



Australian Government

**Corporations and Markets
Advisory Committee**

CORPORATIONS AND MARKETS ADVISORY COMMITTEE

ANNUAL REPORT
2003–2004

**Corporations and Markets
Advisory Committee**

Annual Report
2003-04

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Australian Government

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8 September 2004

The Hon Peter Costello, MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

I am enclosing for your information and presentation to Parliament the Annual Report for 2003–04 of the Corporations and Markets Advisory Committee.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard St John'.

R A St John
Convenor

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Constitution of the Committee

Functions

The Corporations and Markets Advisory Committee is constituted under Part 9 of the Australian Securities and Investments Commission Act 2001 (the ASIC Act).

Section 148 of the ASIC Act sets out the functions of the Advisory Committee:

CAMAC's functions are, on its own initiative or when requested by the Minister, to advise the Minister, and to make to the Minister such recommendations as it thinks fit, about any matter connected with:

- (a) a proposal to make corporations legislation, or to make amendments of the corporations legislation (other than the excluded provisions); or
- (b) the operation or administration of the corporations legislation (other than the excluded provisions); or
- (c) law reform in relation to the corporations legislation (other than the excluded provisions); or
- (d) companies or a segment of the financial products and financial services industry; or
- (e) a proposal for improving the efficiency of the financial markets.

The Advisory Committee comes under the Treasury Portfolio. In addition to the Treasurer, the Hon Peter Costello, MP, the Parliamentary Secretary to the Treasurer, the Hon Ross Cameron, MP, has responsibility for corporate law matters.

To fulfil its functions, the Advisory Committee undertakes major reviews, resulting in the presentation and publication of reports, and also responds to particular requests from the Minister for advice. Its general practice for major reviews is to invite and consider submissions from interested persons, and the expert advice of its Legal Committee, before settling the

report to the Minister. In other matters where the Minister requires urgent advice, the Advisory Committee prepares a report on the basis of its own deliberations, in consultation with its Legal Committee.

Through consultation and the provision of timely advice to the Minister, the Advisory Committee seeks to ensure that Australian financial markets and corporations operate in a commercial environment of the highest standard, supported by appropriate legislation.

Membership

The Advisory Committee is a body corporate, comprising part-time members appointed by the Minister.

The Chairman of the Australian Securities and Investments Commission is a member of the Committee by virtue of s 147 of the ASIC Act. The other members of the Advisory Committee are appointed to the Committee in their personal capacity by the Minister. They are selected from throughout Australia, following consultation between the Commonwealth and the States, on the basis of their knowledge of, or experience in, business, the administration of companies, the financial markets, financial products and financial services, law, economics or accounting.

The members during 2003–04 were:

- **Richard St John, Convenor (Melbourne).** Richard is Special Counsel to Johnson Winter & Slattery and is a director of ASX Supervisory Review Pty Limited. He has had experience over a number of years in legal, policy and governance roles in the private and public sectors, including as General Counsel of BHP Ltd and as Secretary to the HIH Royal Commission.
- **Elizabeth Boros (Melbourne).** Elizabeth holds the Sir Keith Aickin Chair of Company Law at Monash University and is the author of a book, *Minority Shareholders' Remedies*. She is also a director of ASX Supervisory Review Pty Limited, deputy chairperson and former national chairperson of the E-commerce Committee of the Business Law Section of the Law Council of Australia, and a member of that Section's Corporations Committee.
- **Barbara Bradshaw (Darwin).** Barbara is the Chief Executive Officer of the Law Society of the Northern Territory. She is a lawyer, with an extensive background in private practice and working for government in corporate law and related policy areas and as a regulator.

- **Philip Brown (Perth).** Philip is Emeritus Professor of the University of Western Australia. He has research interests in accounting and finance. Among academics he is best known for his work on financial markets. He is also a consultant to firms in Australia and North America and has appeared as an expert witness in civil and criminal litigation involving financial markets and products. He is an adviser to various organisations on financial and regulatory matters.
- **Berna Collier, Commissioner of ASIC (Brisbane).** Berna was appointed as a Commissioner effective 5 November 2001, and is currently also a member of the Advisory board of AXISS Australia. She was a director of the Australian Prudential Regulation Authority from 5 November 2001 until 30 June 2003. Before joining the Commission, Berna was Clayton Utz Professor of Commercial Law in the Faculty of Law, Queensland University of Technology. She was also Co-Director of the Centre for Commercial and Property Law, Queensland University of Technology, and a consultant with Clayton Utz, Brisbane. Berna has written extensively in the areas of insolvency, corporate and commercial law, and medico-legal practice. She attends Committee meetings as an alternate to the ASIC Chairman, as provided for under s 153(1A), (1B) of the ASIC Act.
- **Greg Hancock (Perth).** Greg is the Managing Director, Hancock Corporate Investments Pty Ltd. He has practised as a stockbroker for 20 years, specialising in capital raisings and corporate activity. He now runs a corporate advisory and corporate finance practice. He is also Chairman of Cooper Energy NL, a publicly listed oil/gas production and exploration company, and is a non-executive Director of Ausquest Ltd, a publicly listed gold and nickel explorer.
- **Merran Kelsall (Melbourne).** Merran is a chartered accountant, company director and consultant, with over 25 years' experience in financial and corporate services. She is also Chairman of the Audit Committee of ASIC and Chairman of the Auditing and Assurance Standards Board.
- **Jeffrey Lucy, Chairman of ASIC (Sydney).** Jeffrey is a Chartered Accountant and experienced financial consultant. He is a Fellow of the Institute of Chartered Accountants in Australia, CPA Australia, the National Institute of Accountants, and the Australian Institute of Company Directors. He has been the Chairman of the Financial Reporting Council and a Managing Partner of PricewaterhouseCoopers, Adelaide.

- **John Maslen (Adelaide).** John is the chief financial officer and company secretary, Michell Australia Pty Ltd. He has over 25 years' experience as a chartered accountant, auditor and tax and business adviser, as well as a company secretary.
- **Louise McBride (Sydney).** Louise is a partner in Deloitte Touche Tohmatsu. She commenced her career with a major international bank before working on corporate and taxation matters for large law firms. She has specialised in tax-based financing for major infrastructure projects and also the taxation treatment of derivative financial products. She was a partner with a major law firm prior to joining Deloitte Touche Tohmatsu as a partner and is now head of the Global Financial Tax practice. She is also a member of the Commonwealth Superannuation Board and the Public Sector Superannuation Board, the Takeovers Panel and the National Portrait Gallery.
- **Marian Micalizzi (Brisbane).** Marian is a chartered accountant, FCA, and director, with expertise in corporate and financial advisory areas. She is a current member of several boards and advisory committees.
- **Ian Ramsay (Melbourne).** Ian is the Harold Ford Professor of Commercial Law at the University of Melbourne, where he is Director of the Centre for Corporate Law and Securities Regulation. He has practised law with firms in New York and Sydney. Other positions Ian currently holds or has previously held include Dean, Faculty of Law, The University of Melbourne, member of the Takeovers Panel, and Head of the Australian Government inquiry on auditor independence. He has published extensively on corporate law issues both internationally and in Australia.
- **Robert Seidler (Sydney).** Robert is a partner in The Seidler Law Firm. He has been practising law for nearly 30 years, including nearly 10 years as a partner of an international firm based in Sydney and Tokyo. He is currently the principal of the Seidler Law Firm. While working in Tokyo, he became the first Australian lawyer licensed to practise foreign law in Japan and was a member of The Ministry of International Trade and Industry Import Board, being appointed by the Japanese Prime Minister to represent Australia and New Zealand. He has been a director of various Australian subsidiaries of international banks and is currently a director of a large institutional property trust and on the board of a listed Australian company.

- **Nerolie Withnall (Brisbane).** Nerolie is a Consultant with Minter Ellison. She began practising law in Darwin in the 1960s and spent 10 years with Minter Ellison as a partner specialising in corporate law. Now retired from practice, she is a director of several public companies and government organisations and a member of the Takeovers Panel.

During 2003–04, the Advisory Committee met 5 times.

The members attended the following number of meetings:

- Richard St John—5
- Elizabeth Boros—4
- Barbara Bradshaw—5
- Philip Brown—5
- Berna Collier—5
- Greg Hancock—4
- Merran Kelsall—4
- John Maslen—2
- Louise McBride—4
- Marian Micalizzi—5
- Ian Ramsay—4
- Robert Seidler—3
- Nerolie Withnall—5.

Audit Committee

The Advisory Committee has an Audit Committee. During 2003–04, it consisted of Marian Micalizzi and Philip Brown.

The Committee met four times in 2003–04, during which it:

- considered a number of internal financial control and audit matters and the relationship with ASIC Finance and the ASIC Audit Committee
- liaised with the Australian National Audit Office concerning its external audit arrangements for the Advisory Committee.

Legal Committee

The Advisory Committee, under s 154 of the ASIC Act, may inform itself in such manner as it sees fit. Pursuant to that provision, the Legal Committee of the Advisory Committee was formally established in September 1991. Its function is to provide expert legal analysis, assessment and advice to the Advisory Committee in relation to such matters as are referred to it by the Advisory Committee.

The members of the Legal Committee are appointed in their personal capacity by the Minister. They are selected from throughout Australia, following consultation between the Commonwealth and the States, on the basis of their expertise in corporate law.

The members during 2003–04 were:

- **Nerolie Withnall, Convenor (Brisbane).** Nerolie is a consultant with Minter Ellison. She began practising law in Darwin in the 1960s and spent 10 years with Minter Ellison as a partner specialising in corporate law. Now retired from practice, she is a director of several public companies and government organisations and a member of the Takeovers Panel.
- **Elsbeth Arnold (Melbourne).** Elspeth is a partner with Blake Dawson Waldron. She is a corporate lawyer who practises primarily in mergers and acquisitions, joint ventures, capital raisings and ‘head office’ advice.
- **Ashley Black (Sydney).** Ashley is a partner with Mallesons Stephen Jaques. He specialises in securities and financial services law and enforcement and commercial litigation. He is joint author of books dealing with securities industry law and the Corporate Law Economic Reform Program Act, and lectures in postgraduate courses at the University of Sydney and the University of New South Wales.
- **Elizabeth Boros (Melbourne).** Elizabeth holds the Sir Keith Aickin Chair of Company Law at Monash University and is the author of a book, *Minority Shareholders’ Remedies*. She is also a director of ASX Supervisory Review Pty Limited, deputy chairperson and former national chairperson of the E-commerce Committee of the Business Law Section of the Law Council of Australia, and a member of that Section’s Corporations Committee.

- **Suzanne Corcoran (Adelaide).** Suzanne is a Professor of Law at Flinders University and Professorial Fellow, Australian National University, Canberra. She has more than 20 years' experience as a barrister and solicitor in the private sector and has published widely in the field of corporate law, including corporate governance. She has also worked as a consultant to the Auditor-General of South Australia and other government departments and agencies. She is a member of several government and company boards.
- **Damian Egan (Hobart).** Damian is a partner with Murdoch Clarke. He is a commercial law partner and President of the Retirement Benefits Fund Board (Tasmania). He is a member of several Boards and a member of the Faculty of Accounting and Commerce at the University of Tasmania.
- **Brett Heading (Brisbane).** Brett is a partner with McCullough Robertson. He is an experienced corporate lawyer in capital raising and takeovers. He is also experienced at board level and is presently a director of two listed public companies. He is a member of the Takeovers Panel.
- **Jennifer Hill (Sydney).** Jennifer is a Professor of Law at the University of Sydney. She teaches, and has written widely, in corporate law and corporate governance, and has been a Visiting Professor at a number of US law schools, including the University of Virginia, the University of Texas at Austin and Vanderbilt University.
- **Francis Landels (Perth).** Francis was chief legal counsel, Wesfarmers Ltd. He is a Barrister and Solicitor of the Supreme Court of Western Australia, a Solicitor of the High Court of Australia and a Public Notary. He was for many years the Chief Legal Counsel of Wesfarmers Ltd. Francis has been a director of a number of companies and continues to be a director of the Opera Company of Western Australia.
- **Duncan Maclean (Perth).** Duncan is a special counsel with Minter Ellison. He has acted for both government and private sector clients in major commercial transactions and projects. His practice is generally focused on commercial and corporate advisory work. He advises in the areas of corporate governance, regulatory compliance, structuring of projects and new ventures, e-commerce and information technology and private investment in infrastructure projects.

- **Laurie Shervington (Perth).** Laurie is a partner with Minter Ellison. He has practised in corporate and business law for over 30 years. He has Board experience at listed and large proprietary company level and presents to industry and professional groups in Western Australia on the operation of the Corporations Act and the ASIC Act.
- **Anne Trimmer (Canberra).** Anne is a partner with Minter Ellison. She is Immediate Past President of the Law Council of Australia. She practises in information technology and corporate governance, particularly for government clients. She is a member of several boards and advisory committees in the university and technology sectors. Her term expired on 8 October 2003.
- **Gary Watts (Adelaide).** Gary is a partner with Fisher Jeffries. He is a corporate lawyer in private practice and deals primarily with shareholder and board issues, mergers and acquisitions and restructurings. He is a past National Chair of the Corporations Committee of the Law Council of Australia and a member of the Boards of the Helpmann Academy for the Visual and Performing Arts and the Metropolitan Domiciliary Care Service.

During 2003–04, the Legal Committee met 6 times. However, the terms of some members did not cover the entire year, in which case the number of meetings they were eligible to attend is also shown.

The members attended the following number of meetings:

- Nerolie Withnall—6
- Elspeth Arnold—2
- Ashley Black—4
- Elizabeth Boros—5
- Suzanne Corcoran—4
- Damian Egan—4 of 4
- Brett Heading—3 of 4
- Jennifer Hill—4
- Francis Landels—4 of 4
- Duncan Maclean—5
- Laurie Shervington—3 of 4
- Anne Trimmer—1 of 2
- Gary Watts—5 of 5.

The Advisory Committee values the advice of the Legal Committee and thanks its members for their contribution.

Executive

During 2003–04, the Advisory Committee had a full-time Executive of three officers, being John Kluver (Executive Director), Vincent Jewell (Deputy Director) and Thaumani (Timmi) Parrino (Executive Assistant).

John Kluver prepared and presented various seminar papers on insider trading.

Vincent Jewell prepared a paper on the rehabilitation of large and complex enterprises and presented it at seminars in Sydney, Melbourne and Brisbane. In addition, he prepared for publication ‘CAMAC corporate recovery discussion paper’ (2003) 4 *Insolvency Law Bulletin* 59.

The Advisory Committee thanks the Executive for all its support. The Executive carries out research, liaises with interested organisations and individuals and prepares, on the basis of the Committee’s deliberations, draft papers and other material for the Committee’s consideration.

Coordination with other bodies

The Advisory Committee, through its Executive, keeps in touch with officers of the Commonwealth Treasury, ASIC and other relevant bodies. Representatives of Treasury attend Advisory Committee and Legal Committee meetings, at the invitation of the Committees. The Committees appreciate the cooperation shown by these officers throughout the year. A senior officer of ASIC also attends Legal Committee meetings, at that Committee’s invitation.

The Advisory Committee thanks ASIC and its officers for the administrative support they provide. In particular, the Advisory Committee thanks the officers of the Finance Section of ASIC in Sydney for their assistance in administering the accounts of the Committee and preparing the annual financial statements, the officers of the Payroll Section in Brisbane for their assistance in administering the sitting fees for members and salary and entitlements for officers of the Executive, the officers of the ASIC Library for their assistance in the research work of the Executive and the ASIC information technology officers for their assistance with computer equipment.

Reporting requirement

The Advisory Committee is a Commonwealth authority within the meaning of s 7 of the Commonwealth Authorities and Companies Act 1997 and is therefore required under s 9 of that Act to prepare an annual report to the responsible Minister.

Contact details

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www.camac.gov.au

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Outcome for 2003–04

The Advisory Committee published a Discussion Paper on *Rehabilitating Large And Complex Enterprises in Financial Difficulties* (September 2003) and reports on *Insider Trading* (November 2003) and *Directors and Officers Insurance* (June 2004). The Committee also worked on other aspects of its directors' duties reference and has commenced consideration of a reference arising from the report of the HIH Royal Commission.

Advisory Committee publications are available on the Advisory Committee website, www.camac.gov.au.

1. Insider trading

The Advisory Committee published its *Insider Trading Report* in November 2003. The report recommended changes to strengthen and clarify Australia's insider trading laws so that they achieve their objectives more effectively, while adjusting those laws to the different circumstances of various financial markets.

The report is divided into four chapters.

Chapter 1. Matters that should change

The Advisory Committee made a number of recommendations to reinforce the insider trading legislation and related disclosure requirements and to overcome some apparent anomalies. A key recommendation is to strengthen the requirements for directors of listed public companies to notify the ASX of trading in their own companies' securities. On two other matters, relating to the definition of generally available information and the exercise of option rights, there is a majority and minority position.

Chapter 2. Carve-outs

The majority recommended carve-outs from the insider trading provisions for various securities issues, buy-backs, individual placements and transactions under non-discretionary trading plans.

Chapter 3. Matters that should not change

The Advisory Committee supported retaining the existing law and practice in various areas that it considered are soundly based in principle and are working satisfactorily, including the current broad-based definition of who is an insider and the absence of any requirement to prove that insiders used the inside information of which they were aware.

Chapter 4. Application to different financial markets

The Advisory Committee considered the extended application of the insider trading provisions since March 2002 to financial products and financial markets. The majority supported focusing the insider trading prohibition on information that the market expects should be disclosed to all participants on an equal basis. In consequence of tightening the ambit of this prohibition, a new simplified test of when information is ‘generally available’ could be introduced. The minority considered that the current law should not be changed. Instead, any identified problems should be dealt with by specific defences or carve-outs for particular markets or products.

2. Directors and officers insurance

Ambit of the review

The Advisory Committee reviewed the availability in the Australian market of insurance cover for the personal liability of directors and officers of corporations, commonly referred to as D&O insurance.

The review was undertaken in the context of a broader and continuing inquiry by the Advisory Committee in response to a reference from the then Parliamentary Secretary to the Treasurer, Senator the Hon Ian Campbell, into aspects of directors’ duties and personal liability. Senator Campbell asked the Advisory Committee to examine amongst other questions the impact of directors’ liability on the availability of professional indemnity insurance and the consequences of rising insurance premiums.

The report

The Advisory Committee completed its report *Directors and Officers Insurance* in June 2004. The Committee took into account information provided by market intermediaries and commentators, as well as surveys of the views of directors and the level of take-up of D&O insurance by listed entities.

On the basis of these inquiries, the Advisory Committee concluded that:

- the market for D&O insurance has tightened in recent years. The number of insurers and the capacity of the market have declined, insurers have placed greater limitations on the coverage of policies offered and premiums have increased markedly, though the rate of increase may be levelling out
- insurers are influenced by general market factors as well as those of particular relevance to applicants in deciding whether to provide cover in a particular case and on what terms. Particular changes in legal and regulatory regimes affecting corporate officeholders do not appear directly to influence coverage and availability of D&O insurance, though these developments all contribute to insurers' appreciation of D&O risk and their appetite for that line of business
- most listed companies currently take out some form of D&O cover, though there is an indication that some companies may have reduced their cover in an effort to contain the increasing costs of D&O insurance
- start-up and other small to medium enterprises, and companies in higher risk sectors, have more difficulty in obtaining cover than more established companies in stable sectors
- while the availability of D&O insurance is a relevant factor in considering the personal liability of directors and other officers and the extent to which they can mitigate relevant risks, it does not provide protection for all or unqualified protection for those who do have cover.

3. Rehabilitating large and complex enterprises

Terms of reference

The then Parliamentary Secretary to the Treasurer, Senator Ian Campbell, referred the matter of rehabilitating large and complex enterprises to the Advisory Committee. Senator Campbell asked the Advisory Committee to consider and report on the following questions.

- Are there particular difficulties in applying the voluntary administration provisions in Part 5.3A of the Corporations Act to large and complex enterprises?

- If so, could the Committee recommend the most appropriate course of action to deal with those difficulties? This could include:
 - particular changes to Part 5.3A to accommodate better large corporate rehabilitation cases;
 - particular changes to the rarely used scheme of arrangement provisions in Part 5.1 of the Corporations Act to accommodate large corporate rehabilitation cases;
 - a new system for corporate rehabilitation, along the lines of Chapter 11 of the United States Bankruptcy Act; or
 - any other action that the Advisory Committee considers appropriate.

Discussion Paper

The Advisory Committee published a Discussion Paper on *Rehabilitating large and complex enterprises in financial difficulties* in September 2003. In it, the Committee noted that giving large and complex enterprises that are in serious financial difficulties a realistic opportunity to resolve their problems and continue in business rather than go into liquidation may benefit creditors, employees, suppliers, customers and shareholders.

The Discussion Paper examined various principles, procedures and policy options to assist the process of corporate recovery. It was divided into three chapters.

Chapter 1. Principles for effective corporate rehabilitation

The paper compared key aspects of the Australian voluntary administration and the United States Chapter 11 corporate recovery procedures and, where relevant, the UK corporate recovery procedure, according to how they:

- encouraged companies to take early remedial action
- encouraged companies to negotiate with their major creditors
- assisted ongoing financing of companies during rehabilitation
- provided a rehabilitation timetable adjustable to the needs of particular companies
- provided methods to deal with enterprises structured as corporate groups.

The chapter also contained a table that summarised key similarities and differences between the US and Australian procedures.

Chapter 2. Voluntary administration

The paper discussed a range of issues arising from the use of voluntary administration for large and complex enterprises. It took into account recent experience in Australia with the Ansett and Pasminco administrations, as well as provisions and initiatives in the US, UK and Canadian corporate recovery procedures that could be accommodated within Part 5.3A.

Chapter 3. Creditors' schemes of arrangement

The paper outlined the key features of creditors' schemes of arrangement, compared them with US Chapter 11 and the VA provisions, discussed the use of schemes of arrangement for corporate rehabilitation and raised for discussion whether any legislative changes could be made to assist this process.

Progress of the review

The Advisory Committee called for submissions on its Discussion Paper by December 2003. The Committee has since reviewed submissions received in the context of preparing its report. The Committee expects to complete its report in second half of 2004.

4. Directors' duties

Terms of reference

The then Parliamentary Secretary to the Treasurer, Senator Ian Campbell, referred various aspects of directors' duties and related matters to the Advisory Committee for consideration and advice. In so doing, he noted that duties being imposed on directors by various Commonwealth, State and Territory legislation might result in inconsistent compliance burdens and increased costs for business. He said that the Advisory Committee's consideration of the personal liability of directors, whether at common law or under statute, could include whether this potential liability would result in a disincentive for:

- persons to accept or continue to hold directorships, or
- directors to engage in entrepreneurial but responsible risk taking.

Progress to date

The Advisory Committee has examined legislation in different Australian jurisdictions that imposes different grounds of liability, and provides different defences, for directors for comparable behaviour. Lack of uniformity can result in directors being exposed to potential liability in one jurisdiction, but not in another. This may also increase the cost of doing business, including adjusting due diligence systems for the different requirements in each jurisdiction.

The Advisory Committee is continuing its work and expects to release one or more papers on directors' duties in 2004–05.

5. HIH Royal Commission report reference

The Parliamentary Secretary to the Treasurer, Ross Cameron, MP, in April 2004 referred to the Advisory Committee aspects of Recommendation 2 of the HIH Royal Commission report. That recommendation included redefining, according to function rather than formal position, the class of persons who are subject to fiduciary duties under Chapter 2D of the Corporations Act and extending the class of persons who are prohibited from acting dishonestly in regard to the company.

The Parliamentary Secretary requested the Committee to consider and report on the following matters:

- does the approach taken by the law (incorporating the CLERP Act 2004 amendments) clearly and adequately impose sufficient duties on persons other than directors, particularly in the case of complex corporate structures where high-level decision making may be performed by so-called 'middle management'?
- is the definition of a wider class of personnel by reference to the term 'employee' and the potential exclusion of consultants and independent contractors problematic?
- are there particular difficulties with the application of the current provisions to corporate groups?

The Advisory Committee has commenced its review of these matters.

Past reports

The Advisory Committee has submitted to the Government the following reports (in addition to earlier discussion papers on these matters), all of which are available on the CAMAC Website:

- Directors and Officers Insurance (June 2004)
- Insider Trading (November 2003)
- Retail Client Compensation in Financial Markets (September 2001)
- Charges over Uncertificated Securities (April 2001)
- Sections 181 and 189 of the Corporations Law (October 2000)
- Qualifications and Experience for Secretaries of Public Companies (August 2000)
- Shareholder Participation in the Modern Listed Public Company (Company Meetings) (June 2000)
- Corporate Groups (May 2000)
- Jurisdictional Legal Risk for Collateral Securities (May 2000)
- Liability of Members of Managed Investment Schemes (March 2000)
- Compulsory Acquisitions (March 2000)
- Compulsory Acquisitions and Buy-outs (March 1999)
- Reform of ss 621(4) and 623(2) and (3) of the Corporate Law Economic Reform Program Bill 1998 (December 1998)
- Corporate Voluntary Administration (June 1998)
- Netting in Financial Markets Transactions (June 1997)
- Regulation of On-exchange and OTC Derivatives Markets (June 1997)

- Review of Continuous Disclosure (November 1996)
- Compulsory Acquisitions (January 1996)
- Law of Derivatives: An International Comparison (January 1995)
- Anomalies in the Takeovers Provisions of the Corporations Law (March 1994)
- Collective Investments: Other People’s Money (September 1993) (in conjunction with the Australian Law Reform Commission)
- Statutory Derivative Actions (July 1993)
- Collective Investments: Superannuation (March 1992) (in conjunction with the Australian Law Reform Commission)
- Prospectus Law Reform (March 1992)
- Company Directors and Officers: Indemnification, Relief and Insurance (February 1992)
- An Enhanced Statutory Disclosure System (September 1991)
- Related Party Financial Transactions (July 1991).

Implementation of proposals

Subsection 249X(1A) of the Corporations Act, introduced in 2004, implements Recommendation 12 of the Advisory Committee report *Shareholder Participation in the Modern Listed Public Company* (June 2000) that shareholders should be able to appoint a body corporate as a proxy.

Paragraph 300(10)(d) of the Corporations Act, also introduced in 2004, implements the recommendation in the Advisory Committee report *Qualifications and Experience for Secretaries of Public Companies* (August 2000) that public companies be required to disclose the qualifications and experience of their company secretaries.

Date and signing of Report

This Annual Report is signed by the Convenor, Richard St John, on behalf of the Advisory Committee members, who are responsible for its preparation and content.

A handwritten signature in black ink, appearing to read 'Richard St John', with a long horizontal flourish extending to the right.

Richard St John
Convenor
8 September 2004



INDEPENDENT AUDIT REPORT

To the Treasurer

Matters relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements published in both the annual report and on the website of the Corporations and Markets Advisory Committee for the year ended 30 June 2004. The members of the Corporations and Markets Advisory Committee are responsible for the integrity of both the annual report and its web site.

The audit report refers only to the financial statements, schedules and notes named below. It does not provide an opinion on any other information, which may have been hyperlinked to/from, the audited financial statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements in the Corporations and Markets Advisory Committee's annual report.

Scope

The financial statements comprise:

- Statement by Members;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements

of the Corporations and Markets Advisory Committee for the year ended 30 June 2004.

The Members of the Corporations and Markets Advisory Committee are responsible for the preparation and true and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of

internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Corporations and Markets Advisory Committee's financial position, and of its performance, as represented by the statements of financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Members.

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate Australian professional ethical pronouncements.

Audit Opinion

In my opinion, the financial statements:

- (i) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and applicable Accounting Standards; and
- (ii) give a true and fair view, of the matters required by applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the Finance Minister's Orders, of the financial position of the Corporations and Markets Advisory Committee as at 30 June 2004, and of its performance and cash flows for the year then ended.

Australian National Audit Office



P Hinchey
Senior Director

Delegate of the Auditor-General
Sydney
31 August 2004

**CORPORATIONS AND MARKETS ADVISORY
COMMITTEE**

FINANCIAL STATEMENTS
for the year ended 30 June 2004

STATEMENT BY MEMBERS

In our opinion, the attached financial statements for the year ended 30 June 2004 have been prepared based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Corporations and Markets Advisory Committee will be able to pay its debts as and when they become due and payable.



Philip Brown
Member
30 August 2004



Marian Micalizzi
Member
30 August 2004

CORPORATIONS AND MARKETS ADVISORY COMMITTEE
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2004

	Note	2004 \$	2003 \$
REVENUE			
Revenues from ordinary activities			
Revenues from Government	5	856,000	878,000
Interest	4(a)	34,340	45,803
Revenue from sale of asset	4(b)	-	100
Revenues from ordinary activities		<u>890,340</u>	<u>923,903</u>
EXPENSE			
Expenses from ordinary activities			
Employees	6(a)	502,406	425,904
Suppliers	6(b)	400,743	332,830
Depreciation and amortisation	6(c)	12,026	11,186
Expenses from ordinary activities		<u>915,175</u>	<u>769,920</u>
Operating surplus/(deficit)	11, 12	<u>(24,835)</u>	<u>153,983</u>
Total changes in equity other than those resulting from transactions with the Australian Government as owner		<u>(24,835)</u>	<u>153,983</u>

The above statement should be read in conjunction with the accompanying notes.

**CORPORATIONS AND MARKETS ADVISORY COMMITTEE
STATEMENT OF FINANCIAL POSITION**

as at 30 June 2004

	Note	2004 \$	2003 \$
ASSETS			
Financial assets			
Cash	7(a)	659,174	753,389
Receivables	7(b)	15,624	7,176
Total financial assets		<u>674,798</u>	<u>760,565</u>
Non-financial assets			
Leasehold improvements	8(a)	3,659	1,602
Plant and equipment	8(b)	82,483	81,645
Intangibles	8(c)	401	609
Other	8(f)	15,608	15,714
Total non-financial assets		<u>102,151</u>	<u>99,570</u>
TOTAL ASSETS		<u>776,949</u>	<u>860,135</u>
LIABILITIES			
Provisions			
Capital use charge		-	71,828
Employees	9	169,606	152,607
Total provisions		<u>169,606</u>	<u>224,435</u>
Payables			
Suppliers	10	14,284	17,806
Total payables		<u>14,284</u>	<u>17,806</u>
TOTAL LIABILITIES		<u>183,890</u>	<u>242,241</u>
NET ASSETS		<u>593,059</u>	<u>617,894</u>
EQUITY			
Parent entity interest			
Reserves	11	10,144	10,144
Accumulated surplus	11	582,915	607,750
Total parent entity interest		<u>593,059</u>	<u>617,894</u>
TOTAL EQUITY		<u>593,059</u>	<u>617,894</u>
Current assets		690,406	776,279
Non-current assets		86,543	83,856
Current liabilities		82,124	147,131
Non-current liabilities		101,766	95,110

The above statement should be read in conjunction with the accompanying notes.

CORPORATIONS AND MARKETS ADVISORY COMMITTEE
STATEMENT OF CASH FLOWS
for the year ended 30 June 2004

	Note	2004 \$	2003 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations	5	856,000	878,000
Interest		33,963	45,562
GST recovered from ATO		41,196	45,824
Total cash received		<u>931,159</u>	<u>969,386</u>
Cash used			
Employees		(485,407)	(411,693)
Suppliers		(453,426)	(390,216)
Total cash used		<u>(938,833)</u>	<u>(801,909)</u>
Net cash from operating activities	12	<u>(7,674)</u>	<u>167,477</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of property, plant & equipment		-	100
Total cash received		<u>-</u>	<u>100</u>
Cash used			
Purchase of property, plant & equipment	8(d)	(14,713)	(14,107)
Total cash used		<u>(14,713)</u>	<u>(14,107)</u>
Net cash used by investing activities		<u>(14,713)</u>	<u>(14,007)</u>
FINANCING ACTIVITIES			
Cash used			
Capital use charge paid		(71,828)	(42,731)
Total cash used		<u>(71,828)</u>	<u>(42,731)</u>
Net cash used by financing activities		<u>(71,828)</u>	<u>(42,731)</u>
Net increase/(decrease) in cash held			
Cash at the beginning of the reporting period		753,389	642,650
Cash at the end of the reporting period	7(a)	<u>659,174</u>	<u>753,389</u>

The above statement should be read in conjunction with the accompanying notes.

**CORPORATIONS AND MARKETS ADVISORY COMMITTEE
SCHEDULE OF COMMITMENTS**

as at 30 June 2004

	Note	2004 \$	2003 \$
By type			
Other commitments			
Operating leases	(a)	<u>712,409</u>	<u>1,000,999</u>
Total other commitments		<u>712,409</u>	<u>1,000,999</u>
Commitments receivable	(b)	<u>(64,764)</u>	<u>(91,000)</u>
Net commitments		<u>647,645</u>	<u>909,999</u>
By maturity			
Operating lease commitments			
One year or less		149,097	161,845
From one to five years		<u>563,312</u>	<u>839,154</u>
Operating lease commitments		<u>712,409</u>	<u>1,000,999</u>
Net commitments			
One year or less		135,543	147,132
From one to five years		<u>512,102</u>	<u>762,867</u>
Net commitments		<u>647,645</u>	<u>909,999</u>

Note:

(a) Operating leases included are effectively non-cancellable and comprise:

<i>Nature of lease</i>	<i>General description of leasing arrangements</i>
Leases for office accommodation	. Subject to annual 4% increase
Motor Vehicle - senior executive	. No contingent rentals exist . There are no purchase options available to CAMAC
Office equipment	. No contingent rentals exist . There are no purchase options available to CAMAC

(b) Commitments receivable consist of GST recoverable in respect of operating leases. All commitments are GST inclusive.

The above statement should be read in conjunction with the accompanying notes.

CORPORATIONS AND MARKETS ADVISORY COMMITTEE
SCHEDULE OF CONTINGENCIES
as at 30 June 2004

Contingent liabilities

There were no quantifiable contingent liabilities as at 30 June 2004 (2003: nil).

Contingent assets

There were no quantifiable contingent assets as at 30 June 2004 (2003: nil).

Unquantifiable contingent liabilities

There were no unquantifiable contingent liabilities as at 30 June 2004 (2003: nil).

Unquantifiable contingent assets

There were no unquantifiable contingent assets as at 30 June 2004 (2003: nil).

The above schedule should be read in conjunction with the accompanying notes.

CORPORATIONS AND MARKETS ADVISORY COMMITTEE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

Note description

1. Summary of significant accounting policies
2. Adoption of AASB equivalents to International Financial Reporting Standards from 2005–06
3. Economic dependency
4. Operating revenue
5. Appropriations
6. Operating expenses
7. Financial assets
8. Non-financial assets
9. Provisions
10. Payables
11. Equity
12. Cash flow reconciliation
13. Related party disclosures
14. Remuneration of members and executives
15. Auditor's remuneration
16. Average staffing levels
17. Financial instruments
18. Events occurring after reporting date
19. Reporting of Outcomes
20. Appropriations

1. Summary of significant accounting policies

(a) Basis of accounting

The financial statements are required by clause 1(B) of Schedule 1 to the Commonwealth Authorities and Companies Act 1997 (CAC Act) (referred to as Schedule 1 in this financial report) and are a general purpose financial report.

The statements comply with:

- accounting standards and accounting interpretations that apply for the reporting period issued by:
 - (i) the Australian Accounting Standards Board (established under section 226 of the Australian Securities and Investments Commission Act 2001); and
 - (ii) the former Public Sector Accounting Standards Board, unless superseded by standards and interpretations of the Australian Accounting Standards Board.
- the Consensus Views issued by the Urgent Issues Group (UIG) that apply for the reporting period.

The statements have been prepared having regard to:

- the Explanatory Notes to Schedule 1;
- the Estimates Memoranda, Finance Briefs, Finance Circulars, Financial Management Guidelines and other guidance/policies issued by the Department of Finance and Administration; and
- the Statements of Accounting Concepts.

The financial statements for the Corporations and Markets Advisory Committee (CAMAC) have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position of CAMAC.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Assets

and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets, which are unrecognised, are reported in the Schedule of Commitments and the Schedule of Contingencies.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when a flow or consumption or loss of economic benefits has occurred and can be reliably measured.

(b) Changes in accounting policy

Changes in accounting policy have been identified in this note under their appropriate headings.

(c) Reporting of Outcomes

CAMAC's financial result reported in the context of the Government's outcomes and outputs framework is disclosed in Note 19.

Any intra-government costs included in the figure 'net cost to Budget outcomes' are eliminated in calculating the actual budget outcome for the Government overall.

(d) Revenue

Revenues from Government—Output Appropriations

The full amount of the appropriation for departmental outputs for the year is recognised as revenue.

Going Concern

CAMAC is a statutory body and prepares its accounts on a going concern basis, which assumes that it is able to extinguish its liabilities as they arise through the normal level of appropriations it receives from Government.

(e) Other revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the disposal of non-current assets is recognised when control of the asset has passed to the buyer.

(f) Employee benefits

The provision for employee benefits includes a provision for annual leave, long service leave and accrued employer superannuation contributions. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of CAMAC is estimated to be less than the annual entitlement for sick leave.

The liability for annual leave reflects the value of total annual leave benefits of all employees at 30 June 2004 and is recognised at its nominal amount. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability, in accordance with the provisions of Accounting Standard AASB 1028.

The provision for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2004. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

(g) Superannuation

CAMAC employees are covered under the Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation Scheme (PSS). Details of superannuation payments are disclosed in Note 6(a).

(h) Leases

No finance leases existed during the financial year. All leased assets have been classified as operating leases, as substantially all the risks and benefits incidental to the ownership of the leased assets remain with the lessor.

Operating lease payments are charged to expense on a basis which is representative of the pattern of benefits derived from the leased assets.

(i) Cash

For the purpose of the Statement of Cash Flows, cash includes deposits held at call with a bank.

(j) Taxation

CAMAC is exempt from all forms of taxation with the exception of fringe benefits tax and the goods and services tax (GST).

(k) Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost on acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

(l) Leasehold improvements, plant and equipment

Asset recognition threshold

Purchases of leasehold improvements, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$1,000, which are expensed in the year of acquisition. The \$1,000 threshold was selected because it facilitates efficient asset management and recording without materially affecting asset values recognised. Items of leasehold improvements, plant and equipment acquired free of charge or for a nominal charge are recognised initially at their fair value.

Revaluations—Basis

Leasehold improvements and plant and equipment are carried at valuation. Revaluations undertaken up to 30 June 2002 were made on a deprival basis; revaluations from that date will be at fair value. This change in accounting policy is required by Australian Accounting Standard AASB 1041 Revaluation of Non-Current Assets.

Under both deprival and fair value, assets which are surplus to requirements are measured at their net realisable value.

Revaluations—Frequency

Leasehold improvements, plant and equipment are revalued progressively in successive 3-year cycles.

Revaluations have been implemented as follows:

- leasehold improvements were revalued in full during the 2001–02 financial year, using the deprival method of valuation;
- plant and equipment assets were revalued in full during the 2001–02 financial year, using the deprival method of valuation.

Assets in each class acquired after the commencement of the year of the revaluation are not captured by revaluation undertaken in that year.

Any assets which would not be replaced or are surplus to requirements are valued at net realisable value. At 30 June 2004, CAMAC had no assets in this situation.

Revaluations—Conduct

Revaluations of leasehold improvements and plant and equipment other than library books were independently performed by the Australian Valuation Office. Library books are revalued in accordance with the CAMAC revaluation policy, as described in the Office Procedures Manual.

Impairment of non-current assets

Non-current assets carried at up-to-date fair value at the reporting date are not subject to impairment testing.

Non-current assets carried at cost or deprival value and held to generate net cash inflows have been tested for their recoverable amounts at the reporting date. The test compared the carrying amounts against the net present value of future net cash inflows. At 30 June 2004 CAMAC did not have any assets in this category, and no write-down to recoverable amount was required (2003: nil).

The non-current assets carried at cost or deprival value, which are not held to generate net cash inflows, have been assessed for indications of impairment. Where indications of impairment exist, the carrying amount of the asset is compared to its net selling price and depreciated replacement cost and is written down to the higher of the two amounts.

Depreciation and amortisation

Depreciable plant and equipment assets (including library books) are written down to their estimated residual values over their estimated useful lives to CAMAC using, in all cases, the straight-line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation/amortisation rates (useful lives) and methods are reviewed at each balance date and necessary adjustments are recognised in the current reporting period or current and future reporting periods, as appropriate.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

	2004	2003
Leasehold improvements	Lease term	Lease term
Plant and equipment	2 to 50 years	2 to 50 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 6(c).

(m) Intangible assets—computer software

Purchased software

Purchased software is included in non-financial assets, and is classified under Intangibles. Where substantial installation/implementation costs are incurred and can be reliably measured, these costs are added to the purchase price to arrive at the initial value, otherwise the purchase price is used.

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of software is 5 years (2003: 5 years).

(n) Receivables

CAMAC's receivables comprise amounts expected to be received from operating revenue. A provision for doubtful debts is not considered necessary.

(o) Financial instruments

Accounting policies in relation to financial instruments are disclosed in Note 17.

(p) Rounding

Amounts have been rounded to the nearest dollar.

(q) Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in these financial statements.

(r) Insurance

CAMAC has insured for certain risks through the Government's insurable risk managed fund, Comcover. Workers compensation is insured through Comcare Australia.

2. Adoption of AASB equivalents to International Financial Reporting Standards from 2005–06

The Australian Accounting Standards Board has issued replacement Australian Accounting Standards to apply from 2005–06. The new standards are the Australian Equivalents to International Financial Reporting Standards (AEIFRS) which are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005–06, but continue to apply in the meantime.

The purpose of issuing AEIFRS is to enable Australian entities reporting under the Corporations Act 2001 to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards more widely used overseas.

It is expected that the Finance Minister will continue to require compliance with the Accounting Standards issued by the AASB, including the AEIFRS, in his Orders for the Preparation of Agency financial statements for 2005–06 and beyond.

The Australian Equivalents contain certain additional provisions that will apply to not-for-profit entities, including CAMAC. Some of these provisions are in conflict with the IFRS and therefore CAMAC will only be able to assert compliance with the AEIFRS.

Existing AASB standards that have no IFRS equivalent will continue to apply.

Accounting Standard AASB 1047 Disclosing the impact of Adopting Australian Equivalents to IFRS requires that the financial statements for 2003–04 disclose:

- an explanation of how the transition to the Australian Equivalents is being managed, and
- a narrative explanation of the key differences in accounting policies arising from the transition.

The purpose of this Note is to make these disclosures.

Management of the transition to AEIFRS

CAMAC has taken the following steps in preparation for the implementation of AEIFRS.

- The Audit Committee is overseeing the transition to and implementation of the AEIFRS on behalf of CAMAC.
- Consultants will be engaged where necessary to assist CAMAC in determining the nature and extent of major accounting and disclosure changes.
- To date, all major accounting and disclosure differences have been identified.

CAMAC does not anticipate that any changes to financial systems will be required to enable compliance with AEIFRS.

Major changes in accounting policy

Changes in accounting policies under AEIFRS are applied retrospectively i.e. as if the new policy had always applied. This rule means that a balance sheet prepared under the AEIFRS must be made as at 1 July 2004, except as permitted in particular circumstances by AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. This will also enable the 2005–06 financial statements to report comparatives under AEIFRS.

Changes to major accounting policies are discussed in the following paragraphs.

Property, plant and equipment

It is expected that the Finance Minister's Orders will require property, plant and equipment assets carried at valuation in 2003–04 to be measured at up-to-date fair value from 2005–06. This differs from the current accounting policies for these assets which, up to and including 2003–04, have been revalued progressively over a 3-year cycle and which currently include assets at cost (for purchases since the commencement of a cycle) and at deprival value (which will differ from their fair value to the extent that they have been measured at depreciated replacement cost when a relevant market selling price is not available).

It is important to note that the Finance Minister's Orders currently require these assets to be measured at up-to-date fair value as at 30 June 2005. Further, the transitional provisions in AASB 1 will mean that the values at which assets are carried at 30 June 2004 under existing standards will stand in the transitional balance sheet as at 1 July 2004.

It is expected that the adoption of AEIFRS will not result in a material restatement of property, plant and equipment values.

Impairment of non-current assets

CAMAC's policy on impairment of non-current assets appears at Note 1(l).

Under AEIFRS, these assets will be subject to an assessment for impairment and, if there are indications of impairment, measurement of any impairment. (Impairment measurement must also be done, irrespective of any indications of impairment, for intangible assets not yet available for use). The impairment test is that the carrying amount of an asset must not exceed the greater of (a) its fair value less costs to sell and (b) its value in use. 'Value in use' is net of the depreciated replacement cost for other assets which would be replaced if CAMAC were deprived of them.

The most significant change is that the recoverable amount is only generally to be measured where there is an indication of impairment, and that assets carried at up-to-date fair value may nevertheless be required to be written down if costs to sell are significant. As CAMAC currently recognises asset impairment, this requirement is not expected to result in a significant restatement of asset values.

3. Economic dependency

CAMAC is controlled by the Commonwealth of Australia. Accordingly, CAMAC is dependent on appropriations from the Parliament of the Commonwealth for its continued existence and ability to carry out its normal activities and functions as set out in s148 of the *Australian Securities and Investments Commission Act 2001*.

	Note	2004	2003
		\$	\$

4. Operating Revenue

(a) Interest

Bank interest		<u>34,340</u>	<u>45,803</u>
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(b) Revenue from sale of assets

Plant and equipment		<u>–</u>	<u>100</u>
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5. Appropriations

Appropriation Act No.1 Operating Expenditure		856,000	878,000
Total		<u>856,000</u>	<u>878,000</u>

6. Operating expenses

(a) Employees

Salaries		408,249	345,502
Superannuation	(i)	57,464	44,226
Leave and other entitlements		<u>34,767</u>	<u>34,646</u>
Total employees benefits expense		500,480	424,374
Workers compensation premiums		<u>1,926</u>	<u>1,530</u>
Total employees expenses		<u>502,406</u>	<u>425,904</u>

(i) Employer contributions to superannuation amounting to **\$51,231** (2003: \$38,539) have been expensed in the financial statements. Contributions to superannuation schemes are at rates calculated by the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS) to cover existing and emerging obligations. The employer contribution rate for CSS was 25.3% (2003: 18.9%), PSS was 12.4% (2003: 11.2%), and the superannuation productivity benefit was 3% (2003: 3%).

Contributions to Employer Superannuation Productivity Benefit amounted to **\$6,233** (2003: \$5,687).

	Note	2004 \$	2003 \$
(b) Suppliers			
Services from related entities		88,941	80,263
Services from external entities		191,103	147,707
Operating lease rentals		120,699	104,860
Total suppliers expenses		400,743	332,830
(c) Depreciation and amortisation			
Depreciation of plant and equipment		2,176	2,832
Depreciation of library books		8,279	6,900
Amortisation of leasehold improvements		1,363	1,245
Amortisation of intangible assets—computer software		208	209
Total depreciation and amortisation	8 (d)	12,026	11,186

7. Financial assets

(a) Cash

Cash at bank and on hand	659,174	753,389
Balance of cash as at 30 June shown in the Statement of Cash Flows	659,174	753,389

(b) Receivables

Other debtors	2,982	2,605
GST receivable	12,642	4,571
	15,624	7,176

Receivables are aged as follows:

– Not overdue	15,624	7,176
	15,624	7,176

All receivables are current assets.

	Note	2004 \$	2003 \$
8. Non-financial assets			
<i>(a) Leasehold improvements</i>			
Leasehold improvements—at cost		3,420	–
Accumulated amortisation		(255)	–
		<u>3,165</u>	<u>–</u>
Leasehold improvements—at valuation 2002		20,600	20,600
Accumulated amortisation		(20,106)	(18,998)
		<u>494</u>	<u>1,602</u>
Total leasehold improvements	8 (d)	<u>3,659</u>	<u>1,602</u>
<i>(b) Plant and equipment</i>			
Plant and equipment—at cost		25,400	14,107
Accumulated depreciation		(3,816)	(878)
		<u>21,584</u>	<u>13,229</u>
Plant and equipment—at valuation 2002		180,397	182,847
Accumulated depreciation		(119,498)	(114,431)
		<u>60,899</u>	<u>68,416</u>
Total plant and equipment	8 (d)	<u>82,483</u>	<u>81,645</u>
<i>(c) Intangible assets—computer software</i>			
Computer software at cost		1,045	1,045
Less accumulated amortisation		(644)	(436)
	8 (d)	<u>401</u>	<u>609</u>

The revaluation of leasehold improvements and plant and equipment was performed in accordance with the revaluation policy stated at Note 1(l).

*(d) Analysis of property, plant and equipment**Reconciliation of opening and closing balances of leasehold improvements, plant and equipment and intangibles*

Item	Notes	Buildings— leasehold improvements \$	Plant and equipment \$	Intangibles— computer software \$	Total \$
As at 1 July 2003					
Gross book value		20,600	196,954	1,045	218,599
Accumulated depreciation/amortisation		(18,998)	(115,309)	(436)	(134,743)
Net book value		1,602	81,645	609	83,856
Additions					
by purchase		3,420	11,293	—	14,713
Net revaluation increment		—	—	—	—
Depreciation/amortisation expense	6(c)	(1,363)	(10,455)	(208)	(12,026)
Write-offs: cost/valuation		—	(2,450)	—	(2,450)
Write-offs: provision		—	2,450	—	2,450
As at 30 June 2004					
Gross book value		24,020	205,797	1,045	230,862
Accumulated depreciation/amortisation		(20,361)	(123,314)	(644)	(144,319)
Net book value		3,659	82,483	401	86,543

(e) Summary of balances of assets at valuation as at 30 June 2004, included in table 8 (d) above

Item	Leasehold improvements \$	Plant and equipment \$	Total \$
As at 30 June 2004			
Gross value	20,600	180,397	200,997
Accumulated depreciation/amortisation	(20,106)	(119,498)	(139,604)
Net book value	494	60,899	61,393
As at 30 June 2003			
Gross value	20,600	182,847	203,447
Accumulated depreciation/amortisation	(18,898)	(114,431)	(133,429)
Net book value	1,602	68,416	70,018

	Note	2004 \$	2003 \$
(f) Other non-financial assets			
Prepayments		<u>15,608</u>	<u>15,714</u>
Total other non-financial assets (current)		<u>15,608</u>	<u>15,714</u>

9. Provisions

Employees			
Salaries		20,335	15,858
Leave		<u>149,271</u>	<u>136,749</u>
Aggregate employees benefit liability and related on-costs		<u>169,606</u>	<u>152,607</u>
Employee provisions are represented by:			
Current		67,840	57,497
Non-current		<u>101,766</u>	<u>95,110</u>
Total employees provisions		<u>169,606</u>	<u>152,607</u>

10. Payables

Trade creditors		14,284	17,802
GST payable		<u>–</u>	<u>4</u>
Total supplier payables		<u>14,284</u>	<u>17,806</u>

All supplier payables are current.

11. Equity

Item	Accumulated surplus		Asset revaluation reserve		Total equity	
	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$
Opening balance as at 1 July	607,750	525,595	10,144	10,144	617,894	535,739
Net surplus/(deficit)	(24,835)	153,983	–	–	(24,835)	153,983
Capital Use Charge	–	(71,828)	–	–	–	(71,828)
Closing balance as at 30 June	582,915	607,750	10,144	10,144	593,059	617,894

12. Cash flow reconciliation

	Note	2004 \$	2003 \$
Reconciliation of operating surplus/(deficit) to net cash from operating activities			
Operating surplus/(deficit)		(24,835)	153,983
Non cash items:			
Depreciation and amortisation	6(c)	12,026	11,186
Gain on disposal of non-current assets		–	(100)
Changes in assets and liabilities:			
Increase/(decrease) in employee provisions		16,999	14,211
(Increase)/decrease in prepayments		106	(5,540)
(Increase)/decrease in receivables		(8,448)	5,480
Increase/(decrease) in supplier payables		(3,522)	18
Increase/(decrease) in other payables		–	(11,761)
Net cash from/(used by) operating activities		<u>(7,674)</u>	<u>167,477</u>

13. Related party disclosures

(a) The members of the Advisory Committee during the financial year and to the date of this report were:

- Richard St John—Convenor
- Elizabeth Boros
- Barbara Bradshaw
- Philip Brown
- Berna Collier (Nominee of ASIC’s Chairman)
- Susan Doyle (ceased 30 October 2003)
- Greg Hancock
- Merran Kelsall
- David Knott (ceased 31 December 2003)
- Jeffrey Lucy (from 1 January 2004)
- John Maslen
- Louise McBride
- Marian Micalizzi
- Ian Ramsay
- Robert Seidler
- Nerolie Withnall

(b) During the financial year there were no related party transactions with Committee members, except for the payment of \$64,505 to ASIC of which David Knott was the Chairman until 31 December 2003, Jeffrey Lucy was the Chairman from 1 January 2004, Berna Collier was Commissioner and Merran Kelsall was Chair of the audit committee (2003: \$55,720).

The aggregate remuneration of members is disclosed in Note 14(a).

14. Remuneration of members and executives

<i>(a) Remuneration of members</i>	2004 \$	2003 \$
Aggregate amount of superannuation payments in connection with the future retirements of Committee members, including Legal Committee	4,154	2,518
Other remuneration received or due and receivable by Committee members, including Legal Committee members	<u>48,581</u>	<u>36,182</u>
Total remuneration received or due and receivable by Committee members, including Legal Committee members	<u><u>52,735</u></u>	<u><u>38,700</u></u>

The number of Advisory Committee and Legal Committee members paid sitting fees included in the above figures is shown below in the relevant remuneration bands.

Bands of remuneration	2004 Members	2003 Members
\$0–\$9,999	21	21

<i>(b) Remuneration of executive officer</i>	2004 \$	2003 \$
Income received or due and receivable by the executive officer	198,137	168,492
Bands of income	Executives	Executives
\$160,000–\$169,999	–	1
\$190,000–\$199,999	<u>1</u>	<u>–</u>
	<u><u>1</u></u>	<u><u>1</u></u>

The executive remuneration includes all Executive Officers concerned with or taking part in the management of CAMAC during 2003–04 except for the members of the Committee. Details in relation to members of the

Committee have been incorporated into Note 14(a)—Remuneration of members.

15. Auditor's remuneration

Note	2004	2003
	<u>\$</u>	<u>\$</u>
Remuneration to the Auditor-General for auditing the financial statements in respect of the reporting period. No other services were provided by the auditors.	8,000	8,000

16. Average staffing levels

	<u>2004</u>	<u>2003</u>
The average staffing levels for CAMAC during the year were	<u>3</u>	<u>3</u>

17. Financial instruments

(a) Terms, conditions and accounting policies

Financial instrument	Notes	Accounting policies and methods ^a	Nature of underlying instrument ^b
Financial assets			
		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash at bank	7(a)	Interest is credited to revenue as it accrues.	Interest is earned on the daily balance at the prevailing daily rate for money on call and is paid at month end. At 30 June 2004 the current interest rate is 4.65%.
Receivables for goods and services	7(b)	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are net 14 days (2003: 14 days).
Financial liabilities			
		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors	10	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is usually made net 30 days.

a. Including recognition criteria and measurement basis.

b. Including significant terms and conditions affecting the amount, timing and certainty of cash flows.

(b) Interest rate risk

Financial instrument	Notes	Floating interest rate		Non-interest bearing		Total		Weighted average effective interest rate	
		2004	2003	2004	2003	2004	2003	2004	2003
		\$	\$	\$	\$	\$	\$	%	%
Financial assets (recognised)									
Cash at bank	7(a)	659,174	753,389	–	–	659,174	753,389	4.65	3.9
Receivables for goods and services	7(b)	–	–	15,624	7,176	15,624	7,176	–	–
Total financial assets (recognised)		659,174	753,389	15,624	7,176	674,798	760,565		
Total assets						776,949	860,135		
Financial liabilities (recognised)									
Trade creditors	10	–	–	14,284	17,806	14,284	17,806	–	–
Total financial liabilities (recognised)		–	–	14,284	17,806	14,284	17,806		
Total liabilities						183,890	242,241		

(c) Net fair values of financial assets and liabilities

	2004		2003	
	Total carrying amount	Aggregate net fair value	Total carrying amount	Aggregate net fair value
Financial assets	\$	\$	\$	\$
Cash at bank	658,174	658,174	751,409	751,409
Cash on hand	1,000	1,000	1,980	1,980
Receivables for goods and services	15,624	15,624	7,176	7,176
	674,798	674,798	760,565	760,565
Financial liabilities				
Trade creditors	14,284	14,284	17,806	17,806
	14,284	14,284	17,806	17,806

Financial assets

The net fair value of cash approximates its carrying amount.

The net fair values for receivables for goods and services, all of which are short-term in nature, approximate their carrying amount.

Financial liabilities

The net fair values for trade creditors, all of which are short-term in nature, approximate their carrying amount.

(d) Credit risk exposures

CAMAC's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

CAMAC has no significant exposures to any concentrations of credit risk.

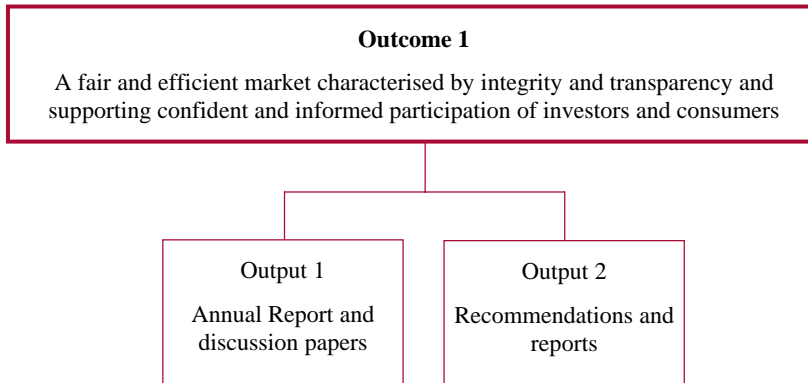
18. Events occurring after reporting date

There were no events occurring after reporting date that had a material effect on the financial statements.

19. Reporting of Outcomes

CAMAC seeks to stimulate and lead the debate on the enhancement of standards for corporations and participants in financial markets and propose suitable regulatory reform where necessary. CAMAC operates solely from Sydney, Australia.

CAMAC's operations and activities that give effect to its role as a corporations and financial markets advisor are categorised into two outputs. The relationship between Outcome 1 and the corresponding two outputs is shown in the diagram below.



Outcome 1. A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers.

Table A: Net cost of outcome delivery

	Outcome 1	
	2004	2003
	\$	\$
Departmental expenses	915,175	769,920
Total expenses	915,175	769,920
Costs recovered from provision of goods and services to the non Commonwealth Government sector		
Departmental	–	–
Total costs recovered		
Other external revenues		
Departmental		
interest	34,340	45,803
revenue from sale of assets	–	100
Total departmental	34,340	45,903
Total other external revenues	34,340	45,903
Net cost to Commonwealth Budget outcome (a)	880,835	724,017

(a) The net cost of entity outputs represents the expenses incurred by CAMAC less the revenue earned by CAMAC from other sources—each of these amounts is detailed in the Statement of Financial Performance.

Table B: Departmental Revenues and Expenses by Outcome and Outputs

	Outcome 1					
	Output 1		Output 2		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Operating expenses						
Employees	236,131	200,175	266,275	225,729	502,406	425,904
Suppliers	188,349	156,430	212,394	176,400	400,743	332,830
Depreciation & amortisation	5,652	5,257	6,374	5,929	12,026	11,186
<i>Total operating expenses</i>	430,132	361,862	485,043	408,058	915,175	769,920
Funded by:						
Revenue from government	402,320	412,660	453,680	465,340	856,000	878,000
Interest	16,140	21,527	18,200	24,276	34,340	45,803
Proceeds from sale of assets	–	47	–	53	–	100
<i>Total operating revenues</i>	418,460	434,234	471,880	489,669	890,340	923,903

The allocation of revenues and expenses between Output 1 and Output 2 is based on an estimate of the respective amounts of CAMAC Executive labour time and other administrative costs expended on each Outcome. The Capital Usage Charge is not included in any of the Net cost/(contribution) of Outcomes as it is not an operating expense.

20. Appropriations

This table reports on appropriations made by the Parliament of the Consolidated Revenue Fund (CRF) in respect of CAMAC. When received by CAMAC, the payments made are legally the money of CAMAC and do not represent any balance remaining in the CRF.

(a) Cash Basis Acquittal of Appropriations from Acts 1 and 3

Particulars	Departmental outputs	
	2004 \$	2003 \$
Year ended 30 June 2004		
Balance carried forward from previous year	–	–
Appropriation Acts 1 and 3	856,000	878,000
Appropriations available for payments from CRF	856,000	878,000
Payments made out of CRF	856,000	878,000
<i>Balance carried forward to next year</i>	–	–
Represented by:		
Appropriations Receivable	–	–