Australian Government

Corporations and Markets Advisory Committee

CORPORATIONS AND MARKETS ADVISORY COMMITTEE

ANNUAL REPORT 2005–2006

Corporations and Markets Advisory Committee

Annual Report 2005–06

ISSN 1447 8048 (print version)
ISSN 1449 0099 (on-line version)

Contact details

For information about this report or about the work of the Committee, please contact:

The Executive Director
Corporations and Markets Advisory Committee
GPO Box 3967
SYDNEY NSW 2001

Tel: 02 9911 2950
Fax: 02 9911 2955
Email: camac@camac.gov.au

The Advisory Committee's homepage is:

www.camac.gov.au

This report can be found at:

www.camac.gov.au

The Advisory Committee's location is:

Level 16
60 Margaret Street
SYDNEY

Australian Government
Corporations and Markets Advisory Committee

Level 16, 60 Margaret Street, Sydney
Telephone: (02) 9911 2950
Email: camac@camac.gov.au

GPO Box 3967 Sydney NSW 2001
Facsimile: (02) 9911 2955
Website: www.camac.gov.au

20 September 2006

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

Dear Treasurer

I am enclosing for your information and presentation to Parliament the annual report for 2005–06 of the Corporations and Markets Advisory Committee.

The report has been prepared in accordance with section 63 of the *Public Service Act 1999* and section 9 of the *Commonwealth Authorities and Companies Act 1997*.

Yours sincerely

Richard St. John

Richard St. John
Convenor

Contents

Convenor’s review

The Advisory Committee has completed or carried forward work on several major reviews in the past year. In closely examining and reporting on issues that come before it, the Committee seeks to contribute to public understanding as well as provide advice to government.

The Committee was set up in 1989, as part of the legislative package that established a national scheme for corporations and financial markets, to provide a source of independent advice to the responsible minister on the administration of the relevant laws or changes to them. The members of the Committee are appointed in a personal not a representative capacity and must have relevant commercial or professional experience. The ASIC nominee provides a regulatory perspective.

The *Corporations Act 2001* provides a legal foundation for corporations together with a regulatory framework for financial markets and services. It is an extensive and sometimes complex body of law accompanied by a substantial overlay of regulations, class orders and other instruments. This legal environment is far from static. Its development is affected by market practice, regulatory initiatives and court decisions. There are, in addition, recurring pressures for legislative intervention—to amend the legislation—as well as other steps to bring about improvements or to react to perceived shortcomings pointed up by court decisions or market developments. These pressures present a continuing challenge in maintaining a reasonable balance between stability and change in the legal environment for commercial and investment activity. There are risks too of detracting from coherence of principle or unduly adding complexity when making ad hoc changes.

The Committee’s general approach in reviewing an area where change may be called for is to conduct a thorough analysis of the issues, including an appreciation of the wider context in which they arise. The Committee seeks to discern relevant principles and public policy ends, and consider the practicalities of various approaches from both commercial and regulatory viewpoints. It has the benefit of advice from a separate Legal Committee. In most cases the Committee obtains public comment on proposals before concluding its views. It aims to illuminate understanding of the relevant issues as well as put forward considered and workable recommendations.

While approaching its reviews with an open mind, the Committee has regard to considerations such as:

- the relevant public policy objectives
- the balance between stability and change in the legal and regulatory environment
- the trade-offs in certainty, clarity, simplicity and effectiveness between principles-based approaches and more detailed or prescriptive approaches
- the desirability of legislation and other regulation being explicable to those at whom it is directed—including directors in the boardroom—as well as by professional advisors and regulatory or enforcement agencies
- the balance between the regime for regulating corporations and the legal environment in which other commercial, public or non-profit bodies operate
- the effectiveness of proposed approaches and the enforceability of regulatory requirements.

The Committee is mindful also of continuing concerns on the part of businesses and others about regulatory burden and overlap. It does not see recommendations for legislative change as necessarily the appropriate outcome of its reviews. It looks for ways to clarify and simplify the regulatory framework while ensuring effective regulation and investor protection. In some cases, more weight may be put on explaining the current position. Reference is made in this context to a number of the Committee's reports in recent years:

- *Personal liability for corporate fault* (expected in 2006) addresses concerns about possible over-reach in statutes that impose criminal liability on directors and others in the event of corporate breach without the need to establish culpability on their part, together with complexity and lack of clarity as a result of disparities in personal liability provisions found in the various jurisdictions
- *Corporate duties below board level* (2006) put forward recommendations to clarify the coverage of provisions that already impose personal duties and liabilities on persons below board level and to ensure that those provisions take better account of the working

arrangements found within many companies and properly protect corporate interests

- *Rehabilitating large and complex enterprises in financial difficulties* (2005) concluded that the voluntary administration procedure in the *Corporations Act* was generally sound and effective. There were no fundamental difficulties in applying those provisions to large and complex enterprises, or any circumstances where it is necessary to have separate corporate recovery regulation for those enterprises. The report did propose some changes to improve the workability of those provisions for larger as well as other enterprises

- *Insider trading* (2003) supported clear and effective insider trading laws to protect financial markets and encourage investor protection while, at the same time, ensuring that the legislation is appropriately focused so that it does not unduly impede or discourage legitimate market activity. The report put forward recommendations to modify the current prohibition to accommodate better the differing disclosure expectations and requirements of various financial markets, and at the same time to simplify a key component of the prohibition; to exclude new securities issues and most corporate buy-backs, which are already subject to disclosure requirements, from the prohibition of insider trading; to exempt private security placements to wholesale investors in line with international practice; and to include an exemption, modelled on a US SEC rule, to allow directors and others who are regularly exposed to inside information to trade in their company's securities under non-discretionary trading plans, subject to safeguards

- *Corporate groups* (2000) put forward recommendations to streamline the processes by which corporate groups operate. They included proposals to simplify the administration of corporate groups including by giving wholly owned groups the choice to operate as if they were a single enterprise, by amending the merger provisions to permit easier rationalisation of complex group structures and by introducing pooling provisions to expedite the liquidation of groups

- *Shareholder participation in the modern listed public company* (2000) considered a range of issues including the current system of proxy voting for shareholders who wish to cast their votes but are unable to attend a meeting in person. The report supported a move to allow public companies to introduce a simpler process of direct absentee voting as a means of facilitating shareholder participation in corporate governance.

In the year under review the Advisory Committee published a report on *Corporate duties below board level* and moved towards completion of its report on *Personal liability for corporate fault*. The Committee also published a comprehensive discussion paper on *Corporate social responsibility* designed to provide information, draw out issues and stimulate discussion as part of its public consultation process. It is proceeding now to complete its report drawing on the large number of submissions that have been received. Work has commenced on a major new reference relating to the recognition and treatment of long-tail liabilities.

The members of the Committee participate in a part-time capacity and are supported by a small, full-time executive. Additional funding allocated in the budget will provide some additional flexibility in progressing the Committee's work program.

Significant issues and developments

Set out below is a summary of the Committee's work in 2005–06 in meeting the outcomes and outputs described in the Portfolio Budget Statement.

1. Corporate duties below board level

Terms of reference

In April 2004, the then Parliamentary Secretary to the Treasurer, the Hon. Ross Cameron, MP, referred to the Advisory Committee aspects of Recommendation 2 of the HIH Royal Commission report *The Failure of HIH Insurance* (April 2003). In that report, the Commissioner, Justice Neville Owen, drew attention to uncertainties and gaps in the regulation of corporate behaviour below board level.

Recommendation 2 included redefining, according to function rather than formal position, the class of persons who are subject to fiduciary duties under Chapter 2D of the Corporations Act and extending the class of persons who are prohibited from acting dishonestly in regard to the company.

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

- Does the approach taken by the law (incorporating the CLERP Act 2004 amendments) clearly and adequately impose sufficient duties on persons other than directors, particularly in the case of complex corporate structures where high-level decision-making may be performed by so-called 'middle management'?

- Is the definition of a wider class of personnel by reference to the term 'employee' and the potential exclusion of consultants and independent contractors problematic?

- Are there particular difficulties with the application of the current provisions to corporate groups?

Discussion paper

In May 2005, the Advisory Committee released a discussion paper *Corporate duties below board level*.

The paper reviewed the personal duties and liabilities under the Corporations Act of corporate officers, employees and other individuals below board level. It put forward preliminary proposals concerning changes to various of these provisions, namely ss 180–183 and ss 1307 and 1309, and also discussed whether there should be a general provision in the Corporations Act, as recommended in the Royal Commission report, prohibiting individuals from acting dishonestly in connection with the performance or satisfaction of any obligation imposed on a corporation by any statute.

The discussion paper invited interested parties to lodge submissions by August 2005.

Report

The Advisory Committee submitted its final report, *Corporate duties below board level*, in April 2006, taking into account the submissions received.

The report put forward recommendations to clarify the coverage of provisions in the Corporations Act that already impose personal duties and liabilities on persons below board level and to ensure that those provisions take better account of the working arrangements found within many companies, including:

- the way in which corporate groups are commonly managed in practice as a single enterprise
- the increasingly common use of independent contractors, consultants and others in carrying out corporate functions, as well as
- the large role that executives and others, as well as directors, play in the running of many companies, especially medium to large enterprises.

The Advisory Committee noted that the imposition of legal duties on executives and others below board level was not new. The recommendations recognised the way in which modern corporations are run, without derogating from the responsibilities of directors or enabling them to avoid their statutory duties.

The Advisory Committee recommendations included:

- applying the duties in ss 180 (care and diligence) and 181 (good faith and proper purpose) to directors and corporate officers and 'any other person who takes part, or is concerned, in the management of that corporation'. This clarification would overcome what appears to have been an inadvertent narrowing in recent years of the class of persons below board level subject to those provisions
- extending the prohibitions in ss 182 and 183 (dealing with improper use of corporate position or corporate information) beyond directors, other officers and employees of a corporation to 'any other person who performs functions, or otherwise acts, for or on behalf of that corporation'. This was to ensure that a person who performs functions for a company cannot avoid these prohibitions, designed to protect the interests of a company and its shareholders, because that person is not technically an officer or employee
- for similar reasons, extending the prohibitions in ss 1309 (providing false information to various parties, including a director, auditor or shareholder) and 1307 (falsifying or destroying corporate records) beyond officers and employees of a corporation to 'any other person who performs functions, or otherwise acts, for or on behalf of that corporation'.

The report also considered whether there should be a general provision, as recommended in the HIH Royal Commission report, prohibiting individuals from acting dishonestly in connection with the performance of any statutory obligation imposed on a corporation. While seeing some attraction in the proposal, the Advisory Committee was not persuaded of the need for such a broad prohibition, given the effect of its other recommendations.

2. Personal liability for corporate fault

Terms of reference

In July 2002, the then Parliamentary Secretary to the Treasurer, Senator the Hon. Ian Campbell, referred various aspects of directors' duties to the Advisory Committee for consideration and advice. These related to two general matters:

- the impact of directors' liability on the availability of professional indemnity insurance and the consequences of rising insurance premiums
- whether the duties imposed on directors by various Commonwealth, State and Territory statutes might result in inconsistent compliance burdens and increased costs for business, while acting as a disincentive for persons to accept or continue to hold directorships, or to engage in entrepreneurial but responsible risk taking.

Insurance report

In June 2004, the Advisory Committee forwarded to the Government a report *Directors and officers insurance*, which dealt with the first of those matters.

Personal liability discussion paper

In May 2005, the Advisory Committee released a discussion paper *Personal liability for corporate fault*, which dealt with the second of those matters.

The paper reviewed the circumstances in which directors and corporate managers may be held criminally liable for corporate misconduct by reason of their formal position or function in a company and without the need to establish fault on their part. This form of liability is separate from that of the company itself or of an officer who has actually participated in a corporate breach.

The paper looked at a range of Commonwealth, State and Territory environmental, occupational health and safety, hazardous goods and fair trading statutes, as they provided significant examples of this kind of personal liability. The paper noted that there was a trend in statutes of this kind to treat directors and other officers as personally liable, including for criminal offences, for breaches of the law by their company, without the need to show personal culpability.

The paper drew attention to the broad range of statutory tests both within and between jurisdictions for imposing this form of personal liability. This lack of uniformity and resultant complexity may in itself:

- detract from effective corporate governance by reducing the possibility of directors fully understanding their legal responsibilities in performing their corporate functions

- unduly increase compliance costs for businesses in attempting to identify and respond to that complex legal environment.

The paper put forward for comment several alternatives for one or more model provisions where a need is seen in the context of particular legislation to impose some element of personal liability for corporate fault going beyond normal accessorial liability. A model provision could be used across the various jurisdictions to achieve a more harmonised approach. The alternative provisions differed in relation to the classes of individuals potentially liable, the grounds of liability and whether the prosecution or the defence has the burden of proving particular matters.

The discussion paper invited interested parties to lodge submissions by August 2005. The submissions are published on the CAMAC website.

Further work

The Advisory Committee has given further consideration to the issues raised in the discussion paper, taking into account submissions received on those matters.

The Committee expects to present its report in 2006–07.

3. Corporate social responsibility

Terms of reference

In March 2005, the Parliamentary Secretary to the Treasurer, the Hon. Chris Pearce, MP, requested the Advisory Committee to consider and report on the following matters related to the concept of corporate social responsibility:

- should the Corporations Act be revised to clarify the extent to which directors may take into account the interests of specific classes of stakeholders or the broader community when making corporate decisions?

- should the Corporations Act be revised to require directors to take into account the interests of specific classes of stakeholders or the broader community when making corporate decisions?

- should Australian companies be encouraged to adopt socially and environmentally responsible business practices and if so, how?
- should the Corporations Act require certain types of companies to report on the social and environmental impact of their activities?

Discussion paper

The Advisory Committee published a discussion paper *Corporate social responsibility* in November 2005.

The discussion paper observed that there is a wave of interest in corporate social responsibility, including calls by community groups and others for companies to give greater attention to the environmental and social impacts of their activities and to report more fully on their performance.

The paper noted that the corporation has proved itself a highly successful vehicle for productive enterprise. At the same time, the degree of responsibility displayed by particular companies in the conduct of their business affairs is understandably a matter of public interest in Australia and elsewhere.

The discussion paper:

- provided information and analysis related to the concept of corporate social responsibility, and its various aspects, including relevant historical background, international codes and guidelines, key concepts (such as stakeholders, sustainability and triple bottom line reporting) and the legal framework for corporate decision-making and environmental and social reporting
- raised a series of questions related to responsible corporate conduct, including aspects of corporate decision-making, corporate reporting and whether further measures are needed to encourage socially and environmentally responsible business practices.

The discussion paper invited interested parties to lodge submissions by March 2006. The submissions are published on the CAMAC website.

Further work

The Advisory Committee has given further consideration to issues raised in the discussion paper, taking into account submissions received on those matters.

The Committee expects to complete this review process and present its report in 2006–07.

4. Long-tail liabilities

In October 2005, the Parliamentary Secretary to the Treasurer, the Hon. Chris Pearce, MP, asked the Advisory Committee to review a proposal to strengthen protection for future unascertained personal injury claimants where the solvency of the responsible company may be in question.

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 provision for commercial insolvency where there are substantial long-tail liabilities, that is, liabilities that arise many years after the events or transactions that give rise to them.

The Committee was asked to consider and advise on a proposal, referred to in the request, that in certain circumstances would place people with future personal injury claims on the same footing as current creditors of the company. The request 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.

The proposal would apply to future claimants where the following tests are satisfied:

- there is a strong likelihood of numerous future claims against a company that has itself experienced an unusually high number of personal injury claims or is in an industry where those claims have already arisen, and
- the circumstances giving rise to the claims and the class of persons who will bring the claims can be identified, and
- the extent of the company’s liability can be reasonably estimated.

Eligible future claimants would be treated as creditors for the purpose of:

- certain corporate transactions affecting share capital (for instance, share capital reductions or buy-backs)

- deferring payments to shareholders until all creditors have been paid in full.

There would also be procedures for taking into account the claims of these future claimants in administrations and liquidations.

There would be provisions imposing criminal and civil sanctions on anyone attempting to defeat the rights of eligible future claimants.

The Advisory Committee invited submissions on the proposal by February 2006 to assist in its consideration of whether the proposal would protect the interests of these claimants without compromising unduly current corporate law and insolvency principles. These submissions are published on the CAMAC website.

Further work

The Committee is proceeding with its consideration of the issues, with a view to the preparation of a report at the earliest opportunity.

Outlook for 2006–07

The Advisory Committee is proceeding with its work on:

- personal liability for corporate fault
- corporate social responsibility
- long-tail liabilities

and will report on those subjects at the earliest opportunity.

As well as responding to any further requests for advice from the Minister, the Committee will keep open the possibility of initiating work in other areas that may be ripe for review.

Past reports

The Advisory Committee has submitted to the Government the following reports, which are available on the CAMAC Website:

- 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).

Implementation of recommendations

Hanel v O'Neill

In October 2004, the Convenor of the Advisory Committee conveyed to the Treasurer, the Hon. Peter Costello, MP, the Committee's view that legislative amendment was necessary to overcome the consequences for directors of corporate trustees of the decision of the Full Court of the Supreme Court of South Australia in *Hanel v O'Neill* (2003) 48 ACSR 378.

In November 2005, the *Corporations Amendment Act (No.1) 2005*, was enacted. It clarified the scope of the potential personal liability of the directors of corporate trustees in light of concerns that arose out of that decision.

Insolvency

In March 2006, the Parliamentary Secretary to the Treasurer, the Hon. Chris Pearce, MP, established the Insolvency Law Advisory Group, to provide technical advice on the accuracy and appropriateness of draft legislation implementing the package of insolvency reforms he announced in October 2005. These reforms include recommendations made by the Advisory Committee in its reports *Corporate voluntary administration* (June 1998), *Corporate groups* (May 2000) and *Rehabilitating large and complex enterprises in financial difficulties* (October 2004).

Shareholder meetings

In April 2006, an Exposure Draft of the Corporations Amendment Bill was released for public comment. The Bill included a clause to amend s 249D of the Corporations Act to remove the right of 100 members of a listed company to call an extraordinary shareholders' meeting. A similar amendment was proposed for s 252B. The Advisory Committee report *Shareholder participation in the modern listed public company* (June 2000) recommended that only shareholders who, collectively, have at least 5% of the votes that may be cast at a general meeting of a listed company should have the power to requisition a general meeting of that company (Recommendation 2). The Committee also recommended that the right of 100 shareholders to move resolutions at meetings of listed companies should remain (Recommendation 5). The Bill did not seek to change this right to move resolutions.

Constitution of the Committee

Overview

The Corporations and Markets Advisory Committee is a statutory body set up under Part 9 of the *Australian Securities and Investments Commission Act 2001* (the ASIC Act). Its members are appointed by the Australian Government 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 Government.

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

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

Functions

Section 148 of the ASIC Act provides as follows:

> CAMAC's functions are, on its own initiative or when requested by the Minister, to advise the Minister, and to make to the Minister such recommendations as it thinks fit, about any matter connected with:
>
> (a) a proposal to make corporations legislation, or to make amendments of the corporations legislation (other than the excluded provisions); or
>
> (b) the operation or administration of the corporations legislation (other than the excluded provisions); or
>
> (c) law reform in relation to the corporations legislation (other than the excluded provisions); or
>
> (d) companies or a segment of the financial products and financial services industry; or

(e) a proposal for improving the efficiency of the financial markets.

The Advisory Committee comes under the Treasury Portfolio. In addition to the Treasurer, the Hon. Peter Costello, MP, the Parliamentary Secretary to the Treasurer, the Hon. Chris Pearce, MP, 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 other matters where the Minister requires urgent advice, the Advisory Committee prepares a report on the basis of its own deliberations, in consultation with its Legal Committee.

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

Membership

The Advisory Committee is a body corporate, comprising part-time members appointed 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 2005–06 are set out below. The Committee notes that the terms of Elizabeth Boros and Barbara Bradshaw expired during 2005–06 and that Berna Collier retired from the Committee upon her resignation from her position as an ASIC Commissioner. The Advisory Committee records its appreciation of the contribution made by these members.

- **Richard St. John, Convenor (Melbourne).** 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).** Zelinda has been with Home Building Society Ltd, an ASX listed company operating in the financial services industry in Western Australia for over 20 years, and her roles include Company Secretary, General Counsel and Executive responsible for Risk and Compliance. Zelinda is a member of numerous professional bodies including the Law Society of Western Australia and member and past President of the Australian Corporate Lawyers Association (WA). She is a Fellow of the Australian Institute of Company Directors and Fellow of the Chartered Institute of Company Secretaries in Australia Ltd. She has held a large number of community-related and government appointments over the years and is currently Chairperson of the Perth Area Consultative Committee, Council Member of the Curtin University of Technology, Chairperson of The Resource Unit for Children with Special Needs Incorporated and Finance Committee member of the International Federation of University Women.

- **Elizabeth Boros (Melbourne).** Elizabeth holds the Sir Keith Aickin Chair of Company Law at Monash University and is the author of a book, *Minority Shareholders' Remedies*. She is also a director of ASX Supervisory Review Pty Limited, former national chairperson of the E-commerce Committee of the Business Law Section of the Law Council of Australia, and a member of that Section's Corporations Committee. Elizabeth's term expired on 11 December 2005.

- **Barbara Bradshaw (Darwin).** Barbara is the Chief Executive Officer of the Law Society of the Northern Territory. She is a lawyer, with an extensive background in private practice and working for government in corporate law and related policy areas and as a regulator. Barbara's term expired on 11 December 2005.

- **Berna Collier, Commissioner of ASIC (Brisbane).** Berna was appointed as a Commissioner effective 5 November 2001. She was a member of the board of the Australian Prudential Regulation Authority from 5 November 2001 until 30 June 2003. Before joining the Commission, Berna was Clayton Utz Professor of Commercial Law in the Faculty of Law, Queensland University of Technology, and a consultant with Clayton Utz Lawyers. She attended Committee meetings as an alternate to the ASIC Chairman, as provided for under s 153(1A), (1B) of the ASIC Act, until her resignation from ASIC in

February 2006 to take up an appointment as a judge of the Federal Court.

- **Jeffrey Lucy, Chairman of ASIC (Sydney).** Jeffrey is a Chartered Accountant and experienced financial consultant. He is a Fellow of the Institute of Chartered Accountants in Australia, CPA Australia, the National Institute of Accountants, and the Australian Institute of Company Directors. He has been the Chairman of the Financial Reporting Council and a Managing Partner of PricewaterhouseCoopers, Adelaide.

- **Louise McBride (Sydney).** Louise is a director of Grant Samuel Corporate Finance. She commenced her career with a major international bank before working on corporate and taxation matters for large law firms. She has specialised in tax-based financing for major infrastructure projects and also the taxation treatment of derivative financial products. She was a partner with a major law firm and with Deloitte Touche Tohmatsu. She is also a member of the Commonwealth Superannuation Board and the Public Sector Superannuation Board, the Takeovers Panel and the National Portrait Gallery.

- **Alice McCleary (Adelaide).** 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).** 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).** 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).** Bob is a partner at Blake Dawson Waldron. He has been practising law for nearly 30 years, including nearly 10 years as a partner of an international firm based in Sydney and Tokyo. 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).** 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 the Vice Chairman of the Law Council of Australia's Company Law Committee, a member of several Boards, and National Chairman of Australian Red Cross.

- **Nerolie Withnall (Brisbane).** 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 2005–06, the Advisory Committee met 7 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—7
- Zelinda Bafile—7
- Elizabeth Boros—1 of 2
- Barbara Bradshaw—2 of 2
- Louise McBride—5
- Alice McCleary—7
- Marian Micalizzi—6
- Ian Ramsay—3
- Robert Seidler—6

- Greg Vickery—6
- Nerolie Withnall—6
- ASIC representative—7 (Berna Collier, Commissioner—1, Brendan Byrne, General Counsel—5, Stephen Yen, Special Counsel, Policy—1).

Audit Committee

The Advisory Committee has established an Audit Committee in compliance with s 32 of the *Commonwealth Authorities and Companies Act 1997*.

During 2005–06, the Audit Committee consisted of Marian Micalizzi (until September 2005), Barbara Bradshaw (until the expiry of her term in December 2005), Alice McCleary (from September 2005) and Louise McBride (from February 2006).

Marian Micalizzi chaired the Audit Committee until her resignation from that Committee. The Advisory Committee appointed Barbara Bradshaw to chair the Audit Committee in October 2005. After the expiration of Barbara's term, the Advisory Committee appointed Alice McCleary to the chair.

During the financial year, the Audit Committee met twice. The Committee:

- considered management letters sent by the Australian National Audit Office
- reviewed and signed the Advisory Committee's 2004–05 financial statements
- 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 of the Advisory Committee was formally established in September 1991. Its function is to provide expert legal analysis, assessment and advice to the Advisory Committee in relation to such matters as are referred to it by the Advisory Committee.

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

The members during 2005–06 are set out below. The Committee notes that the terms of Ashley Black, Damian Egan, Brett Heading, Duncan Maclean, Francis Landels, Laurie Shervington and Gary Watts expired during this period. Julie Abramson resigned from the Legal Committee in April 2006. The Advisory Committee records its appreciation of the contribution made by these members.

- **Nerolie Withnall, Convenor (Brisbane).** 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.

- **Julie Abramson (Melbourne).** Julie is a General Manager, National Australia Bank. She has had an extensive career in public policy and regulation, including as a lobbyist with the Victorian Employers' Chamber of Commerce and Industry and a legal adviser to the Federal Treasurer, the Hon. Peter Costello, MP. In addition, she worked in the Regulatory Policy Division of the Australian Securities and Investments Commission and as Executive Officer to the then ASIC Chairman David Knott. She also worked as a lawyer for some eight years, including as an associate at a major Australian law firm. Julie resigned from the Legal Committee in April 2006.

- **Ashley Black (Sydney).** Ashley is a partner with Mallesons Stephen Jaques. He specialises in securities and financial services law and enforcement and commercial litigation. He is joint author of books dealing with securities industry law and the Corporate Law Economic Reform Program Act, and lectures in postgraduate courses at the University of Sydney and the University of New South Wales. Ashley's term expired on 11 December 2005.

- **Elizabeth Boros (Melbourne).** Elizabeth holds the Sir Keith Aickin Chair of Company Law at Monash University and is the author of a book, *Minority Shareholders' Remedies*. She is also a director of ASX Supervisory Review Pty Limited, former national chairperson of the E-commerce Committee of the Business Law Section of the Law Council of Australia, and a member of that Section's Corporations Committee.

- **Damian Egan (Hobart).** 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. Damian's term expired on 8 March 2006.

- **Brett Heading (Brisbane).** Brett is Chairman of McCullough Robertson Lawyers. He is an experienced corporate lawyer in capital raising and takeovers. He is experienced at board level and is presently Chairman of a listed public company. He is also a member of the Takeovers Panel. Brett's term expired on 8 March 2006.

- **Jennifer Hill (Sydney).** Jennifer is a Professor of Law at the University of Sydney. She teaches, and has written widely in, corporate law and corporate governance, and has been a Visiting Professor at a number of US law schools, including the University of Virginia, the University of Texas at Austin and Vanderbilt University.

- **Francis Landels (Perth).** Francis was for many years the Chief Legal Counsel of Wesfarmers Ltd. He is a Barrister and Solicitor of the Supreme Court of Western Australia, a Solicitor of the High Court of Australia and a Public Notary. Francis has been a director of a number of companies and continues to be a director of the Opera Company of Western Australia. Francis's term expired on 8 March 2006.

- **Duncan Maclean (Perth).** Duncan is a special counsel with Minter Ellison. He has acted for both government and private sector clients in major commercial transactions and projects. His practice is generally focused on commercial and corporate advisory work. He advises in the areas of corporate governance, regulatory compliance, structuring of projects and new ventures, e-commerce and information technology and private investment in infrastructure projects. Duncan's term expired on 11 December 2005.

- **Laurie Shervington (Perth).** 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 practices in the corporate advisory field. Laurie's term expired on 8 March 2006.

- **Simon Stretton (Adelaide).** 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.

- **Gary Watts (Adelaide).** Gary is a partner with Fisher Jeffries. He is a corporate lawyer in private practice and deals primarily with shareholder and board issues, mergers and acquisitions and restructurings. He is a past National Chair of the Corporations Committee of the Law Council of Australia, Chair of the Helpmann Academy for the Visual and Performing Arts and a director of the Metropolitan Domiciliary Care Service (SA). Gary's term expired on 8 March 2006.

- **Elizabeth Whitelaw (Canberra).** Elizabeth is Chair of Partners of the Canberra office of Minter Ellison. She heads the Infrastructure and Finance Group in the Canberra office. Elizabeth has during her 25 years of legal practice in the private sector also chaired the Canberra Business Council, the Red Tape and Regulation Review Task Force (ACT Government) and the Business and Regulatory Review Team (ACT Government). In addition, she has served on the ACT Government's Economic Priorities Committee, as well as Business Canberra, which was also an ACT Government advisory body. Elizabeth is also experienced at Board level and is presently a Director of ACTEW Corporation Limited, which is responsible for the ACT's water and electricity infrastructure.

During 2005–06, the Legal Committee met 3 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—2
- Julie Abramson—3
- Ashley Black—1 of 1
- Elizabeth Boros—2
- Damian Egan—3
- Brett Heading—2
- Jennifer Hill—1
- Francis Landels—2
- Duncan Maclean—1 of 1
- Laurie Shervington—3

- Simon Stretton—3
- Gary Watts—2
- Elizabeth Whitelaw—0.

The Advisory Committee values the advice of the Legal Committee and acknowledges with appreciation the contribution of its members.

Executive

As at 30 June 2006, the Advisory Committee had a full-time Executive of four officers, being John Kluver (Executive Director), Vincent Jewell (Deputy Director), Thaumani (Timmi) Parrino (Office Manager) and Liam Burgess (Policy Consultant).

John Kluver prepared and presented various papers on matters being reviewed by the Advisory Committee, including at the 2005 Law Council of Australia Corporations Workshop, at a Queensland Law Society seminar, at a public sector conference in Canberra and at a CEDA function in Sydney.

Vincent Jewell prepared a paper on the rehabilitation of large and complex enterprises, which he presented at a seminar in Sydney.

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. The Advisory Committee records its appreciation of the professionalism shown by the members of the Executive and thanks them for their assistance and support.

Coordination with other bodies

The Advisory Committee, through the Executive, keeps in touch 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 cooperation shown by these officers throughout the year. A senior officer of ASIC also attends Legal Committee meetings, at that Committee’s invitation.

The Advisory Committee thanks ASIC and its officers for 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.

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 and has prepared a risk assessment document that identifies CAMAC's particular risk factors. CAMAC has appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet its needs and comply with the Commonwealth Fraud Control Guidelines.

External scrutiny

The CAMAC 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 2006, 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).

As at 30 June 2006, the Advisory Committee also had:

- a full-time male Policy Consultant based in Sydney and engaged on contract
- a part-time female Policy Consultant based in Adelaide and engaged on contract.

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 Executive Director has a computer at his place of residence that is connected to his office computer and is funded by the Advisory Committee.

The Deputy Director and the Office Manager are employed under AWAs, with their salaries and other entitlements being linked to relevant ASIC officer salary scales and other entitlements. The Deputy Director and the Office Manager did not receive any performance bonus in 2005–06, but may receive performance bonuses in 2006–07 that are partly attributable to work performed in 2005–06.

The policy consultants are employed under contracts for services with the Advisory Committee. The salary and other benefits of the full-time consultant are linked to a relevant ASIC scale. The payment to the part-time consultant is based on an hourly rate as set out in the contract.

The full-time 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 2005–06.

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*.

Consultants

During 2005–06, two new Advisory Committee contracts were entered into involving total actual expenditure in that period of $27,905.

Competitive tendering and contracting

CAMAC did not undertake any competitive tendering or contracting during 2005–06.

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 2005–06.

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), final 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 2005–06.

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. The activities of the Advisory Committee do not have any material implications for ecologically sustainable development or environmental performance.

Discretionary grants

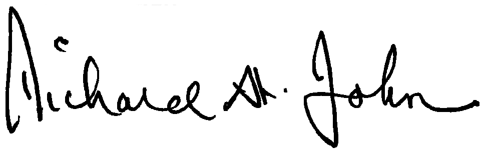
The Advisory Committee does not administer any discretionary grant programs.

Glossary

APS	Australian Public Service
ASIC	Australian Securities and Investments Commission
AWA	Australian Workplace Agreement
CAMAC	Corporations and Markets Advisory Committee
SES	Senior Executive Service

Date and signing of report

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



Richard St. John
Convenor
20 September 2006

Australian National
Audit Office

INDEPENDENT AUDIT REPORT

To the Treasurer

Matters relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements published in both the annual report and on the website of the Corporations and Markets Advisory Committee for the year ended 30 June 2006. The Members of the Corporations and Markets Advisory Committee are responsible for the integrity of both the annual report and its web site.

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

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

Scope

The financial statements and Members' responsibility

The financial statements comprise:

- Statement by Members;
- Income Statement, Balance Sheet and Statement of Cash Flows;
- Statement of Changes in Equity;
- Schedules of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements

of the Corporations and Markets Advisory Committee for the year ended 30 June 2006.

The Members of the Corporations and Markets Advisory Committee are responsible for preparing the financial statements that give a true and fair view of the financial position and performance of the Corporations and Markets Advisory Committee and that comply with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, Accounting Standards and mandatory financial reporting requirements in Australia. The Members of the Corporations and Markets Advisory Committee are also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

PO Box A456 Sydney South NSW 1235
130 Elizabeth Street
SYDNEY NSW
Phone (02) 9367 7100 Fax (02) 9367 7102

Audit Approach

I have conducted an independent audit of the financial statements to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

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

The audit opinion is based on these procedures, which included:

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

Independence

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

Audit Opinion

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

(a) have been prepared in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*; and
(b) give a true and fair view of the Corporations and Markets Advisory Committee's financial position as at 30 June 2006 and of its performance and cash flows for the year then ended, in accordance with:
  (i) the matters required by the Finance Minister's Orders; and
  (ii) applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office

P Hinchey
Senior Director
Delegate of the Auditor-General

Sydney
29 August 2006

Financial statements

for the year ended 30 June 2006

STATEMENT BY MEMBERS

In our opinion, the attached financial statements for the year ended 30 June 2006 have been prepared based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*.

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

Alice McCleary	Louise McBride
Member	Member
29 August 2006	29 August 2006

Income statement

for the year ended 30 June 2006

	Note	**2006** **$**	2005 $
INCOME			
Revenue			
Revenues from Government	4a	**863,000**	856,000
Interest	4b	**38,046**	34,298
Total revenue		**901,046**	890,298
EXPENSES			
Employees	6a	**488,094**	453,484
Suppliers	6b	**419,009**	457,114
Depreciation and amortisation	6c	**8,978**	10,540
Finance costs	7	**1,189**	697
Total expenses		**917,270**	921,835
OPERATING DEFICIT	12	**(16,224)**	(31,537)

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

Balance sheet

as at 30 June 2006

	Note	**2006** **$**	2005 $
ASSETS			
Financial assets			
Cash	8a	**120,058**	635,848
Receivables	8b	**13,581**	14,232
Total financial assets		**133,639**	650,080
Non-financial assets			
Leasehold improvements	9a	**13,991**	17,942
Plant and equipment	9b	**86,690**	85,829
Intangibles	9c	**–**	–
Other non-financial assets	9e	**9,462**	15,949
Total non-financial assets		**110,143**	119,720
TOTAL ASSETS		**243,782**	769,800
LIABILITIES			
Payables			
Suppliers	10	**10,527**	18,277
Total payables		**10,527**	18,277
Provisions			
Employees	11a	**170,513**	164,003
Other	11b	**21,476**	20,287
Total provisions		**191,989**	184,290
TOTAL LIABILITIES		**202,516**	202,567
NET ASSETS		**41,266**	567,233
EQUITY			
Contributed equity		**(509,743)**	–
Reserves		**10,144**	10,144
Accumulated surplus		**540,865**	557,089
TOTAL EQUITY		**41,266**	567,233
Current assets		**143,101**	666,029
Non-current assets		**100,681**	103,771
Current liabilities		**181,040**	182,280
Non-current liabilities		**21,476**	20,287

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

Statement of cash flows

for the year ended 30 June 2006

	Note	**2006** $	2005 $
OPERATING ACTIVITIES			
Cash received			
Appropriations	5	**863,000**	856,000
Interest		**38,006**	34,224
GST recovered from ATO		**46,305**	47,611
Total cash received		**947,311**	937,835
Cash used			
Employees		**(484,945)**	(460,771)
Suppliers		**(462,525)**	(493,094)
Total cash used		**(947,470)**	(953,865)
Net cash used by operating activities	12	**(159)**	(16,030)
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment	9d	**(5,888)**	(7,296)
Net cash used by investing activities		**(5,888)**	(7,296)
FINANCING ACTIVITIES			
Cash used			
Return of capital		**(509,743)**	–
Net cash used by financing activities		**(509,743)**	–
Net increase/(decrease) in cash held		**(515,790)**	(23,326)
Cash at the beginning of the reporting period		**635,848**	659,174
Cash at the end of the reporting period	8a	**120,058**	635,848

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

Statement of changes in equity

for the year ended 30 June 2006

	Accumulated results		Asset revaluation reserve		Contributed equity		Total equity	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	$	$	**$**	$	**$**	$	**$**	$
Opening balance	**557,089**	583,139	**10,144**	10,144	**–**	–	**567,233**	593,283
Income and expenses recognised directly in equity								
Net revaluation increment (leasehold improvements, plant and equipment)	**–**	5,838	**–**	–	**–**	–	**–**	5,838
Net revaluation decrement (software)	**–**	(351)	**–**	–	**–**	–	**–**	(351)
Sub-total income and expenses recognised directly in equity	**–**	5,487	**–**	–	**–**	–	**–**	5,487
Operating deficit	**(16,224)**	(31,537)	**–**	–	**–**	–	**(16,224)**	(31,537)
Total income and expenses recognised directly in equity	**(16,224)**	(26,050)	**–**	–	**–**	–	**(16,224)**	(26,050)
Transactions with owner:								
Distributions to owners:								
Return of capital—other	**–**	–	–	–	**(509,743)**	–	**(509,743)**	–
Total transactions with owner	–	–	–	–	**(509,743)**	–	**(509,743)**	–
Closing balance at 30 June	**540,865**	557,089	**10,144**	10,144	**(509,743)**	–	**41,266**	567,233
Total equity attributable to the Commonwealth	**540,865**	557,089	**10,144**	10,144	**(509,743)**	–	**41,266**	567,233

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

Schedule of commitments

as at 30 June 2006

	Note	**2006** **$**	2005 $
BY TYPE			
Other commitments			
Operating leases	(a)	**427,520**	562,003
Total other commitments		**427,520**	562,003
Commitments receivable	(b)	**(37,842)**	(49,691)
Net commitments by type		**389,678**	512,312
BY MATURITY			
Operating lease commitments			
One year or less		**160,177**	152,118
From one to five years		**267,343**	409,885
Total operating lease commitments		**427,520**	562,003
Commitments receivable	(b)	**(37,842)**	(49,691)
Net commitments by maturity		**389,678**	512,312

Notes:

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

Nature of lease	*General description of leasing arrangements*
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 2006

Contingent liabilities

There were no quantifiable contingent liabilities as at 30 June 2006 (2005: nil).

Contingent assets

There were no quantifiable contingent assets as at 30 June 2006 (2005: nil).

Unquantifiable contingent liabilities

There were no unquantifiable contingent liabilities as at 30 June 2006 (2005: nil).

Unquantifiable contingent assets

There were no unquantifiable contingent assets as at 30 June 2006 (2005: 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 2006

1 Summary of significant accounting policies

1.1 Basis of accounting

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

The statements have been prepared in accordance with the:

- Finance Minister's Orders (being the Commonwealth Authorities and Companies Orders (Financial Statements for reporting periods ending on or after 1 July 2005));
- Australian Accounting Standards issued by the Australian Accounting Standards Board that apply for the reporting period; and
- Interpretations issued by the Urgent Issues Group 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, as noted, are at valuation. 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.

Going concern

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

1.2 Statement of compliance

This financial report complies with Australian Accounting Standards, which include Australian Equivalents to the International Financial Reporting Standards (‘AEIFRS’).

Australian Accounting Standards require CAMAC to disclose Australian Accounting Standards that have not been applied, where those standards have been issued but are not yet effective.

The AASB has issued amendments to existing standards. These amendments are denoted by year and then number, for example 2005-1 indicates amendment number 1 issued in 2005.

The table below outlines standards and amendments that will become effective for CAMAC in the future. The nature of the impending change within the table has out of necessity been abbreviated and readers of this financial report should consult the full version of the standard available on the AASB’s website to identify the full impact of the change. The expected impact on the financial report of adoption of these standards is based on CAMAC’s initial assessment at this date, but may change. CAMAC intends to adopt all of these standards upon their application date.

Title	Standard affected	Application date*	Nature of impending change	Impact expected on financial report
2005-1	AASB 139	1 Jan 2006	Amends hedging requirements for foreign currency risk of a highly probable intra-group transaction.	No expected impact.
2005-4	AASB 139, AASB 132, AASB 1, AASB 1023, AASB 1038	1 Jan 2006	Amends AASB 139, AASB 1023 and AASB 1038 to restrict the option to fair value through profit or loss and makes consequential amendments to AASB 1 and AASB 132.	No expected impact.
2005-5	AASB 1, AASB 139	1 Jan 2006	Amends AASB 1 to allow an entity to determine whether an arrangement is, or contains, a lease. Amends AASB 139 to scope out a contractual right to receive reimbursement (in accordance with AASB 137) in the form of cash.	No expected impact.
2005-6	AASB 3	1 Jan 2006	Amends the scope to exclude business combinations involving entities or businesses under common control.	No expected impact.

Title	Standard affected	Application date*	Nature of impending change	Impact expected on financial report
2005-9	AASB 4, AASB 1023, AASB 139, AASB 132	1 Jan 2006	Amends standards in regard to financial guarantee contracts.	No expected impact.
2005-10	AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, AASB 1038	1 Jan 2007	Will amend requirements subsequent to the issuing of AASB 7.	No expected impact.
2006-1	AASB 121	31 Dec 2006	Changes in requirements for net investments in foreign subsidiaries depending on denominated currency.	No expected impact.
	AASB 7	1 Jan 2007	Will revise the disclosure requirements for financial instruments from AASB132 requirements.	No expected impact.

* Application date is for annual reporting periods beginning on or after the date shown.

1.3 Income

The revenues described in this note are revenues relating to the core activities of CAMAC.

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.

1.4 Employee benefits

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 (i.e. wages and salaries, annual leave etc, expected to be settled within 12 months of the reporting 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 covered under the Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation Scheme (PSS). Details of superannuation payments are disclosed in note 6a. The liability for their superannuation benefits is recognised in the financial statements of the Australian Government and will be settled by the Australian Government in due course.

1.5 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 expensed on a basis that is representative of the pattern of benefits derived from the leased assets.

1.6 Finance costs

Finance costs are expensed as incurred.

1.7 Cash

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

1.8 Other non-financial assets—prepayments

Prepayments are recognised at their nominal amounts, being cost.

1.9 Other financial instruments

Receivables

CAMAC's receivables comprise amounts expected to be received from operating revenue and GST receivable from the Australian Tax 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 having been invoiced).

Contingent liabilities and contingent assets

Contingent liabilities and assets are not recognised in the Balance Sheet but are disclosed in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Remote contingencies are part of this disclosure. Where settlement becomes probable, a liability or asset is recognised. A liability or asset is recognised when its existence is confirmed by a future event, settlement becomes probable or reliable measurement becomes possible.

1.10 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.

1.11 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—basis

Leasehold improvements and plant and equipment are carried at valuation. Revaluations are conducted with sufficient frequency that the carrying amount of each asset class is not materially different from its fair value as at 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 net amount restated to the revalued amount of the asset.

Assets that are surplus to requirements are measured at their net realisable value. At 30 June 2006 CAMAC held no surplus assets.

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

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

Written down replacement cost is the lesser of depreciated replacement cost or depreciated reproduction cost. Depreciated replacement cost is the cost of substitution by an equivalent modern asset, with due allowance for depreciation and obsolescence. Depreciated reproduction cost represents the cost of constructing a replica of the actual asset, with due allowance for depreciation and obsolescence.

Leasehold improvements are subject to a formal valuation every three years, most recently on 1 July 2004. Formal valuations are carried out by an independent qualified valuer (Australian Valuation Office). Between formal valuations, leasehold improvements are reviewed to ensure reported amounts are not materially different from fair values. For the purposes of these interim reviews, leasehold improvements are revalued using an appropriate index reflecting movements in the price of similar assets. If a material difference is identified, assets are revalued.

On 1 July 2004 plant and equipment were revalued to fair value. The fair value of plant and equipment assets is measured at market selling price, being the amount for which the asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Plant and equipment assets are subject to a formal valuation every three years. Formal valuations are carried out by an independent qualified valuer (Australian Valuation Office). Between formal valuations, plant and equipment assets are reviewed to ensure reported amounts are not materially different from fair values. The review confirmed that asset values reported at 30 June 2006 were representative of fair value and no valuation adjustment was required.

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:

	2006	2005
Leasehold improvements	**Lease Term**	Lease Term
Plant and equipment	**2–30 years**	2–30 years

1.12 Impairment of non-current assets

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

Non-current assets carried at cost, which are not held to generate net cash inflows, have been assessed for indications of impairment. Where indications of impairment exist, the asset is written down to the higher of its net selling price and, if CAMAC would replace the asset's service potential, its depreciated replacement cost.

1.13 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.

1.14 Other provisions

In accordance with AASB 116 *Property, Plant & Equipment* and UIG 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.

1.15 Taxation

CAMAC is exempt from all forms of taxation except fringe benefits tax and the goods and services tax (GST). In most cases, 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.

1.16 Insurance

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

1.17 Changes in accounting policy

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

1.18 Comparative figures

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

1.19 Rounding

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

2 The impact of the transition to the Australian Equivalents to International Financial Reporting Standards (AEIFRS) from previous Australian generally accepted accounting principles (AGAAP)

Reconciliation of total equity as presented under previous AGAAP to that under AEIFRS

	2005 $	2004 $
Total equity under previous AGAAP	574,524	593,059
Adjustments to retained earnings:		
Employee provisions—determination of non-current annual leave provision[1]	1,274	4,829
Other provisions—make good of leased premises[2]	(20,287)	(19,590)
Leasehold improvements—make good of leased premises[3]	11,722	14,985
Total equity translated to AEIFRS	567,233	593,283

Reconciliation of operating deficit presented under previous AGAAP to AEIFRS

Prior year operating deficit as previously reported	(18,535)
Adjustments:	
Depreciation expense arising from the capitalisation of estimated make good costs on leased premises (AASB 116)	(3,263)
Change in employee expense arising from discounting of non-current annual leave (AASB 119)	(3,555)
Interest expense arising from the unwinding of the discount in the make good provision (UIG 1)	(697)
Prior year operating deficit translated to AEIFRS	(26,050)

[1] AASB119 *Employee Benefits* requires annual leave liabilities that will not be settled within 12 months of the reporting date to be measured at present value. In accordance with AASB101 *Presentation of Financial Statements,* CAMAC's employee provisions are classified as a current liability because there is a legal right to payment within 12 months (even though payment of all employee provisions is not expected within the next 12 months).

[2] UIG 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires CAMAC to recognise as a liability an estimate of the decommissioning and restoration costs relating to leased premises where the lease creates an obligation for CAMAC to make good those premises.

[3] AASB 116 *Property, Plant and Equipment* states that the cost of an item of property, plant and equipment includes ''the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a period for purposes other than to produce inventories during that period''.

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	**2006** $	2005 $
4a Revenues from Government			
Appropriation Act No. 1 Operating Expenditure	5	**863,000**	856,000
4b Interest			
Bank interest		**38,046**	34,298

5 Appropriations

Table A Acquittal of authority to draw cash from the consolidated revenue fund (CRF) for ordinary annual services appropriations

	Departmental outputs		Total	
	2006	2005	**2006**	2005
Particulars	**$**	$	**$**	$
Year ended 30 June 2006				
Balance carried forward from previous year	**–**	–	**–**	–
Appropriation Act No. 1	**863,000**	856,000	**863,000**	856,000
Available for payment out of the CRF	**863,000**	856,000	**863,000**	856,000
Cash payments made out of the CRF	**(863,000)**	(856,000)	**(863,000)**	(856,000)
Balance carried forward to next year	**–**	–	**–**	–

6 Operating expenses

	Note	**2006** **$**	2005 $
6a Employees			
Salaries		**401,259**	354,244
Superannuation	(i)	**61,132**	57,647
Leave and other entitlements		**25,703**	41,593
Total employee expenses		**488,094**	453,484

(i) Employer contributions to superannuation amounting to $54,399 (2005: $51,269) have been expensed in the financial statements. Contributions to superannuation schemes are at rates calculated by the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS) to cover existing and emerging obligations. The employer contribution rate for CSS was 25.3% (2005: 25.3%), for PSS 12.4% (2005: 12.4%), and for the superannuation productivity benefit 2% to 3% (2005: 2% to 3%).

Contributions to Employer Superannuation Productivity Benefit amounted to $6,733 (2005: $6,378).

	Note	**2006** $	2005 $
6b Suppliers			
Services from related entities		**94,039**	104,243
Services from external entities		**130,953**	145,974
Goods from external entities		**65,609**	81,370
Operating lease rentals	(i)	**128,408**	125,527
Total suppliers expenses		**419,009**	457,114

(i) These comprise minimum lease payments only.

	Note	**2006** $	2005 $
6c Depreciation and amortisation			
Depreciation			
Depreciation of plant and equipment		**995**	2,995
Depreciation of library books		**4,032**	3,552
Total depreciation	9d	**5,027**	6,547
Amortisation			
Amortisation of leasehold improvements	9d	**3,951**	3,943
Amortisation of intangible assets—computer software	9d	**–**	50
Total amortisation		**3,951**	3,993
Total depreciation and amortisation	9d	**8,978**	10,540

7 Finance costs

	2006 $	2005 $
Unwinding of discount on other provisions	**1,189**	697

8 Financial assets

	2006	2005
	$	$
8a Cash		
Cash on hand	**1,000**	1,000
Cash at bank	**119,058**	634,848
Total cash	**120,058**	635,848
Balance of cash as at 30 June shown in the Statement of Cash Flows	**120,058**	635,848
8b Receivables		
Other debtors	**3,096**	3,057
GST receivable	**10,485**	11,175
Total receivables	**13,581**	14,232
Receivables are aged as follows:		
– Current	**13,581**	14,232
Total receivables	**13,581**	14,232

All receivables are current assets.

9 Non-financial assets

	Note	**2006** **$**	2005 $
9a Leasehold improvements			
Leasehold improvements—at fair value	(i)	**21,885**	21,885
Accumulated amortisation		**(7,894)**	(3,943)
Total leasehold improvements (non-current)	9d	**13,991**	17,942
9b Plant and equipment			
Plant and equipment—at fair value	(i)	**96,264**	92,376
Accumulated depreciation		**(9,574)**	(6,547)
Total plant and equipment (non-current)	9d	**86,690**	85,829
9c Intangible assets—computer software			
Purchased			
Computer software—at cost		**50**	50
Less accumulated amortisation		**(50)**	(50)
Total intangibles (non-current)	9d	**–**	–

(i) The revaluation of leasehold improvements and plant and equipment was performed on 1 July 2004 in accordance with the revaluation policy stated at note 1.11. As a result of this revaluation, a credit of $5,838 for leasehold improvements and a debit of $351 for plant and equipment was recorded against the accumulated surplus. Asset values have been reviewed at 30 June 2006 to ensure that there is no material difference to fair value.

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 2005	$	$	$	$
Gross book value	21,885	92,376	50	**114,311**
Accumulated depreciation/ amortisation	(3,943)	(6,547)	(50)	**(10,540)**
Opening net book value	17,942	85,829	–	**103,771**
Additions				
by purchase	–	5,888	–	**5,888**
Depreciation/amortisation expense	(3,951)	(5,027)	–	**(8,978)**
Disposals				
at cost/valuation	–	(2,000)	–	**(2,000)**
provision	–	2,000	–	**2,000**
As at 30 June 2006				
Gross book value	21,885	96,264	50	**118,199**
Accumulated depreciation/ amortisation	(7,894)	(9,574)	(50)	**(17,518)**
Closing net book value	**13,991**	**86,690**	**–**	**100,681**

9e Other non-financial assets

	2006	2005
	$	$
Prepayments	**9,462**	15,949
Total other non-financial assets (current)	**9,462**	15,949

10 Payables

	2006	2005
	$	$
Supplier payables		
Trade creditors	**10,527**	18,277
Total supplier payables (current)	**10,527**	18,277

11 Provisions

	2006	2005
	$	$
11a Employees		
Salaries and bonuses	**10,603**	2,130
Leave	**159,910**	161,873
Total employee provisions (current)	**170,513**	164,003
11b Other		
Provision for ‘make good’ of leasehold improvements	**21,476**	20,287
Total other provisions (non-current)	**21,476**	20,287

12 Cash flow reconciliation

Reconciliation of cash per Balance Sheet to Statement of Cash Flows

	2006	2005
	$	$
Cash at year end per Statement of Cash Flows	**120,058**	635,848
Balance Sheet items comprising cash above:		
Financial asset—cash	**120,058**	635,848
Reconciliation of operating deficit to net cash used by operating activities:		
Net deficit	**(16,224)**	(31,537)
Depreciation and amortisation	**8,978**	10,540
Finance costs	**1,189**	697
Changes in assets and liabilities resulting from operating activities		
Increase/(decrease) in employee provisions	**6,510**	(774)
(Increase)/decrease in prepayments	**6,487**	(341)
Decrease in receivables	**651**	1,392
Increase/(decrease) in supplier payables	**(7,750)**	3,993
Net cash used by operating activities	**(159)**	(16,030)

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
- Elizabeth Boros (until 12 December 2005)
- Barbara Bradshaw (until 12 December 2005 and reappointed 24 August 2006)
- Brendan Byrne (Nominee of ASIC's Chairman)
- Berna Collier (Nominee of ASIC's Chairman until 24 January 2006)
- Jeffrey Lucy
- Louise McBride
- Alice McCleary
- Marian Micalizzi
- Ian Ramsay
- Robert Seidler
- Greg Vickery
- Nerolie Withnall
- Stephen Yen (Nominee of ASIC's Chairman)

13b During the financial year there were no related party transactions with Committee members, except for the payment of $66,000 to ASIC of which Jeffrey Lucy is the Chairman, Berna Collier was Commissioner until 24 January 2006 and Brendan Byrne and Stephen Yen are employees (2005: $66,000).

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

14 Remuneration of members and executive officer

	2006 $	2005 $
14a Remuneration of members		
Aggregate amount of superannuation payments in connection with the future retirements of Committee members, including Legal Committee members	**2,956**	3,266
Other remuneration received or due and receivable by Committee members, including Legal Committee members	**43,326**	40,991
Total remuneration received or due and receivable by Committee members, including Legal Committee members	**46,282**	44,257

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.

	2006 Members	2005 Members
Bands of remuneration		
$0 – $14,999	**19**	23

14b Remuneration of executive officer

	2006 $	2005 $
Income received or due and receivable by the executive officer	**198,946**	195,695
	Executives	Executives
Bands of income	**1**	1
$190,000 – $204,999	**1**	1

The executive remuneration includes the sole Executive Officer concerned with or taking part in the management of CAMAC during 2005–06 except for the members of the Committee. Details in relation to members of the Committee have been incorporated into note 14a Remuneration of members.

15 Remuneration of auditor

	2006	2005
	$	$
Remuneration to the Auditor-General for auditing the financial statements of CAMAC in respect of the reporting period. No other services were provided by the Auditor-General.	**13,000**	10,750

16 Average staffing levels

	2006	2005
The average staffing levels for CAMAC during the year were	**3**	3

17 Financial instruments

17a Terms, conditions and accounting policies

Financial instrument	Note	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash at bank and on hand	8a	Deposits are recognised at their nominal amounts. Interest on cash at bank is credited to revenue as it accrues.	Interest is earned on the daily balance at the prevailing daily rate for money on call and is paid at month end. At 30 June 2006 the current interest rate is 5.15% (2005: 4.73%).
Receivables for goods and services	8b	These receivables are recognised at the nominal amounts due less any allowance for bad and doubtful debts. Collectability of debts is reviewed at balance date. The allowance for doubtful debts is based on the actual assessment of each debtor's capacity to pay.	Credit terms are net 14 days (2005: 14 days).
Financial liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors	10	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods and services have been received, irrespective of having been invoiced.	Settlement is usually made net 30 days.

17b Interest rate risk

		Floating interest rate		Non-interest bearing		Total		Weighted average effective interest	
		2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Financial instrument	**Note**	**$**	$	**$**	$	**$**	$	**%**	%
Financial assets									
Cash on hand	8a	**–**	–	**1,000**	1,000	**1,000**	1,000	**–**	–
Cash at bank	8a	**119,058**	634,848			**119,058**	634,848	**5.15**	4.73
Receivables for goods and services	8b	**–**	–	**13,581**	14,232	**13,581**	14,232	**–**	–
Total financial assets		**119,058**	634,848	**14,581**	15,232	**133,639**	650,080		
Total assets						**243,782**	769,800		
Financial liabilities									
Trade creditors	10	**–**	–	**10,527**	18,277	**10,527**	18,277	**–**	–
Total financial liabilities		**–**	–	**10,527**	18,277	**10,527**	18,277		
Total liabilities						**202,516**	202,567		

17c Net fair values of financial assets and liabilities

	2006		2005	
	Total carrying amount	**Aggregate net fair value**	Total carrying amount	Aggregate net fair value
Financial assets	**$**	**$**	$	$
Cash at bank	**119,058**	**119,058**	634,848	634,848
Cash on hand	**1,000**	**1,000**	1,000	1,000
Receivables for goods and services	**13,581**	**13,581**	14,232	14,232
Total financial assets	**133,639**	**133,639**	650,080	650,080
Financial liabilities				
Trade creditors	**10,527**	**10,527**	18,277	18,277
Total financial liabilities	**10,527**	**10,527**	18,277	18,277

Financial assets

The net fair value of cash approximates its carrying amount.

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

Financial liabilities

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

17d Credit risk exposures

CAMAC's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet.

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

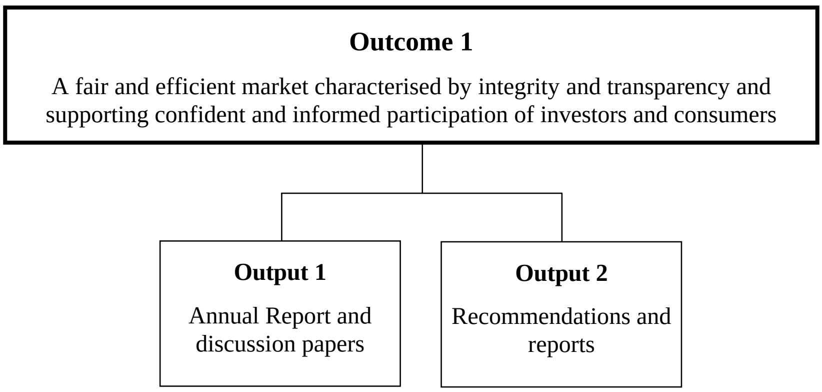
18 Events occurring after balance date

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

19 Reporting of outcomes

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

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



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

Table A Net cost of outcome delivery

	Outcome 1	
	2006 **$**	2005 $
Departmental expenses	**917,270**	921,835
Total expenses	**917,270**	921,835
Costs recovered from provision of goods and services to the non-Commonwealth Government sector		
Departmental	**–**	–
Total costs recovered	**–**	–
Other external revenues		
Departmental interest	**38,046**	34,298
Total departmental	**38,046**	34,298
Total other external revenues	**38,046**	34,298
Net cost of outcome (a)	**879,224**	887,537

(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	
	2006 $	2005 $	**2006 $**	2005 $	**2006 $**	2005 $
Departmental expenses						
Employees	**229,404**	213,137	**258,690**	240,347	**488,094**	453,484
Suppliers	**196,934**	214,844	**222,075**	242,270	**419,009**	457,114
Depreciation and amortisation	**4,220**	4,954	**4,758**	5,586	**8,978**	10,540
Finance cost	**559**	327	**630**	370	**1,189**	697
Total departmental expenses	**431,117**	433,262	**486,153**	488,573	**917,270**	921,835
Funded by:						
Revenue from government	**405,610**	402,320	**457,390**	453,680	**863,000**	856,000
Interest	**17,882**	16,120	**20,164**	18,178	**38,046**	34,298
Total departmental revenues	**423,492**	418,440	**477,554**	471,858	**901,046**	890,298

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.

Index