

JOHNSTON CARMICHAEL

JW/JWAOO 1/CPL/AMS 17

September 2002

Mr Hans Nailor
Accounting Standards Board
Holburn Hall
100 Gray's Inn Road
London
WC1X 8AL

By e-mail only: fred25@asb.org.uk

Dear Sir

FRED 25 (MAY 2002): RELATED PARTY DISCLOSURES

We refer to the above Exposure Draft and would comment on the questions raised as follows:

- ASB (i) We agree in principal with the issue of the new standard in the UK, but as the UK is not adopting IAS 24 we believe that the timetables are mutually exclusive.
- ASB (ii) Rather than provide for transitional arrangements in the new standard we believe the current FRS 8 should be followed until the implementation date of the new standard.
- ASB (iii) We believe that disclosure of the controlling party or, if different, the ultimate controlling party is an appropriate disclosure.

If the new IAS 24 does not require the disclosure we would still support the disclosures set out in paragraphs 13A and 13B of the (draft) FRS.

- ASB (iv) We believe that to provide details of a related party transaction without disclosing the name of the controlling party would be inappropriate. Any stakeholder would be left wanting if the related party were not named.

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Mr Hans Nailor (Continued —2)

That is to say we do not believe that common place disclosures such as “During the year transactions took place with company’s directors on commercial terms” address the spirit nor letter of the FRS.

- ASB (v) Whilst we support the need to define “Related Parties” certain groupings may be difficult to identify in practice. This could apply to shadow directors and concert parties, but we believe it is appropriate to include these in the definition of related parties.
- ASB (vi) We believe that related party disclosures should be restricted to material items. However, as materiality is likely to differ when assessed from the perspective of the related party and the entity we believe it appropriate to provide guidance on materiality.
- ASB (vii) We concur with the subsidiary exemption applying only where that subsidiary is a wholly owned entity.

Yours faithfully

JOHNSTON CARMICHAEL