

**Headquarters
Corporate Accounting and Reporting**

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International Accounting Standards Board
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Your reference

Our reference **ZB 62**

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Date **12. September 2002**

Subject **Comment Letter – Improvements of IAS 24**

Ladies and gentlemen,

We would like to thank you for this opportunity to express our opinion on the IAS draft “Related Parties”, and hereby inform you of the following opinion:

Rather than directly answering the questions you have asked, we are taking the liberty of giving our opinion on the other amendments. These relate to the following section:

Deletion of IAS 24.4d

Previously, IAS 24.4d stipulated that no disclosure was required in the financial statements of state-controlled enterprises of transactions with other state-controlled enterprises.

Opinion of Deutsche Post AG:

In principle, we welcome the efforts of the IASB to improve the transparency and international comparability of its International Accounting Standards as regards related party disclosures.

Following the deletion of the exemption for state-controlled enterprises (previously IAS 24.4d), the new draft of IAS 24 stipulates that state-controlled enterprises are obliged to disclose all relations to and transactions with other state-controlled enterprises.

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The aim of this regulation is to provide investors with additional material information on the enterprise for the purposes of making decisions and minimizing risk (draft IAS 24.8.).

In Germany, supplementary statutory provisions are in place for the accounting of state-controlled enterprises which serve to ensure shareholder protection (in particular, central, regional and local authorities). As well as these “state shareholders”, private shareholders with equity interests in such enterprises are also protected. These provisions already impose specific reporting duties on state-controlled enterprises in Germany.

A reporting duty comparable to IAS 24 is already practiced by state-controlled enterprises in Germany in a different form in accordance with the HGB (*Handelsgesetzbuch* - German Commercial Code) and the AktG (*Aktiengesetz* - German Public Companies Act):

For state-controlled enterprises, the dependent company report¹ in accordance with section 313 of the AktG forms a compulsory part of the annual financial statements under certain conditions. The dependent company report lists those enterprises dependent on the Federal Government with which reportable transactions were concluded during the fiscal year. All transactions which were concluded at the instigation of, or in the interest of, these enterprises must be disclosed. Furthermore, all other measures taken or omitted during the fiscal year at the instigation of, or in the interest of, the enterprises listed must be disclosed. The compulsory report must contain statements on the individual facts and value judgments, which must be audited. The basis for the auditor’s evaluation of the transactions and measures listed in the dependent company report must also be disclosed. The main aim of these requirements is to allow an examination of whether the factual information contained in the report of the Managing Board is correct and whether the payments made by both parties for the transactions were appropriate, as well as of the advantages and disadvantages arising from reportable measures. The results of this audit are published in the management report. The purpose of this report is first and foremost to inform the Supervisory Board, which is obliged, in accordance with section 314 (2) of the AktG, to carry out an independent examination of the dependent company report and to include the results of this examination in its report to the General Meeting. If the audit opinion is qualified or not granted, each shareholder has the right to request a court order demanding a special audit. The dependent company report is not made available to the public.

In our opinion, this provision means that shareholders are provided with material information about companies’ business relations. This information could also be used for the publication of IAS financial

¹ If the Federal Government is the majority shareholder in an enterprise and this enterprise is, in turn, dependent on the Federal Government, the Managing Board must prepare a dependent company report for each reporting year in accordance with section 312 of the AktG, unless a controlling agreement or a profit and loss transfer agreement with the Federal Government is in place.

statements. However, an exception should be made for state-controlled enterprises. They should only be obliged to disclose relations with associated state-controlled enterprises (the possibility of control by the Federal Government must exist), as this would otherwise call into question the feasibility of the financial statements.

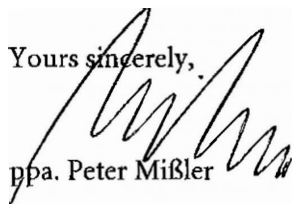

With around 7,000 enterprises controlled by the German Federal Government, the scope of these disclosures would be so great that transparent, clear financial statements and their timely preparation and publication would no longer be possible. In accordance to IAS 24 shareholders should be provided with relevant material data which could affect their decisions, and not be distracted by irrelevant information.

In addition, the related party report in accordance with IAS 24 should not form part of the annual report, since even a scope corresponding to that of the existing dependent party report in accordance with section 313 of the AktG would not seem likely to enhance the informative function of the annual report. We believe that a separately published report giving information on the most important relations with other state-controlled enterprises (controlling influence) would be more appropriate and would better satisfy shareholders' information requirements.

A further aspect which should be taken into consideration in this opinion is feasibility of implementation. In our opinion, application of the IAS 24 draft would call into question the feasibility of the consolidated financial statements for state-controlled enterprises, since it can be assumed that, in the case of complex corporate structures, not all information (the number of state-controlled enterprises with which agreements have been concluded) would be available, particularly for quantitative disclosures. For state-controlled enterprises, the scope of the disclosures (e.g. individual disclosures for each business relationship, description of transactions with figures) is too detailed to allow transparency.

This applies in particular to the requirement that all transactions covered by the provision be documented from now on, including, if appropriate, their impact on the parent company. At present, state-controlled enterprises are quite simply unable to track and record all purchases from and sales to other state-controlled companies. A statement on the overall extent of such transactions should suffice. Another factor to be considered is that it is often not possible to ascertain which related parties are being traded with, as the definition of state-controlled or private enterprises is not clear. The shareholding relationship of central, regional and local authorities can also vary constantly thus changing the status of an enterprise from state-controlled to private. This makes it difficult to determine the actual status of an enterprise.

Yours sincerely,


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