
COMPANIES AND SECURITIES
ADVISORY COMMITTEE

ANNUAL REPORT

2000-2001

Companies & Securities **Advisory Committee**

*Established under the
Australian Securities &
Investment Commission Act 1989*

level 16 Westpac Plaza
60 Margaret Street
Sydney NSW 2000

GPO Box 3987
Sydney NSW 2001

• telephone
(02) 9911 2950

• facsimile
(02) 9911 2955

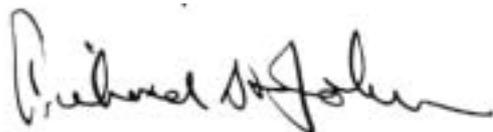
17 September 2001

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

Dear Treasurer

I enclose, for your information and presentation to Parliament, the Annual Report of the Companies and Securities Advisory Committee 2000-2001.

Yours sincerely



R. A. St John
Convenor – 2000-2001

CONTENTS

	Pages
Functions and Membership	1-6
Outcome for 2000-2001	7-9
Past Reports	9-10
Implementation of Proposals	10
Financial Statements	Annexure

FUNCTIONS AND MEMBERSHIP

Advisory Committee

Functions

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

Subsection 148(1) of the ASIC Act set out the functions of the Advisory Committee during 2000-2001:

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

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

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

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

Membership

The members of the Advisory Committee are selected from throughout Australia, following consultation between the Commonwealth and the States, on the basis of the members' knowledge of, or experience in, business, the administration of companies,

the financial markets, law, economics or accounting. Members, other than the ASIC Chairman, are appointed to the Committee in their personal capacity by the Minister.

The members during 2000-2001, or for some part thereof, were:

Richard St John (Convenor) - Corporate General Counsel & Company Secretary, BHP Limited, Melbourne, until March 2001. Richard has had experience over a number of years in legal, policy and governance roles in the private and public sectors.

Reg Barrett – Partner, Mallesons Stephen Jaques, Sydney, until March 2001. Reg has practised corporate and commercial law for over 30 years, both as a partner in leading law firms and as general counsel to a major bank. He has served as a part-time lecturer in law at the University of Sydney and as a member of the Companies and Securities Law Review Committee and is a regular contributor to law journals. Reg Barrett's term expired in November 2000. He did not seek reappointment, given his appointment as a Justice of the Supreme Court of New South Wales.

Philip Brown - Professor of Accounting, University of Western Australia, Perth. Philip has research interests in accounting and finance. He is a consultant to firms in Australia and North America and has appeared as an expert witness in civil and criminal litigation involving financial markets and products.

Alan Cameron AM – Chairman, Australian Securities and Investments Commission until November 2000. Alan is a lawyer and has been a director of both public and private companies. His membership ceased in November 2000, on his ceasing to be Chairman of ASIC.

Patricia Cross - Company Director, Melbourne. Patricia is an independent company director, serving on the boards of several major financial institutions, as well as the Federal Government's Financial Sector Advisory Council. She has over 20 years of international experience at senior executive levels in banking, financial markets and insurance. Patricia retired from the Committee in February 2001.

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

Leigh Hall AM. Leigh is a director of a number of listed and unlisted companies and a member of the Financial Reporting Council. He was previously Deputy Managing Director of AMP Asset Management. His term expired in November 2000.

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

Robert Hudson - Managing Partner, Deloitte Touche Tohmatsu, Darwin. Robert is a fellow of the Institute of Chartered Accountants in Australia and a fellow of the Australian Institute of Company Directors. He is currently involved in assurance and advisory services. He retired from the Committee in July 2000.

Nicki Hutley - Portfolio Manager, International Equities, Rothschild Australia Asset Management, Sydney. Nicki has extensive investment industry experience, including roles as chief economist, resources analyst and portfolio manager. Her term expired in November 2000.

Merran Kelsall - Company Director, Melbourne. Merran is a chartered accountant, company director and consultant, with over 25 years' experience in financial and corporate services. She is also Chairman of the Audit Committee of ASIC and President of the Australian Institute of Management, Victoria.

David Knott – Chairman, Australian Securities and Investments Commission from November 2000. David became a member of the Advisory Committee on his appointment as Chairman of ASIC in November 2000. David's law career spans more than 30 years in both the private and public sectors and he has experience in company and commercial law, investment banking and public administration.

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

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

Attendance at meetings

During 2000-2001, the Advisory Committee met 6 times, though the terms of some members did not cover the entire year. The members attended the following number of meetings: Richard St John - 6, Reg Barrett – 2 of 3, Philip Brown - 5, Alan Cameron – 3 of 3, Patricia Cross – 2 of 4, Peter Griffin - 5, Leigh Hall – 2 of 3, Greg Hancock - 4, Nicki Hutley – 0 of 3, Merran Kelsall - 5, David Knott – 2 of 3, John Maslen - 3, Marian Micalizzi - 6.

Audit Committee

The Advisory Committee has an Audit Committee. During 2000-2001, it consisted of Philip Brown and John Maslen.

Legal Committee

Functions

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

Membership

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

The members during 2000-2001, or for some part thereof, were:

Reg Barrett (Convenor) – Partner, Mallesons Stephen Jaques, Sydney, until March 2001. Reg has practised corporate and commercial law for over 30 years, both as a partner in leading law firms and as general counsel to a major bank. He has served as a part-time lecturer in law at the University of Sydney and as a member of the Companies and Securities Law Review Committee and is a regular contributor to law journals. Reg Barrett's term expired in November 2000. He did not seek reappointment, given his appointment as a Justice of the Supreme Court of New South Wales.

Damian Egan – Partner, Murdoch Clarke Cosgrove & Drake, Hobart. Damian is a commercial law partner and President of the Retirement Benefits Fund Board (Tasmania). He is also a part-time lecturer and member of the Faculty of Accounting and Commerce at the University of Tasmania. His term expired in August 2000.

Brett Heading – Partner, McCullough Robertson, Brisbane. Brett is an experienced corporate lawyer in capital raising and takeovers. He is also experienced at Board level and is presently the Chairman of two listed public companies. He is a member of the Corporations and Securities Panel. His term expired in August 2000.

Jennifer Hill - Associate Professor, University of Sydney Law School. Jennifer is also Corporate Counsel for Corrs Chambers Westgarth. She teaches, and has written widely, in corporate law and corporate governance, and has been a Visiting Professor at a number of US law schools, including the University of Virginia and the University of Texas at Austin.

Geoff Hone – Partner, Blake Dawson Waldron, Melbourne. Geoff has been a partner since 1975 and practises company law, including takeovers, mergers and acquisitions, public issues and securities regulation generally. He is a director of Securities Exchange Guarantee Corporation Limited (the body that administers the National Guarantee Fund under the Corporations Law), the Foundation for Young Australians and the Melbourne University Law School Foundation. His term expired in August 2000.

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

Francis Landels - Chief Legal Counsel, Wesfarmers Ltd, Perth. Francis is a Barrister and Solicitor of the Supreme Court of Western Australia and a Solicitor of the High Court of Australia. Before his current position as Chief Legal Counsel of

Wesfarmers Limited, Francis was a Solicitor in a major legal firm in Perth. Francis is a director of a number of companies, including the Opera Company of Western Australia. His term expired in August 2000.

Bernard McCabe - Associate Professor, Bond University Law School, Gold Coast. Bernard has been teaching and writing in corporate law and trade practices for 10 years. He is a member of the Commercial Law Centre and the Centre for Corporate Governance at Bond University. His term expired in April 2001.

Laurie Shervington – Partner, Minter Ellison, Perth. Laurie has practised in corporate and business law for over 30 years. He has Board experience at listed and large proprietary company level and presents to industry and professional groups in Western Australia on the operation of the Corporations Law and the ASIC Act. His term expired in August 2000.

Gary Watts – Partner, Fisher Jeffries, Adelaide. Gary is a corporate lawyer in private practice and deals primarily with shareholder and Board issues, mergers and acquisitions and restructurings. He is National Chair of the Corporations Committee of the Law Council of Australia and Deputy Chair of the Helpmann Academy for the Visual and Performing Arts. His term expired in August 2000.

Dick Whittington QC - Hanson Chambers, Adelaide. Dick practises at the Adelaide Bar in a wide range of commercial areas. His term expired in August 2000.

Attendance at meetings

During 2000-2001, the Legal Committee met only once, given that the terms of appointment of most members expired in August 2000.

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

Executive

During 2000-2001, the Advisory Committee had a full-time Executive of three persons, being John Kluver (Executive Director), Vincent Jewell (Deputy Director) and Thaumani Parrino (Executive Assistant).

In June 2001, the Advisory Committee appointed Ric Spooner as a Consultant to assist it in its review of compensation arrangements (see **Compensation arrangements**, post).

John Kluver prepared and presented a Paper for the Seminar *Directors' Duties: Recent Developments and Their Implications for Directors and Advisers* (Australian Institute of Company Directors and Melbourne University Centre for Corporate Law and Securities Regulation, 8 November 2000).

Vincent Jewell prepared and presented a Paper for the Sixth Annual Corporate Insolvency Conference *Evaluating directors' liabilities in an insolvency* (IIR Conferences, 26 March 2001).

In addition, Vincent Jewell prepared for publication “Insolvency of group companies: proposals for reform” (2000) 1 *Insolvency Law Bulletin* 57.

The Advisory Committee members acknowledge, with appreciation, the work of the Executive in carrying out legal research, liaising with interested organisations and individuals and preparing, on the basis of the Committee’s deliberations, the draft Insider Trading Discussion Paper and drafts of Reports to the Minister and other material for the Committee’s consideration. The Committee members thank them for their efforts throughout the year in supporting the work of the Committee.

Co-ordination with other bodies

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

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

Contact details of the Advisory Committee and the Legal Committee

Location

Level 16, Westpac Plaza
60 Margaret Street
SYDNEY

Postal address

GPO Box 3967
SYDNEY NSW 2001

Telephone: (02) 9911 2950

Facsimile: (02) 9911 2955

Email Address: casac@casac.gov.au

OUTCOME FOR 2000-2001

In the period 2000-2001, the Advisory Committee published a Discussion Paper and provided Reports to the Minister, as outlined below.

1. Qualifications of company secretaries

The Minister for Financial Services and Regulation, The Hon Joe Hockey MP (the Minister), by letter of 7 December 1999, requested the Advisory Committee to consider whether ASIC or some other body should determine the qualifications and experience necessary for a company secretary.

The Committee reported to the Minister in August 2000, taking into account submissions from ASIC, the Australian Institute of Company Directors and the Australian Shareholders' Association.

The Committee recommended that the Corporations Law not be amended to give ASIC or any other body the power to determine the qualifications or experience that a person must have to be appointed as a secretary of a public company. It considered that the broad diversity in the role and functions of company secretaries is not amenable to administrative prescription. Also, such prescription would be incongruous, given that there is no statutory qualification or experience requirement for company directors. Instead, the responsibility for appointing an appropriate company secretary should remain with the board of each company.

However, the Committee recommended an amendment to s 300(10) of the Corporations Law to require the annual report of public companies subject to that provision to disclose the qualifications and experience of their company secretaries (as well as their directors). A company secretary must ensure that the company satisfies its compliance and other obligations. The qualifications and experience necessary to perform that task should be disclosed. Disclosure may assist investors to understand more fully the role of the modern company secretary and who fulfils that role in each company.

2. Directors' duties

The Minister, by letter of 7 December 1999, requested the Advisory Committee to review the Senate amendments to the Corporate Law Economic Reform Program Bill (CLERP Bill) that introduced the current s 181 (directors' and officers' duty of good faith) and s 189 (directors' reliance on information) of the Corporations Law. The Minister's request was made following the enactment of these provisions.

The Committee reported to the Minister in October 2000. It supported the principle of having an objective test in s 181, rather than the subjective test originally proposed in the CLERP Bill. However, the Committee noted a lack of symmetry between the duty in s 181 and the business judgment rule in s 180. The Committee suggested a possible amendment to s 181 to create greater consistency between these provisions. Alternatively, the Committee suggested an amendment to s 181 to assist company directors and officers in understanding how the current provision is intended to operate.

The Committee supported the principles in the current s 189 and proposed an amendment to that section to clarify that directors have a duty to personally assess information or advice provided by others.

3. Registration of equitable mortgages as charges

The Minister requested the Advisory Committee to consider a proposal from the Australian Stock Exchange (ASX) that charges over uncertificated securities be exempt from the charges registration provisions of the Corporations Law.

The Committee reported to the Minister in April 2001. It supported the principle underlying the ASX proposal that s 262 should be technologically neutral by providing the same charges registration exemption for uncertificated and certificated securities. It considered that the provision proposed by the ASX would achieve this goal without reducing the protections for chargees taking a charge over uncertificated securities.

4. Insider trading

The Advisory Committee completed its Discussion Paper in June 2001.

The Advisory Committee supports the general approach of the Australian insider trading laws, which are stronger in their terms than comparable laws of other countries. However, the legislation could be strengthened in some areas, clarified in some respects and otherwise amended to avoid undue constraints.

The Advisory Committee has raised 40 Issues for consideration, taking into account experience with the legislation since its enactment and relevant laws in the United Kingdom, Germany, South Africa, the United States, Canada, New Zealand, Singapore and Malaysia. The Committee has indicated its provisional views on each of these Issues, though the Committee will further consider these matters in light of submissions on this Paper. Respondents have also been invited to raise any other issues they consider relevant to insider trading.

The Committee has called for submissions by Friday 12 October 2001. The Committee anticipates completing its Report by 30 June 2002.

5. Compensation arrangements

The Minister, by letter of 26 April 2001, requested the Advisory Committee to review compensation arrangements in the financial services sector for defined losses suffered by clients as a result of the conduct of their financial service providers. The Minister's request does not relate to clearing house support arrangements.

The Minister indicated that the Financial Services Reform Bill, while containing some changes to the compensation provisions, does not represent the Government's final position, and that more detailed research and consultation are needed.

The Minister has asked the Committee to:

- examine the merits of a compensation scheme and who should conduct it
- consider options in light of international precedents and developments, and

- undertake the necessary consultations, including with investor organizations for the purpose of proposing a comprehensible and efficient compensation scheme that will provide appropriate protection for investors.

Some of the key issues identified by the Advisory Committee are:

- what classes of investors the scheme should protect
- what claims the scheme should cover
- whether there should be any caps on claims
- who should operate the scheme
- how the scheme should be funded.

The Committee has commenced its consideration of this matter, and has been asked to report by 26 January 2002.

PAST REPORTS

The Advisory Committee has submitted the following Reports (in addition to earlier Discussion Papers on these matters) as at 30 June 2001:

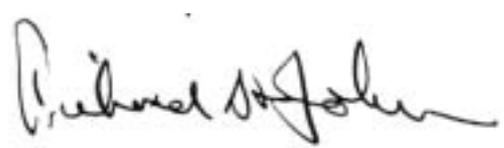
- Corporate Related Party Financial Transactions (July 1991)
- An Enhanced Statutory Disclosure System (September 1991)
- Company Directors and Officers: Indemnification, Relief and Insurance (February 1992)
- Prospectus Law Reform (March 1992)
- Collective Investments: Superannuation (March 1992) (in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

- Shareholder Participation in the Modern Listed Public Company (June 2000).

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

IMPLEMENTATION OF PROPOSALS

The Financial Services Reform Bill 2001 adopts recommendations made by the Advisory Committee in its *Review of Continuous Disclosure* (November 1996) and its *Report on Regulation of On-exchange and OTC Derivatives Markets* (June 1997).

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

R. A. St John

Convenor – 2000-2001

17 September 2001



INDEPENDENT AUDIT REPORT

To the Treasurer

Scope

I have audited the financial statements of the Companies and Securities Advisory Committee for the year ended 30 June 2001. The financial statements comprise:

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

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

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

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

Audit Opinion

In my opinion,

- the financial statements have been prepared in accordance with Schedule 1 of the Commonwealth Authorities and Companies (Financial Statements 2000-2001) Orders; and
- the financial statements give a true and fair view, in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and Schedule 1 of the Commonwealth Authorities and Companies (Financial Statements 2000-2001) Orders, of the financial position of the Companies and Securities Advisory Committee as at 30 June 2001 and the results of its operations and its cash flows for the year then ended.

Australian National Audit Office



P Hinchey
Senior Director

Delegate of the Auditor-General

Sydney
17 September 2001

**COMPANIES AND SECURITIES ADVISORY COMMITTEE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001**

STATEMENT BY MEMBERS

In our opinion, the attached financial statements give a true and fair view of the matters required by the Commonwealth Authorities and Companies (Financial Statements 2000-2001) Orders for the year ended 30 June 2001.

The image shows two handwritten signatures in black ink. The signature on the left is 'Merran Kelsall' and the signature on the right is 'Marian Micalizzi'. Both signatures are written in a cursive, flowing style.

Merran Kelsall
Member
14 September, 2001

Marian Micalizzi
Member
14 September, 2001

COMPANIES AND SECURITIES ADVISORY COMMITTEE
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2001

	Notes	2001 \$	2000 \$
Revenues from ordinary activities			
Revenues from Government	4(a)	851,000	818,000
Interest	5(a)	46,489	35,803
Proceeds from sale of assets	5(b)	-	64
<i>Total revenues from ordinary activities</i>		<u>897,489</u>	<u>853,867</u>
Expenses from ordinary activities			
Employees	6(a)	383,942	397,930
Suppliers	6(b)	267,920	359,982
Depreciation and amortisation	6(c)	36,233	26,423
Write-down of assets	6(d)	2,358	-
<i>Total expenses from ordinary activities</i>		<u>690,453</u>	<u>784,335</u>
<i>Net operating surplus from ordinary activities</i>		<u>207,036</u>	<u>69,532</u>
<i>Net surplus attributable to the Commonwealth (i)</i>		<u>207,036</u>	<u>69,532</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>207,036</u>	<u>69,532</u>

(i) The net surplus arises principally from the lack of a Legal Committee since August 2000 and fewer than usual Advisory Committee members.

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

COMPANIES AND SECURITIES ADVISORY COMMITTEE
STATEMENT OF FINANCIAL POSITION
as at 30 June 2001

	Notes	2001 \$	2000 \$
ASSETS			
Financial assets			
Cash	7(a)	544,742	386,651
Receivables	7(b)	11,293	2,902
<i>Total financial assets</i>		<u>556,035</u>	<u>389,553</u>
Non-financial assets			
Land and buildings	8(a)	6,431	7,698
Infrastructure, plant and equipment	8(b)	85,490	116,097
Intangibles	8 (c)	1,028	-
Other	8(f)	20,578	10,996
<i>Total non-financial assets</i>		<u>113,527</u>	<u>134,791</u>
Total assets		<u>669,562</u>	<u>524,344</u>
LIABILITIES			
Non-interest bearing liabilities			
Other	9(a)	31,929	52,097
<i>Total non-interest bearing liabilities</i>		<u>31,929</u>	<u>52,097</u>
Provisions			
Capital use charge	1(o)	51,720	34,635
Employees	10	126,253	126,720
<i>Total provisions</i>		<u>177,973</u>	<u>161,355</u>
Payables			
Suppliers	11	14,356	20,904
<i>Total payables</i>		<u>14,356</u>	<u>20,904</u>
Total liabilities		<u>224,258</u>	<u>234,356</u>
EQUITY			
Reserves	12	10,444	10,444
Accumulated surplus	12	434,860	279,544
Total equity		<u>445,304</u>	<u>289,988</u>
Current liabilities		138,483	140,695
Non-current liabilities		85,775	93,661
Current assets		576,613	400,549
Non-current assets		<u>92,949</u>	<u>123,795</u>

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

COMPANIES AND SECURITIES ADVISORY COMMITTEE
STATEMENT OF CASH FLOWS
for the year ended 30 June 2001

	Notes	2001 \$	2000 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations for outputs	4(a)	851,000	818,000
Interest		46,265	35,155
GST recovered		19,920	-
Total cash received		<u>917,185</u>	<u>853,155</u>
Cash used			
Employees		(384,409)	(365,338)
Suppliers		(332,305)	(386,907)
Total cash used		<u>(716,714)</u>	<u>(752,245)</u>
Net cash from operating activities	13	<u>200,471</u>	<u>100,910</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of property, plant & equipment		-	64
Total cash received		-	64
Cash used			
Purchase of property, plant & equipment	8(d)	(7,745)	(17,898)
Total cash used		<u>(7,745)</u>	<u>(17,898)</u>
Net cash used in investing activities		<u>(7,745)</u>	<u>(17,834)</u>
FINANCING ACTIVITIES			
Cash used			
Capital use paid		(34,635)	(17,898)
Total cash used		<u>(34,635)</u>	<u>(17,898)</u>
Net cash used in financing activities		<u>(34,635)</u>	<u>(17,898)</u>
Net increase (decrease) in cash held			
Cash at the beginning of the reporting period		386,651	303,575
Cash at the end of the reporting period	7(a)	<u>544,742</u>	<u>386,651</u>

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

COMPANIES AND SECURITIES ADVISORY COMMITTEE
SCHEDULE OF COMMITMENTS
as at 30 June 2001

	2001	2000
	\$	\$
BY TYPE		
OTHER COMMITMENTS		
Operating leases (a)	159,600	260,400
Other	27,532	-
Total other commitments	<u>187,132</u>	<u>260,400</u>
BY MATURITY		
Operating lease commitments		
One year or less	100,800	100,800
From one to five years	58,800	159,600
Operating lease commitments	<u>159,600</u>	<u>260,400</u>
Other lease commitments		
One year or less	6,007	-
From one to five years	21,525	-
Other lease commitments	<u>27,532</u>	<u>-</u>
Total other commitments	<u>187,132</u>	<u>260,400</u>

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

COMPANIES AND SECURITIES ADVISORY COMMITTEE
SCHEDULE OF CONTINGENCIES
as at 30 June 2001

Contingent losses

There were no contingent losses as at 30 June 2001 (2000 nil)

Contingent gains

There were no contingent gains as at 30 June 2001 (2000 nil)

Schedule of unquantifiable contingent losses/gains

There were no unquantifiable contingent losses or gains as at 30 June 2001 (2000 nil).

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

COMPANIES AND SECURITIES ADVISORY COMMITTEE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

Note Description

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

1. Summary of accounting policies

(a) Basis of accounting

The financial statements are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and are a general purpose financial report.

The statements have been prepared in accordance with:

- the Commonwealth Authorities and Companies (Financial Statements 2000-2001) Orders made by the Finance Minister for the preparation of financial statements in relation to the financial year ending on 30 June 2001;
- Australian Accounting Standards and Accounting Interpretations issued by Australian Accounting Standards Boards;
- other authoritative pronouncements of the Boards; and
- the Consensus Views of the Urgent Issues Group.

The statements have been prepared having regard to:

- Statements of Accounting Concepts;
- the Explanatory Notes to Schedule 1 issued by the Department of Finance and Administration; and
- Guidance Notes issued by that Department.

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

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets, which are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

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

(b) Changes in Accounting Policy

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

(c) Reporting by Outcomes

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

(d) Appropriations

Revenues from Government - Output Appropriations

Parliament appropriates moneys to CASAC as revenue appropriations. Appropriations for outputs are recognised as revenue to the extent they have been received into CASAC's bank account or are entitled to be received by CASAC at year end. Revenues from Government are disclosed in the Statement of Financial Performance.

(e) Other Revenue

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

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

(f) Employee entitlements

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

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2001 and is recognised at its nominal amount.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2001. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

(g) Superannuation

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

(h) Leases

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

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

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

(i) Cash

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

(j) Taxation

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

(k) Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

(l) Property, plant and equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$1,000, which are expensed in the year of acquisition. The \$1,000 threshold was selected because it facilitates efficient asset management and recording without materially affecting asset values recognised.

Revaluations

Buildings, infrastructure, plant and equipment are revalued progressively in accordance with the 'deprival' method of valuation in successive 3-year cycles, so that no asset has a value greater than three years old.

Revaluations have been implemented as follows:

- leasehold improvements have been revalued in full during the 1998-1999 financial year;
- plant and equipment assets have been revalued in full during the 1998-1999 financial year.

Assets in each class acquired after the commencement of the revaluation cycle are reported at cost for the duration of the progressive revaluation then in progress.

Any assets which would not be replaced or are surplus to requirements are valued at net realisable value. At 30 June 2001, CASAC had no assets in this situation.

All valuations are independent.

Recoverable amount test

Schedule 1 requires the application of the recoverable amount test to CASAC's non-current assets in accordance with AAS 10 *Recoverable Amount of Non-Current Assets*. The carrying amounts of these non-current assets have been reviewed to determine whether they are in excess of their recoverable amounts. If an excess exists as at the reporting date, the asset is written down to its recoverable amount immediately. In assessing recoverable amounts, the relevant cash flows, including the expected cash inflows from future appropriations by the Parliament, have been discounted to their present value.

(m) Depreciation and amortisation

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

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

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

	2001	2000
Leasehold improvements	Lease term	Lease term
Plant and equipment	2 to 50 years	5 to 50 years

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

(n) Receivables

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

(o) Capital Use Charge

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

(p) Financial instruments

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

(q) Rounding

Figures have been rounded to the nearest dollar.

(r) Comparative figures

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

(s) Insurance

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

2. Reporting by segments and outcomes

CASAC 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. CASAC operates solely from Sydney, Australia.

CASAC is structured to meet one overall outcome: Fair and efficient financial markets characterised by integrity and transparency and supporting confident and informed participation of investors and consumers.

Outcomes for 2000-2001 - net cost to Government

	Outcome	
	Budget	Actual
	\$	\$
Net cost of entity outputs	851,000	643,964
Cost of outcome before extraordinary items	851,000	643,964
Extraordinary items	-	-
Net Cost to Budget Outcome	851,000	643,964

Outcome specific assets	448,000	669,562
Assets that are not outcome specific	-	-

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

(b) Total assets and net assets deployed are shown on CASAC's Statement of Financial Position.

3. Economic dependency

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

4. Revenue from Government

(a) Appropriations	2001	2000
	\$	\$
Appropriation Act No 1 2000/01	851,000	818,000
Total	851,000	818,000

5. Revenues from independent sources

(a) Bank interest	46,489	35,803
-------------------	---------------	---------------

(b) Proceeds and expenses from sale of assets

Non-financial assets - Plant & equipment		
Revenue (proceeds) from sale	-	64
Expenses from sale	-	-
Total	-	64

6. Operating Expenses - goods and services

(a) Employee expenses	2001	2000
	\$	\$
Basic remuneration for services provided	383,942	397,930
Total employee expenses	383,942	397,930

Employer contributions to superannuation amounting to \$ 33,667 (1999-00: \$28,839) have been expensed in these financial statements and are included in basic remuneration for services provided.

Employer Superannuation Productivity Benefit contributions totalled \$5,313 (2000: \$4,757). Contributions to superannuation schemes are at rates calculated to cover existing and emerging obligations.

(b) Suppliers expenses

Supply of goods and services	175,192	267,254
Operating lease rentals	92,728	92,728
Total suppliers expenses	267,920	359,982

(c) Depreciation and amortisation

Leasehold improvements	1,267	1,766
Plant and equipment	24,653	15,378
Library books	10,296	9,279
Amortisation of intangible assets - computer software	17	-
Total depreciation and amortisation	36,233	26,423

In accordance with the depreciation and amortisation policy stated at Note 1(m), a review of depreciation / amortisation rates (useful lives) and methods was undertaken. Based on this review, the useful lives of desktop computers were reduced from 5 to 3 years and laptop computers from 5 to 2 years. The cumulative financial effect of this as at 30 June 2001 was an increase of \$9,039 in depreciation of plant & equipment.

(d) Write down of non-financial assets

Plant and equipment - write-off	2,358	-
---------------------------------	-------	---

7. Financial assets

(a) Cash

Cash at bank and on hand	544,742	386,651
Balance of cash as at 30 June shown in the Statement of Cash Flows	544,742	386,651

(b) Receivables	2001	2000
	\$	\$
Other debtors	2,168	1,944
GST receivable	9,125	958
	<u>11,293</u>	<u>2,902</u>

Receivables are aged as follows:

- Current	11,293	1944
- 30 to 60 days	-	958
	<u>11,293</u>	<u>2,902</u>

8. Non-financial assets

(a) Land and buildings

Leasehold improvements – at valuation (1998/99) (i) (note 8 (e))	18,700	18,700
Accumulated amortisation	(12,269)	(11,002)
Total land and buildings (note 8 (d))	<u>6,431</u>	<u>7,698</u>

(b) Infrastructure, plant and equipment

Plant and equipment - at cost	218,255	211,556
Accumulated depreciation	(148,947)	(129,447)
	<u>69,308</u>	<u>82,109</u>

Plant and equipment - at valuation (1998/99) (i) (note 8 (e))	82,335	100,385
Accumulated depreciation	(66,153)	(66,397)
	<u>16,182</u>	<u>33,988</u>

Total plant and equipment (note 8 (d))	<u>85,490</u>	<u>116,097</u>
---	---------------	----------------

(c) Intangibles (note 8 (d))

Intangibles - at cost	1,045	-
Accumulated depreciation	(17)	-
	<u>1,028</u>	<u>-</u>

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

(d) Movement summary 2000/01 for all assets irrespective of valuation basis

Item	Buildings - Leasehold improvements	Plant and equipment	Intangibles	Total property, plant and equipment and intangibles
	\$	\$	\$	\$
Gross value as at 1 July 2000	18,700	311,941	-	330,641
Additions - Purchase of assets	-	6,700	1,045	7,745
Disposals	-	(18,051)	-	(18,051)
Gross value as at 30 June 2001	18,700	300,590	1,045	320,335
Accumulated Depreciation / Amortisation as at 1 July 2000	11,002	195,844	-	206,846
Depreciation / Amortisation charge for the year	1,267	34,949	17	36,233
Adjustment for disposals	-	(15,693)	-	(15,693)
Accumulated Depreciation / Amortisation as at 30 June 2001	12,269	215,100	17	227,386
Net book value as at 30 June 2001	6,431	85,490	1,028	92,949
Net book value as at 1 July 2000	7,698	116,097	-	123,795

(e) Summary of balances of assets at valuation as at 30 June 2001

Item	Buildings - Leasehold improvements	Plant and equipment	Intangibles	Total property, plant and equipment and intangibles
As at 30 June 2001				
	\$	\$	\$	\$
Gross value	18,700	82,335	-	101,035
Accumulated Depreciation / Amortisation	12,269	66,153	-	78,422
Net book value	6,431	16,182	-	22,613
As at 30 June 2000				
Gross value	18,700	100,385	-	119,085
Accumulated Depreciation / Amortisation	11,002	66,397	-	77,399
Net book value	7,698	33,988	-	41,686

(f) Other non-financial assets	2001	2000
	\$	\$
Prepaid property rentals	-	712
Other prepayments	20,578	10,284
Total other non-financial assets	<u>20,578</u>	<u>10,996</u>

9. Debt

(a) Non-interest bearing liabilities - other debt

Property lease incentives	<u>31,929</u>	<u>52,097</u>
----------------------------------	----------------------	----------------------

The property lease incentive liability is repayable as follows:

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

Total property lease incentives represent deferred rental expenditure accrued as at 30 June 2001. The payment of these amounts will be made over the life of the lease, commencing after the expiry of the rent deferral period.

10. Provisions

Employees

Salaries and wages	10,420	30,014
Leave	115,833	96,706
Aggregate employee entitlement liability	<u>126,253</u>	<u>126,720</u>

11. Payables

Suppliers

Trade creditors	14,351	20,904
GST payable	5	-
	<u>14,356</u>	<u>20,904</u>

12. Equity

Item	Accumulated surplus		Asset revaluation reserve		TOTAL EQUITY	
	2001 \$	2000 \$	2001 \$	2000 \$	2001 \$	2000 \$
Balance 1 July 2000	279,544	244,647	10,444	10,444	289,988	255,091
Surplus/(Deficit)	207,036	69,532	-	-	207,036	69,532
Capital Use Charge	(51,720)	(34,635)	-	-	(51,720)	(34,635)
Net revaluation increases/(decreases)	-	-	-	-	-	-
Balance 30 June 2001	434,860	279,544	10,444	10,444	445,304	289,988

13. Cash flow reconciliation

	2001	2000
	\$	\$
Reconciliation of net operating surplus from ordinary activities to net cash from operating activities		
Net operating surplus from ordinary activities	207,036	69,532
Depreciation and amortisation of property, plant and equipment	36,233	26,423
(Decrease)/Increase in employee provisions	(467)	12,840
(Increase)/Decrease in other assets	(9,582)	16,269
(Increase)/Decrease in receivables	(8,391)	18,146
(Decrease) in liability to suppliers	(6,548)	(22,068)
(Decrease) in other payables	(20,168)	(20,168)
Profit on disposal of property, plant and equipment	-	(64)
Write-down of property, plant and equipment	2,358	-
Net cash from operating activities	<u>200,471</u>	<u>100,910</u>

14. Related parties

(a) The members of the Committee during the 2000-2001 reporting period were:

Richard St John, Convenor
Philip Brown
Peter Griffin
Greg Hancock
Merran Kelsall
David Knott (from 18 November 2000)
John Maslen
Marian Micalizzi
Alan Cameron (up to 17 November 2000)
Patricia Cross (retired February 2001)
Robert Hudson (retired July 2000)
Reg Barrett (term expired 25 November 2000)
Leigh Hall (term expired 25 November 2000)
Nicki Hutley (term expired 25 November 2000)

(b) During the financial year there were no related party transactions with Committee members except for the payment of **\$50,992** to ASIC of which David Knott is the Chairman. (2000 \$59,417)

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

15. Remuneration of Members and Executives

(a) Remuneration of Members	2001	2000
	\$	\$
Remuneration received or due and receivable by Committee Members, including Legal Committee Members.	15,410	30,630

The aggregate of superannuation payments paid on behalf of members totalled nil (2000 nil).

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

Bands of remuneration	2001 Members	2000 Members
\$0 - \$9,999	11	27

(b) Remuneration of Executive Officer

	2001	2000
	\$	\$
Income received or due and receivable by the Executive Officer	160,562	184,985
Bands of income	Executives	Executives
\$160,001 - \$170,000	1	-
\$180,001 - \$190,000	-	1

As a consequence of adopting the Urgent Issues Group (UIG) Abstract 14 'Directors' Remuneration', some part of the remuneration to the Executive Officer includes leave accrued but not taken. It does not represent any increase in the agreed remuneration package of the executive officer.

The remuneration of Executive Officer was higher in 2000 as it included payments of arrears for past salary increases, the details of which have been disclosed in the 1999/2000 Notes to the Financial Statements.

The executive remuneration includes all Executive Officers concerned with or taking part in the management of CASAC during 2000-2001 except for the Members of the Committee. Details in relation to Members of the Committee have been incorporated into Note 15(a) - Remuneration of Members.

16. Auditors remuneration

	2001	2000
	\$	\$
Remuneration to the Auditor-General for auditing the financial statements in respect of the reporting period.	8,000	7,904
No other services were provided by the auditors.		

17. Financial instruments

(a) Terms, conditions and accounting policies

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
<i>Financial assets</i>		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash at bank	7 (a)	Interest is credited to revenue as it accrues.	Interest is earned on the daily balance at the prevailing daily rate for money on call and is paid at month end.
Receivables for goods & services	7 (b)	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are net 14 days (1999-2000: 14 days).
<i>Financial liabilities</i>		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Lease incentives	9(a)	The lease incentive is recognised as a liability on receipt of the incentive. The amount of the liability is reduced on a straight-line over the life of the lease by allocating lease payments between rental expense and reduction of the liability.	
Trade creditors	11	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is usually made net 30 days.

17. Financial instruments (cont.)

(c) Net fair values of financial assets and liabilities

Financial assets	2000-01		1999-00	
	Total carrying amount \$	Aggregate net fair value \$	Total carrying amount \$	Aggregate net fair value \$
Cash at bank	543,742	543,742	385,651	385,651
Cash on hand	1,000	1,000	1,000	1,000
Receivables for goods and services	11,293	11,293	2,902	2,902
	<u>556,035</u>	<u>556,035</u>	<u>389,553</u>	<u>389,553</u>
Financial liabilities				
Leases	31,929	31,929	52,097	52,097
Trade creditors	14,356	14,356	20,904	20,904
	<u>46,285</u>	<u>46,285</u>	<u>73,001</u>	<u>73,001</u>

Financial assets

The net fair value of cash approximates its carrying amounts.

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

Financial liabilities

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

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

(d) Credit risk exposures

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

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

18. Appropriations

CASAC received the following appropriations during the year out of the Consolidated Revenue Fund:

	2001 \$	2000 \$
Annual Appropriation Act No 1 - basic appropriation	<u>851,000</u>	<u>818,000</u>