

## **Related Party Disclosures**

This Standard is applicable for annual reporting period beginning on  
1 January 2024.

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## FRS 24

Financial Reporting Standard 24 *Related Party Disclosures* (FRS 24) is set out in paragraphs 1–29 and the Appendix. All of the paragraphs have equal authority. FRS 24 should be read in the context of its objective, the *Preface to Financial Reporting Standards* and the *Conceptual Framework for Financial Reporting*. FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

The revised Standard was issued in January 2010. It supersedes FRS 24 (as revised in 2004).

# Financial Reporting Standard 24

## *Related Party Disclosures*

### Objective

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- 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.

### Scope

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- 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 or investors with joint control of, or significant influence over, an investee presented in accordance with FRS 110 *Consolidated Financial Statements* or FRS 27 *Separate Financial Statements*. 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, except for those between an investment entity and its subsidiaries measured at fair value through profit or loss, in the preparation of consolidated financial statements of the group.

### Purpose of related party disclosures

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- 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

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- 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 of 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).
  - (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.

**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 FRS 19 *Employee Benefits*) including employee benefits to which FRS 102 *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.

**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.

**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.

The terms 'control' and 'investment entity', 'joint control' and 'significant influence' are defined in FRS 110, FRS 111 *Joint Arrangements* and FRS 28 *Investments in Associates and Joint Ventures* respectively and are used in this Standard with the meanings specified in those FRSs.

- 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 joint venturers simply because they share joint control of 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

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### 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.**
- 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 FRS 27 and FRS 112 *Disclosure of Interests in Other Entities*.
- 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.

- 17A** If an entity obtains key management personnel services from another entity (the 'management entity'), the entity is not required to apply the requirements in paragraph 17 to the compensation paid or payable by the management entity to the management entity's employees or directors.
- 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.
- 18A** Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.
- 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 of, or significant influence over, the entity;
  - (c)** subsidiaries;
  - (d)** associates;
  - (e)** joint ventures in which the entity is a joint 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 FRS 1 *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
  - (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 42 of FRS 19 (as amended in 2011)).
- 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 joint control of, or significant influence over, the reporting entity; and
  - (b) another entity that is a related party because the same government has control or joint control of, 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 (ie 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

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<sup>1</sup> FRS 37 *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.

- (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**

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- 28 An entity shall apply this Standard retrospectively for annual periods beginning on or after 1 January 2011. Earlier application is permitted, either of the whole Standard or of the partial exemption in paragraphs 25–27 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.
- 28A FRS 110, FRS 111 *Joint Arrangements* and FRS 112, issued in September 2011, amended paragraphs 3, 9, 11(b), 15, 19(b) and (e) and 25. An entity shall apply those amendments when it applies FRS 110, FRS 111 and FRS 112.
- 28B *Investment Entities* (Amendments to FRS 110, FRS 112 and FRS 27), issued in January 2013, amended paragraphs 4 and 9. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application of *Investment Entities* is permitted. If an entity applies those amendments earlier it shall also apply all amendments included in *Investment Entities* at the same time.
- 28C *Improvements to FRSs*, issued in January 2014, amended paragraph 9 and added paragraphs 17A and 18A. An entity shall apply that amendment for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

## **Withdrawal of FRS 24 (2004)**

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- 29 This Standard supersedes FRS 24 *Related Party Disclosures* (as revised in 2004).

**Appendix**  
**Amendment to FRS 108 *Operating Segments***

*This amendment contained in this appendix when this Standard was issued in 2010 has been incorporated into FRS 108 as published in this volume.*

## Table of Concordance

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This table shows how the contents of the superseded version of FRS 24 and the revised version of FRS 24 correspond. Paragraphs are treated as corresponding if they broadly address the same matter even though the guidance may differ.

| <b>Superseded FRS 24 paragraph</b> | <b>Revised FRS 24 paragraph</b> |
|------------------------------------|---------------------------------|
| 1                                  | 1                               |
| 2                                  | 2                               |
| 3                                  | 3                               |
| 4                                  | 4                               |
| 5                                  | 5                               |
| 6                                  | 6                               |
| 7                                  | 7                               |
| 8                                  | 8                               |
| 9                                  | 9                               |
| 10                                 | 10                              |
| 11                                 | 11                              |
| None                               | 12                              |
| 12                                 | 13                              |
| 13                                 | 14                              |
| 14                                 | 15                              |
| 15                                 | 16                              |
| 16                                 | 17                              |
| 17                                 | 18                              |
| 18                                 | 19                              |
| 19                                 | 20                              |
| 20                                 | 21                              |
| 20                                 | 22                              |
| 21                                 | 23                              |
| 22                                 | 24                              |
| None                               | 25                              |
| None                               | 26                              |
| None                               | 27                              |
| 23                                 | 28                              |
| 23A                                | None                            |
| 24                                 | 29                              |