

Disclosure of Directors' Remuneration in Group Companies

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The Companies Act requires full disclosure of the remuneration of directors and prescribed officers (whether executive, non-executive or alternate directors) in the financial statements of companies that require an audit in terms of the Act. This requirement may become quite cumbersome where a Group of Companies consists of multiple companies.

In terms of section 30(5), the disclosure must show the **amount of any remuneration or benefits paid to or receivable** by persons in respect of:

- services rendered as **directors or prescribed officers** of the company;
- or
- services rendered while being **directors or prescribed officers** of the company-
 - as **directors or prescribed officers of any other company** within the same group of companies; or
 - otherwise in **connection with the carrying on of the affairs of the company or any other company within the same group of companies**.

Note: The Act requires that each company that is required to have its annual financial statements **audited**, must provide the directors disclosure as required by Section 30 of the Companies Act.

1. The act defines a "group of companies" as a holding company and **all** of its subsidiaries.
2. If a person serves as director and/or prescribed officer of more than one company in a group of companies, that **person's total remuneration** would be disclosed in the annual financial statements of **all the companies in the group** that are required to disclose remuneration, **i.e. all companies where that person is a director/prescribed officer or employee carrying out affairs of company (see below)**.
3. If a person is a director of a company in a group of companies and the same person is also an employee of another company in the group, the company where the person is a director will have to disclose in its AFS the person's remuneration received as director of the company **AND** the salary earned as an employee of the other company within the same group of companies (i.e. for the carrying on of the affairs of the company)
4. The Act requires the company to disclose all amounts payable to or received by its directors/prescribed officers in respect of services rendered as directors/prescribed officers of the "**company**". Therefore, any amounts paid to directors/prescribed officers in respect of services rendered to a **trust or a foreign company within the group would not be disclosed, since trusts and foreign companies are not "companies" as defined by the Act.**

Example 1

Holding Company A

(Holding company pays person X R100 000 for services as director of Company B – **Not director/prescribed officer of company A**)

No disclosure required as person X is not a director/prescribed officer from Company A

Company B

- R100 000 (for services as director of B)
- R50 000 (while being director of B, for services *otherwise in connection with the carrying on of the state of affairs of company C*)

Company C

(Person X earns R50 000 as an employee)

No disclosure for person X as he is not a director/prescribed officer of this company

Note: Source of payment does not determine the disclosure. Therefore, it could be that the amount recognised as an expense in a company's statement of comprehensive income does not agree with the amounts disclosed in the AFS in terms of S30(4).

Example 2

Holding Company A

(Foreign Company – Person X earns \$2 000 as a director of A)

SA Companies Act does not apply

Company B

(Person X - R100k as director of B)

- R100 000 (for services as director of B)
- R50 000 (while being a director of B for services rendered as a director of C)

Company C

(Person X - R50k as director of C)

- R50 000 (for services as director C)
- R100 000 (while being a director of C for services rendered as a director of B)

Note: Remuneration received in respect of Company A need not be disclosed in the annual financial statements of the SA subsidiaries as Company A is a foreign company and accordingly not a "company" as defined by the Act.