

## Related Party Disclosures



**Australian Government**  
**Australian Accounting Standards Board**

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BASIS FOR CONCLUSIONS ON IAS 24  
(available on the AASB website)

**AASB 124**

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Australian Accounting Standard AASB 124 *Related Party Disclosures* is set out in paragraphs 1 – Aus29.9.3. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. AASB 124 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation and Application of Standards*, which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

## PREFACE

### Introduction

The Australian Accounting Standards Board (AASB) makes Australian Accounting Standards, including Interpretations, to be applied by:

- (a) entities required by the *Corporations Act 2001* to prepare financial reports;
- (b) governments in preparing financial statements for the whole of government and the General Government Sector (GGS); and
- (c) entities in the private or public for-profit or not-for-profit sectors that are reporting entities or that prepare general purpose financial statements.

Australian Accounting Standards incorporate International Financial Reporting Standards (IFRSs), including Interpretations, issued by the International Accounting Standards Board (IASB), with the addition of paragraphs on the applicability of each Standard in the Australian environment.

Australian Accounting Standards also include requirements that are specific to Australian entities. These requirements may be located in Australian Accounting Standards that incorporate IFRSs or in other Australian Accounting Standards. In most instances, these requirements are either restricted to the not-for-profit or public sectors or include additional disclosures that address domestic, regulatory or other issues. In developing requirements for public sector entities, the AASB considers the requirements of International Public Sector Accounting Standards (IPSASs), as issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants.

Private sector for-profit entities complying with Australian Accounting Standards will simultaneously comply with IFRSs. Many other entities complying with Australian Accounting Standards will also simultaneously comply with IFRSs.

## **Differences between this Standard and AASB 124 (December 2005, as amended)**

The main changes from AASB 124 as issued in December 2005 (as amended) are described below.

- (a) The definition of a related party is simplified, clarifying its intended meaning and eliminating inconsistencies from the definition, including:
  - (i) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;
  - (ii) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and
  - (iii) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.
- (b) A partial exemption is provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

## COMPARISON WITH IAS 24

Paragraphs 1 to 28 of AASB 124 *Related Party Disclosures* incorporate IAS 24 *Related Party Disclosures* issued by the International Accounting Standards Board (IASB). Paragraphs that have been added to this Standard (and do not appear in the text of IAS 24) are identified with the prefix “Aus”, followed by the number of the preceding IASB paragraph and decimal numbering. Paragraphs that apply only to not-for-profit entities begin by identifying their limited applicability. Paragraphs Aus29.1 to Aus29.9.3 require disclosing entities to provide additional information about individual key management personnel that are not required by IAS 24.

Entities that comply with AASB 124 will simultaneously be in compliance with IAS 24.

Compliance with the additional individual key management personnel disclosure requirements in paragraphs Aus29.1 to Aus29.9.3 of AASB 124 is not needed for IFRS compliance.

## ACCOUNTING STANDARD AASB 124

The Australian Accounting Standards Board makes Accounting Standard AASB 124 *Related Party Disclosures* under section 334 of the *Corporations Act 2001*.

Dated 15 December 2009

Kevin M. Stevenson  
Chair – AASB

## ACCOUNTING STANDARD AASB 124

### *RELATED PARTY DISCLOSURES*

#### Objective

- 1 The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.
- Aus1.1 The objective of paragraphs Aus29.1 to Aus29.9.3 of this Standard is to require *disclosing entities* to disclose additional information relating to individual *key management personnel*.

#### Application

- Aus1.2 This Standard applies to:
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
  - (b) general purpose financial statements of each other reporting entity; and
  - (c) financial statements that are, or are held out to be, general purpose financial statements.
- Aus1.3 Paragraphs 1 to 28 of this Standard do not apply to general purpose financial statements of not-for-profit public sector entities.



- Aus1.4** Subject to paragraphs Aus1.4.1 and Aus1.5, paragraphs Aus29.1 to Aus29.9.3 of this Standard apply to each disclosing entity, or group of which a disclosing entity is the parent, that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act.
- Aus1.4.1** Paragraphs Aus29.2 to Aus29.6 and Aus29.7.1 and Aus29.7.2 of this Standard do not apply to disclosing entities that are companies.
- Aus1.5** An entity that is the parent entity in a group and presents its separate financial statements together with the consolidated financial statements in accordance with AASB 127 *Consolidated and Separate Financial Statements* need not provide in its separate financial statements the disclosures required by paragraphs Aus29.1 to Aus29.9.3 of this Standard.
- Aus1.6** This Standard applies to annual reporting periods beginning on or after 1 January 2011.
- Aus1.7** This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2011. When an entity applies this Standard to such an annual reporting period, it shall disclose that fact and at the same time apply the amendments to AASB 8 *Operating Segments* as made by AASB 2009-12 *Amendments to Australian Accounting Standards*.
- Aus1.8** The requirements specified in paragraphs 1 to 28 of this Standard apply to the financial statements where information resulting from their application is material in accordance with AASB 1031 *Materiality*.
- Aus1.9** The disclosures required by paragraphs Aus29.1 to Aus29.9.3 of this Standard are deemed material.
- Aus1.10** When applied or operative, this Standard supersedes AASB 124 *Related Party Disclosures* issued in December 2005, as amended.

## Scope

- 2** This Standard shall be applied in:
- (a) identifying related party relationships and transactions;

- (b) identifying outstanding balances, including commitments, between an entity and its related parties;
  - (c) identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
  - (d) determining the disclosures to be made about those items.
- 3    **This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent, venturer or investor presented in accordance with AASB 127. This Standard also applies to individual financial statements.**
- 4    Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's financial statements. Intragroup related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the group.

## **Purpose of Related Party Disclosures**

- 5    Related party relationships are a normal feature of commerce and business. For example, entities frequently carry on parts of their activities through subsidiaries, joint ventures and associates. In those circumstances, the entity has the ability to affect the financial and operating policies of the investee through the presence of control, joint control or significant influence.
- 6    A related party relationship could have an effect on the profit or loss and financial position of an entity. Related parties may enter into transactions that unrelated parties would not. For example, an entity that sells goods to its parent at cost might not sell on those terms to another customer. Also, transactions between related parties may not be made at the same amounts as between unrelated parties.
- 7    The profit or loss and financial position of an entity may be affected by a related party relationship even if related party transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the entity with other parties. For example, a subsidiary may terminate relations with a trading partner on acquisition by the parent of a fellow subsidiary engaged in the same activity as the former trading partner. Alternatively, one party may refrain from acting because of the significant influence of another – for example, a subsidiary may be instructed by its parent not to engage in research and development.

- 8 For these reasons, knowledge of an entity's transactions, outstanding balances, including commitments, and relationships with related parties may affect assessments of its operations by users of financial statements, including assessments of the risks and opportunities facing the entity.

## Definitions

- 9 The following terms are used in this Standard with the meanings specified:

**A *related party* is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').**

- (a) **A person or a close member of that person's family is related to a reporting entity if that person:**
  - (i) **has control or joint control over the reporting entity;**
  - (ii) **has significant influence over the reporting entity; or**
  - (iii) **is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.**
- (b) **An entity is related to a reporting entity if any of the following conditions applies:**
  - (i) **The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).**
  - (ii) **One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).**
  - (iii) **Both entities are joint ventures of the same third party.**
  - (iv) **One entity is a joint venture of a third entity and the other entity is an associate of the third entity.**

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**A related party transaction** is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

**Close members of the family of a person** are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

**Compensation** includes all employee benefits (as defined in AASB 119 *Employee Benefits*) including employee benefits to which AASB 2 *Share-based Payment* applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:

- (a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;

- (b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- (c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;
- (d) termination benefits; and
- (e) share-based payment.

***Control*** is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

***Joint control*** is the contractually agreed sharing of control over an economic activity.

***Key management personnel*** are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

***Significant influence*** is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

***Government*** refers to government, government agencies and similar bodies whether local, national or international.

A ***government-related entity*** is an entity that is controlled, jointly controlled or significantly influenced by a government.

**Aus9.1** The following terms are also used in this Standard with the meaning specified.

***Director*** means:

- (a) a person who is a director under the Corporations Act; and
- (b) in the case of entities governed by bodies not called a board of directors, a person who, regardless of the

**name that is given to the position, is appointed to the position of member of the governing body, council, commission or authority.**

***Disclosing entity is defined in the Corporations Act.***

***Remuneration is compensation as defined in this Standard.***

- Aus9.1.1 Although the defined term ‘compensation’ is used in this Standard rather than the term ‘*remuneration*’, both words refer to the same concept and all references in the Corporations Act to the remuneration of directors and executives is taken as referring to compensation as defined and explained in this Standard.
- 10 In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.
- 11 In the context of this Standard, the following are not related parties:
- (a) two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity.
  - (b) two venturers simply because they share joint control over a joint venture.
  - (c)
    - (i) providers of finance,
    - (ii) trade unions,
    - (iii) public utilities, and
    - (iv) departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity,simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process).
  - (d) a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence.

- 12 In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture. Therefore, for example, an associate's subsidiary and the investor that has significant influence over the associate are related to each other.

## Disclosures

### All Entities

- 13 **Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.**
- Aus13.1 **When any of the parent entities and/or ultimate controlling parties named in accordance with paragraph 13 is incorporated or otherwise constituted outside Australia, an entity shall:**
- (a) **identify which of those entities is incorporated overseas and where; and**
  - (b) **disclose the name of the ultimate controlling entity incorporated within Australia.**
- 14 To enable users of financial statements to form a view about the effects of related party relationships on an entity, it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.
- 15 The requirement to disclose related party relationships between a parent and its subsidiaries is in addition to the disclosure requirements in AASB 127, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*.
- 16 Paragraph 13 refers to the next most senior parent. This is the first parent in the group above the immediate parent that produces consolidated financial statements available for public use.

- 17** An entity shall disclose key management personnel compensation in total and for each of the following categories:
- (a) short-term employee benefits;
  - (b) post-employment benefits;
  - (c) other long-term benefits;
  - (d) termination benefits; and
  - (e) share-based payment.
- 18** If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph 17. At a minimum, disclosures shall include:
- (a) the amount of the transactions;
  - (b) the amount of outstanding balances, including commitments, and:
    - (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
    - (ii) details of any guarantees given or received;
  - (c) provisions for doubtful debts related to the amount of outstanding balances; and
  - (d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.
- 19** The disclosures required by paragraph 18 shall be made separately for each of the following categories:
- (a) the parent;
  - (b) entities with joint control or significant influence over the entity;



- (c) **subsidiaries;**
- (d) **associates;**
- (e) **joint ventures in which the entity is a venturer;**
- (f) **key management personnel of the entity or its parent; and**
- (g) **other related parties.**

- 20 The classification of amounts payable to, and receivable from, related parties in the different categories as required in paragraph 19 is an extension of the disclosure requirement in AASB 101 *Presentation of Financial Statements* for information to be presented either in the statement of financial position or in the notes. The categories are extended to provide a more comprehensive analysis of related party balances and apply to related party transactions.
- 21 The following are examples of transactions that are disclosed if they are with a related party:
- (a) purchases or sales of goods (finished or unfinished);
  - (b) purchases or sales of property and other assets;
  - (c) rendering or receiving of services;
  - (d) leases;
  - (e) transfers of research and development;
  - (f) transfers under licence agreements;
  - (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);
  - (h) provision of guarantees or collateral;
  - (i) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts<sup>1</sup> (recognised and unrecognised); and

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<sup>1</sup> AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* defines executory contracts as contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent.

- (j) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party.
- 22 Participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities is a transaction between related parties (see paragraph 34B of AASB 119).
- 23 Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.
- 24 **Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.**

#### **Government-related Entities**

- 25 **A reporting entity is exempt from the disclosure requirements of paragraph 18 in relation to related party transactions and outstanding balances, including commitments, with:**
  - (a) **a government that has control, joint control or significant influence over the reporting entity; and**
  - (b) **another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.**
- 26 **If a reporting entity applies the exemption in paragraph 25, it shall disclose the following about the transactions and related outstanding balances referred to in paragraph 25:**
  - (a) **the name of the government and the nature of its relationship with the reporting entity (i.e. control, joint control or significant influence);**
  - (b) **the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:**
    - (i) **the nature and amount of each individually significant transaction; and**
    - (ii) **for other transactions that are collectively, but not individually, significant, a qualitative or quantitative**

**indication of their extent. Types of transactions include those listed in paragraph 21.**

- 27 In using its judgement to determine the level of detail to be disclosed in accordance with the requirements in paragraph 26(b), the reporting entity shall consider the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transaction such as whether it is:
- (a) significant in terms of size;
  - (b) carried out on non-market terms;
  - (c) outside normal day-to-day business operations, such as the purchase and sale of businesses;
  - (d) disclosed to regulatory or supervisory authorities;
  - (e) reported to senior management;
  - (f) subject to shareholder approval.

## **Effective Date and Transition**

- 28 An entity shall apply this Standard retrospectively for annual reporting periods beginning on or after 1 January 2011. Earlier application is permitted, either of the whole Standard or of the partial exemption in paragraphs 25 to 27 for government-related entities. If an entity applies either the whole Standard or that partial exemption for a period beginning before 1 January 2011, it shall disclose that fact.

## **Withdrawal of IAS 24 (2003)**

- 29 [Deleted by the AASB]

## **Other Key Management Personnel Disclosures by Disclosing Entities**

- Aus29.1 Paragraphs Aus29.2 to Aus29.9.3 of this Standard apply to each disclosing entity (subject to parent entity relief) that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act. However, paragraphs Aus29.2 to Aus29.6 and Aus29.7.1 and Aus29.7.2 of this Standard do not apply to disclosing entities that are companies. The disclosures required

of disclosing entities by paragraphs Aus29.2 to Aus29.9.3 are in addition to those required by paragraphs 1 to 28.

**Aus29.2** The following details about each key management person shall be disclosed:

- (a) the name of the person;
- (b) the position held; and
- (c) where the period of responsibility is less than the reporting period, the date or dates identifying the period of responsibility.

**Aus29.3** If any of the following changes occur after the reporting period and prior to the date when the financial statements are authorised for issue, the name, position and date for each person involved shall be disclosed for:

- (a) each change in the chief executive officer and *directors* of the entity; and
- (b) the retirement of any key management person (other than a director or chief executive officer).

## **Compensation**

**Aus29.4** For each key management person, the following components of the categories required by paragraph 17, shall be disclosed:

- (a) short-term employee benefits. Amounts in this category shall be divided into at least the following components:
  - (i) cash salary, fees and short-term compensated absences;
  - (ii) short-term cash profit-sharing and other bonuses;
  - (iii) non-monetary benefits; and
  - (iv) other short-term employee benefits;
- (b) post-employment benefits. Amounts in this category shall be divided into at least the following components:

- (i) pension and superannuation benefits; and
- (ii) other post-employment benefits;
- (c) other long-term employee benefits, separately identifying amounts attributable to long-term incentive plans;
- (d) termination benefits; and
- (e) share-based payment. Amounts in this category shall be divided into at least the following components:
  - (i) equity-settled share-based payment transactions:
    - (A) shares and units;
    - (B) options and rights;
  - (ii) cash-settled share-based payment transactions; and
  - (iii) all other forms of share-based payment compensation (including hybrids).

#### **Principles of Compensation**

**Aus29.5** The following details concerning the compensation of each key management person shall be disclosed:

- (a) discussion of board policy for determining the nature and amount of compensation of key management personnel of the entity;
- (b) discussion of the relationship between such policy and the entity's performance;
- (c) if an element of the compensation of a key management person is dependent on the satisfaction of a performance condition:
  - (i) a detailed summary of the performance condition;
  - (ii) an explanation of why the performance condition was chosen;

- (iii) a summary of the methods used in assessing whether the performance condition is satisfied and an explanation of why those methods were chosen; and
- (iv) if the performance condition involves a comparison with factors external to the entity:
  - (A) a summary of the factors to be used in making the comparison; and
  - (B) if any of the factors relates to the performance of another entity, of two or more other entities or an index in which the securities of an entity or entities are included – the identity of that entity, of each of those entities or of the index;
- (d) for each grant of a cash bonus, performance-related bonus or share-based payment compensation benefit, whether part of a specific contract for services or not, the terms and conditions of each grant affecting compensation in this or future reporting periods, including:
  - (i) the grant date;
  - (ii) the nature of the compensation granted;
  - (iii) the service and performance criteria used to determine the amount of compensation; and
  - (iv) if there has been any alteration of the terms or conditions of the grant since the grant date, the date, details and effect of each alteration;
- (e) for each contract for services between the key management person and the disclosing entity (or any of its subsidiaries), such further explanations as are necessary in addition to those prescribed in subparagraphs (c) and (d) to provide an understanding of how the amount of compensation in the current reporting period was determined and how the terms of the contract affect compensation in future periods;
- (f) if an element of the compensation consists of securities of a body and that element is not dependent on the

satisfaction of a performance condition – an explanation of why that element of the compensation is not dependent on the satisfaction of a performance condition;

- (g) an explanation of the relative proportions of those elements of the person's compensation that are related to performance and those elements of the person's compensation that are not; and
- (h) if the person is employed by the entity under a contract – the duration of the contract, the periods of notice required to terminate the contract and the termination payments provided for under the contract.

#### **Modification of Terms of Share-based Payment Transactions**

**Aus29.6** Where the terms of share-based payment transactions (including options or rights) granted as compensation to a key management person have been altered or modified by the issuing entity during the reporting period, the following details shall be disclosed for each such person:

- (a) the date of each alteration of the terms;
- (b) the market price of the underlying equity instrument at the date of alteration;
- (c) the terms of the grant immediately prior to alteration, including the number and class of the underlying equity instruments, exercise price, time remaining until expiry and each other condition in the terms affecting the vesting or exercise of the option or other right;
- (d) the new terms; and
- (e) the difference between the total of the fair value of the options or other rights affected by the alteration immediately before the alteration and the total of the fair value of those options or other rights immediately after the alteration.

## **Equity Instruments**

### **Different Classes to be Separately Identified**

**Aus29.7** All disclosures required by paragraphs Aus29.7.1 to Aus29.7.5 refer to equity instruments issued or issuable by the disclosing entity and any of its subsidiaries and shall be separated into each class of equity instrument identifying each class by:

- (a) the name of the issuing entity;
- (b) the class of equity instrument; and
- (c) if the instrument is an option or right, the class and number of equity instruments for which it may be exercised.

### **Options and Rights Provided as Compensation**

**Aus29.7.1** The following details of options and rights over equity instruments provided as compensation to each key management person shall be disclosed:

- (a) the number of options and the number of rights that, during the reporting period, have:
  - (i) been granted; and
  - (ii) vested;
- (b) particulars of the terms and conditions of each grant made during the reporting period, including:
  - (i) the fair value per option or right at grant date;
  - (ii) the exercise price per share or unit;
  - (iii) the amount, if any, paid or payable by the recipient;
  - (iv) the expiry date;
  - (v) the date or dates when the options or rights may be exercised; and



- (vi) a summary of the service and performance criteria that must be met before the beneficial interest vests in the person.

**Equity Instruments Provided on Exercise of Options and Rights Granted as Compensation**

**Aus29.7.2** The following details of the equity instruments provided as a result of the exercise during the reporting period of options and rights granted as compensation to each key management person shall be disclosed:

- (a) the number of equity instruments;
- (b) when the number of options or rights exercised differs from the number of equity instruments disclosed under (a), the number of options or rights exercised;
- (c) the amount paid per instrument; and
- (d) the amount unpaid per instrument.

**Options and Rights Holdings**

**Aus29.7.3** In respect of options and rights held, whether directly, indirectly or beneficially, by each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence, disclosure shall be made of the number:

- (a) held at the start of the reporting period;
- (b) granted during the reporting period as compensation;
- (c) exercised during the reporting period;
- (d) resulting from any other change during the reporting period;
- (e) held at the end of the reporting period;
- (f) vested at the end of the reporting period;
- (g) vested and exercisable at the end of the reporting period; and

- (h) vested and unexercisable at the end of the reporting period.

#### **Equity Holdings and Transactions**

**Aus29.7.4** In respect of equity instruments (other than options and rights) held directly, indirectly or beneficially by each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence, disclosure shall be made of the number:

- (a) held at the start of the reporting period;
- (b) granted during the reporting period as compensation;
- (c) received during the reporting period on exercise of options or rights;
- (d) resulting from any other change during the reporting period;
- (e) held at the end of the reporting period; and
- (f) if any such are included in the number disclosed under subparagraph (e) above, held nominally at the end of the reporting period.

**Aus29.7.5** If transactions involving equity instruments, other than share-based payment compensation, have occurred between a key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence and the issuing entity during the reporting period, the nature of each different type of transaction shall be disclosed where the terms or conditions were more favourable than those which it is reasonable to expect the entity would have adopted if dealing at arm's length with an unrelated person. For each such transaction, the details of the terms and conditions shall be disclosed.

#### **Loans**

**Aus29.8** The details required by paragraph Aus29.8.1 shall be disclosed separately in respect of each aggregate of loans made, guaranteed or secured, directly or indirectly, by the disclosing entity and any of its subsidiaries to:

- (a) all key management personnel, close members of the family of those personnel, or entities over which any of these persons have, directly or indirectly, control, joint control or significant influence; and
- (b) each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence, by name whose aggregate loan amount exceeded \$100,000 at any time during the reporting period.

**Aus29.8.1** In respect of each aggregate of loans to key management personnel and to each key management person as required by paragraph Aus29.8, the following details shall be disclosed:

- (a) the amount outstanding at the start of the reporting period;
- (b) the amount of interest paid and payable in respect of the reporting period to the disclosing entity and any of its subsidiaries;
- (c) the difference between the amount disclosed in accordance with subparagraph (b) above and the amount of interest that would have been charged on an arm's-length basis;
- (d) each write-down and each allowance for doubtful receivables recognised by the disclosing entity and any of its subsidiaries;
- (e) the amount outstanding at the end of the reporting period;
- (f) for each key management person only, the highest amount of indebtedness during the reporting period;
- (g) for key management personnel only, the number of persons included in the group aggregate at the end of the reporting period; and
- (h) a summary of the terms and conditions of the loans.

Aus29.8.2 For the purposes of paragraphs Aus29.8 and Aus29.8.1 loans do not include loans involved in transactions that are in substance options, including non-recourse loans.

## **Other Transactions and Balances**

**Aus29.9** In respect of transactions during the reporting period between the disclosing entity and any of its subsidiaries and key management personnel, a close member of the family of those personnel, or an entity over which any of these persons have, directly or indirectly, control, joint control or significant influence, other than transactions covered by paragraphs Aus29.4 to Aus29.8.1 or excluded by paragraph Aus29.9.3, the following details shall be disclosed:

- (a) each type of transaction of different nature;
- (b) the terms and conditions of each type of transaction or, where there are different categories of terms and conditions within each type, the terms and conditions of each category of transaction; and
- (c) for each type of transaction or, where there are different categories within each type, each category of transaction:
  - (i) the names of the persons involved; and
  - (ii) the aggregate amount recognised.

**Aus29.9.1** In respect of each aggregate amount disclosed in accordance with paragraph Aus29.9, the following details shall be disclosed:

- (a) the total of amounts recognised as revenue, separately identifying where applicable the total amounts recognised as:
  - (i) interest revenue; and
  - (ii) dividend revenue;
- (b) the total of amounts recognised as expense, separately identifying where applicable the total amounts recognised as:
  - (i) interest expense; and

- (ii) write-downs of receivables and allowances made for doubtful receivables; and
- (c) any further disclosures necessary to provide an understanding of the effects of the transactions on the financial statements.

**Aus29.9.2** In respect of assets and liabilities at the end of the reporting period recognised in relation to transactions identified in accordance with paragraph Aus29.9, disclosure shall be made of:

- (a) the total of all assets, classified into current and non-current assets and, where applicable, any allowance for doubtful receivables at the end of the reporting period; and
- (b) the total of all liabilities, classified into current and non-current liabilities.

**Aus29.9.3** Transactions with and amounts receivable from or payable to a key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence, are excluded from the requirements of paragraphs Aus29.9 to Aus29.9.2 when:

- (a) they occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing at arm's length with an unrelated person;
- (b) information about them does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of the financial statements, or the discharge of accountability by the key management person; and
- (c) they are trivial or domestic in nature.

## ILLUSTRATIVE EXAMPLES

*The following examples accompany, but are not part of, AASB 124 Related Party Disclosures.*

*They illustrate:*

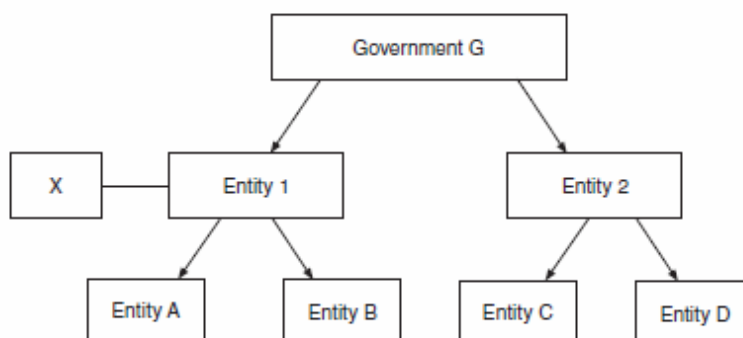
- *the partial exemption for government-related entities; and*
- *how the definition of a related party would apply in specified circumstances.*

*In the examples, references to ‘financial statements’ relate to the individual, separate or consolidated financial statements.*

### Partial Exemption for Government-related Entities

#### Example 1 – Exemption from Disclosure (paragraph 25)

IE1 Government G directly or indirectly controls Entities 1 and 2 and Entities A, B, C and D. Person X is a member of the key management personnel of Entity 1.



IE2 For Entity A's financial statements, the exemption in paragraph 25 applies to:

- transactions with Government G; and
- transactions with Entities 1 and 2 and Entities B, C and D.

However, that exemption does not apply to transactions with Person X.

#### **Disclosure Requirements when Exemption Applies (paragraph 26)**

IE3 In Entity A's financial statements, an example of disclosure to comply with paragraph 26(b)(i) for **individually** significant transactions could be:

##### ***Example of disclosure for individually significant transaction carried out on non-market terms***

On 15 January 20X1 Entity A, a utility company in which Government G indirectly owns 75 per cent of outstanding shares, sold a 10 hectare piece of land to another government-related utility company for CU5 million.<sup>1</sup> On 31 December 20X0 a plot of land in a similar location, of a similar size and with similar characteristics, was sold for CU3 million. There had not been any appreciation or depreciation of the land in the intervening period. See note X [of the financial statements] for disclosure of government assistance as required by AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* and notes Y and Z [of the financial statements] for compliance with other relevant Australian Accounting Standards.

##### ***Example of disclosure for individually significant transaction because of size of transaction***

In the year ended December 20X1 Government G provided Entity A, a utility company in which Government G indirectly owns 75 per cent of outstanding shares, with a loan equivalent to 50 per cent of its funding requirement, repayable in quarterly instalments over the next five years. Interest is charged on the loan at a rate of 3 per cent, which is comparable to that charged on Entity A's bank loans.<sup>2</sup> See notes Y and Z [of the financial statements] for compliance with other relevant Australian Accounting Standards.

##### ***Example of disclosure of collectively significant transactions***

In Entity A's financial statements, an example of disclosure to comply with paragraph 26(b)(ii) for **collectively** significant transactions could be:

Government G, indirectly, owns 75 per cent of Entity A's outstanding shares. Entity A's significant transactions with Government G and other entities controlled, jointly controlled or significantly influenced by Government G

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1 In these examples monetary amounts are denominated in 'currency units (CU)'.

2 If the reporting entity had concluded that this transaction constituted government assistance it would have needed to consider the disclosure requirements in AASB 120.

are [a large portion of its sales of goods and purchases of raw materials] or [about 50 per cent of its sales of goods and about 35 per cent of its purchases of raw materials].

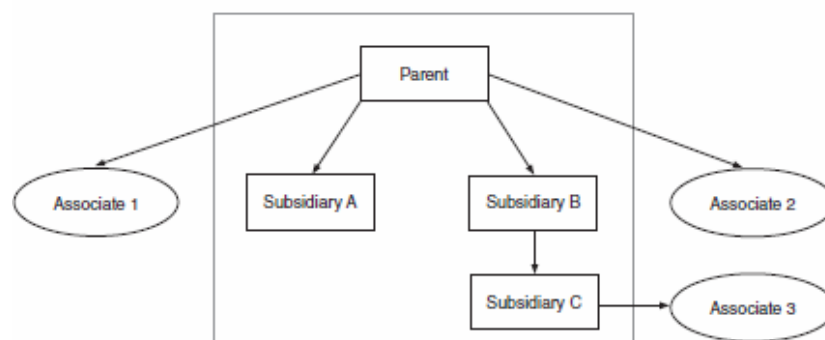
The company also benefits from guarantees by Government G of the company's bank borrowing. See note X [of the financial statements] for disclosure of government assistance as required by AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* and notes Y and Z [of the financial statements] for compliance with other relevant Australian Accounting Standards.

## Definition of a Related Party

*The references are to subparagraphs of the definition of a **related party** in paragraph 9 of AASB 124.*

### Example 2 – Associates and Subsidiaries

IE4 Parent entity has a controlling interest in Subsidiaries A, B and C and has significant influence over Associates 1 and 2. Subsidiary C has significant influence over Associate 3.



IE5 For Parent's separate financial statements, Subsidiaries A, B and C and Associates 1, 2 and 3 are related parties. [*Paragraph 9(b)(i) and (ii)*]

IE6 For Subsidiary A's financial statements, Parent, Subsidiaries B and C and Associates 1, 2 and 3 are related parties. For Subsidiary B's separate financial statements, Parent, Subsidiaries A and C and Associates 1, 2 and 3 are related parties. For Subsidiary C's financial

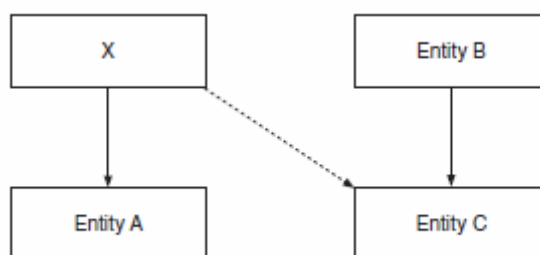


statements, Parent, Subsidiaries A and B and Associates 1, 2 and 3 are related parties. [Paragraph 9(b)(i) and (ii)]

- IE7 For the financial statements of Associates 1, 2 and 3, Parent and Subsidiaries A, B and C are related parties. Associates 1, 2 and 3 are not related to each other. [Paragraph 9(b)(ii)]
- IE8 For Parent's consolidated financial statements, Associates 1, 2 and 3 are related to the Group. [Paragraph 9(b)(ii)]

### Example 3 – Key Management Personnel

- IE9 A person, X, has a 100 per cent investment in Entity A and is a member of the key management personnel of Entity C. Entity B has a 100 per cent investment in Entity C.



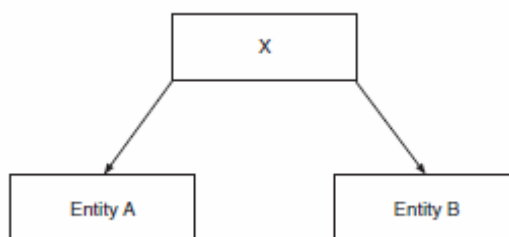
- IE10 For Entity C's financial statements, Entity A is related to Entity C because X controls Entity A and is a member of the key management personnel of Entity C. [Paragraph 9(b)(vi) – (a)(iii)]
- IE11 For Entity C's financial statements, Entity A is also related to Entity C if X is a member of the key management personnel of Entity B and not of Entity C. [Paragraph 9(b)(vi) – (a)(iii)]
- IE12 Furthermore, the outcome described in paragraphs IE10 and IE11 will be the same if X has joint control over Entity A. [Paragraph 9(b)(vi)-(a)(iii)] (If X had only significant influence over Entity A and not control or joint control, then Entities A and C would not be related to each other.)
- IE13 For Entity A's financial statements, Entity C is related to Entity A because X controls A and is a member of Entity C's key management personnel. [Paragraph 9(b)(vii) – (a)(i)]

IE14 Furthermore, the outcome described in paragraph IE13 will be the same if X has joint control over Entity A. The outcome will also be the same if X is a member of key management personnel of Entity B and not of Entity C. [Paragraph 9(b)(vii) – (a)(i)]

IE15 For Entity B's consolidated financial statements, Entity A is a related party of the Group if X is a member of key management personnel of the Group. [Paragraph 9(b)(vi) – (a)(iii)]

#### **Example 4 – Person as Investor**

IE16 A person, X, has an investment in Entity A and Entity B.



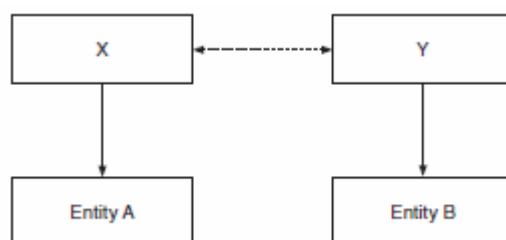
IE17 For Entity A's financial statements, if X controls or jointly controls Entity A, Entity B is related to Entity A when X has control, joint control or significant influence over Entity B. [Paragraph 9(b)(vi) – (a)(i) and 9(b)(vii) – (a)(i)]

IE18 For Entity B's financial statements, if X controls or jointly controls Entity A, Entity A is related to Entity B when X has control, joint control or significant influence over Entity B. [Paragraph 9(b)(vi) – (a)(i) and 9(b)(vi) – (a)(ii)]

IE19 If X has significant influence over both Entity A and Entity B, Entities A and B are not related to each other.

#### **Example 5 – Close Members of the Family Holding Investments**

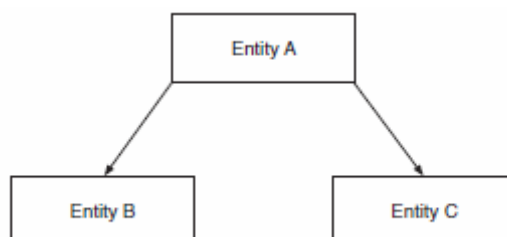
IE20 A person, X, is the domestic partner of Y. X has an investment in Entity A and Y has an investment in Entity B.



- IE21 For Entity A's financial statements, if X controls or jointly controls Entity A, Entity B is related to Entity A when Y has control, joint control or significant influence over Entity B. [*Paragraph 9(b)(vi) – (a)(i) and 9(b)(vii) – (a)(i)*]
- IE22 For Entity B's financial statements, if X controls or jointly controls Entity A, Entity A is related to Entity B when Y has control, joint control or significant influence over Entity B. [*Paragraph 9(b)(vi) – (a)(i) and 9(b)(vi) – (a)(ii)*]
- IE23 If X has significant influence over Entity A and Y has significant influence over Entity B, Entities A and B are not related to each other.

### Example 6 – Entity with Joint Control

- IE24 Entity A has both (i) joint control over Entity B and (ii) joint control or significant influence over Entity C.



- IE25 For Entity B's financial statements, Entity C is related to Entity B. [*Paragraph 9(b)(iii) and (iv)*]
- IE26 Similarly, for Entity C's financial statements, Entity B is related to Entity C. [*Paragraph 9(b)(iii) and (iv)*]