

23 November 2005

The Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins St  
Melbourne Vic 8007

Dear David,

**Comments on Exposure Draft ED 143**

Thank you for the opportunity to comment on ED 143:Directors and Executive Disclosures by Disclosing Entities: Removal of AASB 1046 and Addition to AASB 124, which will apply for reporting periods commencing on or after 1 January 2005.

Overall Westpac supports the AASB's approach of combining and simplifying these standards. However, from the specific point of view of the banking industry we have some concerns about the cost of complying with AASB 124 for non-disclosing subsidiary entities. Our concerns relate to:

- the complexity of disclosures that may be required for directors of non-disclosing subsidiary entities who have banking arrangements with the parent or another group company Authorised Deposit Taking Institution ("ADI"); and
- the loss of the Australian exemption provided in AASB 1017 for directors performing their duties as an employee of the parent.

*Disclosures about loans and other normal banking arrangements*

It is noted that AASB 124 does not clearly specify if it is necessary for a subsidiary to disclose the existence of loans and other banking transactions entered into in the normal course of business made by or with its parent or other group companies which are ADI's to key executives or directors of the subsidiary. We are keen to have the AASB provide some clarity on this point.

Assuming that these disclosures are required under AASB 124, the exclusion of this exemption from AASB 124 could result in a considerable amount of preparation work (Westpac has previously disclosed that in excess of 120 employees serve as directors of subsidiary companies as part of their role with the parent company, with most of those employees having normal arms length banking arrangements with Westpac).

As IFRS standards were developed with consolidated reporting as their main consideration, it is not unexpected that issues such as this one arise when applying the lightly modified A-IFRS standards to the individual accounts of subsidiary companies. We consider that for non-disclosing subsidiary entities, the work required to collect this information outweighs any likely benefit to users of the accounts as:

- the banking arrangements are made on normal commercial terms and conditions so their disclosure will not provide any relevant information to users; and
- a significant amount of work will be necessary to collect the information to support these disclosures.

*Directors performing their duties as an employee of the parent*

1017 sensibly provided an exemption from certain disclosure requirements for directors of non-disclosing entity subsidiaries where they performed their duties as part of their role as an employee of the parent company. AASB 124 has no such exemption.

We believe that a similar exemption should be included in AASB 124 as:

- the IFRS standards have been developed to apply on a consolidated basis and we should not in the Australian context apply all of the IFRS disclosure requirements at the non-disclosing entity subsidiary level if they result in the provision of unnecessary or irrelevant information;
- the amount paid to such a director is usually unrelated to their role as a director of the subsidiary company making its disclosure of limited or no benefit to users; and
- The amount of effort required to collect this information would be significant with little or no benefit to users of the accounts is likely.

In summary, we believe that it would be appropriate either for ASIC, the AASB or the Financial Reporting Council to address these issues and maintain an approach similar to existing Australian rules for non-disclosing entities and transactions with ADI's.

*Specific matters for comment*

- Q1.(a) Westpac does not support the proposal to remove parent relief from AASB 124. In other IFRS jurisdictions parent company accounts are generally not required to be provided in consolidated financial statements. As a result, these disclosures, if required, would be provided only by Australian entities and international comparisons, one of the key drivers of the move to adopt IFRS in Australia, will not be possible.
- Q1.(b) Westpac supports the intention to rely on the definition of key management personnel contained in AASB 124.
- Q8. Westpac does not agree that non-disclosing entities should disclose certain minimum descriptive information in respect of each key management person as this disclosure, for a non-disclosing entity, would be of little or no benefit to users.
- Q13. Westpac does not agree that the disclosure requirements of AASB 124 should be applied to managed investment schemes as the remoteness of the personnel from the scheme (particularly where a responsible entity manages many funds) results in the amounts disclosed being of little or no value to users.
- Q15. Westpac agrees that other than the matters discussed above, the proposals are in the best interest of the Australian economy.

If you would like to discuss these suggestions further, please do not hesitate to contact me.

Yours sincerely

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**Bill Starr**  
**Group Controller**

CC Mr Charles Macek – Chairman, Financial Reporting Council  
CC Mr Lee White – Chief Accountant, Australian Securities and Investments Commission