

group

100

An association of Australia's senior Finance Executives
from the nation's business enterprises

GUIDE TO
REVIEW OF OPERATIONS
AND
FINANCIAL CONDITION



GUIDE TO REVIEW OF OPERATIONS AND FINANCIAL CONDITION

The Group of 100 believes that the preparation and presentation of a Review of Operations and Financial Condition which is consistent with the requirements of this Guide is an integral part of good corporate governance and high quality financial reporting.

GUIDE TO REVIEW OF OPERATIONS AND FINANCIAL CONDITION

TABLE OF CONTENTS

	Page
FOREWORD	4
PREFACE	5
OVERVIEW	
Introduction	6
Purpose	7
Assurance and freedom from bias	8
Prejudicial information and confidentiality	8
REVIEW OF OPERATIONS AND FINANCIAL CONDITION	
GENERAL REQUIREMENTS	
Framework and Presentation	9
Essential Features of the Review	10
DETAILED GUIDANCE	
Company Overview and Strategy	12
Objectives	12
Performance indicators	12
Dynamics of the business	13
Review of Operations	14
Operating results for the period	14
Shareholder returns	16
Investments for Future Performance	16
Review of Financial Condition	18
Capital structure and treasury policy	18
Cash from operations and other sources of cash	20
Liquidity and funding	20
Resources of the company	21
Impact of legislation and other external requirements	21
Risk management	22
Corporate governance	23

FOREWORD

I am pleased to support the publication of the new edition of the Group of 100's Guide to Review of Operations and Financial Condition.

The Group of 100 is to be commended for the work it is undertaking to improve Australia's corporate governance standards, including the preparation of this Guide which has been revised to reflect recent market activities and the tenor of proposed corporate governance reform.

The Government is committed to corporate governance reform. It recognises the continued industry engagement in furthering best practice guidelines and the valuable contribution made by industry through consultation on proposed legislative amendments. Industry engagement is a vital complement to government reforms, with a common focus on improving corporate governance and financial reporting in Australia.

This Guide is an excellent example of industry-led initiatives developed by directors rather than black-letter law imposed by Parliament. It illustrates the sound partnership between industry and government. The Guide provides essential information for companies preparing their financial reports and the current revision reflects the anticipated reforms to corporate governance legislation both in Australia and internationally.

The Guide has been a valuable aid for companies preparing financial reports since the ASX Listing Rules were amended in September 1999 to require all listed companies to prepare a review of operations and activities for the reporting period. The revised edition of the Guide will be of particular relevance to entities in meeting the existing listing requirements of the Australian Stock Exchange and any enhanced requirements flowing from the work of the ASX's Corporate Governance Council.

I encourage directors to include a Review of Operations and Financial Condition in the annual report and support the Group of 100 initiative.

Senator the Hon. Ian Campbell
Parliamentary Secretary to the Treasurer

PREFACE

This Guide to the Review of Operations and Financial Condition (Guide) has been updated by a Working Party convened by the Group of 100. In 1998 the Group of 100 published a Guide based on the Operating and Financial Review issued by the United Kingdom Accounting Standards Board. At that time the Group of 100 undertook to reconsider the relevance of the guidance to determine whether it should be revised in response to changes in circumstances, events and expectations.

Recent events and experience, both nationally and internationally, the changing expectations of capital markets and the increasing emphasis on achieving and maintaining international best practice in corporate governance, have emphasised the importance of comprehensive, balanced and objective reporting. Consistent with best international practice the Group of 100 believes that the preparation and presentation of a Review of Operations and Financial Condition is an integral part of good corporate governance and high quality financial reporting.

I would like to thank the members of the Working Party for their contribution towards the development of this Guide. The members of the Working Party brought a range of different perspectives to the task which I believe has considerably enhanced the Guide. In this regard I express my appreciation to Michael Bray, KPMG, Geoff Harris, Group of 100, Mark Johnson, PricewaterhouseCoopers, Patricia McBride, KPMG, Steve McClintock, PricewaterhouseCoopers, Cath Mulcare, CPA Australia, Paul Phenix, Australian Stock Exchange and Ted Rofe, Australian Shareholders' Association.

John V. Stanhope
National President
Group of 100

GUIDE TO REVIEW OF OPERATIONS AND FINANCIAL CONDITION

This Guide is prepared in the context that companies and other entities subject to the Corporations Act are required to include information about operations and activities in the annual report (section 299) and that the Listing Rules of the Australian Stock Exchange require listed entities to include a review of operations and activities in the annual report (ASX listing rule 4.10.17). Although the Guide is structured in terms of companies, it is applicable to all entities that publish financial reports. The Group of 100 believes that compliance with this Guide constitutes a minimum threshold of best practice in the provision of narrative information to shareholders and other users.

OVERVIEW

Introduction

This Guide provides general guidance on the form and content of a Review of Operations and Financial Condition (Review) which will complement and supplement the financial statements, together with specific guidance on items which should, where relevant, be included in such a Review.

To meet information needs of its shareholders, capital market participants and an increasing array of other stakeholders ("users"), a company should explain its past performance and provide information which will increase understanding of its future directions. This can be achieved through a Review which provides a critical and objective analysis and explanation of a company's past and likely future performance and financial condition, concentrating on the opportunities and risks associated with the past operations of the company and the opportunities and risks likely to impact on the future activities of the company.

The Review should provide users with an understanding of the company by providing a short-term and long-term analysis of the business as seen through the eyes of the directors. This will be facilitated by providing useful financial and non-financial information and analysis.

Historically, much of the information included in a Review, or in similar narratives accompanying financial statements, was based on financial information. The globalisation of business and the changing expectations

of capital markets has led to increased demands for relevant non-financial information from analysts and others who regularly assess company performance against financial and non-financial industry-specific indicators. Management and directors have also developed key performance indicators to monitor and assess performance. A contemporary Review should include an analysis of industry-wide and company-specific financial and non-financial information that is relevant to an assessment of the company's performance and prospects.

This Guide provides a framework for preparing a Review and recognises that different companies will have different specific disclosure needs depending on their size, industry group and other factors. Not all of the items will be relevant to all companies, nor should the guidance be regarded as a comprehensive list of the matters that should be considered by the directors to be relevant to an assessment of the business.

Many companies communicate a wide range of information to stakeholders through corporate web sites and other media. Although the Review has not been specifically drafted with these information channels in mind, the principles and guidance in the Review are relevant to such communications.

Purpose

The annual reports of many companies include detailed and penetrating discussions of the company's operations and financial condition designed to ensure that the financial markets in which the company operates better price the financial resources supplied to the company.

The presentation of a Review in conjunction with the financial statements is intended to give users of that financial report a comprehensive foundation on which to make assessments of past and future performance and investment decisions involving the allocation of capital.

A balanced and objective discussion reduces uncertainty for resource providers, and makes the capital allocation process more efficient, with a consequent impact on the company's access to, and cost of, capital and other resources. The provision of reliable, relevant and useful information facilitates more

efficient pricing of companies and reduces market volatility.

The Guide aims to build on the foundation of existing best practice by providing a framework which directors can use in preparing their own Review. The Guide is based on the assumption that companies should, and do, aim to achieve excellence in financial reporting in order to continuously improve investor communications and reduce the cost of capital. The Guide, while providing an annual review of performance and prospects, is prepared in the knowledge that information about the company is also updated in response to other obligations including half-year reporting and those under the continuous disclosure regime.

Assurance and freedom from bias

The information reported in the Review, the representations made and its consistency with information in the financial statements should be capable of independent assurance. This should not be taken to mean that the Review should necessarily be included in the scope of the audit opinion.

Information and analysis contained in the Review should be neutral, free from bias and complete, dealing even-handedly with both positive and negative aspects. The directors should ensure that the user is not misled as a result of omission.

Prejudicial information and confidentiality

The emphasis in the Review is on the discussion of matters of significance to the company as a whole, within the context of all the information disclosed by the company. The benefits of particular disclosures should be balanced against any potential commercial risks to the company from the disclosure of commercially sensitive information. Overseas experience indicates that a company can provide a comprehensive and informative Review without needing to disclose financial forecasts or make other disclosures of a commercially prejudicial or sensitive nature. There is no reason to believe that Australian experience will differ from that overseas.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

GENERAL REQUIREMENTS

Framework and Presentation

- 1 The Review provides a framework for the directors of a company to discuss and analyse its performance and the opportunities and risks underlying its results and financial condition to ensure communication by the company on a consistent basis.
- 2 The Review should aim to meet the information needs of users of financial reports relating to the current reporting period and also provide them with a basis for forming a view as to likely future performance in the context of the strategies of the company for achieving long-term value creation and known trends in performance. This requires that the Review contains a discussion of the operations of the period, including an explanation of unusual or infrequent events and transactions, and an analysis of the opportunities and risks facing the company, together with the planned approach to managing those opportunities and risks.
- 3 The emphasis in the Review is on the discussion of matters of significance to the company as a whole, within the context of the full range of information disclosed by the company including media releases, stock exchange and other announcements including those made in respect of its continuous disclosure obligations. Factors to be considered in preparing the Review are outlined in Table 1.

Table 1
Framework and Presentation of the Review

To meet these requirements the Review should:

- be comprehensive and include matters that are likely to be significant to users;
- update material comments or disclosures made in previous reports where actual outcomes warrant such updating;
- make clear how any financial or non-financial key performance indicators (both key business drivers and outcomes), ratios or other information relate to the financial statements;
- include a discussion of initiatives, events and transactions which can, at the time of preparing the Review, be expected to affect future reporting periods rather than limiting the discussion to the next reporting period;
- define and explain the financial and non-financial measures included in the Review, their sources and the relevant assumptions and adjustments, if any, made in respect of information also included in the financial report; and
- deal with the broader dimensions of the company's performance, such as sustainability reporting, where that is relevant to users.

Essential Features of the Review

- 4 The Review should be comprehensive and easy for users of financial reports to understand. It follows that each company should select the format which best complements the format of its financial report as a whole. For example, some companies may choose to present the Review as one unit, either as a separate section or incorporated within the chairman's, managing director's or directors' report. Other companies may choose to present an integrated report.
- 5 The focus of the Review is on explanations and analysis. Although the Review would assess past financial performance and is a significant factor in accountability and stewardship of resources, the Review should also address known trends and those factors relevant to forming a view as to likely future performance. Replication of numerical information already included in the financial statements may enhance the understandability of the Review but is not a

substitute for an objective and balanced discussion and analysis of that information. Similarly, an explanation of the trends and uncertainties known to be facing the company does not require a forecast of the outcome of such uncertainties. Rather, the explanation should be sufficient to permit readers of the financial report to form their own judgments of the outcomes of such uncertainties. Disclosures are most useful if they report on previously disclosed plans and goals and the results achieved in meeting those plans and goals.

- 6 Information and analysis contained in the Review should be balanced and objective, free from bias and complete, dealing even-handedly with both positive and negative aspects of operations, financial condition and risks and opportunities. Information, particularly about Key Performance Indicators (KPIs) should be reported on a consistent basis to enable appropriate comparability between periods. Where the basis of reporting KPIs changes, the Review should indicate the nature and reasons for the change and its overall effect. The features necessary for the Review to meet these general requirements and communicate in a clear, concise and cohesive manner are set out in Table 2.

Table 2
Features of the Review

The Review should:

- be written in a clear style and as succinctly as possible;
- be in narrative form, supported by figures and graphics where these assist understanding of the matters discussed;
- avoid the use of technical language as far as possible;
- contain analytical description, rather than replicating information in the financial statements;
- discuss individual aspects and segments of the organisation in the context of a discussion of the organisation as a whole;
- complement as well as supplement the financial statements;
- integrate the long and short-term perspectives of the company's activities; and
- embody the qualitative characteristics of reliability, relevance, comparability and understandability.

DETAILED GUIDANCE

Company Overview and Strategy

The Review should focus on those matters that are of greatest significance to the company. Some companies may have items which need to be discussed and are not mentioned in the detailed guidance. Other companies may find that items referred to in the detailed guidance are not relevant to their operations and financial condition.

Objectives

- 7 The Review should explain the objectives of the company and how they are to be achieved.** In doing so, it should describe the nature of the company and explain its main areas of operations, identifying how it seeks to enhance shareholder wealth. It should outline the opportunities and risks in respect of the industries and locations in which the company operates and the legal, social and political environments which affect the company and its activities. The Review should deal with changes in these industries, locations or environments, as well as changes in the company, and their effects on the results of operations and the financial condition of the company. Clear quantitative and qualitative goals, milestones or benchmarks may assist in explaining the overall corporate objectives.

Performance indicators

- 8 The Review should include a discussion and analysis of key financial and non-financial performance indicators (KPIs) used by management in their assessment of the company and its performance.** This should include relevant company-specific indicators and other indicators widely used in the industry by analysts and others. Where practical, KPIs should be linked to and be identified with the key business objectives, be compared with other periods to outline trends and should include multiple perspectives such as sustainability measures including social and environmental performance measures, where relevant. Critical success factors essential for the company to achieve its objectives and strategy in respect of its

core activities and segments, their significance to corporate strategies and related performance measures and their linkages to corporate strategy and results should be explained.

Dynamics of the business

- 9 **The Review should discuss the main factors and influences that may have a major effect on future results whether or not they were significant in the period under review.** The principal opportunities, risks and threats in the main lines of business that pervade a company's competitive landscape, together with a commentary on the approach to managing those opportunities and risks and, in qualitative terms, the nature of the potential impact on strategies and results, should be clearly communicated. Matters which may be relevant in discussing the dynamics of the business are shown in Table 3.

Table 3
Dynamics of the Business

Matters which may be relevant in discussing the dynamics of the business include:

- market opportunities and risks (both inputs and outputs);
- competitive advantage, changes in market share or position, including the balance between foreign and local activities;
- economic factors and relevant exposures;
- key customer and other relationships and dependencies;
- capacity and utilisation of resources and operating efficiency;
- employee skills and training;
- proprietary business processes and intellectual property owned or controlled by the company;
- environmental, occupational health and safety;
- research and development and new products;
- legislative changes and changes in public policy including changes in the taxation regime;
- significant legal issues;
- innovation and technological developments; and
- changes in company structure, management or philosophy.

Review of Operations

The Review of Operations should enable users to understand the dynamics of the various business segments, including the main influences on the overall results and how these influences interrelate. The Review should describe the business and identify and explain the main factors that affect the activities and performance of the company. Specific mention should be made of those factors that have varied in the past or are expected to change in the future. Discussion of past performance should be supplemented by known trends and factors that are likely to affect future performance.

Operating results for the period

- 10 The Review should discuss the main activities of the company, including significant features of operating performance for the period covered by the financial report. It should cover all aspects of operations, focusing on the overall company as well as those business or geographic segments that are relevant to an understanding of performance as a whole.** Where appropriate, key components of the result of operations, including major sources of revenues and expenses, should be discussed. The Review should discuss the results in comparison with prior periods and any projections published by the company including significant differences between results and previously disclosed targets established by the company. The focus should be on communicating information as seen 'through the eyes of directors' and should not be a boilerplate or line-by-line repetition of information in, or readily derivable from, the accompanying financial statements. Matters which may warrant inclusion in the discussion of operating results are shown in Table 4.

Table 4
Operating Results

Matters which may warrant discussion in relation to the operating results for the period include:

- changes in market conditions, market share and customer satisfaction and retention;
- changes in significant supplier relationships;
- new products or services introduced or announced;
- sensitivity of operating profit to specific factors such as changes in prices of inputs or outputs;
- changes in turnover and margins, including the effects of prices and/or volume changes and brand profitability;
- changes in cost structure and operating efficiency;
- sensitivity of operating profit to changes in exchange rates and inflation rates;
- changes in the relationship between tax expense and tax payable;
- changes in the regulatory environment;
- asset impairments;
- new activities, discontinuing activities and other acquisitions and disposals;
- employee satisfaction and turnover; and
- the balance of activities undertaken directly, and through investments in associates and joint ventures.

- 11 Discussion of the results of any material acquisition may be useful to users. If a company made public its expectations of the outcome of an acquisition at the time of the acquisition, or in a prior Review, the degree of achievement of those published expectations should be discussed. If a seasonal business has been acquired in the period under review, and the consolidated results of the acquisition are not indicative of those for a full period, information which would assist the reader in understanding the effects of the acquisition should be provided.
- 12 The discussion should cover other factors that have affected the results for the period under review, even where the effect cannot be quantified. Where unusual or infrequent events or transactions have affected the result for a period or are expected to affect the results of future periods, the Review should discuss their nature

and impact on the company. The Review should enable users to assess the significance of the ongoing and core activities of the company and the underlying operating profit relating to those activities in order to identify the sustainability of performance.

Shareholder returns

- 13 **The Review should discuss the overall return attributable to shareholders in terms of dividends and increases in shareholders' funds.** All forms of shareholder returns including share buy-backs and other forms of return of capital, dividend reinvestment plans, other shareholder and employee plans and shareholder privileges should be discussed and their benefits should be explained. Other relevant indicators of returns to shareholders, such as movements in share prices or the results of shareholder and economic value analysis, should be explained.
- 14 **The Review should include a commentary on the results for the financial year and dividends, both in total and in per share terms, indicating the directors' overall distribution policy.** This should include a discussion of franking credits, including their availability and the likelihood of future dividends being franked. Where dividends are partially franked or unfranked, the reasons for this should be explained.

Investments for Future Performance

Users of financial reports are interested in the extent to which the directors have sought to maintain and enhance the position of the company, including future profitability. The Review should, therefore, discuss the company's main activities of this type, including its capital expenditure program. This discussion should also deal with activities and expenditures intended, wholly or partly, to enhance future profitability which, in the short-term, can be varied over a relatively wide range at the discretion of management. The Review should facilitate the user's assessment of the future prospects of the company.

- 15 **The Review should discuss the current level of capital expenditure and other expenditure enhancing future performance, together with planned future expenditure (both committed,**

and authorised but not committed) and how it is expected to contribute to future performance.

Information about capital expenditure and expenditure on other enhancement programs is particularly important because of the amounts involved, the long lead-times in implementing some projects and the potential impacts on the strengths and resources of the business. This discussion should indicate the overall level and nature of the expenditure, the major business segments and geographical areas comprising material elements of the total, the major projects involved, any changes in the timing/phasing of the expenditures, and the expected impact of the programs on the activities of the business.

- 16 Information should be provided as to the likely benefits expected from capital expenditure. This should cover both those benefits arising in the period under review as a result of previous expenditure, and the future benefits expected and their relationship to strategic initiatives, achieving business objectives and contributing to enhancing the strengths and resources of the business.
- 17 In addition to capital expenditure, many other activities and expenditures can be regarded as a form of investing in the future. By their very nature, the definition and timing of such items will vary from one company to another and from one industry to another.
- 18 The nature of such activities and expenditures, with particular emphasis on changes in the level of activity, changes in management policy, and the separation between maintenance expenditure and expansion expenditure should be discussed. Reference should be made to the benefits expected from such activities and expenditures, examples of which are set out in Table 5.

Table 5
Investments for Future Performance

Activities and expenditures designed to enhance future profits may include:

- marketing and advertising campaigns to enhance brand loyalty and reputation;
- training and staff development programs;
- quality improvement programs and health and safety programs;
- refurbishment and maintenance;
- research and development associated with new or existing products and services;
- exploration and evaluation;
- customer relationship management;
- expansion of production capacity;
- acquisition and divestment of business lines; and
- operational and administrative restructuring programs.

Review of Financial Condition

The principal aim of the Review of Financial Condition is to identify and explain significant matters which affect the company as a whole and its financial condition.

Matters discussed should include the capital structure and capital management policies and activities of the company, the relationship between equity and debt financing including the use of off-balance sheet financing, the dynamics of the company's financial condition and its sources of funding, liquidity, and the financing requirements of its capital expenditure plans.

Capital structure and treasury policy

- 19 **The Review should contain a discussion of the capital structure of the company, including the maturity profile of its debt, types of financial instruments used, and currency and interest rate exposures.** This discussion should include comments on the company's debt rating and relevant ratios such as debt/equity and interest cover. It should indicate any expected material change, both proposed or imposed on the company, in the mix and relative cost of the company's debt and capital resources and the impact of off-balance sheet financing and arrangements including special purpose entities, if any. For example, the business purposes, economic substance, key terms and conditions of

any commitments, ongoing relationships and potential risk exposures arising from the arrangements may be relevant to assessments made by users.

- 20 The discussion should cover the company's capital funding and treasury policies and objectives. The types of items which may be discussed are set out in Table 6.

Table 6
Treasury Policies

The discussion of the implementation of treasury policies in the period under review may include:

- control processes for treasury activities;
- the selection of currencies in which borrowings are made and in which cash and cash equivalents are held;
- the credit rating of the company and its ability to access capital markets;
- creditworthiness of counterparties;
- the maturity profile of borrowings;
- strategies for the management of risk, including the existence of natural hedges;
- hedging policies and the use of financial instruments for hedging purposes;
- uses of derivatives other than for hedging;
- interest rate risk and the mix between variable and fixed interest rate borrowings;
- the use, purpose and impact of special purpose entities and other off-balance-sheet arrangements;
- the mix between equity and debt financing; and
- capital management including share buy-backs and capital restructuring.

- 21 The purpose and effect of major financial transactions occurring before the date of completion of the financial statements and the sensitivity of profits to the potential impact of interest rate and exchange rate movements should be discussed.

Cash from operations and other sources of cash

- 22 **The cash generated from operations and other cash flows during the period under review should be discussed, including commentary on any special factors that influenced cash flows.**
- 23 Although segmental analysis of profit may be indicative of the cash flow generated by each segment, this will not always be the case. Where segment cash flows are significantly out of line with segment result, this should be explained. This is not meant to imply that a company should provide a segmental Statement of Cash Flows.

Liquidity and funding

- 24 **The company's liquidity and funding at the end of the period under review should be discussed.** This should include comment on the level of borrowings at the end of the period under review, the seasonality of borrowing requirements, undrawn financing facilities, and the maturity profile of both borrowings and committed borrowing facilities. The Review should discuss funding requirements for capital expenditure, both committed and planned discretionary expenditure, and servicing of borrowings.
- 25 The Review should refer to any restrictions on the ability to transfer funds from one part of a company or group to meet the obligations of another part of the company or group, where these represent, or might foreseeably come to represent, a significant constraint on the company or group. Such constraints include exchange controls and the taxation consequences of transfers of tax losses.
- 26 The Review should discuss any cases where the company has entered covenants with lenders which could have the effect of restricting the use of credit facilities, and where negotiations with the lenders on the operation of these covenants are taking place or are expected to take place. Where the company is in a material breach of a covenant, the Review should give details of the measures taken or proposed to remedy the situation.

Resources of the company

- 27 **The Review should provide a commentary on the strengths and resources of the company whose value may not be fully reflected in the statement of financial position.** The non-financial or unrecognised aspects of a business should be discussed where these factors are expected to have a material impact on the economic condition and development of the business. Accounting requirements may not permit all of the intangible assets which are critical to the success of some businesses to be recognised in the financial statements. Disclosure of information about unrecognised intangible assets such as brands, research and development, human resources, customer and supplier relationships and innovations is helpful to users in making decisions. Such items could also include market position in key markets, web sites and databases and mineral reserves. Where considered appropriate, the values of such items, as well as changes in their values, and their role in creating longer-term value should be discussed.

Impact of legislation and other external requirements

- 28 **Accounting Standards and Policies.** The Review should contain a discussion and explanation of the significance of critical accounting policies, estimates and judgments made and their impact on the company's financial condition, changes in financial condition and results of operations. The impact of the initial adoption of an accounting policy which has had a material effect in the reporting period or is expected to have a material effect in future periods should also be discussed.
- 29 **Other Requirements.** The Review should contain a discussion and explanation of the significance and impact of changes in legislation, regulations and other external requirements, such as taxation law, which has had a material effect in the reporting period or is expected to have a material effect in future periods on the company's financial condition, changes in financial condition and results of operations.

Risk Management

Shareholders and other users of financial reports are interested in the various risk exposures of the company and the way in which those risks are managed. The Review should contain a discussion of the company's risk profile and risk management practices if these are not dealt with elsewhere in the Annual Report. Discussion of risk management practices in relation to borrowings, interest rates and exchange rates is appropriately dealt with under treasury policy. However, a company is also subject to other risks which need to be discussed.

- 30 Disclosures about risks facing the company enable users to see the business through the eyes of directors and enable users to understand the company's risk profile and risk management strategy. All relevant aspects of risk management and mitigation, to the extent they are not already dealt with elsewhere in the Review or in the Annual Report, should be discussed. The discussion of risk and risk management should be in a manner which is consistent with how the respective risk exposures are identified and managed. The discussion should include the significant risks and uncertainties facing the company, its core businesses and segments, the strategies and processes applied for managing those risks and the potential impact of these risks on financial performance. The types of items which may be discussed are set out in Table 7.

Table 7
Risk Management

The discussion of the risk profile, management and mitigation of risk other than those relating to treasury policies may include:

- legal and regulatory compliance;
- fraud;
- availability of staff and other resources;
- occupational health and safety;
- changes in technology and other operational risks;
- environmental issues; and
- product liability.

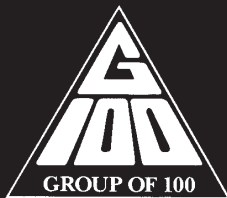
Corporate Governance

The corporate governance of the company is a concern of shareholders and other users of financial reports. The Review should contain a discussion of the nature of the company's corporate governance policies and practices if these are not dealt with elsewhere in the Annual Report. This Review does not attempt to cover the whole field of corporate governance and reference should be made to best practice as reflected in other guidance.

- 31 Communication relating to corporate governance matters should cover how governance influences current and future corporate value through supervision, oversight, and the accountability of the board of directors and management. For example, explaining how management incentives and remuneration are linked to business strategy and performance is important to building market confidence and management credibility.



Notes



Group of 100 Incorporated
385 Bourke Street (Level 28)
Melbourne
Tel: (03) 9606 9661
E-mail: g100@group100.com.au
Web site: www.group100.com.au