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Section 33: Related Party Disclosures

33.1 Scope

Section 33 requires an entity to include in its financial statements the disclosures necessary to draw attention to the possibility that its financial position and profit or loss have been affected by the existence of related parties and by transactions and outstanding balances with such parties. It provides details on the disclosures required where such related party transactions exist.

33.2 Exclusions from Section 33 requirements – Wholly owned entities within the group

33.2.1 Extract from FRS102: Section 33.1A

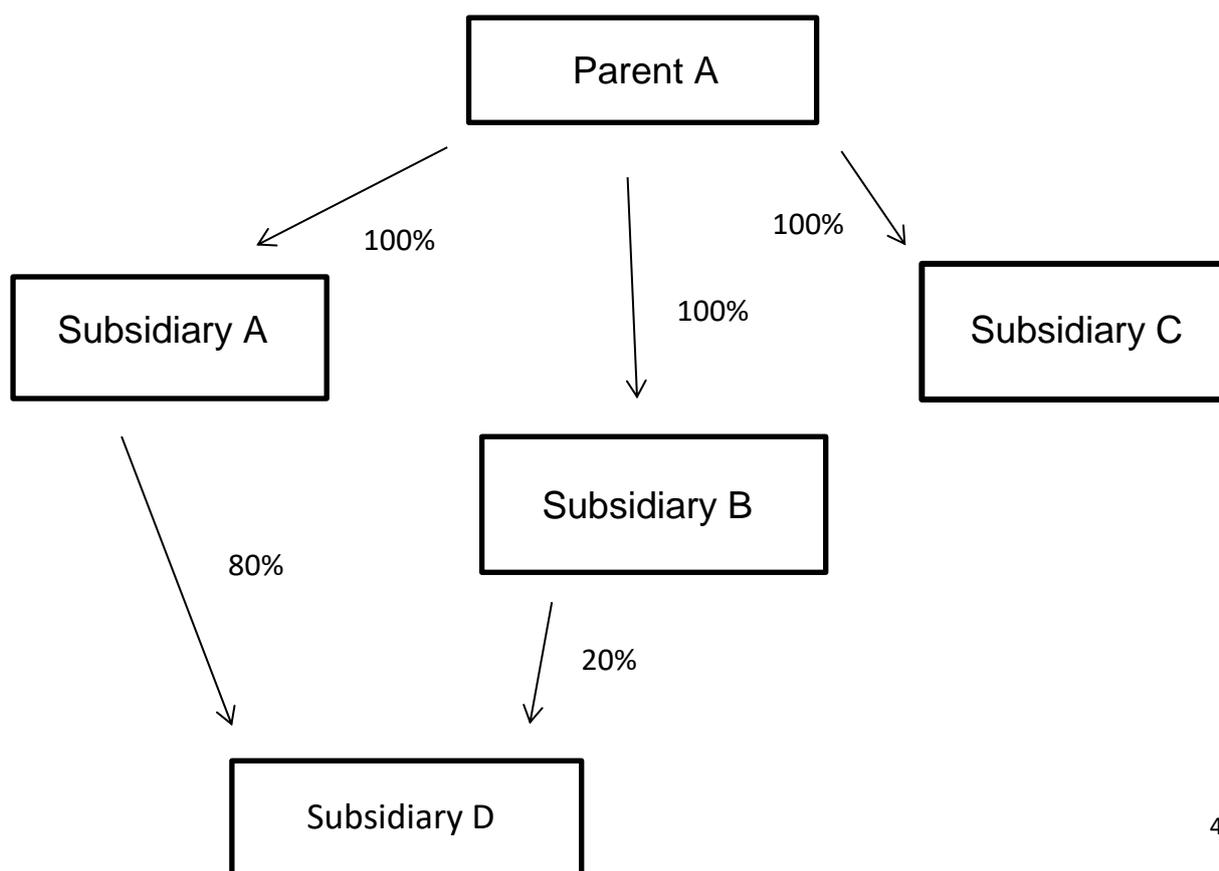
33.1A Disclosures need not be given of transactions entered into between two or more members of a group, provided that any subsidiary which a party to the transaction is wholly owned by such a member.

33.2.2 OmniPro comment

Section 33.1A of FRS102 does not require disclosures of transactions any balances between wholly owned members within the group, however see application of the above exemption in the below examples. Under Company Law the notes to the financial statements are required to show the amounts owed to/from group companies and these need to be disclosed in aggregate (it does not require disclosure of transactions).

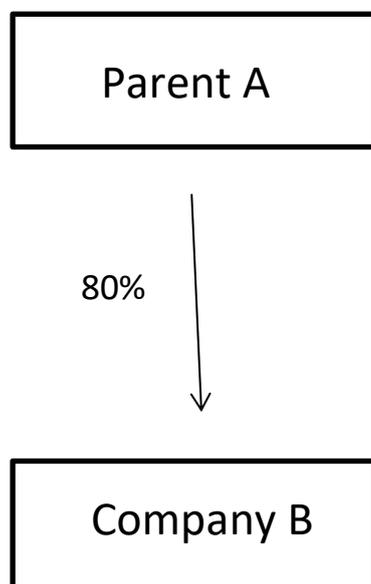
Example 1: Wholly owned group exemption

In the group below all entities within the group can avail of the exemption contained in Section 33.1A of FRS102 in each of the entity sets of financial statements. Although Subsidiary D is not 100% owned by either Subsidiary A or B, it is still owned 100% within the group. Therefore any transactions between Subsidiary A, Subsidiary B, Subsidiary C and Subsidiary D do not have to be disclosed. Note year end balances in total are required to be disclosed but not on an entity by entity basis.



Example 2: Group exemption

The Section 33.1A of FRS102 exemption does not apply below as Parent A does not own 100% of Company B. Therefore, all transactions will need to be disclosed in Company B's entity financial statements. In the parent consolidated financial statements the balances will be eliminated on consolidation so there are no issues.



33.3 Related party defined - Persons/Individuals**33.3.1 Extract from FRS102: Section 33.2(a)**

33.2 *A related party is a person or entity that is related to the entity that is preparing its financial statements (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.

33.3.2 OmniPro comment**33.3.2.1 Overview**

As per Section 33.2 of FRS102 a related party is a person or entity that is related to the entity that is preparing its financial statements. In relation to related persons, see further analysis at 33.3.2.2 and see 33.4.2 for further discussion in relation to related entities.

33.3.2.2 Persons of close members of that person's family

A related party is a person or entity that is related to the entity that is preparing its financial statements (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.

33.3.2.2.1 Control, joint control and significant influence

The term control, joint control, significant influence has the same meaning here as in Section 9 – Consolidated and Separate Financial Statements. Section 14 – Investment in Associates and Section 15– Investment in Joint Ventures. Significant influence would generally be presumed where an entity owns 20% or more of the shares of an entity.

33.3.2.2.2 Close family members defined

Appendix I of FRS 102 defines close members as ‘those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity including:

- that person’s children and spouse or domestic partner;
- children of that person’s spouse or domestic partner; and
- dependents of that person or that person’s spouse or domestic partner’.

This definition could include parents, siblings or relatives, in-laws, cousins, foster children, step children who may be expected to influence or be influenced by that person in their dealings with the reporting entity.

The term domestic partner would be a person whether of the same sex or not, who lives with the member of key management personnel as a partner in an enduring family relationship. This definition is broader than company law.

33.2.2.3 Key management personnel

Key management personnel is defined in Section 33.6 of FRS102 as ‘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.’ See further details at 33.6.2.2.

The definition above makes it clear that a director is automatically considered to be classed as a member of key management personnel. However it does not exclude other employees in the company or in fact in a group of companies from coming within the remit of Section 33 ‘key management personnel’. The single factor that determines whether the personnel are considered key management personnel is if the individual has authority and responsibility for planning, directing and controlling the activities of the entity. Examples of key personnel would include:

- Shadow directors (i.e. although they are not a director they are performing the duties of a director);
- A body corporate who provides management personnel to work in the entity who have responsibility for planning, directing and controlling the activities of the entity.

A person does not have to be referred to as a manager in the entity for to be considered to be a member of key management personnel. The key thing to look at is whether they are responsible for planning, directing or controlling the activities of the entity.

33.2.2.4 Examples of close family members

Example 3: Close family members

Two companies, Company A is 100% owned by Mr Y and Company B is 25% owned by Mrs Y. Mr and Mrs Y are married.

In this case in the books of Company A, the transactions entered into with Company B are related party transactions as Mr X controls Company A and Mrs Y has a significant influence in Company B (Section 33.2(b)(viii)).

In the books of Company B the transactions entered into are related party transactions as Mr X has control or joint control of Company B and Mrs Y has a significant influence (Section 33.2(b)(vi)). If Mrs Y is a director or member of key management then it would also be disclosable as a related party transaction (Section 33.2(b)(vi)).

Example 4: Close family members

Two companies, Company A is 25% owned by Mr Y and Company B is 25% by Mrs Y. Mr and Mrs Y are married.

In this case in the books there is no related party issues as neither party have control or joint control.

33.4 Related party defined - Entities

33.4.1 Extract from FRS102: Section 33.2 (b) and Section 33.4

33.2(b) An entity is related to a reporting entity if any of the following conditions apply:

(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).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

33.4 In the context of this FRS, 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) Any of the following 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): (i) providers of finance; (ii) trade unions; (iii) public utilities; and (iv) government departments and agencies. (d) A customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, merely by virtue of the resulting economic dependence.

33.4A 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.

33.4.2 OmniPro comment

33.4.2.1 Overview

As per section 33.2(b) and 33.4A of FRS 102 an entity is related to a reporting entity if any of the following conditions apply:

- (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).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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.

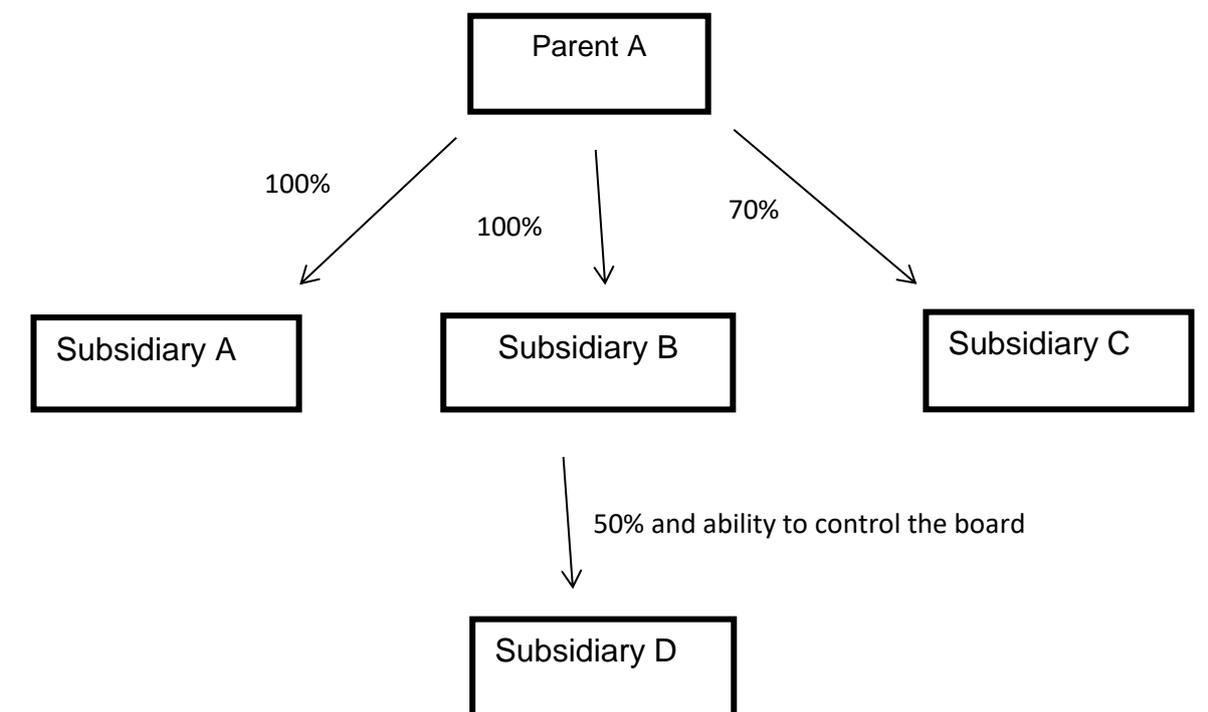
33.4.2.2 Related party entity examples

See examples below which illustrate some of the points in Section 33.2(b) and 33.4A of FRS 102. Also see 33.3.2 for related parties with regard to persons and close family members.

33.4.2.2.1 Entities are members of a group

Example 5: entities are members of a group (Section 33.2(b)(i) of FRS 102)

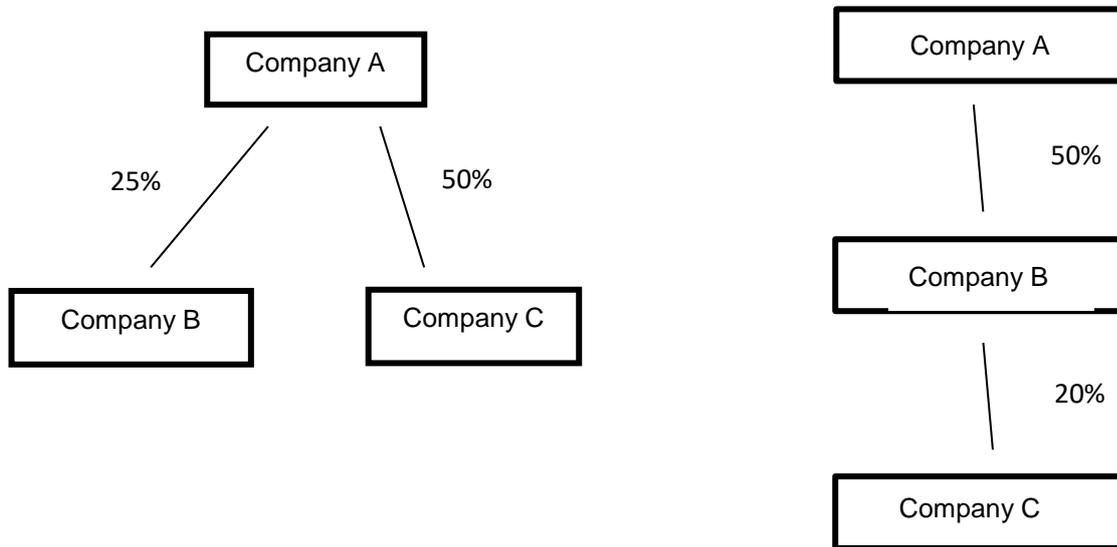
A group exists where a company owns greater than 50% of the ordinary shares or where there is a right to control the board of directors (i.e. a golden share arrangement exists). Any transactions entered into by any of the below companies are related party transactions. However as stated above, Section 33.1A of FRS102 allows an exemption from disclosure where the companies are wholly owned subsidiaries. Therefore in this case, no disclosure is required for transactions entered into between Parent A, Subsidiary A and Subsidiary B in each of these financial statements. Disclosure of transactions entered into between any of the aforementioned entities with Subsidiary C & D will need to be disclosed. In the financial statements of Subsidiary C & D, all transactions entered into with the other group companies and each other will need to be disclosed.



33.4.2.2.2 One entity is an associate or joint venture of the other or one entity is a joint venture of a third entity and the other entity is an associate of the third party

Example 6: One entity is an associate or joint venture of the other or one entity is a joint venture of a third entity and the other entity is an associate of the third party (Section 33.2(b)(ii) & (iv))

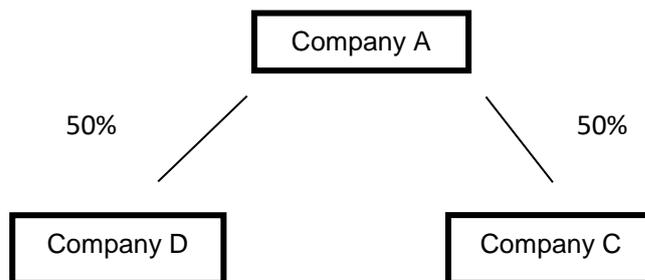
In the below, all Companies are related parties in each of the separate financial statements.



33.4.2.2.3 Both entities are joint venture of the same third party

Example 7: Both entities are joint venture of the same third party (Section 33.2(b)(iii) of FRS 102)

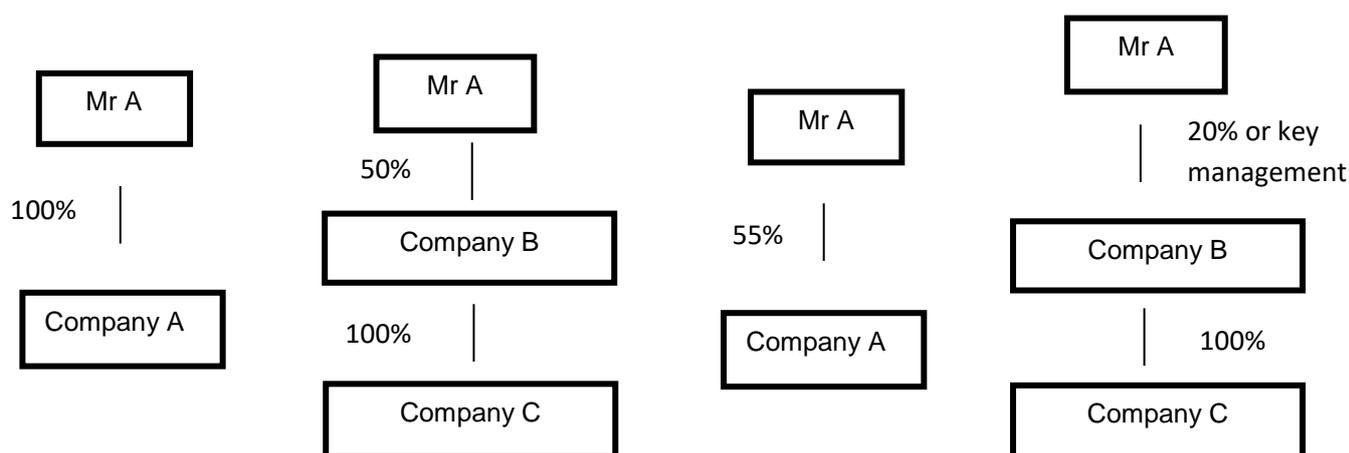
In this instance all companies are related parties in each of the separate financial statements.



33.4.2.2.4 Entity is controlled by a person that has control or significant influence or joint control or is a member of key management over/in the reporting entity

Example 8: Entity is controlled by a person that has control or significant influence or joint control or is a member of key management over/in the reporting entity, (Section 33.2(b)(vi) of FRS 102)

In the illustration below, Company A, B and C are related parties. If Mr A owned 100% of Company B, they would also be related parties.



33.4.2.2.5 Person has control or joint control of the reporting entity has significant influence over the other entity or is a member of key management personnel of the other entity

Example 9: Person (has control or joint control of the reporting entity) has significant influence over the other entity or is a member of key management personnel of the other entity (Section 33.2(b)(vii) of FRS102)

Company A and Company B are related parties as Mr A has a significant influence over Company B. Company B is a related party of Company A as Mr A controls Company A (Section 33.2(b)(vi) of FRS 102). If in the above example Mr A did not have any ownership in Company B but was one of the key management personnel of Company B, then Company A & B would still be related parties (Section 33.4(b)(vi)).



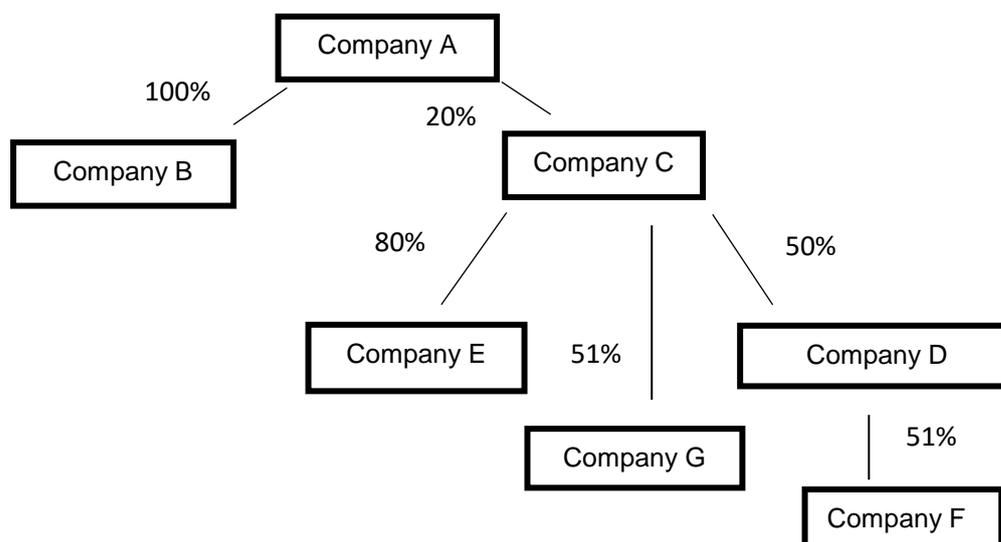
33.4.2.2.6 Transactions with a subsidiary of a joint venture or associate

Example 10: Transactions with a subsidiary of a joint venture or associate

In the example below Company A, is related to Company B, C, E and G. Company A is related to company E by virtue of Section 33.4A of FRS102 i.e. Company E is a subsidiary of Company A's associate.

From Company A's perspective, Company D is not a related party as it does not have significant influence over Company D i.e. it only owns 10% ($20\% \times 50\%$) of Company D and Company C does not have a subsidiary (i.e. Company D is only a joint venture).

From Company D's perspective, Company C & F are related. The other companies are not.



33.4.2.2.7 Pension funds

Example 11: Pension funds (Section 33.2(b)(v) of FRS102)

Company A enters into a lease on a property with a pension fund which is held for the benefit of its directors. In this case the rent paid for the use of the property is a related party transaction as Company A and the pension fund are related under Section 33.2(b)(v).

33.4.2.2.8 Provision of managements services by an entity or any member of a group of which it is part to the reporting entity or to the parent of the reporting entity

Example 12: *Provision of managements services by an entity or any member of a group of which it is part to the reporting entity or to the parent of the reporting entity (Section 33.2 (viii) of FRS102)*

Company A recharges Company B for management service. In this case Company A and B are related.

33.5 Specific related party exclusions

33.5.1 Extract from FRS102: Section 33.3-33.4

33.3 *In considering each possible related party relationship, an entity shall assess the substance of the relationship and not merely the legal form*

33.4 *In the context of this FRS, 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) Any of the following 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):

(i) providers of finance;

(ii) trade unions;

(iii) public utilities; and

(iv) government departments and agencies.

(d) A customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, merely by virtue of the resulting economic dependence.

33.5.2 OmniPro comment

33.5.2.1 Overview

It is clear from the exclusions stated in Section 33.4 of FRS102, that the substance of the relationship should be considered. Just because both companies have a director in common does not create a related party, the key question is whether that director can control/jointly control one or both companies. Where control exists, a related party relationship exists.

33.5.2.2 Relationships that are not related parties

As per Section 33.4 of FRS102 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) Any of the following 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):

(i) providers of finance;

(ii) trade unions;

(iii) public utilities; and

(iv) government departments and agencies.

(d) A customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, merely by virtue of the resulting economic dependence.

33.6 Disclosures

33.6.1 Disclosure of parent-subsiary relationships

33.6.1.1 Extract from FRS102: Section 33.5

33.5 Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been related party transactions. 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 financial statements available for public use, the name of the next most senior parent that does so (if any) shall also be disclosed.

33.6.1.2 OmniPro comment

See below illustrative of the disclosure requirements in Section 33.5 of FRS102 where a parent subsidiary relationship exists. This is also a requirement under Company law. The disclosure must be provided regardless of whether there were related party transactions in the period or not as stated in Section 33.5 of FRS102.

Example 13: Extract from notes to the financial statements

Parent and ultimate controlling party

The company is [a wholly owned] subsidiary of X Limited, a company incorporated in the XXXX. The ultimate controlling party of X Limited is Y Limited, which is the parent company of the smallest and largest group to consolidate these Financial Statements. Copies of Y Limited Consolidated Financial Statements can be obtained from the Secretary, XXXXX, Country.

OR

The ultimate controlling party is considered to be the board of directors of the company.

OR

The company is owned by a number of private shareholders and companies, none of whom own more than 10% of the issued share capital of the Company. Accordingly, there is no parent nor ultimate controlling party

OR

The holders of the ordinary shares in XXXX Limited are regarded as being the ultimate controlling party of the company.

33.6.2 Disclosure of key management personnel compensation

33.6.2.1 Extract from FRS102: Section 33.6 – Section 33.7

33.6 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. Compensation includes all employee benefits (as defined in Section 28 Employee Benefits) including those in the form of share-based payments (see Section 26 Share-based Payment). Employee benefits include all forms of consideration paid, payable or provided by the entity, or on behalf of the entity (e.g. by its parent

or by a shareholder), 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 goods or services provided to the entity.

33.7 An entity shall disclose key management personnel compensation in total.

33.6.2.2 OmniPro comment

33.6.2.2.1 Key management personnel defined

Section 33.6 of FRS 102 defines, management personnel as those people having authority and responsibility for planning, directing and controlling the activities of the entity directly, including any directors of that entity. Section 3.7 of FRS 102 requires key management personnel to be disclosed. There is no requirement to split the remuneration down by type for Section 33 purposes, a total figure is only required

33.6.2.2.1.1 Additional disclosures under company law

Company law also requires disclosure of the director's remuneration of all directors including disclosure of directors loans and transactions which may be different to the values disclosed above. The Company law disclosures are more stringent than that required by Section 33. The disclosure should include all benefits provided to the individuals including share based payments.

33.6.2.2.2 Key management personnel and directors remunerated by other groups entities or shareholders – the disclosures

Where a director is paid by a parent company consideration should to be given for what element of fees relate to the subsidiary. Where the director's costs are recharged, then the amount recharged would be disclosed. However where no costs are recharged by the parent, an entity should provide a reasonable estimate for the work performed for that subsidiary. It is only the amount paid relating to services provided by that subsidiary that should be included in the disclosure. A disclosure should also be provided informing the reader of the financial statements that the cost has been borne by a fellow group company. These disclosures are required by company law.

33.6.2.2.2.1 Directors duties merely incidental and incurred by parent entity

Where a director is performing very little duties other than acting as director and attending the annual general meetings, it can be argued that the parent company are incurring this cost as the director is providing a service for the parent company itself. A possible disclosure to be included where this is the case would be (Section 33.6 FRS 102):

33.6.2.2.2.1.1 Possible disclosure in financial statements where directors duties are incidental

'Mr Y is a director to a number of subsidiaries and the compensation for Mr Y's service is incurred by the parent company and not recharged. The majority of Mr Y's compensation for services performed for the parent company. Given the difficulty in apportionment no amount has been included in the key management personnel disclosure above. My Y's total compensation is disclosed in the notes of the consolidated financial statements of the parent'.

33.6.2.2.3 Sample key management personnel disclosure

See below an example of a key management personnel disclosure:

Example 14: Extract from notes to the financial statements

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. The total remuneration in respect of these individuals was CUXXX (2014:CUXXX).

33.6.3 Disclosure of related party transactions

33.6.3.1 Extract from FRS102: Section 33.8-33.14

33.8 *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.*

Examples of related party transactions that are common to entities within the scope of this FRS include, but are not limited to:

(a) transactions between an entity and its principal owner(s);

(b) transactions between an entity and another entity when both entities are under the common control of a single entity or person; and

(c) transactions in which an entity or person that controls the reporting entity incurs expenses directly that otherwise would have been borne by the reporting entity.

33.9 *If an entity has related party transactions, it shall disclose the nature of the related party relationship as well as information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements. Those disclosure requirements are in addition to the requirements in paragraph 33.7 to disclose key management personnel compensation. At a minimum, disclosures shall include:*

(a) The amount of the transactions.

(b) The amount of outstanding balances 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 uncollectible receivables related to the amount of outstanding balances.

(d) The expense recognised during the period in respect of bad or doubtful debts due from related parties.

Such transactions could include purchases, sales, or transfers of goods or services, leases, guarantees and settlements by the entity on behalf of the related party or vice versa.

33.10 *An entity shall make the disclosures required by paragraph 33.9 separately for each of the following categories:*

(a) entities with control, joint control or significant influence over the entity;

(b) entities over which the entity has control, joint control or significant influence;

(c) key management personnel of the entity or its parent (in the aggregate);

(d) entities that provide key management personnel services to the entity; and

(e) other related parties.

33.11 *An entity is exempt from the disclosure requirements of paragraph 33.9 in relation to:*

(a) a state (a national, regional or local 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 state has control, joint control or significant influence over both the reporting entity and the other entity. However, the entity must still disclose a parent-subsidiary relationship as required by paragraph 33.5.

- 33.12 *The following are examples of transactions that shall be 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) settlement of liabilities on behalf of the entity or by the entity on behalf of another party; and*
 - (j) participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities.*
- 33.13 *An entity shall not state that related party transactions were made on terms equivalent to those that prevail in arm's length transactions unless such terms can be substantiated.*
- 33.14 *An entity may disclose items of a similar nature in the aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.*

33.6.3.2 OmniPro comment

33.6.3.2.1 Overview

As per Section 33.9 of FRS 102 if an entity has related party transactions, it shall disclose the nature of the related party relationship as well as information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements. Those disclosure requirements are in addition to the requirements in paragraph 33.7 to disclose key management personnel compensation. At a minimum, disclosures shall include:

- (a) The amount of the transactions.
- (b) The amount of outstanding balances 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 uncollectible receivables related to the amount of outstanding balances.
- (d) The expense recognised during the period in respect of bad or doubtful debts due from related parties.

Such transactions could include purchases, sales, or transfers of goods or services, leases, guarantees and settlements by the entity on behalf of the related party or vice versa.

While Section 33 does not mandate that all related party information be contained in the one note, it would be best practice to include all the information in one note so that it makes it easier for the reader of the financial statements. Note where consolidated accounts are not prepared, disclosure is required in the notes to the financial statements of transactions which is with less than 100% subsidiaries.

Disclosures are required for the current and comparative period. Section 33 does not specifically require the names of the related parties to be disclosed. Disclosures can be made in aggregate as stated in Section 33.14 of FRS102 except where separate disclosure is necessary for an understanding of the effects of the transactions and the results. Section 33.10 of FRS102 requires the details of the transactions and period end balances to be segregated as per below:

- (a) entities with control, joint control or significant influence over the entity;
- (b) entities over which the entity has control, joint control or significant influence;
- (c) key management personnel of the entity or its parent (in the aggregate);
- (d) entities that provide key management personnel services to the entity; and
- (e) other related parties.

Items of a similar nature should not be aggregated where:

- Separate disclosure of an item is required by law
- Aggregation would obscure the importance of significant transactions (Section 33.14 refers).

33.6.3.2.2 Rules on disclosure of items being on an arm's length basis

Section 33.13 of FRS102 does not permit an entity to disclose the fact that transactions are made on an arm's length basis when they are substantiated.

33.6.3.2.3 Disclosures where subsidiaries/ associates/ joint ventures acquired or disposed of in the period

Section 33 does not mention how transactions with subsidiaries acquired or disposed of. Where a subsidiary is disposed of during the financial year the following rules should be applied with regard to disclosure of related parties:

In the subsidiary and parent company financial statements

- transactions from the beginning of the year to the date of disposal should be disclosed where exemption cannot be claimed under Section 33.1A of FRS102 (i.e. where it is not 100% owned). The period end balance does not have to be disclosed even if it relates to transactions entered into pre-disposal.

Where a subsidiary is acquired during the financial year the following rules should be applied with regard to disclosure of related parties:

In the subsidiary and parent company financial statements

- transactions from the beginning of the year to the date of acquisition do not need to be disclosed. Where the entity is not a wholly owned group company disclosure is required from the date of acquisition to the year-end date. The period end balance should be disclosed even if it relates to transactions entered into pre-acquisition.

33.6.3.2.4 Examples of related parties to be disclosed

Examples given of related parties transactions to be disclosed are (as per Section 33.12 of FRS102)

- (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) settlement of liabilities on behalf of the entity or by the entity on behalf of another party; and
- (j) participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities.

33.6.3.2.5 Illustrations of the related parties required by Section 33.8 to 33.14 of FRS102

Detailed below is an example of possible related party disclosures

Example 15: Extract from the notes to the financial statements

Related party transactions as required by Section 33.10 of FRS102

	Sales to related party	Purchases from related party	Amounts owed from related party	Amounts owed to related party
	CU	CU	CU	CU
Entities with control, joint venture or significant influence over the Company				
2015	-	-	-	-
2014	-	-	-	-
Entities over which the company has control, joint control or significant influence				
2015	-	-	-	-
2014	-	-	-	-
Entities providing key management personnel services				
2015	-	-	-	-
2014	-	-	-	-

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made at normal market terms (ENSURE THIS IS SUBSTANTIATED) Outstanding balances with entities are unsecured, interest free and cash settlement is expected within 30 days of invoice. A provision for bad debt has been created at the year-end for CU10,000 (2014: CUnil) against an amount due from an associate company.

Other related party transactions

AN Other, the director of the company, holds an interest in patents which are licensed to the company for the manufacture of certain machines. During the period, patent royalties of CUXXXX (2014: CUXXXX) were charged to the company in respect of the use of these patents. At 31 December 2015 an amount of CUXXXX was due from the directors (2014: CUXXXX amount due to the directors).

During the year the company was charged CUXXX (2014: CUXXX) by AN Other Limited for rental of the premises where the company operates. An amount of CUXXX (2014: CUXXX) was owed to AN Other Limited at the year end. AN Other Limited is related by virtue of common directors.

During the year the company paid expenses in the amount of CUXXXX (2014: CUXXXX) on behalf of an associate, Associate Limited. An amount of CUXXXX (2014: CUXXXX) remained outstanding from this company at the year end. A provision of CUXXXXX (2014: CUXXX) was provided against this balance at the 31 December 2015. The associate is related by virtue of common directors.

Key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. The total remuneration in respect of these individuals was CUXXX (2014:CUXXX).

Guarantees

The company has not provided or benefited from any guarantees for any related party receivables or payables.

Example 15A: Disclosure of amounts due from/to group entities and related party balances including amounts due to/from directors

DIRECTORS REMUNERATION AND TRANSACTIONS

	XX 2015 CU	XX 2014 CU
Remuneration		
Salary	182,000	185,600
Social security costs		
Retirement Benefits – defined contribution scheme	<u>30,000</u>	<u>30,000</u>
Other compensation costs – share based payments		
	212,000	225,600
	XXX	XX
Directors' Loans	Directors A	Director B
Opening Balance	100,000	100,000
Repayments by directors	(9,301)	-
Advances to directors	<u>1,000</u>	=
Closing balance	XXX	100,000

The interest rate applied to this loan was X% per annum on a compound interest basis and is repayable on demand.

There was no write off on this loan during the year (2014: CUnil). A provision of CUnil (2014:CUnil) was recognised against this balance at the year end

Debtors - amounts falling due within one year	2015	2014
	CU	CU
Trade debtors	-	-
Prepayments and other debtors	-	-
Corporation tax	-	-
Value added tax	-	-
Amounts due from directors (see note 1)	-	-
Amounts due from group undertakings (see note XXX)	-	-
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>
Creditors - amounts falling due within one year	2015	2014
	CU	CU
Bank overdraft and loans	-	-
Trade creditors	-	-
Accruals	-	-
Income tax deducted under PAYE	-	-
Pay related social insurance	-	-
Amounts due to directors (see note XXX)	-	-
Amounts due to group undertakings (see note XXX)	-	-
Corporation tax	-	-
Amounts due to participating interests	-	-
Value added tax	-	-
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>
	-	-