



Australian Government

Corporations and Markets
Advisory Committee

CORPORATIONS AND MARKETS ADVISORY COMMITTEE

ANNUAL REPORT *2007-2008*

**Corporations and Markets
Advisory Committee**

Annual Report
2007-08

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Australian Government

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9 September 2008

Senator the Hon Nick Sherry
Minister for Superannuation and Corporate Law
Parliament House
CANBERRA ACT 2600

Dear Minister

I am enclosing for your information and presentation to Parliament the annual report for 2007–08 of the Corporations and Markets Advisory Committee.

The report has been prepared in accordance with the *Financial Management and Accountability Act 1997*.

Yours sincerely

A handwritten signature in black ink that reads 'Richard St John'. The signature is written in a cursive style with a large initial 'R' and a long, sweeping tail.

Richard St John
Convenor

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Convenor's review

The Advisory Committee completed a major review during the year and carried forward its consideration of three other reviews with the publication of discussion papers.

Output

The Committee's report *Long-tail liabilities: the treatment of unascertained future personal injury claims* put forward proposals to improve the position of persons whose personal injury claims against a company may not emerge until after the company has got into financial difficulties. The Committee's review stemmed from the *Report of the Special Commission of Inquiry into the Medical Research and Compensation Foundation* in relation to the James Hardie group. The Committee's report explored the vexed issues of how to protect the interests of personal injury claimants, who through no fault of their own are not in a position to pursue their claims at a critical time, while recognising the exigencies of corporate management and the interests of other creditors.

The discussion papers that were published during the year canvassed issues and options and sought submissions from interested parties in relation to the following references:

- (a) ***Shareholder claims against insolvent companies: implications of the Sons of Gwalia decision.*** In *Sons of Gwalia Ltd v Margaretic*, the High Court held that a shareholder who is misled by a company into acquiring its shares can claim as a creditor in the external administration of the company. Such a claim is not postponed behind those of other creditors, as are claims brought in the shareholder's 'capacity as a member of the company'. While clarifying the interpretation of relevant provisions, the decision opened up underlying policy considerations, as was recognised by members of the Court. CAMAC was asked to consider whether the current position should be retained or, alternatively, changed to postpone claims by shareholders as aggrieved investors, and whether other changes should be made to ameliorate the consequences of either outcome.

The decision has generated considerable interest and concerns have been raised in submissions about its impact on the rights of conventional unsecured creditors as well as on the external administration process. Other submissions have pointed out that

the decision reflects the trend to investor protection type remedies for shareholders and that reversal of the decision would amount to reducing the rights of shareholders when they most need them.

- (b) **Members' schemes of arrangement.** The Committee has undertaken a review of the effectiveness and appropriateness of the provisions governing members' schemes of arrangement. These schemes are commonly used to achieve structural change within a corporate group. They are also increasingly used as an alternative to a takeover bid to achieve a change of corporate control. The Committee has raised a range of issues that affect all types of members' schemes, including change of control transactions. The Committee has also invited respondents to raise any other relevant issues they consider may call for further review.
- (c) **Issues in external administration.** The Committee has put forward a number of provisional proposals for amendments to the insolvency provisions of the Corporations Act and has undertaken a review of the submissions received from interested parties.

Work is proceeding on all three references and should be completed in 2008–09.

It is noted that many of the recommendations on external administration in the Advisory Committee reports on *Corporate voluntary administration* (1998), *Corporate groups* (2000) and *Rehabilitating large and complex enterprises in financial difficulties* (2004) were implemented by the amendments made to the Corporations Act by the *Corporations Amendment (Insolvency) Act 2007*.

Operations

The Committee has been operating since 1989 as a source of independent and expert advice to the responsible Minister on the administration of corporate laws, the need for any changes to them or the operation of financial markets. The Committee reviews matters referred to it by the Minister, and may also undertake reviews on its own initiative. The members of the Committee are appointed in a personal, not a representative, capacity on the basis of their personal experience in corporate and financial areas. The ASIC nominee provides a regulatory perspective.

The Committee closely examines the issues that come before it and, where possible, draws out the views of interested parties in preparing its advice to government. It also seeks through its publications to increase public understanding of relevant issues and their implications for regulatory policy.

As from 1 July 2007, the Committee is a body regulated under the *Financial Management and Accountability Act 1997* for the purposes of financial management and accountability. This arrangement preserves the independence of the Committee, while ensuring that it is accountable for funds given to it for the purposes of carrying out its functions.

Acknowledgements

The Committee was pleased to welcome the Minister for Superannuation and Corporate Law, Senator the Hon Nick Sherry, to its meeting in April and to hear from him and discuss regulatory and market issues.

The Committee maintains contact with officers of Treasury and appreciates the attendance by representatives of that department at its meetings. It also acknowledges with appreciation the assistance given by ASIC officers in various administrative areas, including financial management and library services.

Members of the Advisory Committee and the Legal Committee participate on a part-time basis and have other commitments. They bring to the work of the Committee considerable expertise and experience and contribute actively to the deliberative process. They are ably supported by a dedicated Executive.

Issues and developments

Set out below is a summary of the Committee's work in 2007–08 in meeting the outcomes and outputs described in the Treasury Portfolio Budget Statement.

1 Long-tail liabilities: the treatment of unascertained future personal injury claims

Terms of reference

The then Parliamentary Secretary to the Treasurer asked the Advisory Committee in October 2005 to review a proposal (the Referred Proposal) to strengthen protection for future unascertained personal injury claimants where the solvency of the responsible company may be in question.

The Referred Proposal involved the extension of existing creditor protections to persons with potential future injury claims, a procedure for dealing with those claims in an insolvency and an anti-avoidance provision.

The request referred to the report of the *Special Commission of Inquiry into James Hardie* in 2004, in which David Jackson QC said that:

current laws do not make adequate provisions for commercial insolvency where there are substantial long-tail liabilities, that is, liabilities which arise many years after the events or transactions which give rise to them.

The request also made reference to the need to balance competing policy considerations, namely, protecting potential personal injury claimants on the one hand, and on the other, providing current creditors and others with business certainty.

Course of the review

The Committee invited initial submissions on the Referred Proposal, which are published on the CAMAC website.

Subsequently, the Advisory Committee published a discussion paper *Long-tail liabilities: the treatment of unascertained future personal injury claims* (June 2007) that took into account the initial submissions received on the Referred Proposal.

The Committee noted that the difficulties in question in the review arise with businesses that have been involved in the manufacture and distribution of products that give rise to health problems or diseases after the lapse of a significant period of time. The onset of some diseases, for instance asbestos-related conditions, is difficult to predict, as there is a long gap between exposure to the product and the manifestation of the disease.

The Committee also noted that the circumstances to which the review was directed—that is, where personal injury claims may arise years after the sale by a company of a relevant product—are inherently uncertain. This poses challenges in balancing the effective ongoing management of a company, the interests of ordinary creditors where the company runs into financial difficulties and the interests of people who may turn out ultimately to have a personal injury claim against the company.

The discussion paper pointed out that any move towards making special provision for future personal injury victims would have to take into account:

- the difficulty for companies in determining the likely impact of future claims on their operations, as there may be only limited information about the number or possible costs of those claims
- the possibility that constraints on the ongoing management of companies could undermine their ability to pay claims as they arise
- the need to strike a balance between protecting potential personal injury claimants and providing current creditors and others with reasonable business certainty.

Particular problems also arise where corporate insolvency is involved. The challenge is how to protect victims whose claims may not come to light until after the company has been wound up.

The Committee received submissions on the discussion paper, which are available on the CAMAC website.

Report

CAMAC published its report *Long-tail liabilities: the treatment of unascertained future personal injury claims* in May 2008.

The report makes a series of recommendations, developed from the Referred Proposal, to provide better protection for individuals who in the future may have personal injury claims against companies.

- *Solvent companies.* The share capital reduction, buy-back and financial assistance provisions should be amended to require that a proposed

transaction not materially prejudice the company's ability to pay its creditors or meet its contingent or other liabilities, including liabilities to future injury claimants. Also, a solvent company with anticipated liabilities of this nature that may render it insolvent at some future time should have the right to seek a court order confirming a plan to deal with these claims as they arise.

- *Voluntary administration.* A person representing future injury claimants should have standing to challenge in court a proposed deed of company arrangement on the basis that it would be unduly detrimental to the interests of these claimants.
- *Schemes of arrangement.* The scheme provisions should be amended to permit schemes involving a company and an identified class of these claimants.
- *Liquidations.* The court should have a power to order the setting aside of funds in trust for personal injury claimants, where the court considers that this is worthwhile, taking into account the distributable assets available for unsecured creditors.

The Committee did not support the suggestion in the Referred Proposal that these protections should be available only where a mass future claim was afoot. Also, the Committee was not persuaded of the need for a specific anti-avoidance provision of the kind put forward in the Referred Proposal.

The report noted the importance of companies complying with their existing obligations to disclose contingent and other liabilities, which can include unascertained future personal injury claims. The proper identification and disclosure of these anticipated claims, whether or not related to personal injury, should be part of the responsible management of a company as required by applicable accounting standards.

2 Shareholder claims against insolvent companies: implications of the *Sons of Gwalia* decision

Terms of reference

In *Sons of Gwalia Ltd v Margaretic* (2007)¹ (*Sons of Gwalia*), the High Court held that a shareholder who is misled by a company into acquiring its shares through misrepresentation or defective market disclosure (an aggrieved investor) can claim as a creditor in the external administration of

¹ (2007) 232 ALR 232, 60 ACSR 292, 25 ACLC 1.

the company. Such a claim, being based on various investor protection provisions, is not postponed behind other unsecured creditors as are claims brought in a shareholder's 'capacity as a member of the company'. Prior to the High Court decision, there appears to have been a view in the commercial community that all claims by shareholders against a company that arose from their shareholding were claims in their capacity as members.

Following the *Sons of Gwalia* decision, the then Parliamentary Secretary to the Treasurer wrote to the Advisory Committee in February 2007 to refer an issue to it for consideration and advice. The terms of reference canvassed the background to the decision and raised three questions for the consideration of the Advisory Committee:

1. Should shareholders who acquired shares as a result of misleading conduct by a company prior to its insolvency be able to participate in an insolvency proceeding as an unsecured creditor for any debt that may arise out of that misleading conduct?
2. If so, are there any reforms to the statutory scheme that would facilitate the efficient administration of insolvency proceedings in the presence of such claims?
3. If not, are there any reforms to the statutory scheme that would better protect shareholders from the risk that they may acquire shares on the basis of misleading information?

Discussion paper

The Advisory Committee published a discussion paper *Shareholder claims against insolvent companies: implications of the Sons of Gwalia decision* in September 2007.

The paper described the current state of the law, explained the steps that aggrieved investors would need to take in making claims in an insolvency and considered the implications of these claims for the conduct of external administrations, corporate financing and financial markets.

The paper reviewed various arguments for or against change to the current legal position and noted the divergence between the US and UK positions. It canvassed possible changes to the conduct of creditors' meetings and to the procedure for determining shareholder claims if the current position is retained. It raised the possibility of introducing a 'fraud on the market' principle to assist shareholder claims should the law be changed. Finally, the paper considered whether shareholders whose claims are postponed in a liquidation should still be treated as creditors, with voting and other rights in an external administration.

Further work

The Advisory Committee is well-advanced in its consideration of the submissions on the discussion paper and is developing recommendations for inclusion in its report to the Government.

3 Issues in external administration

Terms of reference

In May 2007, the then Parliamentary Secretary to the Treasurer asked the Advisory Committee to review a number of new issues that were raised by stakeholders during consultation on the Corporations Amendment (Insolvency) Bill 2007 (subsequently enacted) and that would benefit from public discussion and subsequent consideration by the Committee.

The Parliamentary Secretary sought advice on the following proposals.

- A new mechanism should be introduced to allow for voting by post on proposals relating to remuneration, compromise of debts under subsection 477(2A) of the *Corporations Act 2001* (Corporations Act) and liquidators entering into agreements on the company's behalf under subsection 477(2B) of the Corporations Act.
- The requirement to publish insolvency notices in a newspaper should be limited, such that it requires only a summary statement with additional details to be published on a website to be maintained by ASIC or a professional body. An alternative proposal would move all notices to a website to be maintained by ASIC or a professional body.
- Directors and related party creditors should be prevented from voting on a proposal to appoint a different person as liquidator when a company proceeds from administration into liquidation.
- Where a company is put into liquidation after an administration (or deed of company arrangement) then the remuneration of the administrator (or deed administrator) should be provided a priority over that of any replacement liquidator.
- The rule allowing a deed administrator to apply to the court for an exemption from the rule requiring a company to publish its former name on public documents should be extended to all other types of external administration.

- A nominee of an administrator should be allowed to chair the second meeting in voluntary administration, where the administrator is sick or otherwise unable to attend in person.
- Creditors should be able to approve the remuneration of a provisional liquidator when a company proceeds from provisional liquidation into liquidation.
- The new mechanism for electronic communication with creditors should be extended, to allow for electronic means to be used except if the creditor requests a hard copy of documents. One suggested approach would provide for a single page to be sent to creditors directing them to documents available on a website and providing a telephone number to call if a hard copy is required. An alternative proposal would provide for a creditor being ‘deemed’ to have consented to electronic communication where a company has communicated with a creditor by that means at any time prior to the commencement of the external administration.
- ASIC should be able to apply to a court to replace a liquidator if the liquidator dies or is no longer registered.
- ASIC should be able to take possession of books relating to a company in external administration, and transfer those books to another liquidator, if a liquidator dies or is no longer registered.
- The deed administrator should be required to notify creditors of any breach of a deed of company arrangement.
- The defences to the voidable transaction provisions should be amended, such that the insolvency defence under section 588FG does not apply to the new provisions relating to transactions entered into while a company was under administration (given that insolvency is not a condition for those provisions).
- Transactions conducted under the authority of a receiver or controller should be exempted from the voidable transaction provisions.
- The administrator of a company should be required to provide access to a list of a company’s known creditors as soon as practicable after their appointment.
- The definition of ‘controller’ should be revised such that enforcing a security over a single asset, or an asset with a value of less than \$100,000 does not involve a controllership and the requirements of the Corporations Act dealing with controllers are not applicable.

- The administrator of a company should be required to provide details of the location of all equipment in the possession of the company owned by entities other than the company. These details might be included in the subsection 443B(3) notice that informs the owner or lessor that the company does not propose to exercise rights in relation to the property.

Discussion paper

In February 2008, the Advisory Committee published a discussion paper *Issues in external administration*, which put forward a number of provisional proposals for further consideration and comment. The Advisory Committee received various submissions, which are available on the CAMAC website.

Further work

The Advisory Committee is considering the views put forward by submissions on the discussion paper and is preparing its recommendations to the Government.

4 Members' schemes of arrangement

Terms of reference

The Advisory Committee was asked by the former Government, in conjunction with the request regarding issues in external administration, to consider whether the 'headcount' test for shareholder approval of members' schemes (namely a majority in number of shareholders voting on the scheme) should be removed. The Committee considered that this issue might best be considered in the context of a wider review of whether the provisions for members' schemes of arrangement under Part 5.1 of the Corporations Act operate in an effective and appropriate manner, and with appropriate safeguards, to facilitate corporate restructuring.

Discussion paper

The Advisory Committee published a discussion paper *Members' schemes of arrangement* in June 2008.

The discussion paper pointed out that schemes of arrangement are a commonly used mechanism for achieving structural change within a company or a corporate group. They can be tailored to novel or complex corporate structures or be used for major group reconstructions. Members'

schemes are increasingly used instead of takeover bids to achieve a change of corporate control.

The paper included a review of factors that may influence the choice between schemes, takeover bids and reductions of share capital to effect a change of corporate control.

The paper invited submissions on a range of issues, including:

- whether the disclosure requirements for schemes should be amended to assist greater understanding by shareholders, for instance, by introducing a ‘clear, concise and effective’ disclosure requirement for the explanatory statement
- whether the procedure for determining classes of shareholders should be changed to permit earlier and binding determinations
- whether the headcount test should be amended or repealed
- whether ASIC should have modification powers for schemes comparable to those for takeover bids
- whether s 411(17), which relates to schemes that have been proposed for the purpose of avoiding the takeover provisions, should be repealed or amended.

The paper also considered whether the provisions for members’ schemes:

- should accommodate holders of options over unissued shares or convertible notes
- should be extended to listed or unlisted managed investment schemes
- should be simplified for mergers within wholly-owned corporate groups
- should be adapted for use in schemes opposed by the target company.

The paper requested submissions by 26 September 2008.

Outlook for 2007–08

The Advisory Committee is considering submissions on the *Sons of Gwalia* discussion paper, with a view to submitting a report.

The Committee is also considering submissions on the *Issues in external administration* discussion paper, with a view to submitting a report.

The Committee will review submissions on the *Members' schemes of arrangement* discussion paper and develop its recommendations.

As well as responding to any further requests for advice from the Minister, the Committee will keep under consideration other areas that may be suitable for review.

Implementation of recommendations

The *Corporations Amendment (Insolvency) Act 2007* came into force on 31 December 2007.

Various proposals in the Act are based on recommendations in the following Advisory Committee reports:

- *Corporate voluntary administration* (June 1998) (*1998 report*)
- *Corporate groups report* (May 2000) (*2000 report*), and
- *Rehabilitating large and complex enterprises in financial difficulties* (October 2004) (*2004 report*).

They include:

- requiring administrators to provide creditors with a statement of independence (*1998 report rec 36*)
- giving creditors of a company in a voluntary administration who decide to place the company in liquidation the right to appoint a person other than the administrator as liquidator (*1998 report rec 54*)
- broadening the court's power to determine an administrator's remuneration (*1998 report rec 38, 2004 report rec 18*)
- making clear that a corporation can be a member of a committee of creditors (*2004 report rec 34*)
- requiring a company that changes its name during, or six months prior to, an external administration to disclose the former as well as the current name on its public documents for the period of the administration or any subsequent liquidation (*1998 report rec 60*)
- providing for pooling in liquidations (*2000 report rec 22*)
- ensuring that the court power to bind secured creditors or owners or lessors of real or personal property to a deed of company arrangement is only exercisable after the creditors have resolved that a deed of company arrangement be executed (*1998 report rec 28*)
- making clear that a debt which is extinguished by entry into a deed of company arrangement, and which by its terms would have otherwise

survived, is deemed not to have been extinguished for the purpose of enforcing a related guarantee or indemnity (*1998 report rec 34*)

- making clear that termination of a deed by resolution of creditors can only occur following a breach of the deed that has not been rectified before the resolution is passed (*1998 report rec 35*)
- giving administrators a power to consent to a transfer of shares in a company under administration or an alteration in the status of the company's shareholders (*1998 report rec 37*)
- extending an administrator's right of indemnity to cover any personal liabilities incurred by the administrator in good faith and without negligence in the due performance of his or her duties (*1998 report rec 41*)
- giving deed administrators the power to sell or cancel existing shares in the company with the approval of the shareholder or the leave of the court (*1998 report rec 42, 2004 report rec 22*)
- requiring administrators and deed administrators to lodge their accounts with ASIC (*1998 report rec 43*)
- requiring that information sent to creditors in a voluntary administration include information known to the administrator that will enable creditors to make informed decisions about whether to execute a deed of company arrangement, end the administration or wind the company up (*1998 report rec 5*)
- exempting from the fundraising provisions offers to creditors to exchange debt for equity under a deed of company arrangement and, instead, requiring the administrator to provide a statement setting out all the information known to the administrator about the merits of the offer (*1998 report rec 58, 2004 report rec 35*)
- making clear that directors and substantial chargees may not appoint an administrator once a provisional liquidator has been appointed (*1998 report recs 45, 46*)
- enabling a liquidator to appoint himself or herself, or certain related persons, as administrator with the consent of creditors or the leave of the court (*1998 report recs 47, 48*)
- giving the deed administrator standing to make an application for a stay or termination of the winding up once creditors have approved a deed of company arrangement for a company that is in winding up (*1998 report rec 49*)

- adding a liquidator or provisional liquidator who has put the company into administration to the parties who can apply to the court for replacement of an administrator (*1998 report rec 50*)
- extending the times for the first and second meetings of creditors, changing all references to ‘days’ to ‘business days’ and rectifying certain timing anomalies (*1998 report recs 2, 6, 7, 8, 59, 2004 report rec 7*)
- giving a company under a deed of company arrangement an express right to apply to the court for an order that the company need not include the words ‘subject to deed of company arrangement’ on its public documents (*1998 report rec 33*)
- enabling the removal of one administrator and the appointment of a replacement administrator to be effected through a single resolution (*1998 report rec 3*)
- making clear that persons who hold property of a company under administration as security under a lien or pledge can retain possession of that property. However, they will not be entitled to exercise any rights under the lien or pledge to sell that property during the course of an administration (*1998 report rec 22*)
- making clear that an administrator may sell property subject to a lien, pledge or retention of title clause in certain situations, provided the administrator retains the amount secured for payment to the holder of the security (*1998 report rec 23*)
- exempting from the moratorium enforcement action in relation to shares subject to bankers’ liens and shares lodged as collateral with a clearing and settlement facility (*1998 report rec 25*)
- extending the court’s power to grant an administrator an injunction against enforcement action by a chargee over particular property to injunctions against threatened enforcement actions (*1998 report rec 26*)
- making clear that chargeholders who are permitted to enforce their charges can do so during the administration period through court, as well as extra-curial, action (*1998 report rec 27*)
- providing that, where a liquidation follows a deed of company arrangement, post-deed creditors will have no statutory priority, except where the deed administrator is personally liable for debts covered by s 556(1)(a) (*1998 report rec 55*)

- providing that transactions that take place during the course of a voluntary administration (including during the administration of a deed) that precedes any form of court or voluntary winding up are voidable, except for transactions by, or under the authority of, the administrator or deed administrator (*1998 report rec 51*)
- allowing a liquidator either three years from the relation-back day (as at present) or one year from the date of his or her appointment (under the amended legislation), whichever is the later, to challenge voidable transactions (*2004 report rec 50*).

References to CAMAC reviews

During 2007–2008, the work of the Advisory Committee was referred to in various publications, including:

The social responsibility of corporations

- S Carlisle and L d'Oliveyra, 'Crisis, what Crisis?' (2007) 17(1) *Australian Corporate Lawyer* 6
- R Simnett & M Nugent, 'Developing an assurance standard for carbon emissions disclosures' (2007) 17(2), July 2007 *Australian Accounting Review* 37
- J Purcell & J Loftus, 'Corporate social responsibility: Expanding directors duties or enhancing corporate disclosure' (2007) 21 *Australian Journal of Corporate Law* 135
- R Lyster, L Chiam & D Bortoluzzi, 'Sustainability and climate change: Liability of corporations' (2007) 25 *Company and Securities Law Journal* 427
- K Bubna-Litic, 'Climate change and corporate social responsibility: the intersection of corporate and environmental law' (2007) 24 *Environmental and Planning Law Journal* 253
- T Wilson, 'Values driven innovation or inadequate self-regulation?: The effective regulation of Australian banks as service providers to low income consumers' (2008) 21 *Australian Journal of Corporate Law* 258
- L Horn, 'Multinational enterprises and sustainable development' (2008) 21 *Australian Journal of Corporate Law* 186
- M Overell, L Chapple & P Clarkson, 'Environmental reporting in the Australian mining industry: Complying with regulation or meeting international best practice?' (2008) 36 *Australian Business Law Review* 137
- F Schwarz, 'The German co-determination system: a model for introducing corporate social responsibility requirements into Australian law? Part 1' (2008) 23 *Journal of International Banking Law and Regulation* 125

Corporate duties below board level

- M Byrne, ‘Do directors need better statutory protection when acting on the advice of others?’ (2008) 21 *Australian Journal of Corporate Law* 238

Personal liability for corporate fault

- J Hall, ‘Environmental breaches: directors and officers beware’ (2007) 17 (11) *Australasian Risk Management* 4
- J Hall, ‘Directors and officers beware: your liability for corporate environmental breaches’ (2007) 22 (10) *Australian Environment Review* 7
- J Hall, ‘Environmental liabilities—directors and officers beware’ (2008) 60 *Keeping Good Companies* 169

Long-tail liabilities

- I Freckelton, ‘Long-tail liability law reform’ (2007) 15 *Journal of Law and Medicine* 171
- J Warde & A Martin, ‘Long-tail liabilities—CAMAC’s discussion paper and the impact on insolvency practitioners’ (2007) 59 *Keeping Good Companies* 565

Sons of Gwalia

- C Fenwick and G Magner, ‘Creditors vs Mised Shareholders: Finding the Right Balance’ (2007/08) 8(5) *Insolvency Law Bulletin* 81
- A Bilski & P Brown, ‘Sons of Gwalia versus shareholder subordination: Fairness versus efficiency’ (2008) 26 *Company and Securities Law Journal* 93
- E Boros, ‘Shareholder litigation after Sons of Gwalia Ltd v Margaretic’ (2008) 26 *Company and Securities Law Journal* 235.

Past reports

The following Advisory Committee reports are available at www.camac.gov.au:

- Long-tail liabilities: the treatment of unascertained future personal injury claims (May 2008)
- The social responsibility of corporations (December 2006)
- Personal liability for corporate fault (September 2006)
- Corporate duties below board level (April 2006)
- Rehabilitating large and complex enterprises in financial difficulties (October 2004)
- Directors and officers insurance (June 2004)
- Insider trading (November 2003)
- Retail client compensation in financial markets (September 2001)
- Charges over uncertificated securities (April 2001)
- Sections 181 and 189 of the Corporations Law (October 2000)
- Qualifications and experience for secretaries of public companies (August 2000)
- Shareholder participation in the modern listed public company (Company meetings) (June 2000)
- Corporate groups (May 2000)
- Jurisdictional legal risk for collateral securities (May 2000)
- Liability of members of managed investment schemes (March 2000)
- Compulsory acquisitions (March 2000)
- Compulsory acquisitions and buy-outs (March 1999)
- Reform of ss 621(4) and 623(2) and (3) of the Corporate Law Economic Reform Program Bill 1998 (December 1998)

- Corporate voluntary administration (June 1998)
- Netting in financial markets transactions (June 1997)
- Regulation of on-exchange and OTC derivatives markets (June 1997)
- 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).

The Committee

Overview

The Advisory Committee is established under the *Australian Securities and Investments Commission Act 2001* (the ASIC Act) to provide informed and expert advice to the Minister about corporate, financial product and financial market matters (ss 1(1)(c) and 148).

Its members are appointed by the Minister following consultation with the States and Territories. It has an audit committee and receives specialist legal advice from its Legal Committee, whose members are also appointed by the Minister.

The Advisory Committee comes under the *Financial Management and Accountability Act 1997* for the purpose of financial accountability.

The Committee is supported by a full-time Executive located in Sydney.



Back (L to R): Barbara Bradshaw, Matthew Brine, Zelinda Bafile, John Kluver, Marian Micalizzi, Vincent Jewell, Anne Durie, Greg Vickery, Nerolie Withnall, Jeremy Cooper
Front (L to R): Richard St John, Senator the Hon Nick Sherry

Functions

The Committee's statutory 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' relating to corporations and financial services law, administration and practice. The Committee sees its role as being to provide informed, objective and independent advice to the Minister on such matters. In so doing, it seeks to promote a sound and effective regulatory framework for corporate activity and financial services and efficient financial markets.

The Advisory Committee comes under the Treasury Portfolio. The Minister for Superannuation and Corporate Law, Senator The Hon Nick Sherry, has responsibility for corporate law matters.

In fulfilling its functions, the Advisory Committee undertakes reviews, resulting in the presentation and publication of reports, and also responds to particular requests from the Minister for advice. Its general practice for major reviews is to invite and consider submissions from interested persons, and take into account the expert advice of its Legal Committee, before settling a report to the Minister. In 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 in their personal capacity by the Minister. The Minister appoints one of the members as the Convenor.

The members are selected, 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 Chairperson of the Australian Securities and Investments Commission (ASIC) is a member of the Committee by virtue of s 147 of the ASIC Act. The ASIC Chairperson may nominate another person to attend in his or her place (s 153(1A), (1B)).

The members during 2007–08 are set out below.

- **Richard St John, Convenor (Melbourne) (appointed until March 2010).** Richard is Special Counsel to Johnson Winter & Slattery. He has had extensive experience in legal, policy and governance roles in the private and public sectors, including as General Counsel of BHP, Deputy Secretary of the Attorney-General's Department and Secretary to the HIH Royal Commission.
- **Zelinda Bafile (Perth) (appointed until May 2008, reappointed in July 2008 until May 2011).** Zelinda is a lawyer and director. As a former General Counsel and Executive at Home Building Society Ltd for over 20 years, she has extensive commercial experience and governance expertise in the banking and finance industry.
- **Barbara Bradshaw (Darwin) (appointed until August 2008).** Barbara is the Chief Executive Officer of the Law Society of the Northern Territory. She is a lawyer, with an extensive background in private practice and working for government in corporate law and related policy areas and as a regulator.
- **Jeremy Cooper (Melbourne).** Jeremy is the Melbourne-based Deputy Chairman of the Australian Securities and Investments Commission, having been appointed to that position in July 2004 for a 5-year term. He was formerly a partner of Blake Dawson Waldron where he was involved in many corporate transactions, including takeovers, reconstructions, ASX listings and capital raisings. Jeremy has been a member of the Law Council's Corporations Committee since 1995 and is a regular speaker on corporate law and financial services market issues. He is also a member of the Advisory Committee of the Melbourne Centre for Financial Studies.
- **Tony D'Aloisio (Sydney).** Tony is the Chairman of the Australian Securities and Investments Commission, having been appointed to that position in May 2007 for a 4-year term. He has extensive commercial and legal experience and has been involved in business policy and regulation, having held a number of other company directorships and public positions. Before joining ASIC, Tony was Managing Director and Chief Executive Officer at the Australian Stock Exchange from 2004 to 2006. Previously, he was Chief Executive Partner at Mallesons Stephen Jaques between 1992 and 2004. Tony joined Mallesons in 1977 as a commercial lawyer, with principal areas of practice in mergers and acquisitions, taxation and restrictive trade practices and international trade and investment. He was also involved in extensive assessment of overseas markets in Asia, USA and the UK.

Pursuant to s 153(1A), (1B) of the ASIC Act, Jeremy Cooper has been nominated to attend Advisory Committee meetings.

- **Alice McCleary (Adelaide) (appointed until May 2008, reappointed in July 2008 until May 2011).** Alice is a professional director and chartered accountant. She is a member of several boards and committees in the private and public sectors. She is also a member of the Takeovers Panel and is Deputy Chancellor of the University of South Australia. Her professional background is in corporate taxation.
- **Marian Micalizzi (Brisbane) (appointed until March 2010).** 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 (Melbourne) (appointed until 10 December 2007, reappointed in July 2008 until May 2011).** 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. He is a member of the Takeovers Panel, the Companies Auditors and Liquidators Disciplinary Board, the Law Committee of the Australian Institute of Company Directors and the Corporations Law Committee of the Law Council of Australia. Former positions he has held include Dean of the Faculty of Law at the University of Melbourne, Head of the Federal Government inquiry on auditor independence and member of the International Federation of Accountants taskforce on rebuilding confidence in financial reporting. Ian has published extensively on corporate law issues both internationally and in Australia.
- **Robert Seidler (Sydney) (appointed until March 2010).** Bob is a partner at Blake Dawson Waldron. He has been practising law for some 30 years, including nearly 10 years as a partner of an international firm based in Sydney and Tokyo. While working in Tokyo, he became the first Australian lawyer licensed to practise foreign law in Japan and was a member of The Ministry of International Trade and Industry Import Board, being appointed by the Japanese Prime Minister to represent Australia and New Zealand. He has been a director of various Australian subsidiaries of international banks and is currently a director of a large institutional property trust and on the board of two listed Australian companies.
- **Greg Vickery AM (Brisbane) (appointed until May 2008, reappointed in July 2008 until May 2011).** Greg is Chairman and Partner at the Brisbane office of Deacons. He has been practising law for over 30 years, primarily in the corporate and commercial areas. He

is an Adjunct Professor of Law at the University of Queensland and regularly speaks on aspects of company law. He is a member of the Regional ASIC Committee in Queensland and of several Boards, and is National Chairman of Australian Red Cross and a member of the Governing Board of the International Red Cross and Red Crescent Movement.

- **Nerolie Withnall (Brisbane) (appointed until March 2010).** Nerolie is a Company Director. She began practising law in Darwin in the 1960s and subsequently spent 10 years with Minter Ellison in Brisbane as a partner specialising in corporate law. Now retired from practice, she is a director of several public companies and government organizations and a member of the Takeovers Panel.

During 2007–08 the Advisory Committee met 5 times. The members attended the following number of meetings (where the terms of members did not cover the entire year, the number of meetings they were eligible to attend is shown):

- Richard St John—5
- Zelinda Bafile—5
- Barbara Bradshaw—5
- Jeremy Cooper—5
- Alice McCleary—4
- Marian Micalizzi—5
- Ian Ramsay—1 of 2
- Robert Seidler—3
- Greg Vickery—5
- Nerolie Withnall—3.

The following members were appointed to the Committee in July 2008:

- **Ian Eddie (Tweed Heads, NSW) (appointed until May 2011).** Ian is Professor of Accounting in the School of Commerce and Management at Southern Cross University. He is a Fellow of CPA Australia and has experience as a director, corporate adviser and consultant on securities market developments. Former positions he has held include Dean of the Faculty of Business and Government at the University of Canberra and Head of the New England Business School, University of New England. Ian has published many articles on accounting practice, corporate financial reporting, corporate governance and international capital markets.

- **Geoffrey Nicoll (Canberra) (appointed until May 2011).** Geoff is Co-Director, National Centre for Corporate Law and Policy Research, University of Canberra. He was an Academic Director of the National Institute for Governance (2000–2003), a Director of the Governance Area of Research Strength (2004) and Acting Head of the Law School in 2005. Since 2002, he has been an Executive Member of the Business Law Section of the Law Council of Australia and, since 2003, has sat as the Law Council of Australia’s representative on the Business Advisory Committee of ASIC.

Audit Committee

The Convenor, as Chief Executive of CAMAC, has established an audit committee, with the functions and responsibilities required by the Finance Minister’s Orders, in compliance with s 46 of the *Financial Management and Accountability Act 1997*.

During 2007–08, the Audit Committee consisted of Alice McCleary (until May 2008), as chair, and Barbara Bradshaw.

During the financial year, the Audit Committee:

- reviewed the Advisory Committee’s 2006–07 financial statements and recommended that they be adopted
- reviewed a letter from the Australian National Audit Office, which stated that there were no matters arising from the 2006–07 audit that should be brought to the attention of management or the Audit Committee
- reviewed the Advisory Committee’s procedure for signing cheques.

Legal Committee

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

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

The members during 2007–08 are set out below.

- **Nerolie Withnall, Convenor (Brisbane) (appointed until March 2010).** Nerolie is a Company Director. She began practising law in Darwin in the 1960s and subsequently spent 10 years with Minter Ellison in Brisbane as a partner specialising in corporate law. Now retired from practice, she is a director of several public companies and government organizations and a member of the Takeovers Panel.
- **Lyn Bennett (Darwin) (appointed until August 2009).** Lyn is a partner with Minter Ellison, practising in commercial law. She has broad experience over 25 years practising in Victoria and in recent years in Darwin. She is a member of the commercial law sub-committee of the Law Society of the Northern Territory and the Property and Commercial Law Taskforce assisting the Northern Territory government, and is also an appointed member of the Northern Territory Architects Board. She has been actively involved over many years in boards of various private community organizations and corporate entities.
- **Elizabeth Boros (Melbourne) (appointed until March 2010).** Elizabeth holds the Sir Keith Aickin Chair of Company Law at Monash University and is the author of a book, *Minority Shareholders' Remedies* and co-author of a book, *Corporate Law*. She is a member of the Corporations and E-commerce Committees of the Business Law Section of the Law Council of Australia. She has formerly held positions as a director of ASX Supervisory Review Pty Limited, an External Specialist Adviser to the London School of Economics and Political Science, and inaugural national chair of the Law Council's E-commerce Committee.
- **Damian Egan (Hobart) (appointed until August 2008).** Damian is a commercial law partner with Murdoch Clarke and President of the Retirement Benefits Fund Board (Tasmania). He is a member of several Boards and a member of the Faculty of Accounting and Commerce at the University of Tasmania.
- **Jennifer Hill (Sydney) (appointed until March 2010).** Jennifer is a Professor of Law at the University of Sydney. She teaches, and has written widely in, corporate law and corporate governance, and has been a Visiting Professor at a number of US law schools, including the University of Virginia, the University of Texas at Austin and Vanderbilt University.

- **James Marshall (Sydney) (appointed until March 2010).** James is a partner and board member of Blake Dawson Waldron and is the Head of the Restructuring and Insolvency Group of that firm. He practises in the areas of business turnaround and restructuring and has been active in the distressed debt markets. He has a longstanding interest in insolvency law reform and was a member of the Insolvency Law Advisory Group, which was commissioned by Treasury to advise it in relation to the proposed amendments to the corporate insolvency legislation. James is also a member of FINSIA and the Insolvency Practitioners of Australia.
- **David Proudman (Adelaide) (appointed until March 2010).** David is a partner of Johnson Winter & Slattery and was admitted as a practitioner in South Australia in 1986. He is currently the National Chair of the Insolvency & Reconstruction Committee of the Law Council of Australia. He was a member of the Insolvency Law Advisory Group appointed by the Parliamentary Secretary to the Treasurer to advise on the Corporations Amendment (Insolvency) Bill 2007 and is a member of the Consultative Group on Personal Property Security Reform, having been appointed by the Attorney-General. David advises banks, financial institutions, corporations and insolvency practitioners in all aspects of corporate insolvency, workouts, reconstructions and recoveries.
- **Laurie Shervington (Perth) (appointed until August 2008).** Laurie is a partner with Minter Ellison. He has practised in corporate and business law for over 35 years. He has board experience at listed and large proprietary company level and practises in the corporate advisory field.
- **Simon Stretton (Adelaide) (appointed until March 2008, reappointed in July 2008 until May 2011).** Simon is the South Australian Crown Solicitor. As a barrister, he specialised in corporate and commercial litigation and probity auditing. He is a former ASIC Regional Commissioner and ICAC and Crime Commission General Counsel. He is currently chair or member of several committees advising on corporate and regulatory issues, and is a member of the Companies Auditors and Liquidators Disciplinary Board.
- **Gabrielle Upton (Sydney) (appointed until August 2009).** Gabrielle is legal counsel with the Australian Institute of Company Directors. She previously worked as a banker at Deutsche Bank and Toronto Dominion Bank in New York and in Sydney as a lawyer at Freehills and Phillips Fox. She is Deputy Chancellor of the University of New South Wales and serves on the Australian Defence Force Academy Consultative Committee. She is also a director of the Duke of Edinburgh Awards in Australia.

During 2007–08, the Legal Committee met 5 times. The members attended the following number of meetings (where the terms of members did not cover the entire year, the number of meetings they were eligible to attend is shown):

- Nerolie Withnall—4
- Lyn Bennett—5
- Elizabeth Boros—5
- Damian Egan—5
- Jennifer Hill—3
- James Marshall—5
- David Proudman—3
- Laurie Shervington—5
- Simon Stretton—2 of 3
- Gabrielle Upton—3.

Executive

As at 30 June 2008, the Advisory Committee had a full-time Executive of three officers, being John Kluver (Executive Director), Vincent Jewell (Deputy Director) and Thaumani (Timmi) Parrino (Office Manager). Also, Anne Durie was a part-time Legal Officer.

John Kluver prepared and presented various papers on matters being reviewed by the Advisory Committee, including at seminars and conferences.

Vincent Jewell gave a presentation to the Law Council Insolvency Law Workshop in Adelaide on long-tail liabilities, *Sons of Gwalia* and issues in external administration.

The Executive carries out research, liaises with interested organizations and individuals and prepares, on the basis of the Committee's deliberations, draft papers and other material for the Committee's consideration.

Coordination with other bodies

The Advisory Committee, through the Executive, maintains contact with officers of the Commonwealth Treasury, ASIC and other relevant government and private sector bodies. Representatives of Treasury attend 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 that Committee's invitation.

The Advisory Committee thanks ASIC and its officers for administrative support, including, in particular, officers of ASIC's Finance Section in Sydney for their assistance in administering the accounts of the Committee and preparing the annual financial statements, officers of ASIC's Payroll Section in Brisbane, officers of ASIC's Library for their assistance in the research work of the Executive and ASIC's information technology officers.

The Committee also thanks those officers in ASIC who assisted in the Advisory Committee's transition to the *Financial Management and Accountability Act 1997* from 1 July 2007.

Other information

Ethics

CAMAC staff are required to adhere to the Australian Public Service values and code of conduct under the *Public Service Act 1999*.

Australian Public Service values include performing functions impartially and professionally, the highest ethical standards, open accountability, providing frank, honest, comprehensive, accurate and timely advice to government and promoting communication, consultation, co-operation and input from employees.

The requirements of the code of conduct include honesty, care and diligence, courtesy, compliance with the law, avoiding conflicts of interest and proper use of Commonwealth resources and information.

Fraud

CAMAC has adopted the ASIC Fraud Control Plan. In July 2007, it adopted a new Fraud Business Risk Assessment 2007–2009, identifying relevant risk factors. CAMAC has adequate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet its needs and comply with the Commonwealth Fraud Control Guidelines (including the reporting aspects of those guidelines).

External scrutiny

CAMAC's accounting records are audited each year by the Australian National Audit Office.

During the financial year, there were no judicial decisions or decisions of administrative tribunals or reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman concerning the performance of the Advisory Committee.

Management of human resources

As at 30 June 2008, the Advisory Committee had three full-time APS employees based in Sydney (two male and one female), being:

- an Executive Director (SES level)
- a Deputy Director (Executive Level 2)
- an Office Manager (APS 6).

Up to 30 June 2008, the Advisory Committee also had a part-time female Legal Officer based in Sydney.

The Executive Director is employed pursuant to a contract for services with the Advisory Committee, with his salary and other entitlements being linked to Treasury SES salary scales and other entitlements. The Executive Director does not receive performance pay.

The salaries and other entitlements of the Deputy Director and the Office Manager are linked to relevant ASIC officer salary scales and entitlements. The Deputy Director and the Office Manager each received a performance bonus in the 2007–08 financial year. Given that only two employees received performance bonuses and they are in separate classification levels, it is not possible to give the respective amounts without identifying the amount of the payment to each individual.

The Legal Officer was employed under a contract for services with the Advisory Committee.

Staff members attend seminars from time to time on matters related to the policy or administrative work of the Advisory Committee.

No occupational health and safety issues arose during the 2007–08 financial year.

Purchasing

The Advisory Committee's general policy is that any major capital items are purchased through arrangement with ASIC, which follows the *Commonwealth Procurement Guidelines*.

Information on expenditure on contracts and consultancies is also available on the AusTender website www.tenders.gov.au.

Consultants

The Advisory Committee had no consultants during the 2007–08 financial year.

Competitive tendering and contracting

CAMAC did not undertake any competitive tendering or contracting during the 2007–08 financial year.

Australian National Audit Office Access Clauses

CAMAC has not entered into any contract of \$100,000 or more during the reporting period that does not provide for the Auditor-General to have access to the contractor's premises.

Exempt contracts

CAMAC has no contracts or standing offers that have been exempted from being published in AusTender on the basis that publication would disclose exempt matters under the *Freedom of Information Act 1982*.

Commonwealth Disability Strategy

The Advisory Committee employs staff with specialist skills and experience relevant to the work of the Committee. The Committee does not discriminate on the basis of disability and its office premises are accessible to persons having a disability.

Occupational health and safety

Given the small number of full-time employees, the Advisory Committee has not seen a need to establish a committee, or select a representative, to deal with occupational health and safety matters. All employees, and Advisory Committee members, when attending meetings, are covered under Comcare and Comcover. No accidents or dangerous occurrences, or relevant investigations, took place during the 2007–08 financial year.

Freedom of information

The Advisory Committee maintains a website www.camac.gov.au, which describes its organization and functions and on which its discussion papers, submissions on those discussion papers (unless marked private and confidential), reports and annual reports are publicly available.

Advisory Committee discussion papers invite interested bodies or persons to comment on matters that the Committee is considering.

The website also provides contact details of Advisory Committee officers.

No matter involving freedom of information arose during the 2007–08 financial year.

Advertising and market research

The Advisory Committee does not carry out any advertising or market research.

Ecologically sustainable development and environmental performance

The Advisory Committee Executive seeks to use the minimum resources necessary to perform its functions.

Discretionary grants

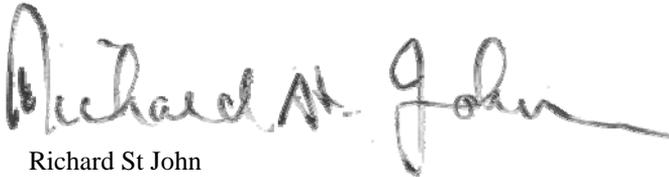
The Advisory Committee does not administer any discretionary grant programs.

Glossary

APS	Australian Public Service
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CAMAC	Corporations and Markets Advisory Committee
FINSIA	Financial Services Institute of Australasia
FMA Act	<i>Financial Management and Accountability Act 1997</i>
ICAC	Independent Commission Against Corruption
SES	Senior Executive Service

Date and signing of report

This Annual Report is signed by the Convenor, Richard St John, as Agency Head of the Corporations and Markets Advisory Committee.

A handwritten signature in black ink that reads "Richard St John". The signature is written in a cursive style with a long horizontal flourish at the end.

Richard St John
Convenor
9 September 2008



INDEPENDENT AUDIT REPORT

To the Minister for Superannuation and Corporate Governance

Scope

We have audited the accompanying financial statements of the Corporations and Markets Advisory Committee (the Committee) for the year ended 30 June 2008, which comprise: a statement by the Chief Executive and Executive Director; income statement; balance sheet; statement of changes in equity; statement of cash flow; schedules of commitments and contingencies; a summary of significant accounting policies, and other explanatory notes.

The Responsibility of the Chief Executive for the Financial Statements

The Chief Executive of the Committee is responsible for the preparation and fair presentation of the financial statements in accordance with Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, and Australian Accounting Standards including Australian Accounting Interpretations. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on our audit. Our audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate Australian Auditing Standards. The Auditing Standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Committee's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the Committee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Committee's Chief Executive, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting the audit, we have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial statements of the Corporations and Market Advisory Committee:

- (a) have been prepared in accordance with Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, and Australian Accounting Standards including Australian Accounting Interpretations; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Corporations and Market Advisory Committee's financial position as at 30 June 2008 and of its financial performance and its cash flows for the year then ended.

Australian National Audit Office



P Hinchey
Senior Director
Delegate of the Auditor-General

Sydney
25 August 2008

Financial statements

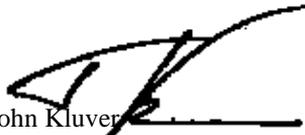
for the year ended 30 June 2008

STATEMENT BY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR

In our opinion, the attached financial statements for the year ended 30 June 2008 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*.



Richard St John
Convenor (Chief Executive)
25 August 2008



John Kliver
Executive Director
25 August 2008

Income statement

for the year ended 30 June 2008

	Note	2008 \$	2007 \$
INCOME			
Revenue			
Revenues from Government	4(a)	1,035,000	1,058,000
Interest	4(b)	–	17,344
Total revenue		1,035,000	1,075,344
GAINS			
Resources received free of charge	4(c)	15,900	–
Total revenue		15,900	–
Total income		1,050,900	1,075,344
EXPENSES			
Employees	6(a)	617,017	550,046
Suppliers	6(b)	402,011	453,012
Depreciation and amortisation	6(c)	10,326	9,679
Write-down of assets	6(d)	19,049	–
Finance costs	7	1,336	1,258
Total expenses		1,049,739	1,013,995
OPERATING SURPLUS/(DEFICIT)	12	1,161	61,349

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

Balance sheet

as at 30 June 2008

	Note	2008 \$	2007 \$
ASSETS			
Financial assets			
Cash	8(a)	61,008	222,272
Receivables	8(b)	206,517	14,905
Total financial assets		267,525	237,177
Non-financial assets			
Leasehold improvements	9(a)	6,089	10,040
Plant and equipment	9(b)	71,423	87,543
Intangibles	9(c)	–	–
Other non-financial assets	9(e)	6,229	8,271
Total non-financial assets		83,741	105,854
TOTAL ASSETS		351,266	343,031
LIABILITIES			
Payables			
Suppliers	10(a)	3,643	31,267
Other payables	10(b)	6,016	13,213
Total payables		9,659	44,480
Provisions			
Employees	11(a)	224,515	188,391
Other provisions	11(b)	24,070	22,734
Total provisions		248,585	211,125
TOTAL LIABILITIES		258,244	255,605
NET ASSETS		93,022	87,426
EQUITY			
Reserves		10,748	10,144
Accumulated surplus		82,274	77,282
TOTAL EQUITY		93,022	87,426
Current assets		273,754	245,448
Non-current assets		77,512	97,583
Current liabilities		258,244	226,855
Non-current liabilities		–	28,750

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

Statement of changes in equity

for the year ended 30 June 2008

	Accumulated results		Asset revaluation reserve		Total equity	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Opening balance	77,282	15,933	10,144	10,144	87,426	26,077
Revaluation of plant and equipment ¹	3,831		604	–	4,435	–
Operating surplus/(deficit)	1,161	61,349		–	1,161	61,349
<i>Total income and expenses recognised directly in equity</i>	4,992	61,349	604	–	5,596	61,349
Closing balance at 30 June	82,274	77,282	10,748	10,144	93,022	87,426
<i>Total equity attributable to the Commonwealth</i>	82,274	77,282	10,748	10,144	93,022	87,426

¹ An independent valuation of all CAMAC assets was conducted by the Australian Valuation Office as at 30 June 2008. The plant and equipment revaluation reserve has been adjusted accordingly to reflect the movement arising from this revaluation.

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

Statement of cash flows

for the year ended 30 June 2008

	Note	2008 \$	2007 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations	5	839,918	1,058,000
Interest		1,501	18,940
GST recovered from ATO		48,100	48,110
Total cash received		889,519	1,125,050
Cash used			
Employees		(583,715)	(535,704)
Suppliers		(462,199)	(480,551)
Total cash used		(1,045,914)	(1,016,255)
Net cash received/(used) by operating activities	12	(156,395)	108,795
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment	9(d)	(4,869)	(6,581)
Net cash used by investing activities		(4,869)	(6,581)
FINANCING ACTIVITIES			
Cash used			
Return of capital		-	-
Net cash used by financing activities		-	-
Net increase/(decrease) in cash held		(161,264)	102,214
Cash at the beginning of the reporting period		222,272	120,058
Cash at the end of the reporting period	8(a)	61,008	222,272

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

Schedule of commitments

as at 30 June 2008

	Note	2008 \$	2007 \$
BY TYPE			
Other commitments			
Operating leases	(a)	99,479	257,755
Total other commitments		99,479	257,755
Commitments receivable	(b)	(9,044)	(22,795)
Net commitments by type		90,435	234,960
BY MATURITY			
Operating lease commitments			
One year or less		99,479	160,718
From one to five years		–	97,037
Total operating lease commitments		99,479	257,755
Commitments receivable	(b)	(9,044)	(22,795)
Net commitments by maturity		90,435	234,960

Notes:

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

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

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

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

Schedule of contingencies

as at 30 June 2008

Contingent liabilities

There were no quantifiable contingent liabilities as at 30 June 2008 (2007: nil).

Contingent assets

There were no quantifiable contingent assets as at 30 June 2008 (2007: nil).

Unquantifiable contingent liabilities

There were no unquantifiable contingent liabilities as at 30 June 2008 (2007: nil).

Unquantifiable contingent assets

There were no unquantifiable contingent assets as at 30 June 2008 (2007: nil).

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

Notes to and forming part of the financial statements

for the year ended 30 June 2008

Note	Description
1	Summary of significant accounting policies
2	Events after the balance sheet date
3	Economic dependency
4	Operating revenue
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1 Summary of significant accounting policies

1.1 Objective of Corporations and Markets Advisory Committee

The Corporations and Markets Advisory Committee (CAMAC) is an independent body operating under the *Australian Securities and Investments Commission Act 2001* to provide informed and expert advice to the Minister about corporate, financial product and financial market matters.

The objectives of CAMAC are to stimulate and lead the debate on the enhancement of standards for corporations and participants in financial markets and to provide the Australian Government with advice of the highest quality on any steps needed to achieve this, including suitable regulatory reform where necessary.

On 1 July 2007, CAMAC became an agency prescribed under Schedule 1 Part 1 of the *Financial Management and Accountability Regulations 1997* (FMA Regulations). Before this, CAMAC was a prescribed agency under the *Commonwealth Authorities and Companies Act 1997*.

1.2 Basis of accounting

The financial statements and notes are required by section 49 of the *Financial Management and Accountability Act 1997* (FMA Act) and are a general purpose financial report.

The financial statements and notes have been prepared in accordance with the:

- Finance Minister's Orders (or FMOs) for reporting periods ending on or after 1 July 2007; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

CAMAC's Income Statement and Balance Sheet have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets, which are at fair value. Except where stated, no allowance is made for the effect of changing prices on results or the financial position of CAMAC.

Assets and liabilities are recognised in CAMAC's Balance Sheet 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 that are not recognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

Income and expenses are recognised in CAMAC's Income Statement when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Statement of compliance

Adoption of new Australian Accounting Standard requirements

During the current reporting period no accounting standard has been adopted earlier than the effective date.

The following new standards are applicable to the current reporting period:

- *Financial Instrument Disclosure*

AASB 7 *Financial instruments: disclosures* is effective for reporting periods beginning on or after 1 January 2007 (the 2007-08 financial year) and amends the disclosure requirements for financial instruments. In general, AASB 7 requires greater disclosure than that previously required. Associated with the introduction of AASB 7, a number of accounting standards were amended to reference the new standard or remove the present disclosure requirements through 2005-10 *Amendments to Australian Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]. These changes have no financial impact but effect the disclosure of financial instruments.

The following new standards (including reissued standards), amendments to standards or interpretations have become effective, but have had no material financial impact or do not apply to the operations of CAMAC.

- AASB101 *Presentation of Financial Statements (reissued October 2006)*
- AASB1048 *Interpretation and Application of Standards (reissued September 2007)*
- 2007-4 *Amendments to Australian Accounting Standards arising from ED151 and Other Amendments and Erratum: Proportionate Consolidation*
- 2007-5 *Amendments to Australian Accounting Standard—Inventories Held for Distribution by Not-For-Profit Entities [AASB102]*

- 2007-7 Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]
- AASB Interpretation 10 *Interim Financial Reporting and Impairment*
- AASB Interpretation 11 *AASB 2 Group and Treasury Share Transactions* and 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11
- AASB Interpretation 1003 *Australian Petroleum Rent Tax*

Future Australian Accounting Standard requirements

The following new standards, amendments to standards or interpretations have been issued by the Australian Accounting Standards Board but are effective for future reporting periods. It is estimated that the impact of adopting these pronouncements when effective will have no material impact on future reporting periods.

- AASB 3 *Business Combinations*
- AASB 8 *Operating Segments* and 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
- AASB 101 *Presentation of Financial Statements* (reissued September 2007) and 2007-8 Amendments to Accounting Standards arising from AASB 101
- AASB 123 *Borrowing costs* and 2007-6 Amendments to Australian Accounting Standards arising from AASB 123
- AASB 127 *Consolidated and Separate Financial Statements* and 2008-3 Amendments to Australian Accounting Standards from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]
- AASB 1004 *Contributions*
- AASB 1050 *Administered Items* and 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137]
- AASB 1051 *Lands Under Roads*
- AASB 1052 *Disaggregated Disclosures*
- 2008-1 Amendments to Australian Accounting Standards—*Share-based Payments: Vesting Conditions and Cancellations* [AASB 2]

- 2008-2 *Amendments to Australian Accounting Standards—Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 & Interpretation 2]*
- AASB Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*
- AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*
- AASB Interpretation 12 *Service Concession Arrangements* and 2007-2 *Amendments to Australian Accounting Standards arising from Interpretation 12*
- AASB Interpretation 13 *Customer Loyalty Programmes*
- AASB Interpretation 14 AASB 119 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- AASB Interpretation 129 *Service Concession Arrangements: Disclosures*
- AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*

Other

The following standards and interpretations have been issued but are not applicable to the operation of CAMAC.

- AASB 1049 *Financial Reporting of General Government Sectors by Governments*
- 2008-4 *Amendments to Australian Accounting Standard—Key Management Personnel Disclosures by Disclosing Entities [AASB 124]*

1.4 Income

Revenues from Government—Output Appropriations

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

Interest

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial instruments: recognition and measurement*.

Resources received free of charge

Resources received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

1.5 Employee benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes provision 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 in future years by employees of CAMAC is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including CAMAC's employer superannuation contribution rates, to the extent that the leave is likely to be taken during service rather than paid out on termination.

Superannuation

CAMAC employees are members of the Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation Scheme (PSS).

The CSS and PSS are defined benefit schemes of the Australian Government.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

CAMAC makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the current cost to the Government of the superannuation entitlements of CAMAC's employees.

1.6 Leases

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 expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets.

1.7 Finance costs

Finance costs are expensed as incurred.

1.8 Cash

Cash means petty cash and deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

1.9 Other non-financial assets—prepayments

Prepayments are recognised at their nominal amounts, being cost.

1.10 Financial assets and financial liabilities

Receivables

CAMAC's receivables comprise amounts expected to be received from operating revenue and GST receivable from the Australian Taxation Office. An allowance for doubtful debts is not considered necessary.

Trade creditors

Trade 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 (irrespective of whether they have been invoiced).

1.11 Acquisition of assets

Assets are recorded at cost on acquisition providing the asset recognition threshold is satisfied (refer to note 1.11). The cost on acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

1.12 Leasehold improvements, plant and equipment

Asset recognition threshold

Acquisitions of leasehold improvements, 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 (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to the ‘make good’ provision in CAMAC’s property lease, i.e. the obligation to restore the property to its original condition. These costs are included in the value of CAMAC’s leasehold improvements with a corresponding provision for the ‘make good’ taken up.

Revaluations

Fair values of each class of asset are determined as shown below:

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

Following initial recognition at cost, leasehold improvements, plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets’ fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve, except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through the Income Statement. Revaluation decrements for a class of assets are recognised directly through the Income Statement except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Assets that are surplus to requirements are measured at their net realisable value. At 30 June 2008 CAMAC held no surplus assets.

Depreciation and amortisation

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

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

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

	2008	2007
Leasehold improvements	Lease Term	Lease Term
Plant and equipment	2–40 years	2–50 years

1.13 Impairment of non-current assets

All assets were assessed for impairment at 30 June 2008. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the assets' recoverable amount is less than its carrying amount.

1.14 Intangible assets—computer software

Purchased software

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of software is 4 years.

1.15 Other provisions

In accordance with AASB 116 *Property, Plant & Equipment* and AASB Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, CAMAC recognises a liability for estimated restoration costs relating to leased premises where the lease creates an obligation for CAMAC to make good those premises.

1.16 Taxation

CAMAC is exempt from all forms of taxation except fringe benefits tax and the goods and services tax (GST). CAMAC recovers GST from the Australian Taxation Office.

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

1.17 Insurance

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

1.18 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

1.19 Changes in accounting policy

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

1.20 Comparative figures

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

1.21 Rounding

The figures in these financial statements have been rounded to the nearest dollar.

2 Events after the balance sheet date

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

3 Economic dependency

CAMAC is controlled by the Commonwealth of Australia. Accordingly, CAMAC is dependent on appropriations from the Parliament of the Commonwealth for its continued existence and ability to carry out its normal activities and functions as set out in s 148 of the Australian Securities and Investments Commission Act 2001.

4 Operating revenue

	Note	2008 \$	2007 \$
4a Revenues from Government			
Departmental outputs	5	1,035,000	1,058,000
4b Interest			
Bank interest		–	17,344
4c Gains			
Resources received free of charge	(i)	15,900	–

(i) As a prescribed agency, CAMAC receives audit services from the Australian National Audit Office free of charge. The fair value of the service received for the reporting period is \$15,900.

5 Appropriations

Table A Acquittal of authority to draw cash from the consolidated revenue fund (CRF)

Particulars	Note	Departmental outputs		Total	
		2008 \$	2007 \$	2008 \$	2007 \$
Balance carried forward from previous year			–		–
Appropriation Act No. 1		1,035,000	1,058,000	1,035,000	1,058,000
Available for payment out of the CRF		1,035,000	1,058,000	1,035,000	1,058,000
Cash payments made out of the CRF		(839,918)	(1,058,000)	(839,918)	(1,058,000)
Balance carried forward to next year	8(b)	195,082	–	195,082	–

6 Operating expenses

	Note	2008 \$	2007 \$
6a Employees			
Salaries		499,715	431,113
Superannuation	(i)	68,645	65,514
Leave and other entitlements		48,657	53,419
Total employee expenses		617,017	550,046

(i) Employer contributions to superannuation amounting to \$61,229 (2007: \$58,410) have been expensed in the financial statements. Contributions to superannuation schemes are at rates calculated by the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS) to cover existing and emerging obligations. The employer contribution rate for CSS was 25.2% (2007: 25.3%), for PSS 12.6% (2007: 12.6%), and for the superannuation productivity benefit 2% to 3% (2007: 2% to 3%). Contributions to Employer Superannuation Productivity Benefit amounted to \$7,416 (2007: \$7,104).

	Note	2008 \$	2007 \$
6b Suppliers			
Services from related entities		93,882	90,299
Services from external entities		158,195	213,219
Goods from external entities		18,228	17,385
Operating lease rentals	(i)	128,572	128,573
Workers compensation premiums		3,134	3,536
Total suppliers expenses		402,011	453,012

(i) These comprise minimum lease payments only.

	Note	2008 \$	2007 \$
6c Depreciation and amortisation			
<i>Depreciation</i>			
Depreciation of plant and equipment		482	815
Depreciation of library books		5,893	4,913
Total depreciation	9(d)	6,375	5,728
<i>Amortisation</i>			
Amortisation of leasehold improvements	9(d)	3,951	3,951
Total amortisation		3,951	3,951
Total depreciation and amortisation	9(d)	10,326	9,679

	2008	2007
Note	\$	\$
6d Write-down of assets		
Write-down of plant and equipment	19,049	–
Total write-down of assets	19,049	–

7 Finance costs

	2008	2007
	\$	\$
Unwinding of discount on other provisions	1,336	1,258

8 Financial assets

	2008	2007
	\$	\$
8a Cash		
Cash on hand	1,000	1,000
Cash at bank	60,008	221,272
Total cash	61,008	222,272

8b Receivables

Appropriation receivable	(i) 195,082	–
Other debtors	–	1,500
GST receivable	11,435	13,405
Total receivables	206,517	14,905
Receivables are aged as follows:		
– Current	206,517	14,905
Total receivables	206,517	14,905

(i) The balance of Appropriation receivable represents the balance of funds available to CAMAC on demand in respect of Department outputs.

9 Non-financial assets

	Note	2008 \$	2007 \$
9a Leasehold improvements			
Leasehold improvements—at fair value	(i)	21,885	21,885
Accumulated amortisation		(15,796)	(11,845)
Total leasehold improvements (non-current)	9(d)	6,089	10,040
9b Plant and equipment			
Plant and equipment—at fair value	(i)	74,419	102,845
Accumulated depreciation		(2,996)	(15,302)
Total plant and equipment (non-current)	9(d)	71,423	87,543
9c Intangible assets—computer software			
<i>Purchased</i>			
Computer software—at cost		-	50
Less accumulated amortisation		-	(50)
Total intangibles (non-current)	9(d)	-	-

(i) A formal revaluation of leasehold improvements and plant and equipment was performed as at 30 June 2008 by the Australian Valuation Office in accordance with the revaluation policy stated at note 1.11. As a result of the valuation, \$604 has been credited to asset revaluation reserve.

9d Analysis of leasehold improvements, plant and equipment and intangibles

Reconciliation of opening and closing balances of leasehold improvements, plant and equipment and intangibles

Item	Leasehold improvements	Plant and equipment	Intangibles—computer software	Total
As at 1 July 2007	\$	\$	\$	\$
Gross book value	21,885	102,845	50	124,780
Accumulated depreciation/amortisation	(11,845)	(15,302)	(50)	(27,197)
Opening net book value	10,040	87,543	–	97,583
Additions				
by purchase	–	4,869	–	4,869
Depreciation/amortisation expense	(3,951)	(6,375)	–	(10,326)
Disposals				
at cost/valuation	–	–	(50)	–
provision	–	–	50	–
As at 30 June 2008				
Gross book value	21,885	74,419	–	96,304
Accumulated depreciation/amortisation	(15,796)	(2,996)	–	(18,792)
Closing net book value	6,089	71,423	–	77,512

Reconciliation of opening and closing balances of leasehold improvements, plant and equipment and intangibles

Item	Leasehold improvements	Plant and equipment	Intangibles—computer software	Total
As at 1 July 2006	\$	\$	\$	\$
Gross book value	21,885	96,264	50	118,199
Accumulated depreciation/amortisation	(7,894)	(9,574)	(50)	(17,518)
Opening net book value	13,991	86,690	–	100,681
Additions				
by purchase	–	6,581	–	6,581
Depreciation/amortisation expense	(3,951)	(5,728)	–	(9,679)
Disposals				
at cost/valuation	–	–	–	–
provision	–	–	–	–
As at 30 June 2007				
Gross book value	21,885	102,845	50	124,780
Accumulated depreciation/amortisation	(11,845)	(15,302)	(50)	(27,197)
Closing net book value	10,040	87,543	–	97,583

9e Other non-financial assets

	2008	2007
	\$	\$
Prepayments	6,229	8,271
<i>Total other non-financial assets (current)</i>	6,229	8,271

10 Payables

	2008	2007
	\$	\$
10a Supplier payables		
Trade creditors	3,643	31,267
<i>Total supplier payables (current)</i>	3,643	31,267
10b Other payables		
Rent payable	6,016	13,213
<i>Total other payables</i>	6,016	13,213
Total other payables are represented by:		
Current	6,016	7,197
Non-current	–	6,016
<i>Total other payables</i>	6,016	13,213

11 Provisions

	2008	2007
	\$	\$
11a Employees		
Salaries and bonuses	20,286	17,612
Leave	204,229	170,779
<i>Total employee provisions (current)</i>	224,515	188,391
11b Other		
Restoration obligations—leased premises	24,070	22,734
<i>Total other provisions (non-current)</i>	24,070	22,734

12 Cash flow reconciliation

Reconciliation of cash per Balance Sheet to Statement of Cash Flows	2008 \$	2007 \$
Cash at year end per Statement of Cash Flows	61,008	222,272
Balance Sheet items comprising cash above:		
Financial asset—cash	61,008	222,272
Reconciliation of operating surplus to net cash used by operating activities:		
Net surplus	1,161	61,349
Depreciation and amortisation	10,326	9,679
Net write-down of non-financial assets	19,049	–
Finance costs	1,336	1,258
<i>Changes in assets and liabilities resulting from operating activities</i>		
Increase in employee provisions	36,124	17,878
Decrease in prepayments	2,042	1,191
(Increase) in receivables	(191,612)	(1,324)
Increase/(decrease) in payables	(34,821)	18,764
<i>Net cash received/(used) by operating activities</i>	(156,395)	108,795

13 Related party disclosures

13a The members of the Advisory Committee during the financial year and to the date of this report were:

- Richard St John—Convenor
- Zelinda Bafile
- Barbara Bradshaw
- Jeremy Cooper (nominee of ASIC’s Chairman)
- Anthony D’Aloisio
- Ian Eddie
- Alice McCleary
- Marian Micalizzi
- Geoffrey Nicoll
- Ian Ramsay
- Robert Seidler
- Greg Vickery
- Nerolie Withnall

13b The members of the Legal Committee during the financial year and to the date of this report were:

- Nerolie Withnall—Convenor
- Lyn Bennett
- Elizabeth Boros
- Damian Egan
- Jennifer Hill
- James Marshall
- David Proudman
- Laurie Shervington
- Simon Stretton
- Gabrielle Upton.

13c During the financial year there were no related party transactions with Advisory Committee members or Legal Committee members, except for the payment of \$69,000 to ASIC of which Anthony D'Aloisio is the Chairman and Jeremy Cooper is the Deputy Chairman (2007: \$69,000).

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

14 Remuneration of members and executive officer

	2008	2007
	\$	\$
14a Remuneration of members		
Aggregate amount of superannuation payments in connection with the future retirements of Committee members, including Legal Committee members	3,554	3,037
Other remuneration received or due and receivable by Committee members, including Legal Committee members	59,433	60,259
<i>Total remuneration received or due and receivable by Committee members, including Legal Committee members</i>	<i>62,987</i>	<i>63,296</i>

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

	2008	2007
Bands of remuneration	Members	Members
\$0–\$14,999	17	17
\$15,000–\$29,999	1	1

14b Remuneration of executive officer

	2008	2007
	\$	\$
Income received or due and receivable by the executive officer	226,081	192,947

	2008	2007
	Executives	Executives
Bands of income		
\$190,000 – \$204,999		1
\$220,000 – \$234,999	1	
	1	1

The executive remuneration includes the sole Executive Officer concerned with or taking part in the management of CAMAC during 2007–08 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 Remuneration of auditor

	2008	2007
	\$	\$
Financial statements audit services by the Auditor-General are provided free of charge to CAMAC. No other services were provided by the Auditor-General.	15,900	14,000

16 Average staffing levels

	2008	2007
The average staffing levels for CAMAC during the year were	4	3

17 Financial instruments

17a Market risk exposures

Currency risk

CAMAC has no exposure to currency risk as all contracts are in Australian dollars.

Interest rate risk

CAMAC financial instruments are not exposed to interest rate risk.

17b Net fair values of financial instruments

	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	\$	\$	\$	\$
Cash at bank	60,008	60,008	221,272	221,272
Cash on hand	1,000	1,000	1,000	1,000
Total financial assets	61,008	61,008	222,272	222,272
Financial liabilities				
Trade creditors	3,643	3,643	31,267	31,267
Rent payable	6,016	6,016	13,213	13,213
Total financial liabilities	9,659	9,659	44,480	44,480

17c Credit risk exposures

CAMAC has no exposure to credit risk.

17d Liquidity risk exposures

CAMAC's financial liabilities are payables.

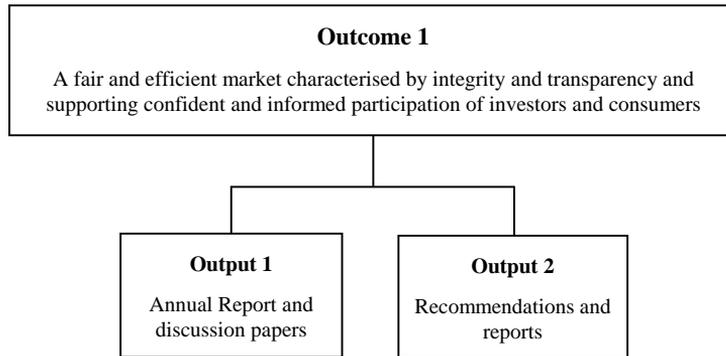
CAMAC does not expect to have difficulty meeting its financial liability obligations as and when they become payable.

18 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 adviser are categorised into two outputs.

The relationship between Outcome 1 and the corresponding two outputs is shown in the diagram below.



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

Table A: Net cost of outcome delivery

	Outcome 1	
	2008	2007
	\$	\$
Departmental expenses	1,049,739	1,013,995
Total expenses	1,049,739	1,013,995
<i>Costs recovered from provision of goods and services to the non-Commonwealth Government sector</i>		
Departmental	-	-
Total costs recovered	-	-
<i>Other external revenues</i>		
Departmental interest	-	17,344
Total other external revenues	-	17,344
Net cost of outcome (a)	1,049,739	996,651

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

Table B: Departmental revenues and expenses by outcome and outputs

	Outcome 1					
	Output 1		Output 2		Total	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Departmental expenses						
Employees	289,998	258,522	327,019	291,524	617,017	550,046
Suppliers	188,945	212,916	213,066	240,096	402,011	453,012
Depreciation and amortisation	4,853	4,549	5,473	5,130	10,326	9,679
Finance cost	628	591	708	667	1,336	1,258
Write-down of assets	8,953	–	10,096	–	19,049	–
Total departmental expenses	493,377	476,578	556,362	537,417	1,049,739	1,013,995
Funded by:						
Revenue from government	486,450	497,260	548,550	560,740	1,035,000	1,058,000
Interest	–	8,152	–	9,192	–	17,344
Resources received free of charge	7,473	–	8,427	–	15,900	–
Total departmental revenues	493,923	505,412	556,977	569,932	1,050,900	1,075,344

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.

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