



MEMO

To: Board of Directors

From: Company Secretary

Subject: **ANNUAL FINANCIAL REPORTING – SHAREHOLDER OPTIONS**

As we are now a public company, with some 1,200 shareholders, we must report to shareholders on the results of our most recent financial year in terms of section 314 of the Corporations Act. That is, we must provide the following to all shareholders:

- financial report for the year (sec.295: the financial statements, notes thereto and directors' declaration, in compliance with accounting standards – sec.334)
- directors' report for the year (sec.298: to include the information set out in secs.299, 299A, 300, 300A & 307C as applicable)
- auditor's report (sec.308: on the financial report for the year)

which together can be referred to as the Annual Financial Report ("AFR").

Reporting Options

The words 'report to' mean we must send (ie, despatch by post or other delivery means) an actual [hard] copy of a physical printed AFR to all shareholders – except where a company has elected to adopt an 'opt in' alternative whereby a printed AFR need only be sent to those shareholders who have provided a written request to receive such, and other shareholders can access the AFR through the company's website – secs.314 (1AA)~(1AE).

Sec.316 also provides that a shareholder may either request that a hard copy AFR be sent to them or expressly advise that they do not want to receive a hard copy AFR.

Reporting Deadline

Under sec.315 all companies [that need to send an AFR to shareholders] must 'report to' shareholders the earlier of 21 days prior to the Annual General Meeting or within 4 months of the annual balance date/financial year end (even if that is more than 21 days before the AGM date).

It is noted that some observers actually suggest that 'report to' means the AFR must be 'in the hands of' shareholders within the prescribed timeframe, which would mean despatching sufficient days prior to the deadline ensure the AFR is received in time.



'Opt-in' Election

If a company decides to adopt the 'opt in' approach it must first notify all shareholders in writing, as required by sec.314(1AB), that:

- (i) they may elect to receive a free hard copy of the AFR; and
- (ii) if they do not so elect, they may freely access the AFR on the company's website.

Any election stands until a shareholder ceases or changes their election.

From a practical perspective a company should initially send a letter to shareholders and make provision for them to respond with their election – which is then noted in the Share Register.

Then every year when sending notice of the AGM, the company must include reference (in the wording, somewhere) to the fact that all shareholders may access an electronic copy of the AFR through the company's web-site – and the specific URL*/web-site address must be stated.

If the company has such a facility, it can also collect email addresses and then notify all shareholders – or those who want to be so notified – that an electronic copy is available on the web-site and/or email a copy to them. This is purely voluntary alternative – see sec.314(1AD).

A typical shareholder letter could read as follows:

Dear Shareholder,

Annual Financial Report & Annual General Meeting

As you would be aware, Sample Holdings Limited ('Company'), in which you are a shareholder, is a public company and, as such, needs to prepare and make available to all shareholders an Annual Financial Report ('Report') and hold an Annual General Meeting ('AGM').

The Company's annual balance date is 30 June and the 200X Report was signed off by the Board and the Auditors on 30 September 200X and lodged with the Australian Securities & Investments Commission.

Pursuant to provisions of the Corporations Act the Company has made the Report accessible on the Company's website at www.sampleholdings.com.au under the 'shareholders' tab. However, if you wish to have a printed copy of the Report posted to you – this year and in future years – would you please complete the election form



attached and return it to the Company at PO Box XXX, Sanctuary Cove, Qld 4212. You may, at any future time, change your election – to either cease or commence receiving a printed Report.

The AGM will be held on 18 November 200X at the Hyatt Regency, Sanctuary Cove starting at 9:00am. Formal Notice will be sent out towards the end of the month. We look forward to seeing you there.

Yours sincerely,

And an election notice:

TO:
The Company Secretary
Sample Holdings Limited
PO Box XXX
Sanctuary Cove Qld 4212

ANNUAL FINANCIAL REPORT ELECTION

I/We,
(*shareholder name/s*), of
..... (*address*), being a
shareholder/s in the Company, elect to receive a printed hard copy of the Company's
Annual Financial Report by post to the address recorded on the Share Register until
such time as I/we otherwise advise in writing.

Signed:
Date:

New Shareholders

We are required to also provide all new shareholders with the AFR election option, similarly to above – or send them a hard copy AFR until they advise otherwise.

* Uniform Resource Locator (the global 'address' of documents and other resources on the World Wide Web/internet)



DISCLAIMER

The comments in this memo reflect some commercial aspects and observations on the matter experienced or observed by the writer in practice as he understands them. The information is given as a guide only and does not represent a definitive or legal view of any of the issues raised, covered or referred to and the reader is urged to seek his own professional advice on all aspects of, or pertaining to, this and any related matter.

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