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Consumer and Corporations Division  
The Treasury  
Level 5, 100 Market Street  
SYDNEY NSW 2000

Submitted via email to: [reportingthresholds@treasury.gov.au](mailto:reportingthresholds@treasury.gov.au)

Dear Kate,

**Submission on the Exposure Draft for the Corporations Amendment (Proprietary Company Thresholds) Regulations 2018.**

Thank you for the opportunity to comment on the above Exposure Draft, which we understand is open for public comment until 14 December 2018.

**Background**

Precision Metals Queanbeyans Pty Ltd, a wholly owned subsidiary of Endurance Industries Pty Ltd, is a proudly Australian manufacturer and installer of containment, power and cooling solutions for sizable Australian Data Centres. Being a family-owned and managed business, we make a positive contribution in the lives of our employees and the communities from which they come, through employment, up-skilling and helping to keep the Australian dream alive by being a solid, regional, self-sustaining, capable and competitive metal manufacturing business, servicing significant commercial and government customers.

**Our suggestion / proposal**

We strongly support the Treasury's initiative to increase the thresholds for larger proprietary companies to the levels described in the draft regulations. Nevertheless, we wish to suggest that a minor practical amendment to the proposed regulations be made, in order to avert financial hardship to emerging small and medium businesses such as ours, in a manner that is fully supportive of the objective of the draft regulations. Our rationale for the proposal follows later in this submission.

The substance of the amendment that we suggest is as follows: For those small and medium-sized proprietary businesses that would otherwise for the first time meet the threshold requirements during the financial year ending on 30 June 2019, the effective date for the new thresholds should be set at 1 July 2018. Such a refinement would have a considerable beneficial effect on such businesses, who would otherwise with some degree of certainty be required to sustain and fund an external audit for

one year only, when they will almost certainly on 1 July 2019 immediately again fall below the regulatory thresholds for such activities.

Please note that this proposal does not recommend any retrospective implementation of the regulation itself, but simply suggests a practical expedient in order to address the above self-evident anomaly for first-time Tier 1 companies during the period of consultation and promulgation of the intended regulations. It should be borne in mind (when evaluating potential retrospectivity) that much of the cost burden of an audit would take place only after the end of the financial year (i.e. generally after the new regulation would come into effect, meaning that the impact would also not in fact be substantially retrospective, and is supportive of the apparent objective of the draft regulation).

As an alternative to the above suggestion, a similar cost-saving and lack of retrospectivity argument is also put forward for all those private companies that would from 1 July 2019 no longer meet or exceed the thresholds (in respect only of the year leading up to the implementation date) i.e. any incomplete audit as at 1 July 2019 for such a year need not be completed, as part of the regulation's cost containment objective. Again, this aligns with the objective of the draft regulation.

The benefit and urgency of our proposal is explained as part of our rationale, as explained below.

## **Rationale**

Australia has sizable structural cost-disadvantages in the area in which we operate. These include comparatively significantly higher wages than major direct competitors, a complex regulatory environment and a historic demonstrable decline in mainstream metal manufacturing e.g. following the demise of its domestic motor industry. These challenges make cost-containment, which in a competitive manufacturing business is always a high priority and even a key survival factor, even more critical to our particular business.

Our business has adopted and sustains an aggressive cost-containment philosophy through its adoption of a leading manufacturing mantra in the form of the Toyota Production System, which relentlessly seeks out and addresses waste and inefficiency, and promotes productivity through both skilled human resources and automation. Despite its manufacturing cost challenges, our company invests considerable amounts of money and management attention to compliance activities, for instance through our internal Workplace Health and Safety and Accounting functions, our use of an external Tax Agent to meet our taxation obligations, etc.

As a family owned and managed business we confirm that our internal reporting requirements are adequately met by our current special-purpose financial reports, together with a formal process of provision of detailed information and clarification to our tax agent in order to ensure that we meet the ATO's requirements. We do not expect any significant benefit to ourselves, third parties or the public

at large to flow from the cost and operational impact of meeting the current requirements for one year only. No bankers or third parties have required that further rigour be applied, other than those prescribed by the law and regulations, with which we abide.

**Conclusion**

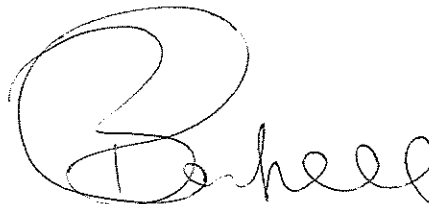
Our suggestion seeks to reduce financial hardship for proprietary companies who would otherwise meet the requirements for the audit and lodgement of financial reports for the first time during the financial period immediately prior to the implementation date of the proposed regulation.

We trust that the insights that we have provided above regarding the business environment in which we operate will be of some assistance, and we hope that our suggestion meets with favourable approval by the Treasury and the Australian Accounting Standards Board. Should you require any further information, please do not hesitate to contact the undersigned.

Yours sincerely,



Gordon Campbell  
**Managing Director**



Robert Campbell  
**Director**