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COMPANIES AND SECURITIES  
ADVISORY COMMITTEE

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ANNUAL REPORT

1999-2000

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## Companies & Securities **Advisory Committee**

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Established under the  
Australian Securities &  
Investment Commission Act 1989

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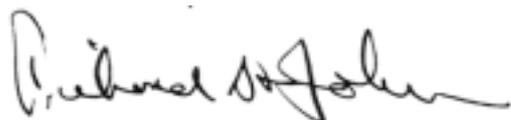
15 September 2000

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

Dear Treasurer

I enclose for your information and presentation to Parliament, the Annual Report of the Companies and Securities Advisory Committee 1999-2000.

Yours sincerely



R. A. St John  
Convenor

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## **FUNCTIONS AND MEMBERSHIP**

### **Advisory Committee**

#### **Functions**

The Companies and Securities Advisory Committee (the Advisory Committee) was established under Part 9 of the Australian Securities and Investments Commission Act 1989 (the ASIC Act). It was formed in September 1989. The Advisory Committee is a body corporate, comprising part-time members appointed by the Minister. The Chairman of the Australian Securities and Investments Commission (ASIC) is a member of the Committee by virtue of s 147 of the ASIC Act.

Subsection 148(1) of the ASIC Act sets out the functions of the Advisory Committee:

*The Advisory Committee'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 a national scheme law, or to make amendments of a national scheme law;*
- (b) the operation or administration of a national scheme law;*
- (c) law reform in relation to a national scheme law;*
- (d) companies, securities or the futures industry; or*
- (e) a proposal for improving the efficiency of the securities markets or futures markets.*

To fulfil these functions, the Advisory Committee undertakes major reviews involving public Discussion Papers and Final Reports, and also responds to particular requests from the Minister for advice. Its practice for major reviews is to invite and consider submissions from any interested persons, and the views of its Legal Committee, before settling the Report to the Minister. In other matters where the Minister requires urgent advice, the Advisory Committee settles its Report in consultation with its Legal Committee.

Through consultation and the provision of timely advice to the Federal Treasurer and the Minister for Financial Services and Regulation, 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 members of the Advisory Committee are selected from throughout Australia on the basis of their knowledge of, or experience in, business, the administration of companies, the financial markets, law, economics or accounting. Members, other than the ASIC Chairman, are appointed to the Committee in their personal capacity by the Minister. The members during 1999-2000 were:

**Richard St John (Convenor), Corporate General Counsel & Company Secretary - The Broken Hill Proprietary Company Ltd, Melbourne.** Richard has had experience over a number of years in legal, policy and governance roles in the private and public sectors.

**Reg Barrett, Partner - Mallesons Stephen Jaques, Sydney.** Reg has practised corporate and commercial law for over 30 years, both as a partner in leading law firms and as general counsel to a major bank. He has served as a part-time lecturer in law at the University of Sydney and as a member of the Companies and Securities Law Review Committee and is a regular contributor to law journals.

**Philip Brown, Professor of Accounting - University of Western Australia, Perth.** Philip has research interests in accounting and finance. He is 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.

**Alan Cameron AM, Chairman - Australian Securities and Investments Commission.** Alan is a lawyer and has been a director of both public and private companies. He is also a board member of the Australian Prudential Regulation Authority, and represents ASIC on the Technical and Executive Committees of the International Organization of Securities Commissions.

**Patricia Cross, Company Director - Melbourne.** Patricia is an independent company director, serving on the boards of several major financial institutions, as well as the Federal Government's Financial Sector Advisory Council. She has over 20 years of international experience at senior executive levels in banking, financial markets and insurance.

**Peter Griffin, Director - NM Rothschild Australia Holdings Pty Ltd, Melbourne.** Peter is also a director of various public companies and is a member of various charitable organisations.

**Leigh Hall AM.** Leigh is a director of a number of listed and unlisted companies and a member of the Financial Reporting Council. He was previously Deputy Managing Director of AMP Asset Management.

**Greg Hancock, Director - Hancock Corporate and Investment Services, Perth.** Greg has practised as a stockbroker for 20 years and now runs a corporate advisory and corporate finance practice.

**Robert Hudson, Managing Partner - Deloitte Touche Tohmatsu, Darwin.** Robert is a fellow of the Institute of Chartered Accountants in Australia and a fellow of the Australian Institute of Company Directors. He is currently involved in the area of assurance and advisory services.

**Nicki Hutley, Portfolio Manager, International Equities - Rothschild Australia Asset Management, Sydney.** Nicki has extensive investment industry experience including roles as chief economist, resources analyst and portfolio manager.

**Merran Kelsall, Company Director - Melbourne.** Merran is a senior chartered accountant, company director and consultant with over 20 years' experience in

financial and corporate services. She is also Chairman of the Audit Committee of ASIC, a Council member of the Victorian Institute of Chartered Accountants and President of the Australian Institute of Management, Victoria.

**John Maslen, Company Secretary & Chief Executive Administration – GH Michell & Sons (Australia) Pty Ltd, Adelaide.** John has over 25 years' experience as a chartered accountant, auditor and tax and business adviser, as well as a company secretary.

**Marian Micalizzi, Chartered Accountant, FCA - Brisbane.** Marian is a chartered accountant and director with expertise in corporate and financial advisory areas. She is a current member of several boards and advisory committees.

### **Appointment of members**

In August 1999, Merran Kelsall and Marian Micalizzi were appointed to the Advisory Committee. Philip Brown, Patricia Cross, Peter Griffin, Greg Hancock, Robert Hudson, John Maslen and Richard St John were reappointed to the Advisory Committee.

### **Attendance at meetings**

During 1999-2000, the Advisory Committee met 5 times. The members attended the following number of meetings: Richard St John - 5, Reg Barrett - 4, Philip Brown - 5, Alan Cameron - 4, Patricia Cross - 2, Peter Griffin - 4, Leigh Hall - 3, Greg Hancock - 5, Robert Hudson - 3, Nicki Hutley - 4, Merran Kelsall - 2, John Maslen - 5, Marian Micalizzi - 4.

### **Audit Committee**

The Advisory Committee has an Audit Committee. During 1999-2000, it consisted of Philip Brown and Robert Hudson.

### **Legal Committee**

#### **Functions**

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 or class of matters as are referred to it by the Advisory Committee.

## Membership

The members of the Legal Committee are selected from throughout Australia on the basis of their expertise in corporate law and are appointed in their personal capacity by the Minister. The members during 1999-2000 were:

**Reg Barrett (Convenor), Partner - Mallesons Stephen Jaques, Sydney.** Reg has practised corporate and commercial law for over 30 years, both as a partner in leading law firms and as general counsel to a major bank. He has served as a part-time lecturer in law at the University of Sydney and as a member of the Companies and Securities Law Review Committee and is a regular contributor to law journals.

**Damian Egan, Partner - Murdoch Clarke Cosgrove & Drake, Hobart.** Damian is a commercial law partner and President of the Retirement Benefits Fund Board (Tasmania). He is also a part-time lecturer and member of the Faculty of Accounting and Commerce at the University of Tasmania.

**Brett Heading, Partner - McCullough Robertson, Brisbane.** Brett is an experienced corporate lawyer in capital raising and takeovers. He is also experienced at Board level and is presently the Chairman of two listed public companies. He is a member of the Corporations and Securities Panel.

**Jennifer Hill, Associate Professor - University of Sydney Law School.** Jennifer is also Corporate Counsel for Corrs Chambers Westgarth. 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 and the University of Texas at Austin.

**Geoff Hone, Partner - Blake Dawson Waldron, Melbourne.** Geoff has been a partner since 1975 and practises company law, including takeovers, mergers and acquisitions, public issues and securities regulation generally. He is a director of Securities Exchange Guarantee Corporation Limited (the body that administers the National Guarantee Fund under the Corporations Law), the Foundation for Young Australians and the Melbourne University Law School Foundation.

**Peter James, Consultant - Ward Keller, Darwin.** Peter has wide experience in legal practice in Perth, London, Geraldton (WA) and Darwin. He is extensively involved in commercial and conveyancing matters, including corporate law. He is currently Chairman of the NT Land Acquisition Tribunal and the NT Heritage Advisory Council.

**Francis Landels, Chief Legal Counsel - Wesfarmers Ltd, Perth.** Francis is a Barrister and Solicitor of the Supreme Court of Western Australia and a Solicitor of the High Court of Australia. Before his current position as Chief Legal Counsel of Wesfarmers Limited, Francis was a Solicitor in a major legal firm in Perth. Francis is a director of a number of companies, including the Opera Company of Western Australia.

**Bernard McCabe, Associate Professor - Bond University Law School, Gold Coast.** Bernard has been teaching and writing in corporate law and trade practices for

10 years. He is a member of the Commercial Law Centre and the Centre for Corporate Governance at Bond University.

**Wendy Peter, Partner - Arthur Robinson & Hedderwicks, Melbourne.** Wendy has been a partner since 1990 and practises in corporate and commercial law, as well as competition law. She is also a Councillor of Monash University and a director of various public companies.

**Laurie Shervington, Partner - Minter Ellison, Perth.** Laurie has practised in the corporate and business law field 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 Law and the ASIC Law.

**Anne Trimmer, Partner - Minter Ellison, Canberra.** Anne is in the Technology and Communications Group. She practises corporate and information technology law with technology companies and government agencies. Anne is also the President-elect of the Law Council of Australia.

**Gary Watts, Partner - Fisher Jeffries, Adelaide.** Gary is a corporate lawyer in private practice, who deals primarily with shareholder and Board issues, mergers and acquisitions and restructurings. He is National Chair of the Corporations Committee of the Law Council of Australia and Deputy Chair of the Helpmann Academy for the Visual and Performing Arts.

**Dick Whittington QC - Hanson Chambers, Adelaide.** Dick practises at the Adelaide Bar in a wide range of commercial areas.

**Nerolie Withnall, Partner - Minter Ellison, Brisbane.** Nerolie has practised law for more than 30 years, commencing with 15 years in Darwin, and is currently a partner in Brisbane. She specialises in securities, acquisitions and takeovers and is also a professional company director. She is also chairman of the Board of the Queensland Museum.

### **Attendance at meetings**

During 1999-2000, the Legal Committee met 6 times. The members attended the following number of meetings: Reg Barrett - 5, Damian Egan - 5, Brett Heading - 4, Jennifer Hill 5 out of 5, Geoff Hone - 3, Peter James - 2 out of 5, Francis Landels - 3, Bernard McCabe - 6, Wendy Peter - 2 out of 5, Laurie Shervington - 4, Anne Trimmer - 2 out of 5, Gary Watts - 5, Dick Whittington - 3, Nerolie Withnall - 3 out of 5.

The Advisory Committee thanks the Legal Committee members for their considerable contribution to the work of the Advisory Committee.

### **Secretariat**

As at 30 June 2000, the Advisory Committee had a full-time Secretariat of three persons. During 1999-2000, the Executive Director was John Kluver, with Vincent Jewell as the Deputy Director. Thaumani Parrino was the Executive Assistant to the Secretariat.

During 1999-2000, John Kluver prepared and presented the following papers on various aspects of the Advisory Committee's work:

- *Corporate Group Reconstructions*, UNSW Banking and Finance Conference, Sydney, 1999
- *Commentary on Directors of Group Companies*, Law Council of Australia Corporate Law Workshop, Leura, 1999
- *Reform of Company General Meetings*, IBC Conference, Sydney, 1999
- *Corporate Law Reform - What Lies Ahead?* Corporate Law Teachers' Conference, Wollongong, 2000
- *Shareholder Meetings: the proposed changes*, Macquarie Bank Competition Law and Corporations Law Workshop, Wollongong, 2000
- *Statutory Derivative Actions, the Business Judgment Rule and Shareholder Meetings*, Law Council of Australia and AICD CLERP Seminars, Perth, Adelaide, Brisbane, 2000
- *Shareholders in Public Companies: The CASAC initiatives*, AIC Conference, Sydney, 2000.

In addition, John Kluver prepared the following papers for publication:

- *Shareholder Participation in Listed Public Companies*, ASX Perspective, First Quarter, 2000
- *European and Australian proposals for corporate group law: A Comparative Analysis 1* European Business Organization Law Review (2000).

Vincent Jewell addressed the Law Council of Australia Insolvency Law Workshop, Sydney, 1999, on the Advisory Committee's proposals for corporate group insolvency law reform.

The Advisory Committee members acknowledge with appreciation the work of the Secretariat in carrying out legal research, liaising with interested organisations and individuals and preparing draft Discussion Papers, Reports and other material for the Committee's consideration. The Committee members thank them for their efforts throughout the year in supporting the work of the Committee.

### **Co-ordination with other bodies**

The Advisory Committee, through its Secretariat, has kept in close contact with officers of the Commonwealth Treasury, ASIC and other relevant bodies. Representatives of Treasury attended all Advisory Committee and Legal Committee meetings, at the invitation of the Committees. The Committees appreciate the co-operation shown by these officers throughout the year. A senior officer of ASIC also attends Legal Committee meetings, at the Committee's invitation.

The Advisory Committee also thanks the officers of the Finance Section of ASIC, Sydney, for their assistance in administering the accounts of the Committee and preparing the annual financial statements, and the officers of the ASIC Library, Sydney, for their assistance in the research work of the Secretariat.

## **Address of the Advisory Committee and the Legal Committee**

### **Location**

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## OUTCOME FOR 1999-2000

In the period 1999-2000, the Advisory Committee, with the assistance of its expert Legal Committee, published Discussion Papers and Reports, provided other advice to the Minister for Financial Services and Regulation and considered other matters, as outlined below.

### 1. Corporate groups

The Advisory Committee published its *Corporate Groups Discussion Paper* in December 1998. This Paper sought to comprehensively review Australian corporate law as it applied to corporate groups.

The Discussion Paper set out a framework for general debate and analysis of specific issues involving corporate groups. It sought to stimulate discussion on whether Australian corporate law needs adjustment to better recognise and respond to the way corporate groups operate in practice. The objectives of the Discussion Paper were to put forward various ways to resolve possible legal difficulties for corporate groups and their directors in effectively performing their functions, while considering whether further safeguards were needed for minority shareholders and outsiders who dealt with these groups.

The Advisory Committee published a *Corporate Groups Draft Proposals Paper* in September 1999. That Paper contained a concise summary of the submissions on each of the issues raised in the Discussion Paper, followed by draft recommendations on each of those issues. The Paper invited further submissions on those draft recommendations.

The Advisory Committee published its *Corporate Groups Final Report* in May 2000. That Report put forward various recommendations to assist the efficient and effective management of corporate groups while ensuring appropriate protection for minority shareholders and outsiders.

The Advisory Committee Report recommended reform in the following principal areas.

#### *Methods of regulating corporate groups*

- A single uniform control test should replace the holding/subsidiary and related company tests.
- A wholly-owned corporate group should have the choice to be a consolidated corporate group for all or some of its group companies and be governed by single enterprise principles.
- The prescribed ASIC Deed of Cross-Guarantee should clearly indicate that a wholly-owned corporate group does not retain liability under that Deed for the pre-sale debts of a group company once that company has been sold.

*Directors of group companies*

- Directors of a solvent partly-owned group company should be permitted to act in the interests of the parent company if authorised by the minority shareholders of the partly-owned company. Where that authorisation is given, all minority shareholders who did not vote in favour of the resolution should have buy-out rights.
- In lieu of any statutory provisions regulating nominee directors, directors of all companies should be subject to the same fiduciary duties and be required to disclose all situations that may put them in positions of conflict of duty or interest.

*Corporate group reconstructions*

- Wholly-owned group companies should be able to merge with each other or with their parent company with the approval of the directors of each of the merging companies.
- Any other companies should be permitted to merge, with the approval of the board of directors, and the shareholders by special resolution, of each company.
- There should be a new court-approved merger provision.
- The provisions regulating asset and liability transfer schemes of arrangement should be amended to apply to partial consolidations and/or partly-owned group companies.
- Liquidators should be permitted to assign a company's liabilities with the consent of all the creditors or the court.
- An administrator should be permitted to pool the administration of several companies where no creditor who attends the creditors' meetings votes against the proposal or the court otherwise approves.

*Liquidation of group companies*

- Liquidators should be permitted to pool the unsecured assets of two or more companies in liquidation with the prior approval of all unsecured creditors of those companies.
- Courts should be permitted to make pooling orders in the liquidation of two or more companies.

The principal areas raised for consideration during the course of the Corporate Groups Review where the Advisory Committee recommended no change to the current law are:

- the common law principles governing nominee directors and their nominators

- directors' fiduciary duties of confidentiality and disclosure
- the law of defamation as it applies to resigning directors in making public statements explaining the reasons for their resignation
- the scope of the related party transaction provisions as they apply to corporate groups
- the common law principles governing tort liability within corporate groups
- the priority of intra-group claims in the insolvency of a group company.

## **2. Shareholder participation in the modern listed public company**

The Advisory Committee published its *Shareholder Participation Discussion Paper* in September 1999. That Paper compared the law and practice in Australia and overseas jurisdictions on the calling and conduct of shareholder meetings of listed public companies. It also put forward various issues on which it sought public comment.

The Advisory Committee published its *Shareholder Participation Final Report* in June 2000.

The Report recommended the following amendments to the Corporations Law for listed public companies.

- *Requisitioning a general meeting.* Only shareholders who, collectively, have at least 5% of the votes that may be cast at a general meeting should have the power to requisition a general meeting of a listed public company.
- *Threshold for proposing resolutions.* The right of 100 shareholders to move resolutions at meetings of listed public companies should remain. However, each of those 100 shareholders should be required to hold shares of a meaningful economic value, say, \$1,000.
- *Notice of next annual general meeting.* Listed public companies should be required to give the relevant Exchange at least three months' notice of the date of their next annual general meeting. This requirement should be in the Corporations Law unless included in the Listing Rules of the relevant Exchanges.
- *Body corporate as a proxy.* Shareholders should be permitted to appoint a body corporate as their proxy.
- *Obligation of board proxy to vote.* Any person put forward by the company board as a proxy should be required to vote the proxies on any poll.
- *Disclosing proxy voting details in the minutes for resolutions decided by poll.* Where a resolution is decided by poll, the minutes of the meeting should only be required to disclose the votes cast for, against and abstaining on the resolution.

- *Access to proxy voting information.* Any shareholders who between them have at least 5% of the issued voting shares should be entitled to inspect proxy documentation for a period of 48 hours after the conclusion of the general meeting of a listed public company.
- *Direct absentee voting.* The directors of a listed public company should have the power (subject to any restriction in the company's constitution) to provide that shareholders may, as an alternative to voting in person or by proxy, cast direct postal or electronic votes on any matters arising for consideration at a general meeting.

The Report supports fully transparent procedures for the election of directors as part of good corporate governance. The Report suggests that each relevant Exchange might consider introducing Listing Rules dealing with the following matters:

- *election of directors:* companies to include their procedure for electing directors in the notice of any relevant shareholder meeting and also indicate how these procedures fit within equal opportunity and majority vote principles
- *single simultaneous ballot:* to be a model form for voting on the election of directors.

The Advisory Committee, in the Report, specifically opposed:

- *non-binding resolutions,* that is, shareholders having the power to pass non-binding resolutions on matters outside their constitutional powers
- *post-meeting voting,* that is, permitting voting within a stipulated period after the end of a general meeting
- *mandatory cumulative voting for the election of directors,* that is, shareholders having a statutory right to vote their shares multiple times, up to the number of vacancies to be filled, for a single candidate.

The Report also dealt with other areas where the Advisory Committee has concluded that current law and practice are satisfactory and that no legislative initiatives are needed. These areas included:

- shareholder access to corporate information
- information to be contained in a notice of meeting
- notice to beneficial shareholders
- proxy solicitations
- irrevocable proxies
- disclosing proxy voting details prior to the meeting
- disclosing proxy voting details prior to debate at the meeting

- disclosing proxy voting details in the minutes of the meeting for resolutions decided by show of hands
- institutional shareholders attending or voting at meetings
- voting by show of hands
- vote counting and scrutineering on a poll
- functions and powers of the chair.

### 3. **Liability of members of managed investment schemes**

The Minister for Financial Services and Regulation, The Hon Joe Hockey MP (the Minister), by letter of 28 June 1999, requested the Advisory Committee to consider whether members of managed investment schemes should have statutory limited liability.

The Advisory Committee reported to the Minister in March 2000. In that Report, the Advisory Committee indicated its support for the general principle that passive investors should have similar protection from liability upon liquidation, whether they invest in companies or managed investment schemes. The Committee considered that the current legal uncertainty about the liability of investors in some schemes is not in the interests of creditors or scheme members.

The Advisory Committee recommended introducing statutory limited liability for registered and ASIC-exempt schemes, except where otherwise excluded by particular schemes.

In the course of its review, the Advisory Committee also considered the position of creditors when members withdraw from a scheme. The Committee recommended that scheme creditors should be protected through a provision similar to that governing reduction of capital by companies.

### 4. **Compulsory acquisitions**

The Minister, by letter of 7 December 1999, requested the Advisory Committee to consider possible amendments to the compulsory acquisition provisions proposed by a Senator during debate on the CLERP Bill (as indicated by revision marks and italics), namely:

Subsection 661E(2)

“The Court may order that the securities not be compulsorily acquired under subsection 661A(1) only if the Court is satisfied that ~~the consideration is not fair value for the securities~~ *the terms of the proposed acquisition are not fair and reasonable.*”

Subsection 664F(3)

“If the 90% holder establishes that the terms set out in the compulsory acquisition notice ~~give a fair value for the securities~~ *are fair and reasonable*, the Court must approve the acquisition of the securities on those terms. Otherwise, it must confirm that the acquisition will not take place.”

Paragraph 667A(1)(b)

“state whether, in the expert’s opinion, the terms proposed in the notice ~~give a fair value for the securities concerned~~ *are fair and reasonable*.”

Section 667C - Valuation of securities - *to be repealed*.

The Advisory Committee reported to the Minister in March 2000. In that Report, the Advisory Committee did not support the proposed amendments. It considered that the current provisions, as introduced by the CLERP Act, properly protect the interests of all the parties in a compulsory acquisition in a fair and equitable manner. Those provisions are also consistent with recommendations previously made by the Advisory Committee in its *Compulsory Acquisitions Report* and its *Commentary on the CLERP Bill*.

## 5. Prospectus relief in the retail debt market

The Minister, by letter of 21 October 1999, requested the Advisory Committee’s advice on whether legislative change was necessary to permit listed entities to issue a transaction-specific, rather than a full, prospectus for debt issues to be traded on the ASX retail debt market.

The Advisory Committee reported to the Minister in December 1999. The Committee considered that no legislative change was required.

The Advisory Committee considered that primary issuers in this market should prepare a full prospectus for new issues of debt securities, until they become eligible to issue a transaction-specific prospectus for those securities. The disclosure requirements for a full prospectus will ensure that retail investors receive in one document all relevant information, including the risks associated with the securities on offer.

The obligation to prepare a full prospectus need not be burdensome or inhibit the development of this market. Under s 710 of the Corporations Law (which applies from March 2000), a full prospectus need only disclose information concerning the assets and liabilities, financial position and performance, profits and losses and prospects of the issuer that is relevant to the securities on offer. The prospectus may therefore be tailored to the specific nature of those securities. Depending on the circumstances, it may be possible for issuers to prepare informative and relatively brief full prospectuses for retail investors without undue cost.

## **6. Equitable mortgages over uncertificated securities**

The Minister, by letter of 11 February 2000, requested the Advisory Committee to report on the appropriateness of current security arrangements for equitable mortgages over uncertificated securities.

The Minister's letter referred to submissions seeking an extension of the sub-position facilities in CHESSE to protect lenders making loans on the security of uncertificated shares. This would substitute for the use of sponsorship agreements for securities held on CHESSE.

The Advisory Committee reported to the Minister in May 2000. The Advisory Committee considered that no compelling case had been made out for requiring the ASX to extend its sub-position facilities to equitable mortgages over uncertificated securities. Rather, this should remain a matter for the ASX's commercial judgment. The impetus for the original proposal to extend the sub-position facility was based on concerns by lenders about how to protect their interests under CHESSE. These concerns appear to have been satisfactorily resolved.

## **7. Jurisdictional legal risk**

The Minister, by letter of 11 February 2000, requested the Advisory Committee to report on cross-border conflict of laws issues where securities are held as collateral through intermediaries.

It is commonplace for persons to take or give interests in securities (collateral) through book entries with intermediaries, without these interests being registered or recorded with the original issuer of the securities. Collateral can, over time, be transferred through holders in many jurisdictions. A collateral taker needs to know at the time of taking the collateral the law of which jurisdiction to apply to determine the validity of the transfer of interest from the collateral giver to the collateral taker.

The Advisory Committee reported to the Minister in May 2000. The Committee supported the adoption by Australia of internationally accepted principles to deal with this matter. This would assist Australia's position in the global financial market by providing necessary certainty and regulatory uniformity in cross-border financial transactions that have some nexus with Australia.

The Advisory Committee considered that the most appropriate immediate step to deal with this cross-border issue would be to adopt rules similar to those currently in force in Europe and the United States. These rules provide a concise and workable method of determining rights to securities held through layers of intermediaries.

## **8. Registration of equitable mortgages as charges**

The Government in its Commentary on the draft Financial Services Reform Bill referred to the scope of the exception in s 262(1)(g)(i) and (ii) which relates to the registration of charges. Under s 262(1)(g)(i), equitable mortgages over certificated securities are exempt from registration as charges. Equitable mortgages over uncertificated securities must be registered.

The Commentary referred to various submissions which proposed that the provision be amended to become “technology neutral” by exempting equitable mortgages over uncertificated as well as certificated securities from registration. The Commentary indicated that the Advisory Committee would consider this matter.

The Advisory Committee considers that this matter raises important issues about the proper protection of lenders. As at 30 June 2000, the Advisory Committee was still reviewing this matter.

## **9. Qualifications and experience of company secretaries**

The Minister, by letter of 7 December 1999, requested the Advisory Committee to consider whether ASIC or some other body should determine the qualifications and experience necessary for a company secretary of a public company. This matter was raised during debate on the CLERP Bill.

As at 30 June 2000, the Advisory Committee was still considering this matter.

## **10. Support for the national scheme laws**

By letter to the Minister of 17 May 2000, the Advisory Committee and the Legal Committee indicated their strong support for uniform national scheme laws administered throughout Australia by the Australian Securities and Investments Commission, in co-operation with the Commonwealth Director of Public Prosecutions.

The Committees also supported restoring the concurrent civil jurisdiction of the Federal Court in national scheme law matters. They considered that the Federal Court’s role, as well as supplementing the resources of the State courts, is important in shaping uniform interpretation of those laws.

## **11. Directors’ duties**

The Minister, by letter of 20 June 2000, requested the Advisory Committee to consider and advise on Senate amendments to the CLERP Bill that introduced sections 181 (duty of good faith) and 189 (reliance on information or advice provided by others) of the Corporations Law. Paragraph 181(1)(a) of the Bill was amended by omitting the words “in what they believe to be”. Subparagraph 189(b)(ii) of the Bill was amended by omitting the words “after making proper inquiry if the circumstances indicated the need for inquiry” and substituting the words “after making an independent assessment of the information or advice, having regard to the director’s knowledge of the corporation and the complexity of the structure and operations of the corporation”.

The Advisory Committee will respond to the Minister in 2000-2001.

## **12. Insider trading**

The Advisory Committee has given preliminary consideration to identifying possible issues arising from the current operation of the insider trading provisions in Part 7.11 Division 2A of the Corporations Law. The Committee’s review will examine the

application of the insider trading provisions to securities and other forms of financial market products to be regulated under the Financial Services Reform Bill.

This project will continue in 2000-2001.

## **PAST REPORTS**

The Advisory Committee has submitted the following Reports (in addition to earlier Discussion Papers on these matters) as at 30 June 2000:

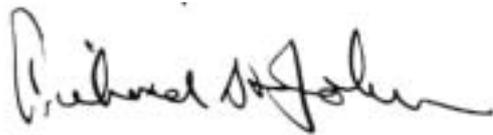
- Corporate Related Party Financial Transactions (July 1991)
- An Enhanced Statutory Disclosure System (September 1991)
- Company Directors and Officers: Indemnification, Relief and Insurance (February 1992)
- Prospectus Law Reform (March 1992)
- Collective Investments: Superannuation (March 1992) (in conjunction with the Australian Law Reform Commission)
- Statutory Derivative Actions (July 1993)
- Collective Investments: Other People's Money (September 1993) (in conjunction with the Australian Law Reform Commission)
- Anomalies in the Takeovers Provisions of the Corporations Law (March 1994)
- Law of Derivatives: An International Comparison (January 1995)
- Compulsory Acquisitions (January 1996)
- Review of Continuous Disclosure (November 1996)
- Regulation of On-exchange and OTC Derivatives Markets (June 1997)
- Netting in Financial Markets Transactions (June 1997)
- Corporate Voluntary Administration (June 1998)
- Corporate Groups (May 2000)
- Shareholder Participation in the Modern Listed Public Company (June 2000).

The Advisory Committee has also provided advice to the Minister on other matters, as outlined in this Report and previous Annual Reports.

## IMPLEMENTATION OF PROPOSALS

The Corporate Law Economic Reform Program Act 1999, which came into effect in March 2000, contains provisions adopting recommendations in the Reports on *Statutory Derivative Actions* (July 1993), *Anomalies in the Takeovers Provisions of the Corporations Law* (March 1994) and *Compulsory Acquisitions* (January 1996).

The draft Financial Services Reform Bill, released in February 2000, adopts recommendations in the *Report on Regulation of On-exchange and OTC Derivatives Markets* (June 1997).

A handwritten signature in black ink, appearing to read 'R. A. St John', written in a cursive style.

R. A. St John

Convenor

Advisory Committee

15 September 2000



## INDEPENDENT AUDIT REPORT

To the Treasurer

### Scope

I have audited the financial statements of the Companies and Securities Advisory Committee for the year ended 30 June 2000. The financial statements comprise:

- Statement by Members;
- Operating Statement;
- Balance Sheet;
- Statement of Cash Flows;
- Schedule of Commitments;
- Schedule of Contingencies, and
- Notes to and forming part of the Financial Statements.

The Members of the Committee are responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

The audit has been conducted in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards, other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view of the Committee which is consistent with my understanding of its financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

**Audit Opinion**

In my opinion,

- (i) the financial statements have been prepared in accordance with Schedule 2 of the Finance Minister's Orders; and
- (ii) the financial statements give a true and fair view, in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and Schedule 2 of the Finance Minister's Orders, of the financial position of the Companies and Securities Advisory Committee as at 30 June 2000 and the results of its operations and its cash flows for the year then ended.

Australian National Audit Office



P Hinchey  
Senior Director

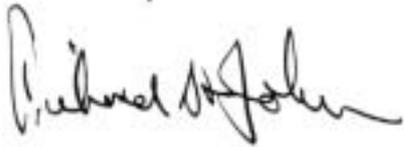
Delegate of the Auditor-General

Sydney  
15 September 2000

**COMPANIES AND SECURITIES ADVISORY COMMITTEE  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000**

**STATEMENT BY MEMBERS**

In our opinion, the attached financial statements give a true and fair view of the matters required by Schedule 2 of the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* for the year ended 30 June 2000.



R. A. St John  
Convenor  
15 September 2000



Philip Brown  
Member  
15 September 2000

**COMPANIES AND SECURITIES ADVISORY COMMITTEE**  
**OPERATING STATEMENT**  
*for the year ended 30 June 2000*

	Notes	2000 \$	1999 \$
<b>Operating revenues</b>			
Revenues from government	4(a)	<b>818,000</b>	816,000
Interest	5(a)	<b>35,803</b>	28,666
Net gains from sale of assets	5(b)	<b>64</b>	-
Other	5(c)	-	42
<b><i>Total operating revenues (before abnormal items)</i></b>		<b>853,867</b>	844,708
<b>Operating expenses</b>			
Employees	6(a)	<b>397,930</b>	340,003
Suppliers	6(b)	<b>359,982</b>	394,106
Depreciation and amortisation	6(c)	<b>26,423</b>	72,142
<b><i>Total operating expenses</i></b>		<b>784,335</b>	806,251
<b><i>Operating surplus (deficit) before abnormal items</i></b>		<b>69,532</b>	38,457
Abnormal items	7	-	95,060
<b><i>Operating surplus (deficit)</i></b>		<b>69,532</b>	(56,603)
Accumulated surpluses at beginning of reporting period		<b>244,647</b>	301,250
<b><i>Total available for appropriation</i></b>		<b>314,179</b>	244,647
Capital use provided for		<b>(34,635)</b>	-
<b><i>Accumulated surpluses at end of reporting period</i></b>	12	<b>279,544</b>	244,647

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

**COMPANIES AND SECURITIES ADVISORY COMMITTEE**  
**BALANCE SHEET**  
*as at 30 June 2000*

	Notes	2000 \$	1999 \$
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash	8(a)	<b>386,651</b>	303,575
Receivables	8(b)	<b>2,902</b>	21,048
<i>Total financial assets</i>		<u><b>389,553</b></u>	<u>324,623</u>
<b>Non-financial assets</b>			
Leasehold improvements	9(a)	<b>7,698</b>	9,464
Plant and equipment	9(b)	<b>116,097</b>	122,856
Other	9(e)	<b>10,996</b>	27,265
<i>Total non-financial assets</i>		<u><b>134,791</b></u>	<u>159,585</u>
<b>Total assets</b>		<u><b>524,344</b></u>	<u>484,208</u>
<b>LIABILITIES</b>			
<b>Debt</b>			
Other	10	<b>52,097</b>	72,265
<i>Total debt</i>		<u><b>52,097</b></u>	<u>72,265</u>
<b>Provisions and payables</b>			
Capital Use	1(m)	<b>34,635</b>	-
Employees	11(a)	<b>126,720</b>	113,880
Suppliers	11(b)	<b>20,904</b>	42,972
<i>Total provisions and payables</i>		<u><b>182,259</b></u>	<u>156,852</u>
<b>Total liabilities</b>		<u><b>234,356</b></u>	<u>229,117</u>
<b>EQUITY</b>			
Reserves	12	<b>10,444</b>	10,444
Accumulated surpluses / (deficits)	12	<b>279,544</b>	244,647
<b>Total equity</b>		<u><b>289,988</b></u>	<u>255,091</u>
<i>Total liabilities and equity</i>		<u><b>524,344</b></u>	<u>484,208</u>
<b>Current liabilities</b>		<b>140,695</b>	120,970
<b>Non-current liabilities</b>		<b>93,661</b>	108,147
<b>Current assets</b>		<b>400,549</b>	351,888
<b>Non-current assets</b>		<u><b>123,795</b></u>	<u>132,320</u>

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

**COMPANIES AND SECURITIES ADVISORY COMMITTEE**  
**STATEMENT OF CASH FLOWS**  
*for the year ended 30 June 2000*

	Notes	2000 \$	1999 \$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations	4(a)	<b>818,000</b>	816,000
Interest		<b>35,155</b>	28,548
Other		-	42
<b>Total cash received</b>		<b>853,155</b>	844,590
<b>Cash used</b>			
Employees		<b>(365,338)</b>	(338,431)
Suppliers		<b>(386,907)</b>	(393,475)
<b>Total cash used</b>		<b>(752,245)</b>	(731,906)
<b>Net cash from operating activities</b>	13	<b>100,910</b>	112,684
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sale of property, plant & equipment		<b>64</b>	-
<b>Total cash received</b>		<b>64</b>	-
<b>Cash used</b>			
Purchase of property, plant & equipment	9(c)	<b>(17,898)</b>	(16,837)
<b>Total cash used</b>		<b>(17,898)</b>	(16,837)
<b>Net cash used in investing activities</b>		<b>(17,834)</b>	(16,837)
<b>Net increase (decrease) in cash held</b>			
Cash at the beginning of the reporting period		<b>303,575</b>	207,728
<b>Cash at the end of the reporting period</b>	8(a)	<b>386,651</b>	303,575

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

**COMPANIES AND SECURITIES ADVISORY COMMITTEE**  
**SCHEDULE OF COMMITMENTS**  
*as at 30 June 2000*

	2000	1999
	\$	\$
<b>BY TYPE</b>		
<b>OTHER COMMITMENTS</b>		
Operating leases (a)	<u>260,400</u>	<u>361,200</u>
<b>BY MATURITY</b>		
<b>Operating lease commitments</b>		
One year or less	100,800	100,800
From one year to two years	100,800	100,800
From two to five years	58,800	159,600
<b>Operating lease commitments</b>	<u>260,400</u>	<u>361,200</u>

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

**COMPANIES AND SECURITIES ADVISORY COMMITTEE**  
**SCHEDULE OF CONTINGENCIES**  
*as at 30 June 2000*

**Contingent losses**

There were no contingent losses as at 30 June 2000 (1998-99 nil)

**Contingent gains**

There were no contingent gains as at 30 June 2000 (1998-99 nil)

**Schedule of unquantifiable contingent losses/gains**

There were no unquantifiable contingent losses or gains as at  
30 June 2000 (1998/99 nil).

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

## **COMPANIES AND SECURITIES ADVISORY COMMITTEE**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2000*

#### **Note Description**

1. Summary of accounting policies
2. Reporting by segments and outcomes
3. Economic dependency
4. Revenues from Government
5. Revenue from Independent Sources
6. Goods and services expenses
7. Abnormal items
8. Financial assets
9. Non-financial assets
10. Debt
11. Provisions and payables
12. Equity
13. Cash flow reconciliation
14. Related parties
15. Remuneration of Members and Executives
16. Auditors remuneration
17. Financial instruments

## **1. Summary of 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* and are a general purpose financial report.

The statements have been prepared in accordance with:

- *Requirements for the Preparation of Financial Statements of Commonwealth Agencies and Authorities* made by the Minister for Finance and Administration in August 1999 (Schedule 2 to the Commonwealth Authorities and Companies (CAC) Orders).
- Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Boards; and
- the Consensus Views of the Urgent Issues Group.

The statements have been prepared having regard to:

- Statements of Accounting Concepts; and
- the Explanatory Notes to Schedule 2 issued by the Department of Finance and Administration.

### **(b) Reporting by Outcomes**

A comparison of Budget and Actual figures by outcome specified in the Appropriation Acts relevant to CASAC is presented in Note 2. 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.

### **(c) Appropriations**

From 1 July 1999, the Commonwealth Budget has been prepared under an accruals framework. Under this framework, Parliament appropriates moneys to CASAC as revenue appropriations.

#### *Revenue Appropriations*

Revenues from government are revenues of the core operating activities of CASAC. Appropriations for outputs are recognised as revenue to the extent they have been received into CASAC's bank account or are entitled to be received by CASAC at year end.

### **(d) 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.

### **(e) Employee entitlements**

The liability for employee entitlements includes provisions for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken by employees of CASAC is estimated to be less than the annual entitlement for sick leave.

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2000 and is recognised at its nominal amount.

The non-current portion of the liability 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 2000. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

In 1999-2000, employer contributions to superannuation for accrued annual leave and accrued long service were recognised for the first time. No such accrual was recognised in previous financial years. The cumulative financial effect of the change in accounting policy as at 30 June 2000 was an increase of \$4,146 in both the employees provision and employee expenses, resulting in a decrease in the operating surplus (and accumulated surplus) by the same amount.

#### **(f) Superannuation**

CASAC employees are covered under the Commonwealth and Public Sector Superannuation Schemes. Details of superannuation schemes which CASAC contributes to are disclosed in Note 6 (a).

#### **(g) 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 as a rental expense in the Operating Statement on a basis which is representative of the pattern of benefits derived from the leased assets.

Lease incentives taking the form of rent free holidays are recognised as a liability. This liability is reduced by allocating lease payments between rental expense and reduction of the liability.

#### **(h) Cash**

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

#### **(i) Taxation**

CASAC is exempt from all forms of taxation with the exception of sales tax, debits tax, fringe benefits tax and the goods and services tax (GST). CASAC has recognised GST receivable for amounts of GST paid prior to 1 July 2000 relating to transactions where GST is applicable.

#### **(j) Property, plant and equipment**

##### *Asset recognition threshold*

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, 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.

### *Revaluations*

Schedule 2 requires that buildings, infrastructure, plant and equipment be revalued progressively in accordance with the 'deprival' method of valuation in successive 3-year cycles.

The requirements of Schedule 2 have been implemented as follows:

- leasehold improvements have been revalued in full during the 1998/99 financial year;
- plant and equipment assets have been revalued in full during the 1998/99 financial year;

Assets in each class acquired after the commencement of the revaluation cycle are reported at cost for the duration of the progressive revaluation then in progress. Plant and equipment is recognised at its depreciated replacement cost.

Any assets which would not be replaced or are surplus to requirements are valued at net realisable value. At 30 June 2000, CASAC had no assets in this situation.

All valuations are independent.

### *Recoverable amount test*

The carrying amount of each item of non-current property plant and equipment assets is reviewed to determine whether it is in excess of the asset's recoverable amount. If an excess exists as at the reporting date, the asset is written down to its recoverable amount immediately.

In assessing recoverable amounts, the relevant cash flows, including the expected cash inflows from future appropriations by the Parliament, have been discounted to their present value.

The application of the recoverable amount test to the not-for-profit departmental non-current assets of CASAC is a change of accounting policy required by the Finance Minister's Orders in 1999-2000. The new policy is being applied from the beginning of 1999-2000. No write-down to recoverable amount has been made in 1999-2000 as a result of this change in policy.

### **(k) Depreciation and amortisation**

Depreciable plant and equipment assets (including library books) are written off to their estimated residual values over their estimated useful lives to CASAC 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, 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:

	2000	1999
Leasehold improvements	Lease term	Lease term
Plant and equipment	5 to 50 years	5 to 50 years

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

**(l) Receivables**

CASAC receivables comprises amounts expected to be received from operating revenue. A provision for doubtful debts is not considered necessary.

**(m) Capital Usage Charge**

A capital usage charge of 12% is imposed by the Commonwealth on the net assets of CASAC.

**(n) Financial instruments**

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

**(o) Rounding**

Figures have been rounded to the nearest dollar.

**(p) Comparative figures**

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

**2. Segment reporting**

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

CASAC is structured to meet one outcome: A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers.

*Reporting by Outcomes for 1999-2000*

	Outcome		
	Budget	Actual	
	\$	\$	
Net cost of entity outputs	782,000	748,468	
Outcome before abnormal/extraordinary items	-	-	
Abnormal/extraordinary items	-	-	
Net Cost to Budget Outcome	782,000	748,468	
Total assets deployed as at 30/06/00	487,000	524,344	(a)
Net assets deployed as at 30/06/00	301,000	289,988	(a)

(a) Total assets and net assets deployed are shown on CASAC's Balance Sheet.

*Reporting by Outcome by funding source for 1999-2000*

Outcome	Outputs \$				Total Appropriations \$	Total Expenses \$
	Revenue from Government (Appropriations)					
	Special Appropriation	Annual Appropriation Acts	Total	Expense against revenue from other sources	Total Expenses against outputs	
Actual	-	818,000	818,000	(b)	784,335	818,000 784,335

(b). It is not possible to identify expenses incurred against specific funding sources.

### 3. Economic dependency

CASAC is controlled by the Government of the Commonwealth of Australia. CASAC is dependent on appropriations from Parliament of the Commonwealth for its continued existence and ability to carry out its normal activities and functions under the *Corporations Law*.

### 4. Revenues from Government

(a) Parliamentary Appropriations	2000 \$	1999 \$
Appropriation Act No 1 1999/00	<b>818,000</b>	816,000
<b>Total</b>	<b><u>818,000</u></b>	<b><u>816,000</u></b>

### 5. Revenue from Independent Sources

(a) Bank interest	<b><u>35,803</u></b>	<b><u>28,666</u></b>
(b) Net gains from sale of assets		
Non-financial assets		
Plant & equipment	<b><u>64</u></b>	<b><u>-</u></b>
(c) Other	<b><u>-</u></b>	<b><u>42</u></b>

### 6. Goods and services expenses

#### (a) Employee expenses

Basic remuneration for services provided	<b>397,930</b>	340,003
<b>Total employee expenses</b>	<b><u>397,930</u></b>	<b><u>340,003</u></b>

Employer contributions to superannuation amounting to **\$28,839** (1998-99: \$28,429) have been expensed in these financial statements and are included in basic remuneration for services provided.

Employer Superannuation Productivity Benefit contributions totalled **\$4,757** (1998-99: \$4,784).

Contributions to superannuation schemes are at rates calculated to cover existing and emerging obligations.

<b>(b) Suppliers expenses</b>	<b>2000</b>	1999
	\$	\$
Supply of goods and services	267,254	301,378
Operating lease rentals	92,728	92,728
<b>Total suppliers expenses</b>	<b>359,982</b>	<b>394,106</b>

**(c) Depreciation and amortisation**

Leasehold improvements	1,766	1,766
Plant and equipment	15,378	30,634
Library books	9,279	39,742
<b>Total depreciation and amortisation</b>	<b>26,423</b>	<b>72,142</b>

**7. Abnormal items**

Plant and equipment - write-down of library books	-	95,060
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In accordance with the policy stated at Note 1(k), the useful lives and residual values of subscriptions were reviewed at 30 June 2000.

**8. Financial assets**

**(a) Cash**

Cash at bank and on hand	<b>386,651</b>	<b>303,575</b>
Balance of cash as at 30 June shown in the Statement of Cash Flows	<b>386,651</b>	303,575

**(b) Receivables**

GST receivable	958	-
Other debtors	1,944	21,048
	<b>2,902</b>	<b>21,048</b>

Receivables which are overdue are aged as follows:

Not overdue	1944	11,614
Overdue by:		
30 to 60 days	958	-
60 to 90 days	-	9,434
	<b>2,902</b>	<b>21,048</b>

## 9. Non-financial assets

	2000	1999
	\$	\$
<b>(a) Leasehold Improvements</b>		
Leasehold improvements - at valuation (1998/99) (i)	<b>18,700</b>	18,700
Accumulated amortisation	<b>(11,002)</b>	(9,236)
<b>Total leasehold improvements</b>	<b><u>7,698</u></b>	<b><u>9,464</u></b>
<b>(b) Plant and equipment</b>		
Plant and equipment - at cost	<b>211,556</b>	193,657
Accumulated depreciation	<b>(129,447)</b>	(116,068)
	<b><u>82,109</u></b>	<b><u>77,589</u></b>
Plant and equipment - at valuation (1998/99) (i)	<b>100,385</b>	121,385
Accumulated depreciation	<b>(66,397)</b>	(76,118)
	<b><u>33,988</u></b>	<b><u>45,267</u></b>
<b>Total plant and equipment</b>	<b><u>116,097</u></b>	<b><u>122,856</u></b>

- (i) The revaluation of leasehold improvements and plant and equipment was performed on 1 July 1998 in accordance with the revaluation policy stated at Note 1(j). A valuation increment of \$10,444 was transferred to the asset revaluation reserve.

(c) Movement summary 1999/00 for all assets irrespective of valuation basis

Item	Leasehold improvements	Total Leasehold improvements	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$
<b>Gross value as at 1 July 1999</b>	18,700	18,700	315,042	333,742
Additions	-	-	17,899	17,899
Disposals	-	-	(21,000)	(21,000)
<b>Gross value as at 30 June 2000</b>	18,700	18,700	311,941	330,641
<b>Accumulated Depreciation / Amortisation as at 1 July 1999</b>	9,236	9,236	192,186	201,422
Depreciation / Amortisation charge for assets held 1 July 1999	1,766	1,766	22,959	24,725
Depreciation / Amortisation charge for additions	-	-	1,699	1,699
Adjustment for disposals	-	-	(21,000)	(21,000)
<b>Accumulated Depreciation / Amortisation as at 30 June 2000</b>	11,002	11,002	195,844	206,846
<b>Net book value as at 30 June 2000</b>	7,698	7,698	116,097	123,795
<b>Net book value as at 1 July 1999</b>	9,464	9,464	122,856	132,320

(d) Summary of balances of assets at valuation as at 30 June 2000

Item	Leasehold improvements	Total Leasehold improvements	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$
<b>As at 30 June 2000</b>				
Gross value	18,700	18,700	100,385	119,085
Accumulated Depreciation / Amortisation	11,002	11,002	66,397	77,399
<b>Net book value</b>	7,698	7,698	33,988	41,686
<b>As at 30 June 1999</b>				
Gross value	18,700	18,700	121,385	140,085
Accumulated Depreciation / Amortisation	9,236	9,236	76,118	85,354
<b>Net book value</b>	9,464	9,464	45,267	54,731

<b>(e) Other non-financial assets</b>	<b>2000</b>	1999
	<b>\$</b>	<b>\$</b>
Prepaid property rentals	<b>712</b>	9,408
Other prepayments	<b>10,284</b>	17,857
<b>Total other non-financial assets</b>	<b><u>10,996</u></b>	<b><u>27,265</u></b>

## **10. Debt**

<b>Property lease incentives</b>	<b>52,097</b>	72,265
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The property lease incentive liability is repayable as follows:

within one year	<b>20,168</b>	20,168
within one to two years	<b>20,168</b>	20,168
within two to five years	<b>11,761</b>	31,929
	<b><u>52,097</u></b>	<b><u>72,265</u></b>

Total property lease incentives represents deferred rental expenditure accrued as at 30 June 2000. The payments of this amount will be made over the life of the lease, commencing after the expiry of the rent deferral period.

## **11. Provisions and payables**

### **(a) Liabilities to employees**

Salaries and wages	<b>30,014</b>	4,160
Annual leave	<b>34,974</b>	53,670
Long service leave	<b>61,732</b>	56,050
Aggregate employee entitlement liability	<b><u>126,720</u></b>	<b><u>113,880</u></b>

### **(b) Suppliers**

Trade creditors	<b><u>20,904</u></b>	<b><u>42,972</u></b>
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## 12. Equity

Item	Accumulated results		Asset revaluation reserve		TOTAL EQUITY	
	2000 \$	1999 \$	2000 \$	1999 \$	2000 \$	1999 \$
<b>Balance 1 July</b>	<b>244,647</b>	301,250	<b>10,444</b>	-	<b>255,091</b>	301,250
Surplus/(Deficit)	<b>69,532</b>	(56,603)	-	-	<b>69,532</b>	(56,603)
Capital Use Charge	<b>(34,635)</b>	-	-	-	<b>(34,635)</b>	-
Net revaluation increases/(decreases)	-	-	-	10,444	-	10,444
<b>Balance 30 June</b>	<b>279,544</b>	244,647	<b>10,444</b>	10,444	<b>289,988</b>	255,091

(a) The net revaluation increase in the asset revaluation reserve comprises:

	<b>2000</b>	1999
	\$	\$
• revaluation increment - leasehold improvements	-	1,989
• revaluation increment - plant and equipment	-	8,455
	<u>-</u>	<u>10,444</u>

## 13. Cash flow reconciliation

### Reconciliation of Operating surplus (deficit) to net cash provided by operating activities

<b>Operating Surplus/(Deficit)</b>	<b>69,532</b>	(56,603)
Depreciation and amortisation of property, plant and equipment	<b>26,423</b>	72,142
Increase in employee liabilities	<b>12,840</b>	6,125
Decrease in other assets	<b>16,269</b>	3,791
Decrease/(Increase) in receivables	<b>18,146</b>	(4,671)
(Decrease)/Increase in liability to suppliers	<b>(22,068)</b>	17,008
(Decrease) in other payables	<b>(20,168)</b>	(20,168)
Profit on disposal of property, plant and equipment	<b>(64)</b>	-
Write-down of property, plant and equipment	-	95,060
<b>Net cash provided by operating activities</b>	<b><u>100,910</u></b>	<b><u>112,684</u></b>

#### 14. Related parties

(a) The members of the Committee during the 1999/00 reporting period were:

Richard St John            Convenor  
Reg Barrett  
Philip Brown  
Alan Cameron  
Patricia Cross  
Peter Griffin  
Leigh Hall  
Greg Hancock  
Robert Hudson  
Nicki Hutley  
Merran Kelsall (appointed 15 August 1999)  
John Maslen  
Marian Micalizzi (appointed 15 August 1999)  
John Story (retired August 1999)

(b) During the financial year there were no related party transactions with Committee members except for the payment of **\$59,417** to ASIC of which Alan Cameron is the Chairman. (1998/99 \$36,638)

The aggregate remuneration of members is disclosed in Note 15(a).

#### 15. Remuneration of Members and Executives

(a) Remuneration of Members	2000	1999
	\$	\$
Remuneration received or due and receivable by committee members, including legal committee members.	<b>30,630</b>	23,760

The aggregate of superannuation payments paid on behalf of members totalled nil (1998/99 nil).

The number of Members of the Committee included in these figures are shown below in the relevant remuneration bands.

Bands of remuneration	2000 Members	1999 Members
\$0 - \$9,999	<b>27</b>	26

**(b) Remuneration of Executive Officer**

	<b>2000</b>	1999
	<b>\$</b>	\$
Income received or due and receivable by the Executive Officer	<b>184,985</b>	134,362

Bands of income	<b>Executives</b>	Executives
\$130,001 - \$140,000	-	1
\$180,001 - \$190,000	<b>1</b>	-

The executive remuneration includes all Executive Officers concerned with or taking part in the management of CASAC during 1999/00 except for the Members of the Committee.

The increase in income of the Executive Officer between 1999 and 2000 arises from the cash out of accrued unused leave and payment of arrears in salary. The cash out covers unused leave accumulated by the Executive Officer since 1990. Prior to the August 1999 Service Contract Agreement between the Executive Officer and the Advisory Committee, the Executive Officer was not entitled to cash out unused leave. The arrears in salary reflect back payments for past salary increases. The salary of the Executive Officer is tied to Treasury Senior Executive Service (SES) pay rates. The salary paid to the Executive Officer had not increased since 1996. The Executive Officer and ASIC Payroll Office (which processes the salary of the Executive Officer) were not informed of a Treasury SES pay rate increase in April 1998, and another Treasury SES pay rate increase in September 1999.

**16. Auditors remuneration**

	<b>2000</b>	1999
	<b>\$</b>	\$
Remuneration to the Auditor-General for auditing the financial statements in respect of the reporting period.	<b>7,904</b>	7,500

## 17. Financial instruments

### (a) Terms, conditions and accounting policies

<b>Financial instrument</b>	<b>Notes</b>	<b>Accounting policies and methods (including recognition criteria and measurement basis)</b>	<b>Nature of underlying instrument (including significant terms &amp; conditions affecting the amount, timing and certainty of cash flows)</b>
<i>Financial assets</i>		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	8 (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.
Receivables for goods & services	8 (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 (1998-99: 14 days).
<i>Financial liabilities</i>		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Lease incentives	10	The lease incentive is recognised as a liability on receipt of the incentive. The amount of the liability is reduced on a straight-line over the life of the lease by allocating lease payments between rental expense and reduction of the liability.	
Trade creditors	11 (b)	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.



**Note 17. Financial instruments (cont.)**

**(c) Net fair values of financial assets and liabilities**

<b>Financial assets</b>	<b>1999-00</b>		<b>1998-99</b>	
	<b>Total carrying amount \$</b>	<b>Aggregate net fair value \$</b>	<b>Total carrying amount \$</b>	<b>Aggregate net fair value \$</b>
Cash at bank	<b>385,651</b>	<b>385,651</b>	302,575	302,575
Cash on hand	<b>1,000</b>	<b>1,000</b>	1,000	1,000
Receivables for goods and services	<b>2,902</b>	<b>2,902</b>	21,048	21,048
	<b><u>389,553</u></b>	<b><u>389,553</u></b>	<u>324,623</u>	<u>324,623</u>
<b>Financial liabilities</b>				
Leases	<b>52,097</b>	<b>52,097</b>	72,265	72,265
Trade creditors	<b>20,904</b>	<b>20,904</b>	42,972	42,972
	<b><u>73,001</u></b>	<b><u>73,001</u></b>	<u>115,237</u>	<u>115,237</u>

*Financial assets*

The net fair value of cash approximates its carrying amounts.

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

*Financial liabilities*

The net fair value of surplus space on non-cancellable leases has been recognised as a liability and stated at net present value of future net outlays.

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

**(d) Credit risk exposures**

CASAC's maximum exposures 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 Balance Sheet.

The economic entity has no significant exposures to any concentrations of credit risk.