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Sir David Tweedie
Chairman
International Accounting Standards Board
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Dear Sir David

Exposure Draft: Related Party Disclosures

The Group of 100 (G100) is an organisation representing the interests of chief financial officers and senior finance executives of Australia's major business enterprises and is pleased to provide comments on this ED.

Q1. *State-controlled entities*

- a. *Do you agree with the proposal to provide, in the circumstances described in this exposure draft, an exemption for entities controlled or significantly influenced by the state? If not, why? What would you propose instead and why?*

The G100 supports this proposal. However, if this is a principle to be applied the G100 believes that similar relief would be appropriate in respect of the separate financial statements of companies within a consolidated group.

- b. *Do you agree:*
- (i) *that an indicator approach is an appropriate method for identifying when the exemption should be provided for entities controlled or significantly influenced by the state; and*
 - (ii) *that the proposed indicators are appropriate?*
- If not, why? What would you propose instead and why?*

The G100 considers that the proposed indicators are appropriate.

Q2. *Definition of a related party*

- a. *The definition of a related party in IAS 24 does not include, for a subsidiary's individual or separate financial statements, an associate of the subsidiary's controlling investor. The Board has decided that it should be included, and thus proposes to amend the definition of a related party. The Board similarly proposes that when the investor is a person, entities that are either significantly influenced or controlled by that person are to be treated as related to each other. Do you agree with this proposed amendment? If not, why? What would you propose instead and why?*

The G100 supports the proposal as it relates to subsidiaries but not in respect of entities subject to significant influence. It is unreasonable to expect diverse and large multinational organisations to track relationships and transactions in respect of entities which are significantly influenced by a person. In such entities it is a major task to identify all entities that are subsidiaries and significantly influenced investees without seeking to capture transactions between investees that are significantly influenced. In addition, in view of the distant nature of the relationships the information value of the disclosures is unlikely to be meaningful and decision-useful to shareholders.

- b. *IAS 24 does not define associates of an entity as related parties. However, when a person has significant influence over an entity and a close member of the family of that person has significant influence over another entity. IAS 24 defines those two entities as related parties. The Board proposes to align the definition for both types of ownership by excluding from the definition of a related party an entity that is significantly influenced by a person and an entity that is significantly influenced by a close member of the family of that person. Do you agree with the proposed amendment? If not, why? What would you propose instead and why?*

Yes.

- c. *IAS 24 defines any entity over which a member of the key management personnel of the reporting entity has control, joint control or significant influence, or in which the member holds significant voting power, as related to the reporting entity. However, the converse is true. Thus, when the entity that a person controls, jointly controls or significantly influences, or in which the person has significant voting power, is the reporting entity and that person is a member of the key management personnel of another entity, that other entity is not defined as related to the reporting entity. The Board proposes to remove this inconsistency by expanding the definition to encompass both situations. Do you agree with the proposed amendment? If not, why? What would you propose instead and why?*

Yes.

- d. *Do you agree with the proposal to clarify the definition of a related party? Does the wording proposed capture the same set of related parties as IAS 24 at present (except for the amendments described in (a) – (c) above)? Do you agree that the proposed wording improves the definition of a related party? If not, why? What would you propose instead and why?*

Yes.

Q3. Definition of related party transactions

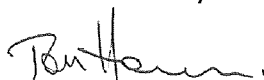
Do you agree with the proposal to clarify the definition of a related party transaction? If not, why? What changes would you propose and why?

Yes.

Q4. Do you have any other comments on the proposals?

No.

Yours sincerely



Tom Honan
National President

c.c. Mr David Boymal, Chairman AASB