



28 November 2005

Mr David Boymal
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West
MELBOURNE VIC 8007

Dear David

**ED 143 Director & Executive Disclosures
by Disclosing Entities ...**

The Group of 100 (G100) is pleased to provide comments on ED 143. The G100 believes that, ideally, the requirements in respect of director and executive disclosures should be specified in a single unified set of requirements. However, under present institutional arrangements this is unlikely to be achieved in Australia. The present arrangements where requirements are specified in the Corporations Law for listed companies, in Accounting Standards for disclosing entities and in the recommendations and guidelines issued by the ASX Corporate Governance Council are unsatisfactory.

In order to avoid confusion and potentially misleading shareholders and other users and to avoid the compliance costs associated with duplicated and, in some cases, different requirements, the G100 strongly believes the disclosures should be included in one location in the annual report. We also believe that as a matter of corporate governance the disclosures should be included in the directors' report and that the disclosure requirements be specified in the Corporations Law. Accordingly, we do not support the retention of AASB 1046 or the addition of its requirements to AASB 124 'Related Party Disclosures'.

However, because failure to comply with the relevant requirements of AASB 124 will preclude a company from achieving compliance with IFRSs we believe it is necessary to retain the requirements of AASB 124 and that any further disclosures should be included in the Corporations Law. The G100 recommends that the AASB seek to achieve consistency between the requirements in AASB 124 and the Corporations Law as a matter of priority.

Other major concerns are the requirements in respect of parent entity financial statements. We believe that requiring detailed and complex disclosures in respect of the parent is repetitive and duplicates information reported in the consolidated financial statements which are the primary focus of users of financial reports. The proposed removal of parent relief from AASB 124 highlights the need to address the purpose and role of parent entity financial statements and their usefulness. The G100 considers that the provision of summary parent entity information by way of note (as is the case in the United Kingdom) also overcomes the compliance issue relating to the application of IFRSs.

Our comments on the specific questions in ED 143 are attached.

Yours sincerely

A handwritten signature in black ink, appearing to read "Honan", written in a cursive style.

Tom Honan
National President



ED 143 DIRECTOR & EXECUTIVE DISCLOSURES

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?

No. The G100 believes that parent relief should be retained to avoid duplication of information in the annual report. We acknowledge that retention of parent relief would mean that the parent would not be able to make an unequivocal statement of compliance with IFRSs. However, the G100 believes that this impediment would be overcome if the requirement to present parent entity financial statements were replaced with a requirement to provide summary information by way of note.

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)?

Yes. If the requirements are added to AASB 124 they should apply to all for-profit entities.

In this regard the G100 considers that if requirements of this nature apply to corporates on grounds of corporate governance and accountability, the same considerations are also relevant to non-for-profit and public sector entities.

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?

Adoption of the requirements of IAS 24 will ensure consistency of disclosures with other jurisdictions in respect of the financial statements. Additional requirements should be specified in the Corporations Law and not Accounting Standards.

- 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?
- Yes. Reliance on the definition of KMP will remove a potential source of inconsistency in the present requirements and facilitate compliance with IFRSs.**
- 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)?
- Yes. The requirements should reflect those in IAS 24.**
- 6. Former KMP**
Do you agree with the proposal to delete the requirement for separate disclosure of transactions or balances with former KMP?
- Yes.**
- 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?
- Yes.**
- 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 Aus 16.1) 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)?
- No. The requirements should not extend those in IAS 24.**
- 9. Incorporations 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?
- No. The requirements in AASB 124 should reflect those in IAS 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'?**

No.

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?

Yes.

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?

Yes, if the requirements are retained.

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?*

We do not consider that employees of a responsible entity are KMP of a scheme and the payment of a management fee does not provide a basis to require these entities to impute amounts to be disclosed.

- 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?*

The G100 believes that the disclosures required by IAS 24 are sufficient to the extent they are relevant to these entities.

- 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)?*

This may sometimes be the case. However, to mandate that this is so would ignore the variety of arrangements in place.

- 14. *Are there any other disclosure requirements you believe should be:***
a) added; or
b) deleted?

The G100 believes that the disclosures required by IAS 24 are adequate for inclusion in the financial statements. Any further requirements are a matter for the Corporations Law given that this is an area that the legislature has determined should be dealt with in the law. The G100 also believes that the disclosure required in respect of related parties in Aus 25.5.4, 25.5.5, 25.6 and 25.7 should be deleted because they are of little information value in relation to the costs incurred in making the disclosures.

- 15. *Are the proposals in the best interests of the Australian economy?***

The best interests of the Australian economy are served by having a single set of requirements consistent with IAS 24 applicable to all reporting entities thereby avoiding duplication and burdens in collecting and processing information and providing potentially misleading information to users of financial statements.