the disclosures apply to all transactions and outstanding balances of the reporting period, including those that occurred after the party, for example, ceased to be a related party to the entity. It is our understanding that globally there is diversity in the interpretation of these disclosures. Accordingly, we encourage the AASB to lobby the IASB/IFRIC to consider the issue so as to avoid diversity in interpretation and therefore, practice.