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Chair
Australian Accounting Standards Board
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19 May 2008

Dear David

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

We are pleased to have the opportunity to comment on ED 162 Proposed Amendments to Key Management Personnel Disclosures by Disclosing Entities ("ED 162") issued by the Australian Accounting Standards Board.

Executive summary

Overall, KPMG supports the AASB's actions to eliminate these duplicative disclosure requirements located in AASB 124 *Related Party Disclosures* (AASB 124), in this instance where the key management personnel remuneration disclosures are required in a remuneration report by the Corporations Act 2001 and Regulations. We consider additional detailed disclosures for key management personnel, beyond those required by the international accounting standard, to be a matter of corporate governance and therefore the responsibility of Treasury.

The changes proposed in ED 162 only address remuneration disclosures, and not those related to other transactions with key management personnel, such as equity holdings, option holdings, loans and other transactions. We further urge the AASB to delete the additional detailed disclosure requirements of paragraphs Aus25.7.3-7.5, Aus25.8 and Aus 25.9, in order to leave the determination of these disclosures to Treasury. However, we would not delay the passing of ED 162 in order to make these further changes.

Paragraphs .17 and .18 of AASB 124 and its international equivalent require disclosure in the notes to the financial statement of these other transactions at a summarised level. Paragraph 18(f) requires disclosure in respect of key management personnel as a group, while paragraph 18(g) requires disclosure in respect of other related parties, including entities controlled or significantly influenced by key management personnel. We would not support a simple "transfer" of these more detailed disclosure requirements to the Corporations Act or



Regulations, without relief from providing the same disclosures in the financial report, in order to avoid creating additional duplicative disclosures.

In addition, on the basis that key management personnel disclosures are a matter of corporate governance and all the Aus25 paragraphs are deleted from AASB 124, we urge the AASB to convey to Treasury the need to determine the appropriate related party disclosures for disclosing entities that are not companies, such as listed managed investment schemes. Treasury should then incorporate these disclosures into the appropriate regulation. In our view, Treasury's work on this project should not wait for determination of whether a corporate entity can be key management personnel of such an entity, or whether directors of a responsible entity are the key management personnel. Rather, research into the disclosures that investors and other users of financial statements require should be performed.

Specific comments

Our comments on the specific matters raised for comment and on other issues are set out below.

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 Aust 25.7.2;

We agree with the proposal.

Whether, overall, the proposals would result in financial reports that would be useful to users;

We consider the proposal would result in financial reports that would be useful to users.

Whether the proposals are in the best interest of the Australian economy.

We consider the proposals are in the best interest of the Australian economy.

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We would be pleased to discuss our comments with members of the AASB or its staff. If you wish to do so, please contact me on 02 9335 7108.

Yours sincerely

Chris Hall
Partner