

AMENDMENT TO FRS 8
RELATED PARTY DISCLOSURES:
LEGAL CHANGES 2008



ACCOUNTING
STANDARDS
BOARD

Financial Reporting Standard 8 'Related Party Disclosures' is issued by the Accounting Standards Board in respect of its application in the United Kingdom and by the Institute of Chartered Accountants in Ireland in respect of its application in the Republic of Ireland.

AMENDMENT TO FRS 8
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PREFACE

Introduction

- 1 This Amendment to Financial Reporting Standard 8 'Related Party Disclosures' (FRS 8) reflects certain changes to the law introduced by 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations' (Statutory Instrument, SI 2008/410) (the Regulations).
- 2 The Regulations include a requirement for particulars to be given in the notes to the accounts of transactions which the company has entered into with a related party, and which must be given if such transactions are material and have not been concluded under normal market conditions. This introduces into UK law a provision of Directive 2006/46/EC of the European Parliament and of the Council. FRS 8 still requires disclosure of all material related party transactions, not just those that have been concluded under normal market conditions.
- 3 The particulars of transactions required to be disclosed must include:
 - (a) the amount of such transactions;
 - (b) the nature of the related party relationship; and
 - (c) other information about the transactions necessary for an understanding of the financial position of the company.
- 4 Information about individual transactions may be aggregated according to their nature, except where separate information is necessary for an understanding of the effects of related party transactions on the financial position of the company.

- 5 The Directive provides that Member States may exempt transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by such a member. The Regulations provide for such an exemption in the UK. The Regulations, as permitted by the Directive, also exempt medium-sized companies (as defined in section 465 of the Companies Act 2006) and intra-group transactions from the disclosure requirements.
- 6 The Regulations require that ‘related party’ has the same meaning as in international accounting standards. The Companies Act 2006 (Section 474(1)) provides that international accounting standards are those that have been adopted by the European Commission in accordance with Commission Regulation (EC) 1606/2002. The version of International Accounting Standard (IAS) 24 ‘Related Party Disclosures’ that has been adopted by the European Commission is that published by the International Accounting Standards Board (IASB) in December 2003, which was adopted for use in the EU by Commission Regulation (EC) 2238/2004 of 29 December 2004.
- 7 The Regulations require compliance with the definition of ‘related party’ contained in that version of IAS 24 for accounting periods beginning on or after 6 April 2008.

Background

- 8 In May 2002 the Accounting Standards Board (ASB) issued for comment Financial Reporting Exposure Draft (FRED) 25. FRED 25 (based on IAS 24 as it stood at that time) was not issued as a Financial Reporting Standard (FRS) and, as noted above, in December 2003 the IASB issued a revised IAS 24. In February 2007 the IASB issued an exposure draft of proposed amendments to IAS 24 ‘State-controlled Entities and the Definition of a Related Party’. In July 2007 the ASB, aware of the

forthcoming requirement arising from Directive 2006/46/EC, decided to issue a revised FRED (FRED 41), based on the IASB's proposals, in order to:

- ensure compliance with the law; and
 - increase convergence with International Financial Reporting Standards (IFRS).
- 9 At the time of issuing FRED 41, it was anticipated that the IASB would issue a revised version of IAS 24 which would be adopted by the European Commission in time to align with the legal requirements.
 - 10 At its September 2008 meeting, however, the IASB decided to re-expose amendments to IAS 24. The re-exposure of the amendments to IAS 24 will entail a further comment period and will delay the issue of a revised version of IAS 24, which will then have to be adopted by the European Commission. As a result of the delay, FRED 41 was not issued as an FRS.
 - 11 If the ASB takes no action before the revised version of IAS 24 is available, there would be a significant interim period during which the definition of a 'related party' in FRS 8 is inconsistent with the law.
 - 12 In view of this, the ASB considers that its most appropriate course of action is to issue an amendment to FRS 8 to ensure compliance with the legal definition of a 'related party', including a reference to 'key management personnel', which is more specific than the reference to 'key management' included in the FRS 8 definition. The ASB notes that the definition of related parties has already been proposed and consulted upon in the UK in FRED 25. The ASB considers that, in the light of this consultation and the fact that constituents were supportive of the proposal, a further exposure period is not necessary for this amendment.

- 13 Similarly, in FRED 41, the ASB consulted on the proposal to exempt wholly owned subsidiaries, referred to in paragraph 5 above, in order to align the proposed standard with the law. This is a change from FRS 8, which does not require disclosure in the financial statements of subsidiary undertakings 90 per cent or more of whose voting rights are controlled within the group, of transactions with entities that are part of the group or investees of the group qualifying as related parties, provided that the consolidated financial statements in which that subsidiary is included are publicly available.
- 14 In withdrawing the relief for disclosure of transactions with 90 per cent subsidiary undertakings, the ASB has considered how to address the requirement in FRS 28 'Corresponding Amounts' that requires corresponding amounts for all amounts disclosed in the notes to the financial statements*. Entities that have previously taken advantage of the 90 per cent scope exclusion may not have the necessary information to provide corresponding amounts – i.e. entities may not have details of transactions with subsidiary undertakings where ownership is between 90 and 100 per cent. This Amendment provides relief from the requirement in FRS 28 by not requiring, in the first year of adopting the amendment, corresponding amounts where the information cannot be obtained.
- 15 This Amendment is issued for accounting periods commencing on or after 6 April 2008 since the Regulations are effective for financial years beginning on or after 6 April 2008.

* Paragraph 10 FRS 28 'Corresponding Amounts'.

16 In FRED 41, the ASB noted that the law requires the disclosure of transactions that are material and have not been concluded under normal market conditions. The ASB stated its belief that the intention of Directive 2006/46/EC was to introduce minimum disclosure requirements in default of disclosure under IAS 24, not to add to those requirements. The European Commission has clarified that this is the case, and that the use of IAS 24 on a national level for companies not within the scope of IAS regulation would still be compliant with the requirements of the Directive.

Regulatory Impact

17 The ASB considers that this Amendment simply reflects the minimum necessary to comply with legal requirements and ensures consistency between the Act and the FRS. By eliminating inconsistencies on possible duplicative disclosures, the Board believes that the Amendment does not impose significant additional costs that outweigh the benefits and that it has the potential to save costs.

AMENDMENT TO FINANCIAL REPORTING STANDARD 8 ‘RELATED PARTY DISCLOSURES’

1 Amendment to the definition of ‘key management’

The definition of ‘key management’ in paragraph 2.3 is deleted and replaced with:

2.3 Key management personnel:

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.

2 Amendment to the definition of ‘related parties’

The definition of ‘related parties’ in paragraph 2.5 (a) to (d) is deleted and replaced with:

*2.5 Related party:**

A party is related to an entity if:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

* *In this Statement of Standard Accounting Practice references to ‘related parties’ are deemed to be synonymous with the definition of ‘related party’.*

- (ii) has an interest in the entity that gives it significant influence over the entity; or
- (iii) has joint control over the entity;
- (b) the party is an associate (as defined in FRS 9, 'Associates and joint ventures') of the entity;
- (c) the party is a joint venture in which the entity is a venturer (as defined in FRS 9, 'Associates and joint ventures');
- (d) the party is a member of the key management personnel of the entity or its parent;
- (e) the party is a close member of the family of any individual referred to in subparagraph (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a retirement benefit scheme for the benefit of employees of the entity, or of any entity that is a related party of the entity.

3 **Withdrawal of the scope exclusion for 90 per cent owned subsidiaries**

Paragraph 3(b) is withdrawn

Paragraph 3(c) is deleted and replace with:

...

- (c) of transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group.

4 **Effective Date**

Paragraphs 7A and 7B are inserted as follows:

- 7A In December 2008 the Accounting Standards Board amended paragraphs 2.3, 2.5, 3(b) and 3(c). An entity shall apply the amendment set out in these paragraphs for accounting periods beginning on or after 6 April 2008.
- 7B In December 2008 the ASB withdrew paragraph 3(b) and amended paragraph 3(c) to comply with certain changes to the law introduced by 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations' (Statutory Instrument, SI 2008/410) (the Regulations). As a consequence, there is no longer an exemption from providing disclosure in the financial statements of subsidiaries where 90 per cent or more of the voting rights are controlled within the group. Instead, exemption is only available for wholly owned subsidiaries. FRS 28 'Corresponding Amounts' requires corresponding amounts in respect of every item stated in the notes

to the financial statements. Entities, which previously took advantage of the exemption provided by FRS 8, and did not provide information for 90 per cent subsidiary undertakings may be unable to provide corresponding amounts in the first year of adopting this amendment. Corresponding amounts need not be provided where this information cannot be obtained in the first year of adopting this amendment. Entities that do not provide corresponding amounts should provide an explanation in the notes to the financial statements.

5 Explanation – the effect of related parties

Paragraphs 9, last sentence is withdrawn.

6 Explanation – exempt subsidiary undertakings

Paragraphs 17 is deleted and replaced with:

- 17 In December 2008 the ASB amended paragraph 3(c) to provide exemption only for transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group. Disclosure would be required, however, of transactions with related parties of the reporting subsidiary other than those that are excluded by the exemption.

ADOPTION OF AMENDMENT TO FRS 8 BY THE ACCOUNTING STANDARDS BOARD

This amendment to FRS 8 ‘Related Party Disclosures’ was issued for approval by the eleven members of the Accounting Standards Board.

Members of the Accounting Standards Board

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Michael Ashley	
Edward Beale	
Marisa Cassoni	
Peter Elwin	
Ken Lever	
Robert Overend	
Andy Simmonds	
Professor Geoffrey Whittington	CBE

7 Appendix I – Note on legal requirements

Appendix I of the FRS is deleted and replaced with the following:

Appendix I

Note on legal requirements

Readers should refer to the Act itself for an understanding of the relevant points of law. This section lists only the main sections in the Act containing provisions in relation to related party disclosures.

1 Legal requirements in the United Kingdom

<i>Companies Act 2006</i>	
Sections 409 and 410	Information about related undertakings
Section 412	Information about directors' benefits: remuneration
Section 413	Information about directors' benefits: advances, credit and guarantees
Sections 250 and 251	'Director' and 'shadow director'
Section 415	Duty to prepare the directors' report
<i>Large and Medium-sized Companies and Groups (Accounts and Reports) 2008 Regulations (SI 2008/410)</i>	
Regulation 4(2)(b)	Exemption for medium-sized companies from disclosing related party transactions
Schedule 1	Companies Act Individual Accounts: Companies which are not banking or insurance companies
Part 1	Form and content of company accounts
Part 3	Notes to the accounts
Paragraph 72	Related party transactions

<i>Large and Medium-sized Companies and Groups (Accounts and Reports) 2008 Regulations (SI 2008/410)</i>	
Schedule 2 (paragraph 92) and Schedule 3 (paragraph 90)	Provisions relating to banking and insurance companies: disclosure in notes to accounts of related party transactions
Schedule 4	Information on related undertakings whether preparing Companies Act or IAS Accounts
Schedule 5	Information about benefits of directors
Schedule 6 (paragraph 22)	Companies Act group accounts Related party transactions
Schedule 7	Matters to be dealt with in directors' report

2 Legal requirements in the Republic of Ireland

The following table shows the provisions in the Companies Acts 1963 -2006 and various Regulations implementing EC Accounting Directives, corresponding to the provisions of the Companies Act 2006 and the Schedules to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (see paragraph 1 above). The principal pieces of legislation referred to in the table below are:

- The Companies Act 1963 – ('1963 Act');
- The Companies (Amendment) Act 1986 – ('1986 Act');
- The Companies Act 1990 – ('1990 Act');
- The European Communities (Companies: Group Accounts) Regulations 1992 – SI No. 201 of 1992 – ('Group Accounts Regulations 1992');
- The European Communities (Credit Institutions: Accounts) Regulations 1992 – SI No. 294 of 1992 – ('Credit Institutions Regulations 1992');

- The European Communities (Insurance Undertakings: Accounts) Regulations 1996 – SI No. 23 of 1996 – (‘Insurance Undertakings Regulations 1996’);
- The European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 – SI No. 255 of 2006 – (‘Takeover Bids Regulations 2006’).

This section is intended as a guide to the corresponding provisions in Irish company law and does not purport to be comprehensive. Readers should note that the provisions of Irish company law referred to in the following table are not necessarily identical to the relevant UK provisions. Readers are advised to refer to the Irish legislation for an understanding of relevant legal points.

Table of corresponding legal references in the Republic of Ireland:

United Kingdom	Republic of Ireland
<i>Companies Act 2006</i>	
<p>Sections 409 and 410 (<i>Information about related undertakings</i>)</p>	<p><u>1986 Act:</u> Section 16 and paragraphs 45, 45A, 46, 46A, 54 and 55 of the Schedule</p> <p><u>Group Accounts Regulations 1992:</u> Paragraphs 18–22 of the Schedule</p> <p><u>Credit Institutions Regulations 1992:</u> Regulation 10 and Part III of the Schedule</p> <p><u>Insurance Undertakings Regulations 1996:</u> Part IV, Paragraphs 32–36 of the Schedule</p>
<p>Section 412 (<i>Information about directors' benefits: remuneration</i>)</p>	<p><u>1963 and 1990 Acts:</u> Section 191, 1963 Act; Section 63, 1990 Act</p> <p><u>Group Accounts Regulations 1992:</u> Paragraph 16 of the Schedule</p> <p><u>Credit Institutions Regulations 1992:</u> Regulations 5 and 7; paragraphs 66(2) and 74(4) of Part I and paragraph 4 of Part IV of the Schedule</p> <p><u>Insurance Undertakings Regulations 1996:</u> Regulations 5 and 10; paragraphs 18(4) and 21(e) of Part III and paragraph 30(1) of Part IV of the Schedule</p>

United Kingdom	Republic of Ireland
<p>Section 413 <i>(Information about directors' benefits: advances, credit and guarantees)</i></p>	<p><u>1990 Act:</u> Sections 41–45 <u>Group Accounts Regulations 1992:</u> Paragraph 17 of the Schedule <u>Credit Institutions Regulations 1992:</u> Regulations 5 and 7 <u>Insurance Undertakings Regulations 1996:</u> Regulations 5 and 10 and paragraph 31(2) of Part IV of the Schedule</p>
<p>Sections 250 and 251 <i>(‘Director’ and ‘shadow director’)</i></p>	<p>Section 2, 1963 Act; Section 27, 1990 Act</p>
<p>Section 415 <i>(Duty to prepare the directors’ report)</i></p>	<p><u>1963 and 1986 Acts:</u> Section 158, 1963 Act; Section 13 1986 Act <u>Group Accounts Regulations 1992:</u> Regulations 37 and 39 <u>Credit Institutions Regulations 1992:</u> Regulation 11 <u>Insurance Undertakings Regulations 1996:</u> Regulation 14</p>

United Kingdom	Republic of Ireland
<i>Large and Medium-sized Companies and Groups (Accounts and Reports) 2008 Regulations (SI 2008/410)</i>	
<p>Regulation 4 (2) (b) <i>(Exemption for medium-sized companies from disclosing related party transactions)</i></p> <p>Schedule 1 <i>(Companies Act Individual Accounts: Companies which are not banking or insurance companies)</i></p> <p>Part 1 <i>(Form and content of company accounts)</i></p> <p>Part 3 <i>(Notes to the accounts)</i></p> <p>Paragraph 72 <i>Related party transactions)</i></p>	<p>See note below on the implementation of Directive 206/46/EC into Irish law</p> <p>Section 4, 1986 Act; Schedule to the 1986 Act, Part 1</p> <p>Section 4, 1986 Act.; Schedule to the 1986 Act, Part IV</p> <p>See note below on the implementation of Directive 2006/46/EC into Irish law</p>
<p>Schedule 2 (paragraph 92) and Schedule 3 (paragraph 90) <i>(Provisions relating to banking and insurance companies: disclosure in notes to accounts of related party transactions)</i></p>	<p>See note below on the implementation of Directive 2006/46/EC into Irish law</p>

United Kingdom	Republic of Ireland
<p>Schedule 4 <i>(Information on related undertakings whether preparing Companies Act or IAS Accounts)</i></p>	<p><u>1986 Act:</u> Section 16 and paragraphs 45, 45A, 46, 46A, 54 and 55 of the Schedule <u>Group Accounts Regulations 1992:</u> Paragraphs 18–22 of the Schedule <u>Credit Institutions Regulations 1992:</u> Regulations 5, 7 and 10 and Part III of the Schedule <u>Insurance Undertakings Regulations 1996:</u> Regulations 5 and 10 and paragraphs 32–36 of Part IV of the Schedule</p>
<p>Schedule 5 <i>(Information about benefits of directors)</i></p>	<p><u>1963 and 1990 Acts:</u> Section 191, 1963 Act; Section 63, 1990 Act <u>Group Accounts Regulations 1992:</u> Paragraph 16 of the Schedule <u>Credit Institutions Regulations 1992:</u> Regulations 5 and 7; paragraphs 66(2) and 74(4) of Part I and paragraph 4 of Part IV of the Schedule <u>Insurance Undertakings Regulations 1996:</u> Regulations 5 and 10; paragraphs 18(4) and 21(e) of Part III and paragraph 30(1) of Part IV of the Schedule</p>

United Kingdom	Republic of Ireland
<p>Schedule 6 <i>(Companies Act group accounts)</i></p> <p>(paragraph 22) <i>(Related party transactions)</i></p>	<p><u>Group Accounts Regulations 1992:</u> All regulations and the Schedule</p> <p><u>Credit Institutions Regulations 1992:</u> Regulation 7 and Parts II and II of the Schedule</p> <p><u>Insurance Undertakings Regulations 1996:</u> Regulation 10 and Part IV of the Schedule</p> <p>See note below on the implementation of Directive 2006/46/EC into Irish law</p>
<p>Schedule 7 <i>(Matters to be dealt with in directors' report)</i></p>	<p><u>1963, 1986 and 1990 Acts:</u> Section 158, 1963 Act; Sections 13, 14 & 16, 1986 Act; Section 63, 1990 Act</p> <p><u>Group Accounts Regulations 1992:</u> Regulation 37</p> <p><u>Credit Institutions Regulations 1992:</u> Regulation 11</p> <p><u>Insurance Undertakings Regulations 1996:</u> Regulation 14</p> <p><u>Other legislation:</u> Section 26 of the Electoral Act 1997; Section 21 of the Takeover Bids Regulations 2006</p>

The Department of Enterprise, Trade and Employment (DETE) has recently carried out a consultation process on the implementation of the provisions of Directive 2006/46/EC into Irish law, with specific reference to the options contained in

the Directive. DEFE is currently considering the responses to the consultation document in the context of drafting regulations to give effect to the Directive.

The Transparency (Directive 2004/109/EC) Regulations 2007 (SI No. 277 of 2007) require certain related party disclosures to be included in half-yearly financial reports.

8 Appendix II – Note on London Stock Exchange requirements

Appendix II of the FRS is deleted and replaced with the following:

Appendix II

Note on Financial Services Authority requirements

The Financial Services Authority (FSA) UK Listing Authority requirements are set out in the FSA Handbook. Chapter 11 'Related Party Transactions' defines related parties and sets out the requirements for disclosure of transactions with related parties. Chapter 9 'Continuing Obligations' contains further disclosure requirements in respect of related parties.

9 Appendix III – Compliance with International Accounting Standards

Appendix III of the FRS is deleted and replaced with the following:

Appendix III

Compliance with International Accounting Standards

Compliance with the FRS will ensure compliance with International Accounting Standard (IAS) 24 'Related Party Disclosures' in all material respects except for the following:

- (i) This FRS provides that particulars need not be given of transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group. IAS 24 does not provide relief from disclosure of transactions entered into between wholly owned subsidiaries; and
- (ii) IAS 24 requires disclosure of key management compensation, whereas this FRS does not contain such provision.

10 Appendix IV – The development of the FRS

Paragraphs 21–37 should be inserted after paragraph 20 as follows:

AMENDMENT TO FRS 8: LEGAL CHANGES 2008

- 21 In 2008 FRS 8 was amended to reflect certain changes to the law introduced by ‘The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations’ (Statutory Instrument, SI 2008/410) (the Regulations).
- 22 The Regulations include a requirement for particulars to be given in the notes to the accounts of transactions which the company has entered into with related parties, and which must be given if such transactions are material and have not been concluded under normal market conditions. This introduces into UK law a provision of Directive 2006/46/EC of the European Parliament and of the Council.
- 23 The particulars of transactions required to be disclosed must include:
- (a) the amount of such transactions;
 - (b) the nature of the related party relationship; and
 - (c) other information about the transactions necessary for an understanding of the financial position of the company.
- 24 Information about individual transactions may be aggregated according to their nature, except where separate information is necessary for an understanding of the effects of related party transactions on the financial position of the company.
- 25 The Directive provides that Member States may exempt transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a

party to the transaction is wholly owned by such a member. The Regulations provide for such an exemption in the UK.

- 26 The Regulations require that ‘related party’ has the same meaning as in international accounting standards. The Companies Act 2006 (Section 474(1)) provides that international accounting standards are those that have been adopted by the European Commission in accordance with Commission Regulation (EC) 1606/2002. The version of International Accounting Standard (IAS) 24 ‘Related Party Disclosures’ that has been adopted by the European Commission is that published by the International Accounting Standards Board (IASB) in December 2003, which was adopted for use in the EU by Commission Regulation (EC) 2238/2004 of 29 December 2004.
- 27 The Regulations require compliance with the definition of ‘related party’ contained in that version of IAS 24 for financial years beginning on or after 6 April 2008.
- 28 The ASB had consulted on a number of occasions prior to making the Amendment to FRS 8 in 2008. In May 2002 the ASB issued for comment FRED 25, which sought to converge the UK standard with IAS 24 as it stood at that time. FRED 25 was not issued as an FRS and, as noted above, in December 2003 the IASB issued a revised IAS 24. In February 2007 the IASB issued an exposure draft of proposed amendments to IAS 24 ‘State-controlled Entities and the Definition of a Related Party’. In July 2007 the ASB, aware of the forthcoming requirement arising from Directive 2006/46/EC, decided to issue a revised FRED (FRED 41), based on the IASB’s proposals, in order to:
- ensure compliance with the law; and
 - increase convergence with International Financial Reporting Standards (IFRS).
- 29 At the time of issuing FRED 41, it was expected that the IASB would issue a revised version of IAS 24, which would

be adopted by the European Commission in time to align with the legal requirements.

- 30 At its September 2008 meeting, however, the IASB decided to re-expose amendments to IAS 24. The re-exposure of the amendments to IAS 24 will entail a further comment period and will delay the issue of a revised version IAS 24, which will then have to be adopted by the European Commission. As a result of the delay, FRED 41 was not issued as an FRS.
- 31 If the ASB takes no action before the revised version of IAS 24 is available, there would be a significant interim period during which the definition of a 'related party' in FRS 8 is inconsistent with the law.
- 32 In view of this, the ASB considered that its most appropriate course of action was to issue an amendment to FRS 8 to ensure compliance with the legal definition of a 'related party', including a reference to 'key management personnel', which is more specific than the reference to 'key management' included in the FRS 8 definition. As the definition of related parties had already been proposed and consulted upon in the UK in FRED 25, the ASB considered that, in the light of this consultation and the fact that constituents were supportive of the proposal, a further exposure period was not necessary for this amendment.
- 33 Similarly, in FRED 41, the ASB consulted on the proposal referred to in paragraph 25 above, in order to align the proposed standard with the law. This was a change from FRS 8, which did not require disclosure in the financial statements of subsidiary undertakings 90 per cent or more of whose voting rights were controlled within the group, of transactions with entities that were part of the group or investees of the group qualifying as related parties, provided that the consolidated financial statements in which that subsidiary was included were publicly available.

- 34 In withdrawing the relief for disclosure of transactions with 90 per cent subsidiary undertakings, the ASB has considered how to address the requirement in FRS 28 ‘Corresponding Amounts’ that requires corresponding amounts for all amounts disclosed in the notes to the financial statements*, even though this is not a legal requirement. Entities that have previously taken advantage of the 90 per cent scope exclusion may not have the necessary information to provide corresponding amounts – i.e. entities may not have details of transactions with subsidiary undertakings where ownership is between 90 and 100 per cent. The Amendment provides relief from the requirement in FRS 28 by not requiring, in the first year of adopting the amendment, corresponding amounts where the information cannot be obtained.
- 35 The Amendment was issued to take effect for accounting periods beginning on or after 6 April 2008.
- 36 In FRED 41, the ASB noted that the law requires the disclosure of transactions that are material and have not been concluded under normal market conditions. The ASB stated its belief that the intention of Directive 2006/46/EC was to introduce minimum disclosure requirements in default of disclosure under IAS 24, not to add to those requirements. The European Commission has clarified that this is the case. The summary minutes of the meeting of the Accounting Regulatory Committee (ARC) of 20 November 2007 recorded the following:

‘IV. Directive 2006/46/EC and IAS 24 – Related Party Transactions

A question had arisen on whether the transposition of the material content of IAS 24 directly or indirectly into national law would be compliant with the requirements of the 4th Directive. The issue arises because the 4th Directive requires

* Paragraph 10 FRS 28 ‘Corresponding Amounts’.

information about “material” transactions and transactions not concluded “under normal market conditions” whereas IAS 24 is silent on these elements. The Commission view is that the use of IAS 24 on a national level for companies not within the scope of the IAS Regulation would still be compliant with the requirements of the 4th Directive’.

- 37 FRS 8, as amended in December 2008, is not completely converged with IAS 24 but provides for equivalent disclosures about related party transactions. Therefore, compliance with the amended standard will ensure compliance with the requirements of the Directive.

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