



MEMO

To: Board of Directors
From: Company Secretary
Subject: **ANNUAL ACCOUNTS – CEO/CFO DECLARATIONS**

It is good practice for a company's board to require – before the annual financial statements (and even half-yearly) are signed off – that the Chief Executive Officer and Chief Financial Officer confirm that, to the best of their knowledge, the accounts are correct and in accord with legislation and regulation, and that appropriate internal financial controls are in place within the company.

Listed Companies

This is in fact mandatory for ASX listed companies under Section 295A of the Corporations Act which requires that each of the persons (or the one person) performing the roles of CEO and CFO declare in writing (signed and dated) to the directors that:

- the financial records have been properly maintained
- the financial statements comply with the accounting standards
- the financial statements give a true and fair view of the company's financial position (as per Sec.297)

and, Sec.295(4)(e) requires that in the Directors' Declaration (in relation to the accounts) for listed companies the directors must state [in writing] that they have received the Sec.295A declarations.

Risk Management & Internal Control

In addition, for listed companies, they must also adhere to ASX Corporate Governance Principle 7.3 which requires that the CEO/CFO (or equivalents) give assurance to the board that the Sec.295A declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Board Minutes

Best practice minute taking requires that receipt of the CEO/CFO declaration/assurance be formally noted in the board minutes, chronologically before the directors approve the signing of the financial statements and reports – with words such as:



“RESOLVED that, having received a Section 295A declaration from the persons performing the functions of CEO and CFO, the Directors’ Declaration in relation to the financial statements be adopted and that David Xxxx and James Xxxx be authorised to sign the Directors’ Declaration.”

Form of Declaration

Both the Sec.295A declaration and the Principle 7.3 assurance can be wrapped into the one letter addressed to the board along the following lines (in this case, signed only by one person as he is performing both functions):

29 August 20YY

To the Board of Directors
XXXXXX Group Limited
Onsome Road
Brisbane Qld 4000

Sirs,

CEO / CFO Declaration & Assurance

The following is provided to the Board of XXXXXX Group Limited (“the Company”) in my capacity as the person responsible for performing the functions of both Chief Executive Officer and Chief Financial Officer of the Company.

A. In accordance with section 295A(2) of the Corporations Act 2001, I declare that for the financial year ended 30 June 2010, in my opinion:

- a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001; and
- b) the financial statements and the accompanying notes to the financial statements of the Company comply with the accounting standards; and
- c) the financial statements and the accompanying notes to the financial statements give a true and fair view of the financial position and of the performance of the Company for the financial year; and
- d) the Company has complied with all other matters prescribed by the regulations in relation to the financial statements and the notes.

B. I also give my assurance that, in accordance with ASX Corporate Governance Principle 7.3, the declaration above is founded on a sound system of risk management and internal control which implements policies adopted by the Board and the company’s risk management and internal compliance control system is operating efficiently and effectively in all material respects in relation to business and financial reporting risks.

Yours sincerely,

Chief Executive Officer



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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