



AUSTRIAN FINANCIAL REPORTING AND AUDITING COMMITTEE

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Sir David Tweedie  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sir David,

On behalf of the Austrian Financial Reporting and Auditing Committee (AFRAC), the privately organised standard-setting body for financial reporting and auditing standards in Austria, I appreciate the opportunity to comment on the Exposure Draft Relationships with the State (December 2008). Principal authors of this comment letter were Angelika Casey, Rudolf Diewald, Werner Fleischer, Erich Kandler (Chair), Dieter Nefischer and Andrea Schellner.

Q1:

In analyzing the proposed revised exemption from detailed disclosures for state controlled entities in cases where the same state has control, joint control or significant influence over both the reporting entity and the other entity, we observe that in certain circumstances such an exemption may be excessive.

- We take as an example a state-owned integrated rail road company (Entity 1 for the purposes of the example in IE 1) which comprises among others a passenger transportation (Entity A in the example) and an infrastructure entity (Entity B in the example), and another lower-tier entity (Entity 2 in the example) both 100% controlled by a holding company (State S in the example).

- The subgroup financial statements of the passenger transportation entity may result – when consolidated following the example in IE1 – in inadequate disclosure and information for the reader of the passenger transportation entity's consolidated subgroup financial statements (Entity A) because the transactions with the infrastructure entity (Entity B) – which are probably highly relevant for the financial position of the subgroup – are only referred in accordance with the limited disclosure required under IAS 24.17B.

Q2:

In our view paragraph 9 lit b) sub (x) should be expanded to "a member of the key management personnel of the entity or of an entity otherwise belonging to the same group (as defined in IAS 27), or a close member of that member's family, has control or joint control over the reporting entity or has significant voting power in it".

In order to regain trust in financial statements we strongly suggest that IASB considers adding language to the effect that the exemption should not be applied where the transactions are between closely related companies that are usually run by a single management team (in this case, that of Entity 1), and that the full disclosure requirements under IAS 24.20 should be applied.

Please do not hesitate to contact us if you wish to discuss any aspect of our comment letter in more detail.

Kind Regards,

Romuald Bertl  
Chairman