



NATIONAL OFFICE

Level 2 National Australia Bank House  
255 George Street Sydney  
NSW 2000 Australia  
TELEPHONE 02 8248 6600  
FACSIMILE 02 8248 6633  
aicd@companydirectors.com.au  
www.companydirectors.com.au

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Our ref: RME/CM

Professor David Boymal  
Chairman  
Australian Accounting Standards Board  
Level 4, 530 Collins Street  
MELBOURNE VIC 3000

and by email [standard@asb.com.au](mailto:standard@asb.com.au)

Dear Professor Boymal

### **Proposed AASB 124 – Related Party Disclosures**

I am writing to you regarding the Australian Accounting Standards Board (AASB) proposal to incorporate into AASB 124 'Related Party Disclosures' a modified form of AASB 1046 'Director and Executive Disclosures by Disclosing Entities' with effect from financial years ending on or after 31 December 2005.

AICD has two principal concerns about the proposal.

Firstly, as the AASB acknowledges, it will probably render the relief provided to disclosing entities by Corporations Regulations 2005(4) ('Regulations') from including in the remuneration report section of the Directors' report the information required by section 300A of the Corporations Act inoperative. The same applies in relation to the inclusion in the financial report of the information required by AASB 1046, which is substantially, although not completely identical to that required by section 300A.

While it is theoretically possible to amend the Regulations to include the proposed change before it becomes operative, it is not likely given the current parliamentary timetable that there will be either the time or the opportunity to promulgate the necessary amendments.

Listed entities with a balance date of 31 December 2005 will be placed at particular risk of having two months later to include substantially duplicated information in two sections of the

annual report, and readers of the annual report will have to struggle against the confusion generated by the differences between the two.

AICD urges that the proposed change to AASB 124 should not become operative, if at all, before the necessary consequential regulatory amendment has been made.

AICD's second concern relates to the proposed change regarding disclosure of remuneration individually of each 'key management person'. This does not seem to reflect IAS 24 'Related Party Disclosures' which seems to require disclosure of compensation of 'key management personnel' in the aggregate and not individually - see IAS 24 paragraph 16.

The proposed changes to AASB124 do not seem to have the purpose of bringing the standard into line with IAS 24 except in so far as they adopt the expression 'key management person'. That expression is, however, defined in terms that are very likely to prove difficult to apply on a case by case basis.

AICD notes that the requirement for disclosure of executive remuneration in section 300A of the Corporations Act came into operation on 1 July 1998, and the section was extensively expanded by the CLERP 9 Act 2004 with effect from 1 July 2004. Given the extensive disclosure requirements of section 300A, AICD believes it is no longer necessary or appropriate to require the inclusion in the financial report of key management personnel compensation. AICD is also concerned that the accounting standards seem to ignore the will of Parliament as expressed in Section 300A of the Corporations Act.

Please contact me or Rob Elliott if you have any questions.

Yours sincerely,

Ralph Evans

Chief Executive Officer