



Australian Government

**Corporations and Markets
Advisory Committee**

CORPORATIONS AND MARKETS ADVISORY COMMITTEE

ANNUAL REPORT
2002–2003

**Corporations and Markets
Advisory Committee**

Annual Report
2002-03

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Australian Government
Corporations and Markets
Advisory Committee

12 September 2003

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 2002-2003 of the Corporations and Markets Advisory Committee.

Yours sincerely

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

R A St John
Convenor

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Functions and membership

Advisory Committee

Functions

The Corporations and Markets Advisory Committee (the Advisory Committee) is constituted under Part 9 of the Australian Securities and Investments Commission Act 2001 (the ASIC Act). It was formed in September 1989 and prior to March 2002 was called the Companies and Securities Advisory Committee (CASAC).

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, Senator the Hon Ian Campbell, has responsibility for corporate law matters.

To fulfil its functions, the Advisory Committee undertakes major reviews involving preparing and publishing 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 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 (ASIC) 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 as at the date of this Report, except where otherwise indicated, are:

- **Richard St John (Convenor).** Richard has had experience over a number of years in legal, policy and governance roles in the private and public sectors, including as General Counsel and Company Secretary of BHP Ltd and as Secretary to the HIH Royal Commission.
- **Elizabeth Boros—Professor of Law, Monash University, 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, 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. Elizabeth was appointed in December 2002.

- **Barbara Bradshaw—Chief Executive Officer, Law Society Northern Territory.** Barbara is a lawyer, with an extensive background in private practice and working for government in both corporate law and related policy areas and as a regulator. She was appointed in December 2002.
- **Philip Brown—Emeritus Professor, University of Western Australia, Perth.** Philip 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. His previous appointment expired in August 2001 and he was reappointed in December 2002.
- **Berna Collier—Commissioner, Australian Securities and Investments Commission.** 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. She has written extensively in the areas of insolvency, corporate and commercial law, and medico-legal practice. Berna attends Committee meetings as an alternate to David Knott, as provided for under s 153(1A), (1B) of the ASIC Act.
- **Susan Doyle—Chairman, PSS and CSS Board, Sydney.** Susan has extensive experience in the funds management, financial services and insurance industry, working with Commonwealth Funds Management, Suncorp and the IAG Group.
- **Greg Hancock—Director, Hancock Corporate and Investment Services, Perth.** Greg 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 exploration company. His previous appointment expired in August 2001 and he was reappointed in December 2002.
- **Merran Kelsall—Company Director, 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 a director of the Australian Institute of Management, Victoria and Tasmania.

- **David Knott—Chairman, Australian Securities and Investments Commission.** David's law career spans more than 30 years in both the private and public sectors and he has experience in company and commercial law, investment banking and public administration.
- **John Maslen—Chief Financial Officer and Company Secretary, Michell 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. His previous appointment expired in August 2001 and he was reappointed in December 2002.
- **Louise McBride—Partner, Deloitte Touche Tohmatsu, Sydney.** Louise 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—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.
- **Ian Ramsay—Professor of Law, University of Melbourne.** Ian is the Harold Ford Professor of Commercial Law in the Faculty of 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. He was appointed in December 2002.
- **Robert Seidler—Partner, The Seidler Law Firm, Sydney.** Bob 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.

- **Nerolie Withnall—Consultant, Minter Ellison, Brisbane.** Nerolie 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.

Attendance at meetings

During 2002–03, the Advisory 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. Also, in preparing the attendance figures, the 16 December 2002 meeting was not counted for those members who were appointed on 11 December and who were consequently unable to attend that meeting on short notice.

The members attended the following number of meetings:

- Richard St John—6
- Elizabeth Boros—3 of 3
- Barbara Bradshaw—2 of 4
- Philip Brown—3 of 3
- Berna Collier—1 of 1
- Susan Doyle—6
- Greg Hancock—4 of 4
- Merran Kelsall—4 of 4
- David Knott—1 of 5
- John Maslen—2 of 3
- Louise McBride—5
- Marian Micalizzi—4 of 4
- Ian Ramsay—2 of 3
- Robert Seidler—6
- Nerolie Withnall—6.

Audit Committee

The Advisory Committee has an Audit Committee. During 2002–03, it consisted of Marian Micalizzi and Philip Brown.

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 as are referred to it by the Advisory Committee.

Membership

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

The members as at the date of this Report are:

- **Nerolie Withnall (Convenor)—Consultant, Minter Ellison, Brisbane.** Nerolie 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—Partner, Blake Dawson Waldron, Melbourne.** Elspeth is a corporate lawyer who practises primarily in mergers and acquisitions, joint ventures, capital raisings and 'head office' advice.
- **Ashley Black—Partner, Mallesons Stephen Jaques, Sydney.** Ashley is a partner in the Sydney office of Mallesons Stephen Jaques, specialising in securities regulation 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. He was appointed in December 2002.

- **Elizabeth Boros—Professor of Law, Monash University, 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, 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—Professor of Law, Flinders University, Adelaide, and Professorial Fellow, Australian National University, Canberra.** Suzanne 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—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 a director of three listed public companies. He is a member of the Takeovers Panel.
- **Jennifer Hill—Professor of Law, University of Sydney.** Jennifer 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. Her previous appointment expired in August 2001 and she was reappointed in December 2002.
- **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 taking up his current position, 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.

- **Duncan Maclean—Partner, Cridlands Lawyers, Darwin.** Duncan is a partner in the Corporate Services section of Cridlands Lawyers, and 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, and private investment in infrastructure projects. He was appointed in December 2002.
- **Laurie Shervington—Partner, Minter Ellison, Perth.** Laurie 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—Partner, Minter Ellison, Canberra.** Anne 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.
- **Gary Watts—Partner, Fisher Jeffries, Adelaide.** Gary 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.

Attendance at meetings

During 2002–03, the Legal Committee met 4 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—4
- Elspeth Arnold—1
- Ashley Black—1 of 1
- Elizabeth Boros—3
- Suzanne Corcoran—3
- Damian Egan—2
- Brett Heading—3

- Jennifer Hill—0 (overseas)
- Francis Landels—2
- Duncan Maclean—1 of 1
- Laurie Shervington—3
- Anne Trimmer—2
- Gary Watts—3.

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

Executive

During 2002–03, 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 Papers on insider trading at various Seminars throughout Australia.

The Advisory Committee members acknowledge, with appreciation, the work done by the Executive in support of the Committee. The Executive carries out legal 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. The Committee thanks the members of the Executive for their efforts throughout the year.

Coordination with other bodies

The Advisory Committee, through its Executive, has kept in close contact 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, Sydney, for their assistance in administering the accounts of the Committee and preparing the annual financial statements, the officers of the Payroll Section,

Brisbane, for their assistance in administering sitting fees for Advisory Committee and Legal Committee 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 information technology officers for their assistance with the Advisory Committee's computer equipment.

Annual 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 of the Advisory Committee and the Legal Committee

Website

www.camac.gov.au

Location

Level 16
60 Margaret Street
SYDNEY

Postal address

GPO Box 3967
SYDNEY NSW 2001

Telephone: (02) 9911 2950

Facsimile: (02) 9911 2955

Email address: camac@camac.gov.au.

Outcome for 2002–03

In the period 2002–03, the Advisory Committee published an *Insider Trading Proposals Paper* and worked on two other terms of reference, being rehabilitation of large and complex enterprises and directors' duties. All published Advisory Committee Papers referred to in this Report are available on the Advisory Committee website, www.camac.gov.au. All foreshadowed Advisory Committee Papers will also be published on that website.

1. Insider trading

The Advisory Committee is currently reviewing Australia's insider trading laws.

The Advisory Committee sees the need for clear and effective laws to protect and guide Australian financial markets. Lack of clarity can result in reduced compliance as well as unproductive uncertainty for market participants. Where necessary, insider trading laws should be strengthened to make them fully effective and assist enforcement. These laws should also not impede legitimate market activity.

Discussion Paper

The Advisory Committee published its *Insider Trading Discussion Paper* in June 2001. That Paper set out a framework for general debate, as well as raising specific issues, on the appropriateness of the insider trading laws for Australian financial markets. That Paper also contained a detailed legal analysis of insider trading laws in various overseas jurisdictions.

Legislative developments

The ambit of the insider trading laws was considerably extended in March 2002 by the Financial Services Reform Act (FSRA), which amended the Corporations Act to harmonise the regulation of financial markets and services. The amendments included extending the insider trading laws beyond securities, units in managed investment schemes and some futures contracts, to a very broad range of financial products, including all

derivatives, as well as any other financial products that can be traded on a financial market.

Proposals Paper

The Advisory Committee published a Proposals Paper in September 2002, which discussed the implications of the March 2002 legislative developments and outlined the Advisory Committee's current thinking on all the other matters raised in the Discussion Paper, taking into account submissions received. The Proposals Paper sought views on the implications of the March 2002 amendments, as well as on any of the other issues that had arisen in the review.

Chapter 1

This Chapter outlined the key characteristics of the various financial markets that operate in Australia and the implications of the current insider trading laws for each of these markets. It raised for consideration various options on how best to apply the insider trading laws to each of those markets.

Chapter 2

This Chapter discussed the merits of introducing various statutory exemptions, independently of the matters raised in Chapter 1. Areas discussed included general issues, individual placements, buy-backs and transactions under non-discretionary trading plans.

Chapter 3

This Chapter summarised the Advisory Committee's current thinking on other matters raised in the Discussion Paper that may require legislative change. These matters included strengthening the reporting requirements for directors, amending the test of generally available information and providing an equal information defence in civil as well as criminal proceedings.

Chapter 4

This Chapter dealt with matters raised in the Discussion Paper that the Committee considers should not be changed. These included retaining the existing broad definition of who is an insider and confirming that informed persons are liable, whether or not they use the information to trade.

Completing the Report

The Advisory Committee has closely considered all the submissions received on the Discussion Paper and the Proposals Paper. It anticipates releasing its Final Report in the second half of 2003.

2. Rehabilitating large and complex enterprises

Terms of the review

The Parliamentary Secretary to the Treasurer, Senator Ian Campbell, has referred the matter of rehabilitating large and complex enterprises to the Advisory Committee. Senator Campbell has 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 better accommodate 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.

Preparation of forthcoming Discussion Paper

The Advisory Committee has developed a Discussion Paper for release in the second half of 2003. The Committee considers 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, shareholders and the economy generally.

Content of forthcoming Discussion Paper

The Paper will examine a range of issues that apply to the rehabilitation of large and complex enterprises. Some of these matters are also relevant to other companies in rehabilitation, but may arise more frequently, create greater difficulties or be more significant for large and complex enterprises.

The Paper will:

- identify general principles for effective corporate rehabilitation procedures. In doing so, it will examine and compare key aspects of the Australian, US and UK systems
- discuss a range of issues arising from the use of voluntary administration for large and complex enterprises. It will also examine provisions, and initiatives, in the US, UK and Canada that could be accommodated within the voluntary administration provisions
- deal with the suitability of creditors' schemes of arrangement under Part 5.1 for rehabilitating large and complex enterprises.

3. Directors' duties

Terms of the review

The Parliamentary Secretary to the Treasurer, Senator Ian Campbell, has referred various aspects of directors' duties and related matters to the Advisory Committee for consideration and advice.

Senator Campbell pointed out that directors are subject to a range of both general common law and statutory duties. A breach of these duties may result in civil and/or criminal liability.

Senator Campbell expressed concern that duties being imposed on directors by various pieces of legislation may result in inconsistent compliance burdens and increased costs for business. In certain circumstances, under the *Corporations Act 2001*, other State and Federal legislation and the common law, directors can be held personally liable for breaches of duty owed to the company. They may also be personally liable to third parties.

Senator Campbell noted that the Advisory Committee's consideration of the personal liability of directors, whether through the common law or by 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
- the impact of directors' liability on the availability of professional indemnity insurance, and
- the consequences of rising insurance premiums.

Progress to date

Directors' liability under State and Federal laws

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

D&O insurance

The Advisory Committee has consulted with a range of interested parties and has worked with the Australian Institute of Company Directors on a survey of its members.

Next step

The Advisory Committee anticipates releasing one or more Discussion Papers in 2003–04.

4. Compensation arrangements

Consultation Paper

In September 2001, the Advisory Committee released a Consultation Paper, *Retail Client Compensation in Financial Markets*.

Subsequent steps

In February 2002, Senator Campbell announced his intention to release an Issues Paper for industry consultation on a framework for compensation arrangements in the financial services sector. That Issues Paper would include the matters raised in the Advisory Committee Consultation Paper. Treasury would prepare the Paper, in consultation with the Australian Securities and Investments Commission and the Advisory Committee.

The Advisory Committee commented on the draft of a Treasury Paper, *Compensation for Loss in the Financial Services Sector—Issues and Options*, which was published in September 2002.

Past reports

The Advisory Committee has submitted the following Reports and final Papers (in addition to earlier Discussion Papers on these matters) as at 30 June 2003, all of which are available on the CAMAC Website:

- 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) & (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

Subparagraph 262(1)(g)(iii) of the Corporations Act, which commenced in April 2003, implemented the Advisory Committee's recommendation in its April 2001 Report *Charges over uncertificated securities* that the charges provisions be amended to accommodate uncertificated, as well as certificated, securities.

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 that reads "Richard St John". The signature is written in a cursive style with a long, sweeping underline.

Richard St John
Convenor
12 September 2003



INDEPENDENT AUDIT REPORT

To the Treasurer

Matters relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial report of the Corporations and Markets Advisory Committee for the year ended 30 June 2003 included on the Corporations and Markets Advisory Committee's web site. The Convenor is responsible for the integrity of the Corporations and Markets Advisory Committee's web site.

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

If the 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 report to confirm the information included in the audited financial report presented on this web site.

Scope

I have audited the financial statements of the Corporations and Markets Advisory Committee for the year ended 30 June 2003.

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.

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 in Australia and statutory requirements so as to present a view of the Committee which is consistent with my understanding of its financial position, and performance as represented by the results of its operation 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 the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*; and
- (ii) the financial statements give a true and fair view, in accordance with applicable Accounting Standards, 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 2003 and its performance for the year then ended.

Australian National Audit Office



P Hinchey
Senior Director
Delegate of the Auditor-General

Sydney
12 September 2003

**CORPORATIONS AND MARKETS ADVISORY
COMMITTEE**

FINANCIAL STATEMENTS
for the year ended 30 June 2003

STATEMENT BY MEMBERS

In our opinion, the attached financial statements for the year ended 30 June 2003 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 CAMAC will be able to pay its debts as and when they become due and payable.



Philip Brown
Member
12 September 2003



Marian Micalizzi
Member
12 September 2003

CORPORATIONS AND MARKETS ADVISORY COMMITTEE
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2003

	Note	2003 \$	2002 \$
REVENUE			
Revenues from ordinary activities			
Revenues from Government	3	878,000	851,000
Interest	4(a)	45,803	39,281
Revenue from sale of asset	4(b)	100	-
<i>Revenues from ordinary activities</i>		<u>923,903</u>	<u>890,281</u>
EXPENSE			
Expenses from ordinary activities			
Employees	5(a)	425,904	419,810
Suppliers	5(b)	332,830	311,764
Depreciation and amortisation	5(c)	11,186	20,829
Write-down of assets	5(d)	-	4,412
<i>Expenses from ordinary activities</i>		<u>769,920</u>	<u>756,815</u>
<i>Operating surplus from ordinary activities</i>	11, 12	<u>153,983</u>	<u>133,466</u>
Net credit (debit) to asset revaluation reserve	11	-	(300)
Total changes in equity other than those resulting from transactions with owners as owners		<u>153,983</u>	<u>133,166</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 2003

	Note	2003 \$	2002 \$
ASSETS			
Financial assets			
Cash	6(a)	753,389	642,650
Receivables	6(b)	7,176	12,657
Total financial assets		<u>760,565</u>	<u>655,307</u>
Non-financial assets			
Leasehold improvements	7(a)	1,602	2,847
Plant and equipment	7(b)	81,645	77,269
Intangibles	7(c)	609	819
Other	7(f)	15,714	10,174
Total non-financial assets		<u>99,570</u>	<u>91,109</u>
TOTAL ASSETS		<u>860,135</u>	<u>746,416</u>
LIABILITIES			
Non-interest bearing liabilities			
Other	8	-	11,761
Total non-interest bearing liabilities		<u>-</u>	<u>11,761</u>
Provisions			
Capital use charge	1(o)	71,828	42,731
Employees	9	152,607	138,396
Total provisions		<u>224,435</u>	<u>181,127</u>
Payables			
Suppliers	10	17,806	17,789
Total payables		<u>17,806</u>	<u>17,789</u>
TOTAL LIABILITIES		<u>242,241</u>	<u>210,677</u>
NET ASSETS		<u>617,894</u>	<u>535,739</u>
EQUITY			
Parent entity interest			
Reserves	11	10,144	10,144
Accumulated surplus	11	607,750	525,595
Total parent entity interest		<u>617,894</u>	<u>535,739</u>
TOTAL EQUITY		<u>617,894</u>	<u>535,739</u>
Current assets		776,279	665,481
Non-current assets		83,856	80,935
Current liabilities		147,131	129,125
Non-current liabilities		95,110	81,552

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 2003

	Note	2003 \$	2002 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations	3	878,000	851,000
Interest		45,562	39,085
GST recovered		45,824	38,878
Total cash received		<u>969,386</u>	<u>928,963</u>
Cash used			
Employees		(411,693)	(407,667)
Suppliers		(390,216)	(358,141)
Total cash used		<u>(801,909)</u>	<u>(765,808)</u>
NET CASH FROM OPERATING ACTIVITIES	12	<u>167,477</u>	<u>163,155</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of property, plant & equipment		100	-
Total cash received		<u>100</u>	<u>-</u>
Cash used			
Purchase of property, plant & equipment	7(d)	(14,107)	(13,527)
Total cash used		<u>(14,107)</u>	<u>(13,527)</u>
NET CASH USED BY INVESTING ACTIVITIES		<u>(14,007)</u>	<u>(13,527)</u>
FINANCING ACTIVITIES			
Cash used			
Capital use charge paid		(42,731)	(51,720)
Total cash used		<u>(42,731)</u>	<u>(51,720)</u>
NET CASH USED BY FINANCING ACTIVITIES		<u>(42,731)</u>	<u>(51,720)</u>
Net increase in cash held		110,739	97,908
Cash at the beginning of the reporting period		642,650	544,742
CASH AT THE END OF THE REPORTING PERIOD	6(a)	<u>753,389</u>	<u>642,650</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 2003

	Note	2003 \$	2002 \$
By type			
Other commitments			
Operating leases	(a)	<u>1,000,999</u>	<u>112,627</u>
Total commitments payable		<u>1,000,999</u>	<u>112,627</u>
Commitments receivable			
Net commitments	(b)	<u>(91,000)</u>	<u>(10,239)</u>
		<u>909,999</u>	<u>102,388</u>
By maturity			
Operating lease commitments			
One year or less		161,845	90,567
From one to five years		<u>839,154</u>	<u>22,060</u>
Operating lease commitments		<u>1,000,999</u>	<u>112,627</u>
Net commitments			
One year or less		147,132	82,333
From one to five years		<u>762,867</u>	<u>20,055</u>
Net commitments		<u>909,999</u>	<u>102,388</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	. The lease was renewed during the financial year for three years, with the Advisory Committee having a three year further option, subject to 4% increment annually with Market Review adjustment reflected in period ending January 2007
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 consists of GST receivable.

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

CORPORATIONS AND MARKETS ADVISORY COMMITTEE
SCHEDULE OF CONTINGENCIES
as at 30 June 2003

Contingent liabilities

There were no contingent liabilities as at 30 June 2003 (2002: nil).

Contingent assets

There were no contingent assets as at 30 June 2003 (2002: nil).

Schedule of unquantifiable contingent losses/gains

There were no unquantifiable contingent liabilities or assets as :
30 June 2003 (2002: nil).

**CORPORATIONS AND MARKETS ADVISORY
COMMITTEE****NOTES TO AND FORMING PART OF THE FINANCIAL
STATEMENTS***for the year ended 30 June 2003***Note description**

1. Summary of accounting policies
2. Economic dependency
3. Revenue from Government
4. Revenues from other sources
5. Operating expenses
6. Financial assets
7. Non-financial assets
8. Non-interest bearing liabilities
9. Provisions
10. Supplier payables
11. Equity
12. Cash flow reconciliation
13. Related party disclosures
14. Remuneration of Members and Executives
15. Auditors remuneration
16. Average staffing levels
17. Financial instruments
18. Events occurring after reporting date
19. Reporting of Outcomes
20. Appropriations

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 (CAC Act)* (referred to as Schedule 1 in this financial report) and are a general purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (being the Commonwealth Authorities and Companies (Financial Statements for reporting periods ending on or after 30 June 2003) Orders);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Consensus Views of the Urgent Issues Group.

The statements have been prepared having regard to:

- the Explanatory Notes to Schedule 1 issued by the Department of Finance and Administration; and
- Finance Briefs issued by the Department of Finance and Administration.

The financial statements of the Corporations and Markets Advisory Committee (CAMAC) have been prepared on an accruals 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 the 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

A comparison of Budget and Actual figures by outcome specified in the Appropriation Acts relevant to CAMAC is presented 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) Appropriations

Revenues from Government—Output Appropriations

Parliament appropriates monies to CAMAC as revenue appropriations. Appropriations for outputs are recognised as revenue to the extent they have been received into CAMAC’s bank account or are entitled to be received by CAMAC at year-end. Revenues from Government are disclosed in the Statement of Financial Performance (Note 3).

Going Concern

CAMAC is a statutory body and prepares its financial statements 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 provisions 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 2003 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. This change in accounting policy is required by the adoption of Australian Accounting Standard AASB 1028 (Employee Benefits) from 1 July 2002, and has resulted in a charge of \$2,091 which has been incorporated in employees expenses (Note 5 (a) refers).

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 2003. 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 and Public Sector Superannuation Scheme. Details of superannuation payments are disclosed in Note 5(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.

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 over the term of the lease. The lease payments have been fully allocated as at 30 June 2003 (Note 8 refers).

(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 of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

(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.

Revaluations

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*).

Fair and deprival values for each class of asset are determined as shown below.

Asset class	Fair value measured at:	Deprival value measured at:
Leasehold improvements	Depreciated replacement cost	Depreciated replacement cost
Plant and equipment	Market selling price	Depreciated replacement cost

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

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 revaluation cycle are reported at cost for the duration of the progressive revaluation then in progress.

Any assets which would not be replaced or are surplus to requirements are valued at net realisable value. At 30 June 2003, CAMAC had no assets in this situation.

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.

Recoverable amount test

From 1 July 2002, Schedule 1 no longer requires the application of the recoverable amount test in Australian Accounting Standard AAS 10 (*Recoverable Amount of Non-Current Assets*) to the assets of agencies when the primary purpose of the asset is not the generation of net cash inflows.

No leasehold improvements or plant and equipment assets have been written to recoverable amount per AAS 10. Accordingly the change in policy has had no financial effect.

(m) 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 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:

	2003	2002
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 5(c).

(n) Receivables

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

(o) Capital use charge

A Capital Use Charge of 11% (2002: 11%) is imposed by the Government only on the positive value of equity. The charge is adjusted to take account of revaluation increments during the financial year.

In accordance with the recommendations of a review of Budget Estimates and Framework, the Government has decided that the charge will not operate after 30 June 2003. Therefore, the amount of the charge payable in respect of 2003 is the amount appropriated (2002: 11% of adjusted net assets).

(p) Financial instruments

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

(q) Rounding

Amounts have been rounded to the nearest dollar.

(r) Comparative figures

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

(s) Insurance

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

2. Economic dependency

CAMAC is controlled by the Commonwealth of Australia. Accordingly, CAMAC is dependent on appropriations from the Commonwealth Parliament 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*.

3. Revenue from Government

	Note	2003 \$	2002 \$
Appropriations			
Appropriation Act No. 1 Operating Expenditure		878,000	851,000
Total		<u>878,000</u>	<u>851,000</u>

4. Revenues from other sources*(a) Revenues from independent sources*

Bank interest		<u>45,803</u>	<u>39,281</u>
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(b) Revenues from sale of assets

Plant and equipment		<u>100</u>	<u>–</u>
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5. Operating expenses*(a) Employee expenses*

Basic remuneration for services provided:

Wages and Salaries		345,502	353,261
Superannuation	(i)	44,226	38,765
Leave and other benefits		34,646	26,070
Total employees benefits expenses		<u>424,374</u>	<u>418,096</u>
Workers compensation premiums		1,530	1,714
Total employee expenses		<u>425,904</u>	<u>419,810</u>

(i) Employer contributions to superannuation amounting to **\$38,539** (2002: \$33,490) 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 18.9% (2002: 18.5%), PSS was 11.2% (2002: 10.8%), and the superannuation productivity benefit was 3% (2002: 3%).

Contributions to Employer Superannuation Productivity Benefit amounted to **\$5,687** (2002: \$5,275).

	Note	2003 \$	2002 \$
(b) Suppliers expenses			
Supply of goods and services:			
Commonwealth Government entities		80,263	77,841
External entities		147,707	140,411
Operating lease rentals		104,860	93,512
Total suppliers expenses		<u>332,830</u>	<u>311,764</u>
(c) Depreciation and amortisation			
Amortisation of leasehold improvements		1,245	2,282
Depreciation of plant and equipment		2,832	12,731
Depreciation of library books		6,900	5,607
Amortisation of intangible assets—computer software		209	209
Total depreciation and amortisation	7(d)	<u>11,186</u>	<u>20,829</u>
(d) Write down of non-financial assets			
Plant and equipment—write-off on disposal		—	4,412
		—	4,412

6. Financial assets

(a) Cash

Cash at bank and on hand		<u>753,389</u>	<u>642,650</u>
Balance of cash as at 30 June shown in the Statement of Cash Flows		<u>753,389</u>	<u>642,650</u>

	Note	2003 \$	2002 \$
<i>(b) Receivables</i>			
Other debtors		2,605	2,364
GST receivable		4,571	10,293
		<u>7,176</u>	<u>12,657</u>
Receivables are aged as follows:			
– Not overdue		7,176	12,657
		<u>7,176</u>	<u>12,657</u>

7. Non-financial assets

(a) Leasehold improvements

Leasehold improvements—at valuation 2002		20,600	20,600
Accumulated amortisation		(18,998)	(17,753)
		<u>1,602</u>	<u>2,847</u>
Total leasehold improvements	7(d)	<u>1,602</u>	<u>2,847</u>

(b) Plant and equipment

Plant and equipment—at cost		14,107	13,527
Accumulated depreciation		(878)	(1,053)
		<u>13,229</u>	<u>12,474</u>
Plant and equipment—at valuation 2002		182,847	174,321
Accumulated depreciation		(114,431)	(109,526)
		<u>68,416</u>	<u>64,795</u>
Total plant and equipment	7 (d)	<u>81,645</u>	<u>77,269</u>

(c) Intangible assets—computer software

Computer software at cost		1,045	1,045
Less accumulated amortisation		(436)	(226)
	7 (d)	<u>609</u>	<u>819</u>

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

(d) Movement summary 2002–03 for all assets irrespective of valuation basis

Item	Leasehold improvements \$	Plant and equipment \$	Intangibles \$	Total \$
Gross value as at 1 July 2002	20,600	187,848	1,045	209,493
Additions—purchase of assets	–	14,107	–	14,107
Disposals	–	(5,001)	–	(5,001)
Gross value as at 30 June 2003	20,600	196,954	1,045	218,599
Accumulated depreciation/amortisation as at 1 July 2002	17,753	110,579	226	128,558
Depreciation/amortisation charge for the year	1,245	9,732	209	11,186
Adjustment for disposals	–	(5,001)	–	(5,001)
Accumulated depreciation/amortisation as at 30 June 2003	18,998	115,309	435	134,743
Net book value as at 30 June 2003	1,602	81,645	609	83,856
Net book value as at 1 July 2002	2,847	77,269	819	80,935

(e) Summary of balances of assets at valuation as at 30 June 2003, included in table 7(d) above

Item	Leasehold improvements \$	Plant and equipment \$	Total \$
As at 30 June 2003			
Gross value	20,600	182,847	203,447
Accumulated depreciation/amortisation	18,998	114,431	133,429
Net book value	1,602	68,416	70,018
As at 30 June 2002			
Gross value	20,600	174,321	194,921
Accumulated depreciation/amortisation	17,753	109,526	127,279
Net book value	2,847	64,795	67,642

	2003 \$	2002 \$
<i>(f) Other non-financial assets</i>		
Prepayments	<u>15,714</u>	<u>10,174</u>
Total other non-financial assets	<u>15,714</u>	<u>10,174</u>

8. Non-interest bearing liabilities

Property lease incentives	<u>–</u>	<u>11,761</u>
The property lease incentive liability is represented by:		
– Current	–	11,761
– Non-current	<u>–</u>	<u>–</u>
	<u>–</u>	<u>11,761</u>

Total property lease incentives represent deferred rental expenditure accrued (2002: \$11,761) which has been fully amortised over the life of the lease as at 30 June 2003, commencing after the expiry of the rent deferral period.

9. Provisions

Employees		
Salaries and wages	15,858	10,246
Leave	136,749	128,150
Aggregate employee benefit liability	<u>152,607</u>	<u>138,396</u>
Employee provisions are categorised as follows:		
Current	57,497	56,844
Non-current	95,110	81,552
	<u>152,607</u>	<u>138,396</u>

10. Supplier payables

Trade creditors	17,802	17,789
GST payable	4	–
	<u>17,806</u>	<u>17,789</u>

All supplier payables are current.

11. Equity

Item	Accumulated surplus		Asset revaluation reserve		Total equity	
	2003	2002	2003	2002	2003	2002
	\$	\$	\$	\$	\$	\$
Balance 1 July 2002	525,595	434,860	10,144	10,444	535,739	445,304
Surplus	153,983	133,466	–	–	153,983	133,466
Capital use charge	(71,828)	(42,731)	–	–	(71,828)	(42,731)
Net revaluation increases/(decreases)	–	–	–	(300)	–	(300)
Balance 30 June 2003	607,750	525,595	10,144	10,144	617,894	535,739

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

	Note	2003 \$	2002 \$
Revaluation increment—plant and equipment	1(l)	–	1,002
Revaluation decrement—leasehold improvements	1(l)	–	(1,302)
		<u>–</u>	<u>(300)</u>

12. Cash flow reconciliation

Reconciliation of operating surplus to net cash from operating activities

Operating surplus		153,983	133,466
Non cash items:			
Depreciation and amortisation of property, plant and equipment	5(c)	11,186	20,829
Increase/(decrease) in employee provisions		14,211	12,143
Write-down of property, plant and equipment	5(d)	–	4,412
Net profit on disposal of property, plant & equipment		(100)	–
Changes in assets and liabilities:			
(Increase)/decrease in other assets		(5,540)	10,404
(Increase)/decrease in receivables		5,480	(1,364)
Increase/(decrease) in liability to suppliers		18	3,433
Increase/(decrease) in other payables		(11,761)	(20,168)
Net cash from operating activities		<u>167,477</u>	<u>163,155</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 (appointed 11 December 2002)
- Barbara Bradshaw (appointed 11 December 2002)
- Philip Brown (reappointed 11 December 2002)
- Susan Doyle
- Greg Hancock (reappointed 11 December 2002)
- Merran Kelsall (reappointed 11 December 2002)
- David Knott
- John Maslen (reappointed 11 December 2002)
- Louise McBride
- Marian Micalizzi (reappointed 11 December 2002)
- Ian Ramsay (appointed 11 December 2002)
- Robert Seidler
- Nerolie Withnall

(b) During the financial year there were no related party transactions with Committee Members, except for the payment of **\$55,720** to ASIC of which David Knott is the Chairman, and Merran Kelsall the Chair of the audit committee (2002: \$59,391).

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

14. Remuneration of Members and Executives

	2003 \$	2002 \$
<i>(a) Remuneration of Members</i>		
Remuneration received or due and receivable by Committee Members, including Legal Committee Members.	36,182	31,055

The aggregate of superannuation payments paid on behalf of Advisory Committee and Legal Committee Members totalled **\$2,518** (2002: \$1,325).

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

	2003	2002
	Members	Members
Bands of remuneration \$0 – \$9,999	21	18

(b) Remuneration of Executive Officer

	2003	2002
	\$	\$
Income received or due and receivable by the Executive Officer	168,492	165,068

	2003	2002
	Executives	Executives
Bands of income \$160,001 – \$170,000	1	1
	1	1

The executive remuneration includes all Executive Officers concerned with or taking part in the management of CAMAC during 2002–03 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. Auditors remuneration

	2003	2002
	\$	\$
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

	2003	2002
	No.	No.
The average staffing levels for CAMAC during the year were	3	3

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	6(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 2003 the current interest rate is 3.9%.
Receivables for goods and services	6(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 (2002: 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.	
Lease incentives	8	The lease incentive is recognised as a liability on receipt of the incentive. The amount of the liability is reduced on a straight-line basis over the life of the lease by allocating lease payments between rental expense and reduction of the liability.	
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	
		2003	2002	2003	2002	2003	2002	2003	2002
		\$	\$	\$	\$	\$	\$	%	%
Financial assets (recognised)									
Cash at bank	6 (a)	753,389	642,650	–	–	753,389	642,650	3.9	3.65
Receivables for goods and services	6 (b)	–	–	7,176	12,657	7,176	12,657	–	–
Total financial assets (recognised)		753,389	642,650	7,176	12,657	760,565	655,307		
Total assets						860,135	746,416		
Financial liabilities (recognised)									
Leases	8	–	–	–	11,761	–	11,761	–	–
Trade creditors	10	–	–	17,806	17,789	17,806	17,789	–	–
Total financial liabilities (recognised)		–	–	17,806	29,550	17,806	29,550		
Total liabilities						242,241	210,677		

(c) Net fair values of financial assets and liabilities

	2003		2002	
	Total carrying amount \$	Aggregate net fair value \$	Total carrying amount \$	Aggregate net fair value \$
Financial assets				
Cash at bank	751,409	751,409	641,650	641,650
Cash on hand	1,980	1,980	1,000	1,000
Receivables for goods and services	7,176	7,176	12,657	12,657
	760,565	760,565	655,307	655,307
Financial liabilities				
Leases	-	-	11,761	11,761
Trade creditors	17,806	17,806	17,789	17,789
	17,806	17,806	29,550	29,550

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 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, 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.

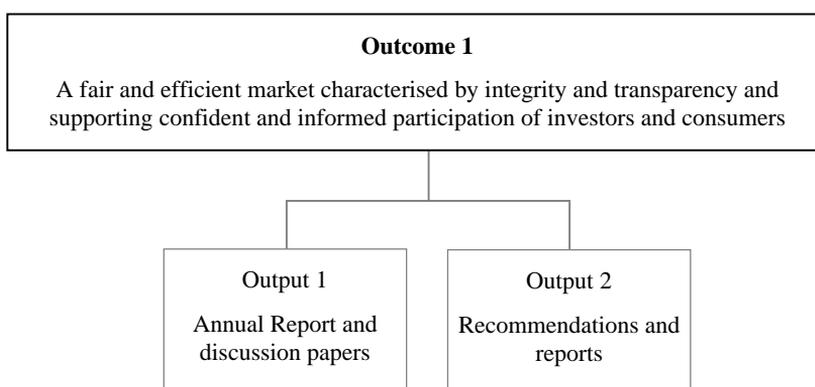
18. Events occurring after reporting date

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.

**Table A: Net cost of outcome delivery**

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

	Outcome 1	
	2003	2002
	\$	\$
Departmental expenses	769,920	756,815
Total expenses	769,920	756,815
Costs recovered from provision of goods and services to the non Commonwealth Government sector		
Departmental	–	–
Total costs recovered		
Other external revenues		
Departmental		
Interest	45,803	39,281
Revenue from sale of assets	100	–
Other	–	–
Total departmental	45,903	39,281
Total other external revenues	45,903	39,281
Net cost to Commonwealth Budget outcome (a)	724,017	717,534

(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	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Operating expenses						
Employees	200,175	197,311	225,729	222,499	425,904	419,810
Suppliers	156,430	146,529	176,400	165,235	332,830	311,764
Depreciation and amortisation	5,257	9,790	5,929	11,039	11,186	20,829
Write-down of assets	–	2,074	–	2,338	–	4,412
Total operating expenses	361,862	355,704	408,058	401,111	769,920	756,815
Funded by:						
Revenue from government	412,660	399,970	465,340	451,030	878,000	851,000
Interest	21,527	18,462	24,276	20,819	45,803	39,281
Proceeds from sale of assets	47	0	53	0	100	0
Total operating revenues	434,234	418,432	489,669	471,849	923,903	890,281

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	
	2003 \$'000	2002 \$'000
Year ended 30 June 2003		
Balance carried forward from previous year	–	–
Appropriation Acts 1 and 3	878,000	851,000
Available for payment of CRF	–	–
Payments made out of CRF	–	–
Appropriation returned to CRF (i),(ii)	–	–
Appropriation available to CAMAC	878,000	851,000
Balance carried forward to next year	–	–
Represented by:		
Appropriations Receivable	–	–