



**CHARTERED SECRETARIES
AUSTRALIA**

Leaders in governance

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Mr Geoff Miller
General Manager
Corporations and Financial Services Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

Dear Geoff

**Regulation 9.1.02 and ASIC Form 484:
paid up capital (dollars)**

Chartered Secretaries Australia (CSA) is the peak professional body delivering accredited education and the most practical and authoritative training and information on governance, as well as thought leadership in the field. We represent over 8,000 governance professionals working in public and private companies, all of whom, due to their involvement in corporate administration and compliance, have a thorough working knowledge of the Corporations Act, and all of whom liaise with the Australian Securities and Investments Commission (ASIC) regularly in the course of their work.

CSA meets formally with ASIC via a Liaison Committee four times each year. ASIC is represented at these meetings by John Price, Leader, Corporations Team, Douglas Niven, Deputy Chief Accountant, and other staff as appropriate.

Following discussion at these meetings, CSA members undertook to formally submit our concerns as to the reporting of paid-up capital (dollars) pursuant to Corporations Regulations Regulation 9.1.02 using information collected through ASIC Form 484. Our members are keen to see changes undertaken that can ameliorate the current situation, which we outline below. We believe that the information is of no value and does not result in an informed market.

Form 484 — Issued capital (dollars)

Under accounting standards, the issued capital of a company, in recent years, is a compilation of numbers (including offsets for issue costs) and no longer equates to the paid-up capital, which is the sum of the numbers of shares issued multiplied by their issue price(s).

Issue

The ASIC Form 484 does not allow for the entry of all other positive and negative figures that may affect the issued capital figure in a company's accounts. The result is that the paid-up capital figure in the ASIC records, in many cases, will vary from and likely be larger than the actual issued capital of the company. Our members are concerned that the paid-up capital information is unlikely to be useful as it does not take into account accumulated losses or retained profits. The net assets and other information are more useful information, albeit that this information is only available for companies that prepare and lodge financial reports.

Although the legislation requires the actual amount paid up which, by definition, differs from the issued capital figure required by accounting standards, our members are concerned that readers of the information could be confused or misled in thinking that the paid-up capital and issued capital figures should be the same.

CSA and ASIC have discussed this issue and ASIC notes that:

- Section C1 of Form 484 requires accumulated dollar figures
- Section 254X requires disclosure of information in relation to issues of shares but does not ask for dollar figures — the relevant clause is permissive, that is, ASIC 'may make the information available'
- Although the relevant provision is permissive, ASIC believes that it would not be appropriate to cease making the information available given that the legislation could be taken to imply that the information should be made available
- ASIC has consulted internally to clarify whether this information is important, given that where no financial report is required it is the only source of information on issued shares
- ASIC has confirmed to CSA that it would not rely on this source of information concerning issued shares and that it has no need of this information.

CSA members reiterate that they have no concerns with supplying information as to the price of issued shares, but do have grave concerns with the request for an accumulated figure, as this is potentially misleading, given that it does not align with the annual statements.

CSA recommendations

CSA recommends that Section C1 of ASIC Form 484 be amended so that it no longer requires the accumulated dollar figure.

CSA recommends that the amended Section C1 of Form 484 should request the following information where the share class has changed:

- amount paid up on this class
- unpaid amount now stands at this.

In order to effect this change to ASIC Form 484, Regulation 9.1.02 would need to be amended to no longer request paid-up capital.

CSA recommends that the consultation paper on the directors' report that Treasury is soon to release should seek feedback on an amendment to Regulation 9.1.02 to no longer request paid-up capital.

Such consultation with stakeholders will clarify whether any change in a request for this information would disadvantage parties in any situation (for example, proprietary companies where no financial statements are lodged — in most of these cases the issued capital will be \$1 or another nominal amount, which would give creditors no information or comfort in any case).

Conclusion

CSA is keen to ensure that compliance with regulatory requirements results in the transparency of financial information for those seeking information on companies in Australia. The current situation with the reporting of accumulated dollar figures of paid-up capital on the public database does not provide useful information and assure such transparency. Our suggestions for reform contained in this letter are offered in the in the spirit of ensuring that compliance achieves the policy outcome of an informed market.

Yours sincerely

Tim Sheehy
CHIEF EXECUTIVE

cc Bede Fraser