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Red tape cuts will ease the burden, says AICD

The Australian Institute of Company Directors (AICD) today welcomed moves by the Federal Government to reduce red tape for companies in the area of corporate reporting requirements, announced by the Minister for Corporate Law, Chris Bowen MP.

“While we are still examining the detail of some of the changes, we support the broad thrust of the reforms to provide relief in this area for Australian companies and, particularly, for not-for-profits and charities,” said John Colvin FAICD, Chief Executive Officer of AICD.

“AICD has long advocated several of the reforms.”

AICD welcomed the proposed reduction in the regulatory burden for companies limited by guarantee. This new three-tiered system would be of considerable benefit to charities and other not-for-profit entities, particularly those at the smaller end of the spectrum, by easing burdensome reporting requirements, while still maintaining appropriate transparency and good governance standards.

However, while this is a step forward, we believe that in the fullness of time there should be a separate regulatory regime for not-for-profit entities.

AICD also supported the Government's proposed streamlining of parent-entity reporting, a measure which we have been advocating for some time.

It welcomed the move to allow greater flexibility for companies to pay dividends by replacing the current ‘profits test’ with one based on solvency, removing the requirement that dividends only be paid out of profits. This should benefit companies and shareholders and is another reform which AICD has long advocated, although we have argued that section 254T of the *Corporations Act* should be removed entirely rather than amended.

AICD supported provisions requiring that dividends be paid only where it is fair and reasonable to the company's shareholders and does not prejudice the company's ability to pay creditors.

Existing directors' duty to prevent insolvent trading under section 588G of the *Corporations Act* would continue to apply. AICD continues to advocate for an extension of the statutory business judgement rule to insolvency.

Allowing companies greater flexibility to change their year-end reporting date, thereby easing the burden on companies and auditors in peak reporting periods, was also a welcome move, although there may be issues relating to taxation that need to be clarified.

AICD broadly supported some of the measures announced to refine the regulatory framework. These included protecting solicitors' representation letters from disclosure to another person or a court to enable auditors to verify a company's contingent liabilities, although we are still considering our view on the proposed exemptions that would allow ASIC, APRA and the Company Auditors and Liquidators Disciplinary Board (CALDB) to continue to have access to these communications.

Another aspect of the package at which we will also be looking closely is the proposed requirement for directors to declare in annual reports that their company's financial statements are compliant with International Financial Reporting Standards (IFRS) as determined by the International Accounting Standards Board (IASB).

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Australian Institute of Company Directors (AICD) provides education, information and advocacy for company directors Australia wide, with offices in each state to cater for 25,000 members. AICD members work in diverse corporations such as small-to-medium enterprises, the ASX Top 200 corporations, public sector organisations, not-for-profit companies, large private companies and smaller private family concerns.