CHAPTER 1

INTRODUCTION AND KEY INFORMATION

1.0 INTRODUCTION

Information disclosed to the market in a companies' annual report is largely voluntary and is dependent on whether directors wish to be transparent on some matters in line with the Australian Stock Exchange Corporate Governance Council Principles and Recommendations; hereafter to be known as the ASX CGC Principles and Guidelines and the ASX Listing Rules or whether to choose to be opaque on certain matters. This Australian study reports the results of an empirical examination of Australian ASX Corporate Governance Principles and Recommendations, to develop statistical models to empirically test hypotheses formulated as per section **4.1** of this paper. The Chapter states the problem of corporate governance in general, i.e. why Corporate Governance has come to the forefront of discussion and research given the spate of corporate collapses. **Chapter one** defines key terms and highlights key legislation that is integral to corporate governance, and lastly outlines graphically a dissertation plan that is to be followed.

1.1 STATEMENT OF THE PROBLEM

Regulation is a rising influence on Corporate Governance, in the wake of high profile collapses HIH, OneTEL and others.

In Australia, enhanced corporate governance is a function of the ASX and more specifically the ASX Corporate Governance Council.

The thrust of the ten principles and twenty sub recommendations of the ASX CGC Principles and Guidelines and enclosed recommendations is to increase disclosure, director responsibility and overall board performance of public listed companies.

The establishment and effectiveness of audit committees are very high on the agenda of the ASX.

The requirement of audit committees for ASX public listed companies is mandatory under ASX CGC **4.2** and ASX Listing Rule **12.7**

Directors, Auditors and ASIC will undoubtedly need to do more to ensure that financial reporting in Australia is at a level relevant to the needs of shareholders and investors.

Corporate governance structures have traditionally been a private matter between shareholders and managers with some state law restrictions. As Tipgos (2002) states,

"The principal weakness of corporate governance today is the excessive concentration of power in the hands of top management". Rebalancing or equalizing this power is a prerequisite for controlling management fraud and promoting accurate financial reporting. To regain the confidence of the financial markets, a revolutionary approach to corporate governance is needed. Formally recognising employees as a group and as key participants in the corporate process, rather than as a factor of production and a commodity traded in the labor market, is an important element in a transition to a more balanced governance structure.

1.2 DEFINITION OF KEY TERMS

Corporate Governance principles and recommendations refer to the guidelines that have been set down by the Australian Stock Exchange (ASX). The guidelines set out are the ASX Corporate Governance Council Principle and Guidelines.
Voluntary Disclosure Compliance refers to those items of disclosure that are not mandated but recommended. With in the ASX CGC Principle and guidelines there are 10 recommendations and 20 sub recommendations.

1.3 KEY LEGISLATION

- Corporations Act (2001)
- Australian Investments and Securities Commission Act (2001)
- ASX CGC Principles and Recommendations (2003)
- CLERP (1999) → CLERP 9 (2004)

1.4 MOTIVATION AND JUSTIFICATION OF THE STUDY

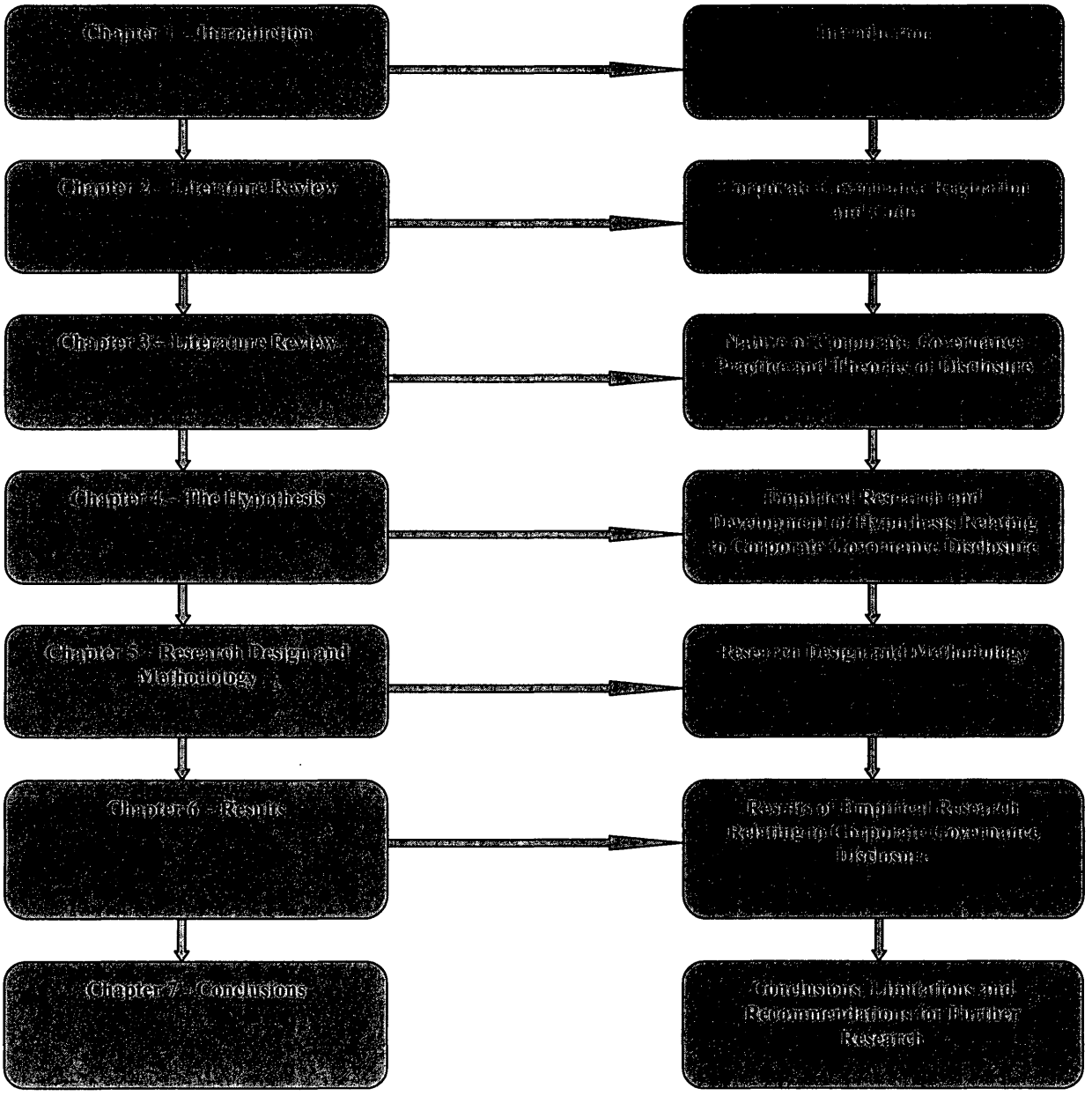
Given the challenges that managing a corporation pose in today's modern business environment, it is essential that corporate governance be at the forefront of the arsenal that boards of public listed corporations have at their disposal. Central to good corporate governance is the influence that institutional shareholders can bring to bear on a board of directors in which they generally having a controlling interest. It is hypothesized that institutional shareholders have the capacity to exert the requisite pressure on the board in corporations where said shareholders have that controlling

interest to improve corporate governance practices and subsequently improve financial performance.

1.5 REASONS FOR AND THE SIGNIFICANCE OF THE STUDY

The focus of this study is to attempt to association with hypotheses stated in section **4.1** of this study. That is to draw conclusions as to whether the influence of institutional shareholders do in fact have the hypothesized impact on boards as opposed to non – institutional shareholder controlled public listed companies, as per results of empirical research carried out and outlined in **chapter 6** of this study. The policy implications of this study are such that whether corporations can operate more efficiently under a system of self regulation or whether a more prescriptive approach involving higher levels of government participation and regulation is required, or possibly a combination of both methods.

FIGURE 1.1 DISSERATION PLAN AND OUTLINE



CHAPTER 2

CORPORATE GOVERNANCE REGULATION AND CODE

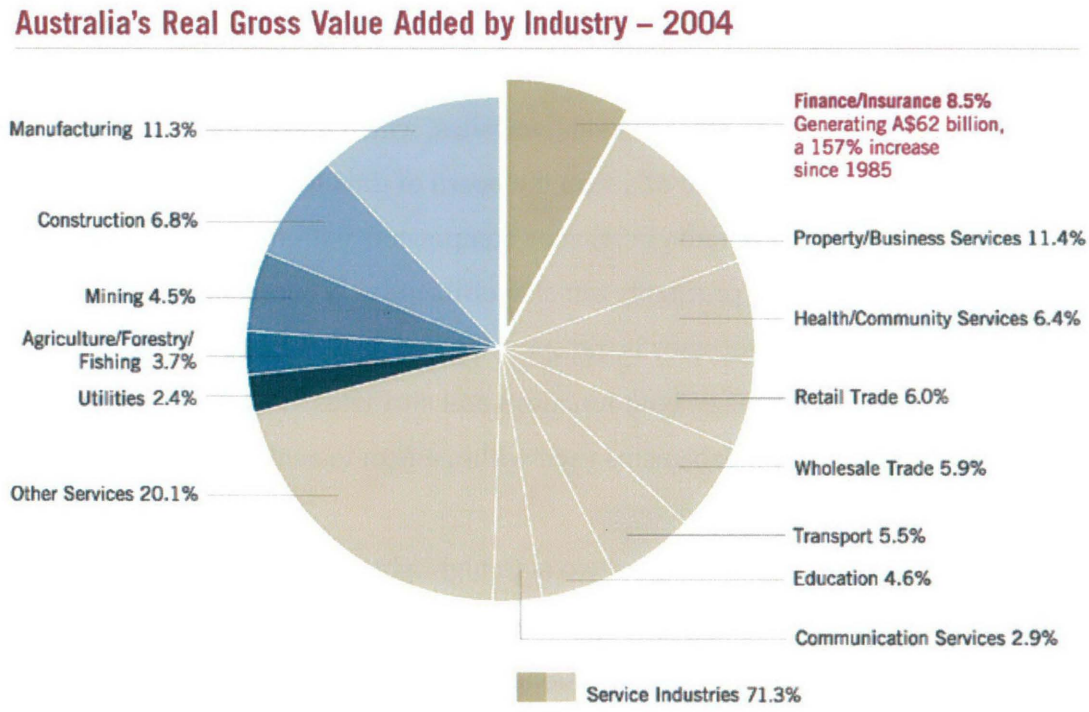
2.0 INTRODUCTION

Chapter two introduces the various sectors and Corporate Governance Regulation and Code that operate within Australia and from which the sample has been selected.
The Australian business environment being a market economy is a fluid combination and interaction between both public and private sectors. As part of an ongoing interaction between these sectors there is influence felt and rendered in both quarters. To elaborate further on influence, government through legislation can both advantage and disadvantage the private sector by increasing or reducing taxes, increasing or decreasing protection implements, increasing or reducing interest rates and money supply to name but a few along with responding to changing international, economic and environmental affects and concerns. One such area where business environment concerns and issues are discussed is the Australian Government website Axxis Australia, http://www.axiss.gov.au, which comments on and discusses a range of topics and issues as well as offering advice, publications, charts and data to keep abreast of changing conditions within the Australian business environment. This site as well contains useful links to other relevant websites, which makes for a very powerful business tool. The key personnel of a firm the board of directors and individual directors are the prime corporate governance components within a firm, to ensure that a firm is not only operating profitably but also efficiently. A component that forms a link in the chain of these processes is transparency and disclosure of information and practices. A detailed analysis of both functions and attributes of board members and executives along with the mechanisms used within a firm to achieve desired corporate governance and performance outcomes.
The relevance and purpose of chapter two is to highlight the effects that government regulation, intervention and corporate governance has on them. As is becoming increasingly the case there are always national and international forces and influences at play, whether managing a national or multinational firms, these in turn are outlined and discussed.
The importance of such regulation regarding corporate governance in Australia is to ensure the highest possible levels of disclosure and transparency to enable current and future investors as well as stakeholders to make prudent and informed decisions regarding participation in an organisation of interest.

2.1 PROFILE OF AUSTRALIAN LISTED COMPANIES

Australian listed companies range both in size and complexity across various diversified sectors as shown in the chart below. As stated in figure 2.1, the Australian corporate landscape as per figure 2.1 is profiled as follows: Manufacturing 11.3%, Construction 6.8%, Mining 4.5%, Agriculture/Forestry/Fishing 3.7%, Utilities 2.4%, Services 62.8% and Finance/Insurance 8.5%. Therefore as can be seen Australia is a predominantly a Services/Raw Materials economy which exploits comparative advantages in a range of areas outlined.

FIGURE 2.1 AUSTRALIA'S REAL GROSS VALUE ADDED BY INDUSTRY - 2004



Sources: Australian Bureau of Statistics, Category 5206.0, National Income, Expenditure and Product, March quarter 2005; Axiss Australia

Readily seen how the ASX sectors summarise the activities that are carried out in the above Axxis Chart, showing the percentages of activity across the various sector areas.

2.2 ROLE OF COMPANY DIRECTORS AND STATUTORY REQUIREMENTS

Company directors are duly elected by shareholders are required to manage the company on behalf of shareholders and for the benefit of shareholders, but duty is owed ironically to the company rather than shareholders. Company directors have statutory requirements to be fulfilled under the company's constitution and as outlined in the Corporations Act (2001). A Company on incorporation has the option of forming its own constitution and incorporating some or all of the replaceable rules in the Corporations Act (2001) or not having a constitution at all and adopting all of the Corporations Act (2001)F replaceable rules.

2.3 DUTY OF DIRECTORS

Duty of directors encompasses:

Common Law: A common law duty is that which the judiciaries have in response to outcomes of past-decided cases, imposed on company directors. A well known example of such an imposed duty is the *AWA Ltd v Daniels (1992) 10 ACLC 933* which establish that company directors must exercise minimum requirements being;

- Must obtain a basic understanding of the company's business
- Monitor the company's activities
- Monitor the company's financial position

The standard of care now expected of directors is termed 'Daniels' plus s 180(1) being the Daniels requirements plus

- No uniform standard of care
- The application of the reasonable persons test
- Standard of care is largely objective rather than as before originally subjective

The company apart from common law duties to shareholders has a common law duty to Creditors and Other Stakeholders where the company is insolvent. In times of insolvency, requires appreciation that the interests of Creditors and Other Stakeholders are synonymous with that of the company, required that it be appreciated that the assets become creditor's assets rather than shareholder assets, when solvency at common law has not been authoritatively determined.

Equity: A director has a duty under common law and in the court of equity to act with due diligence as is expected of a person holding such a position.

Statute: Duty to prevent insolvent trading, under Part 5.7B of the Corporations Act (2001) there are duties and remedies set out that relate to insolvent trading.

Constitution: Under the company's constitution there would normally be outlined specific duties of directors, some that may be general across the majority of companies and others which may be individual to that particular company to which the constitution relates.

Contract: Contractually there may be requirements set out in directors' contracts that stipulate duties expected and required of directors in the execution of duties as a company director.

Fiduciary: There are fiduciary duties that relate to directors of companies, these are:

- The duty to act in good faith
- The duty to exercise powers for proper purpose
- The duty to avoid conflict of interest (i.e. personal profit, competing with the company)
- The duty to retain discretion
- The duty of care, skill and diligence

Source: (Turner, C.,) Australian Commercial Law (2001) pp. 752-757

2.4 INTERNATIONAL FACTORS

Given that the world economy is now largely globalised and inter – connected, factors that have a bearing overseas also have influence in Australia. This has always been the case, but seemingly in the modern world, influence and impact is even greater. The most predominant influence of course is the United States with approximately $12.75 trillion of GDP in 2005. It is not only the economic but also the political landscape that influence activity in Australia. Most recent legislation that has emerged from the

United States of America is the Sarbanes – Oxley Act (2002). The SOA, which is far reaching in its intended reach and effect, is having an impact in Australia as witnessed in certain job advertisements of late, specifying SOA compliance. As stated the Monthly CPA Journal *'In the Black'* (Aug 2006 pp. 44-47) *'in year two of the application of Section 404 of the Sarbanes Oxley Act(2002), the vast majority of senior finance officers feel the costs outweigh its benefits'.* Possibly the most controversial section of the Sarbanes-Oxley Act (2002) is section 404. Section 404 mandates an audit and subsequent opinion of entities' internal control over financial reporting performed in conjunction with an audit of financial statements. As stated by interviewees, the cost of a section 404 audit is extremely expensive. Although worthwhile of a mention in this study, an extensive study of section 404 is outside the scope of this paper.

2.5 ECONOMIC, TRADE RELATIONS AND EXTERNAL FACTORS

Economic and trade relations with trading partner countries, i.e. USA, Japan, UK and NZ, no doubt has a large impact on framing of corporate governance regulations. It is of importance that countries that trade with each to a large extent have parity in corporate governance regulations to ensure a compliant platform extends to promote confidence, integrity and further trade between partners. An example where parity has not exercised was the United Nations (UN) food for oil program, which involved the regime of Iraq's Saddam Hussein, which contracted with world corporations and companies under the supervision of the UN. One such publicised Australian Company involved in improper transactions was the Australian Wheat Board (AWB). The improprietory of these transactions occurred when a proportion of the transaction payments, an alleged $290 million AUD was paid to the dictators' regime as a kick – back or unauthorized UN payment.

2.6 INTERNATIONAL FINANCIAL REPORTING STANDARDS

The IFRS International Accounting Standards, which incorporate the previous International Accounting Standards (IAS) series, when adopted by Australia from January 1, 2005. The IFRS series formally merged with the AASB series from that date to bring Australia into the 21st century along with other converting countries, i.e.

The European Union and New Zealand. In total the IFRS series contains 41 individual standards. In 1973 Australia was a founding country of the former IASC now renamed the IASB to create a broader international standard setting organisation, which was modelled on the FASB formed in the same year in the US. Although the US is the main driving force behind harmonised international accounting standards, the FASB have maintained that their standards which number 154 are already more comprehensive than the IFRS standards. The challenge for Australian regulatory bodies is to blend the IFRS series to suit the Australian accounting environment.

http://www.iasb.org/standards/index.asp

2.7 THE ACCOUNTING AND REGULATORY ENVIRONMENT

THE CORPORATIONS ACT (2001)

Contributions of the Corporations Act (2001) are the rules, regulations of corporations and applicable penalties for breaches. These rules are encapsulated in the various relevant sections that relate to directors, duties and obligations. Internal governance rules post July 1998 maybe determined by the use of replaceable rules, constitution or a combination of both. Corporations incorporated pre July 1998 internal governance rules are determined by Memorandum & Articles of Association. Memorandum of association incorporate the rules of external dealings of the corporation as where the Articles of association the rules of internal rulings.

http://www.comlaw.gov.au/

Australian Securities and Investments Commission Act (2001)

The ASIC Act (2001) is the legislation to create ASIC and administers such laws of the Commonwealth, a state or a territory and confers function and powers under those laws on ASIC. The other purposes are:

- to provide for ASIC's functions, powers and business

- to establish a corporations and market advisory committee to provide informed and expert advice to the minister about the content, operation and administration of the corporations legislation (other than the excluded provisions), about corporations and about financial products and financial markets

- to establish:

- A Takeovers Panel

- A Companies Auditors and Liquidators Disciplinary Board

- A Financial Reporting Council

- An Australian Accounting Standards Board

- An Auditing and Assurance Standards Board

- A Financial Reporting Panel

- A Parliamentary Joint Committee on Corporations and Financial Services

Other functions that are conferred under the Act are to:

- promote the confident and informed participation of investors and consumers in the financial system

- administer the laws that confer functions and powers on it effectively and with a minimum of procedural requirements

- receive, process and store, efficiently and quickly, the information given to ASIC under the laws that confer functions and powers on it

- ensure that information is available as soon as practicable for access by the public

- take whatever action it can take, and is necessary, in order to enforce and give effect to the laws of the Commonwealth that confer functions and powers on it

Legislation contained within both the Corporations Act (2001) and the Australian Investments and Securities Commission Act (2001) are selectively combined as per to form the Clerp 9 Act (2004).

http://www.comlaw.gov.au/comlaw/management.nsf/lookupindexpagesbyid/IP200401852?OpenDocument

ASX CGC PRINCIPLES AND RECOMMENDATIONS

ASX corporate governance principles and guidelines are laid down on a voluntary rather than a mandatory basis excepting the ruling that stipulates that a public listed corporation is required to establish an audit committee as per recommendation **4.1**. ASX CGC principles and recommendations and listing requirement **12.7** are set down to regulate and control the decisions, activities and reporting functions of the corporation.

CLERP

The Corporate Law Economic Reform Program (Audit Reform & Corporate Disclosure) Act (2004) "CLERP 9 Act" was passed by Parliament on 25 June 2004 and received royal assent on 30 June 2004. The long awaited CLERP 9 Act is the federal government's response to the corporate collapses of recent years and aims to restore public confidence in corporate Australia by making Australia's corporate governance and financial reporting regime one of the toughest in the world. The legislation is effective from 1 July 2004, with some sections already applying, some relate to financial years beginning on or after 1 July 2004 and others are not applicable due to the transitional provisions of the Act.

CLERP 9 dates back to September 2002 when the federal government released a policy proposal paper – Corporate Disclosure: Strengthening the Financial Reporting Framework. Draft legislation was then released in October 2003 and, after a short six-week exposure period; the CLERP 9 Bill was introduced into parliament on 4 December 2003 and passed by the House of Representatives on 16 February 2004. Blake Dawson Waldron (2004) released a very comprehensive paper on Clerp 9, which covered the following areas:

- Remuneration, disclosures, directors reports, financial reporting, shareholder participation and information
- Continuous disclosure reforms
- Audit Reforms
- Conflict of interest management, prospectus and product disclosure statement requirements and exemptions, enforcement and other technical amendments

As from July 1 2004 both the Australian Accounting Standards Board (AASB) and the Auditing Assurance Standards Board (AUASB) report to the Financial Reporting Council (FRC). In addition to the oversight of the two boards, the FRC has direct responsibility for monitoring the effectiveness of auditor independence in Australia FRC (2005). In CPA 108 Reporting and Professional Practice Study Guide p. 1.13 the above points are elaborated further.

The CLERP 9 Act (2004) largely implements the recommendations of the CLERP 9 Policy paper, the HIH Royal Commission Final Report and the Ramsey Report on Auditor Independence.

The key provisions in the Act have been summarised by the Australian legal firm, Freehills, as follows [Freehills (2004)]

Remuneration of directors and executives:

- Effective for annual reports and AGMs in respect of financial years commencing on or after July 1 2004
- Increased level of disclosure for remuneration of directors and executives in a consolidated group
- Obligation to have a remuneration report (as a separate section) in a company's annual report
- Obligation to allow members of a company to discuss and have a 'non-binding' vote at its AGM on whether to adopt the company's remuneration report
- Increased obligation to seek shareholder approval before giving certain retirement benefit.

Accounts and Auditor Independence:

- Generally effective for financial years that commence on or after July 1 2004
- Increased independence of auditors and regulation of non-audit services
- Compulsory rotation of audit partners (every five years, or if sanctioned by ASIC, every seven years)
- Compulsory attendance of the auditor at AGMs for listed companies (including a requirement to circulate a list of members' written questions in relation to the audit)

Financial Reporting:

- Effective for financial years that commence on or after July 1 2004
- CEO and CFO of a listed company to certify to the company's board that the financial statements present a true and fair view
- Directors' reports to include an operating and financial review of the company
- A financial reporting panel to be established to resolve disputes between companies and ASIC as to whether or not a company's financial reports meet the financial reporting requirements set out in the Corporations Act

Continuous Disclosure:

- Effective July 1 2004
- ASIC to have the ability to issue infringement notices
- Increased penalties for failing to comply with continuous disclosure obligations
- Clarification of ability of persons who suffer loss to recover damages even if ASIC has not sought a declaration in regard to the alleged breach
- Introduces provisions to make individuals who are 'involved', liable for contravention of the continuous disclosure provisions
- Provides a 'due diligence' defence for individuals – if they took all reasonable steps to ensure that the entity complied with its obligations and, after doing so, believed on reasonable grounds that the entity was complying with its obligations.

Shareholder participation and information:

- Enables electronic distribution of annual reports and notices of the meeting, electronic submissions of proxy appointments and powers of attorney (effective for notices of meetings given after September 30 2004)
- Enables members to appoint a body corporate as a proxy (the body corporate then having to nominate an individual effective July 1 2004)
- Statutory requirements that notices of meetings be worded and presented in a clear, concise and effective manner (effective for notices of meetings given after September 30 2004)
- Directors' report to include list of directors' other directorships and the qualifications and experience of the company secretary (effective for financial years that commence on or after July 1 2004)

In a bid to restore credibility to financial reporting and the audit process, there are a number of initiatives that have been undertaken by governments and the profession, both nationally and internationally. The Sarbanes – Oxley Act (2002) in the US, the Ramsey Report (2001) on auditor independence and the HIH Royal Commission, followed by CLERP 9 Act (2004).

At an International level, the International Federation of Accountants (IFAC) released a report: Rebuilding Public Confidence in Financial Reporting' in 2003. Some of the specific recommendations of particular relevance to the profession include:

- Incentives to misstate information need to be reduced, this should include requiring the proper expensing of costs and clear disclosure of the terms of share options
- The threats to auditor independence need to receive greater attention in corporate governance processes and by auditors themselves
- Audit effectiveness needs to be raised primarily through greater attention to audit control processes
- Codes of conduct need to be put in place for other participants in the financial reporting process and their compliance should be monitored
- Audit standards and regulations need to be strengthened

- Accounting and reporting practices need to strengthened (IFAC 2003a, pp. 2-4)

http://www.asic.gov.au/asic/asic_polprac.nsf/byheadline/CLERP+9?openDocument

ASX LISTING RULES

ASX listing rules are those that are formulated to stipulate the initial and on going requirements those public listed corporations are to adhere to become listed initially and remain listed.

ACCOUNTING PRINCIPLES AND PRACTICES

The accounting principles and practices of Australia as from January 1st 2005 have embraced the International Financial Reporting Standards (IFRS). The former AASB accounting standards have been merged with the substitute IFRS set of accounting standards, becoming the Australian Equivalent International Financial Reporting Standards (AEIFRS). The challenge of course being to adapt the new IFRS standards to suit Australian conditions.

ENFORCEMENT MECHANISMS

The Corporations Act (2001), CLERP 9(2004) and the ASX Listing Rules all contain enforcement mechanisms that correct and compensate stakeholders against wrong doings perpetrated mainly by directors and external auditors of corporations. There is however extenuating circumstances that both protect and exonerate said parties.

ASIC

The Australian Securities and Investment Commission (ASIC) is the Commonwealth body that is charged with the purpose of incorporation and administration of Australian corporations listed and unlisted, public and private. ASIC is also responsible for the application of the Corporations Act (2001) and CLERP (1996) and CLERP 9 (2004).

ASX

The Australian Stock Exchange (ASX) is the authority that operates and administers the share trades of Australia's public listed corporations. The ASX establishes and maintains listing rules as well as the ASX CGC Principles and Guidelines that determine the requirements for a corporation to be listed initially, the rules that a corporation must adhere to and penalties and remedies of non-compliance of listing rules.

ACCOUNTING BODIES

There are currently three separate accounting bodies in Australia, along with one international body these are:

- CPA Australia
- Institute of Chartered Accountants in Australia
- National Institute of Australia

And the international body being:

- The Chartered Institute of Management Accountants

GOVERNMENT INFLUENCES

Influences of the Australian Government range from stipulations and requirements, which emanate from such legislation as:

- The Corporations Act (2001)
- The Income Tax Assessment Act (1936)
- The Income Tax Assessment Act (1997)
- The Commonwealth Law and Economic Reform Programme (CLERP) (1996) and in this case (CLERP 9) (2004) as well as indirectly through various other pieces of relevant legislation.

2.8 STATE OF CORPORATE GOVERNANCE IN AUSTRALIA

Corporate Governance in Australia is a voluntary process and scripted to cover only certain defined areas, but in the light of ongoing failures do the ASX principles and recommendations go far enough? As laid out in chapter three, the various reports and studies into corporate governance carried out around the globe, Australia's corporate governance has picked up many of the recommendations put forward in these studies. In light of overseas collapses and responses by international governments to these collapses, there have been changes made to make related parties to the corporation more accountable and transparent. Once again some these changes are being picked up in the Australian business environment, and example of this is the Sarbanes – Oxley Act (2002). It has been noted of late that there are prominent companies such as the ANZ Bank that are looking to implement Sarbanes Oxley into their corporate governance regime. This move for Australian business is a rather interesting development as The Corporations Act (2001) and the beefed up Clerp 9 do not seem to go as far in terms of attaching accountability, disclosure and transparency for a wide group of participants as the Sarbanes Oxley Act (2002). As stated by Mark Leibler. (Australian Accounting Review. Melbourne: Nov 2003.Vol.13, Iss. 3; pg. 61) "In reality, the root cause is poor management, not dubious auditing practices. Directors, auditors and ASIC have simply not done enough to ensure that financial reporting in Australia is at a level relevant to the needs of shareholders and investors." This actually reiterates a question that the author has had thoughts about. How much do the government and regulators need to legislate and regulate? Or is it a case that simply not enough so far has been done to curb corporate failures? As stated by Bartholomeusz & Tanewski (2006) concepts encompassed by corporate governance are as old as Adam Smith, the term itself has only really gained mainstream prominence since the corporate collapses of the 1980's. The Cadbury Commission report (1992. p12) based on compliance with a voluntary code coupled with disclosure was the progenitor of corporate governance discussion within the United Kingdom, the response to a number of high profile collapses. Recommendations of the report related to non-executive directors, audit committees, disclosure of directors' compensation, and disclosure of accounting statements, internal control and the role of the auditor. The commissions' recommendations were echoed in Australia by the Australian

investment managers' Association's "Blue Book" (1999) and later picked up by the ASX Principles of Corporate Governance (2003).

2.9 INDEPENDENCE OF AUDITORS

Independence of auditors in recent years following numerous and high profile collapses has become the focus of much attention globally as well as in Australia. Audit independence is very much viewed as the crucial element that ensures disclosure and transparency of the company's financial results and position at a given point in time. An auditor's official focus has changed over an extended period:

Although only up to 1960, sees the emphasis of auditing unchanged to this day. In literature couches the position as the official auditors focus, unofficially though it cannot be discounted that shareholders who employ the auditor to report back at the AGM would want the auditor still to be performing the function of old, which is detection of fraud. Although the auditor is appointed and can be removed by shareholders, the auditor comes very much under the direction and influence of director/s. If there is the case that fraud is detected and the auditor is coerced or strongly influenced by director/s, where is the independence of the auditor? Given that independence is an item that is essentially intangible and of a subjective nature, it is difficult to assess just how independent auditors were back in times past and to gauge how independent auditors are in the present day. In Australia such as in other countries, legislators and regulators have attempted with varying degrees to codify independence. In Australia there is a body of legislation and regulations that grapples with this issue being:

- The Australian Auditing Standards (http://www.auasb.gov.au/)
- The Corporations Act (2001) (http://www.austlii.edu.au/au/legis/cth/consol_act/ca2001172/s9.html)
- Clerp 9 (http://www.asic.gov.au/asic/asic.nsf/byheadline/CLERP+9?openDocument)
- The ASX Corporate Governance Principles and Recommendations (http://www.asx.com.au/supervision/governance/principles_good_corporate_governance.htm)

Auditor independence can be attempted to be legislated, but there are variables that although legislation and regulation try to control invariably seem to play a dominant role. One such variable is that of large and important audit assignments, which can only be legally terminated by a majority of shareholders at an AGM, would seem to be influenced heavily by a director or directors.

2.10 ROLE OF CFO

The role of the CFO is to coordinate the financial aspects of the business. The CFO is required to organise and control finances of the business, to construct and publish financial accounts to be presented in the company's annual report, which is presented to shareholders at the company's annual general meeting.

2.11 ROLE OF THE CHAIRPERSON

In his book the *Company Chairman*, Sir Adrian Cadbury identified the modern role of the chairperson as ensuring the following:

- that the board provides leadership and vision
- that the board has the right balance of membership
- that the board sets the aims, strategy and policies of the company
- the board monitors the achievements of those aims
- that the board reviews the resources of people in the company
- that the board has the information it needs to be effective

Also identified was the chairs' external responsibility as:

- reporting financial results
- corporate representative
- guardian of the corporate character and conduct
- arbiter of internal and external disputes

2.12 ROLE OF THE AUDIT COMMITTEE

The role of the audit committee is to set parameters of the audit both internal and external, to regularly correspond with internal and external auditors as to progress and problems encountered during the audit process, to implement, control and monitor internal control effectiveness.

The Cadbury Report (1992) stated that:

That board should appoint audit committees, rather than aiming to carry out these functions themselves. A separate audit committee enables a board to delegate to a sub-committee a thorough and detailed review of audit matters, it enables non-executive directors to contribute an independent judgement and plays a positive role in an area for which they are particularly fitted, and it offers the auditors with a direct link to the non – executive directors. The ultimate responsibility of the board for reviewing and approving the annual report remains undiminished by the appointment of an audit committee, but it provides an important assurance that a key area of a board's duty will be rigorously discharged.

The ASX Best Practice Recommendation **4.2** provides that the board should establish an audit committee.

The ASX Best Practice Recommendation **4.3** provides that the board should structure the audit committee so that it consists of:

- Only non – executive directors
- A majority of independent directors
- An independent chairperson, who is not chairperson of the board
- At least three members

The ASX Best Practice Recommendation **4.4** provides the audit committee should have a formal charter: The commentary and guidance stated as follows:

The charter should clearly set out the audit committee's role and responsibilities, composition, structure and membership requirements. The audit committee should be

given the necessary power and resources to meet its charter. This will include rights of access to management and to auditors (external and internal) without management present and rights to seek explanations and additional information. The audit committee should review the integrity of the company's financial reporting and oversee the independence of the external auditors. The audit committee should report to the board.

The Charter of the Audit Committee is diverse and will cover a broad spectrum within the organisation:

Purpose

The purpose of the Audit Committee is to assist the board of directors in fulfilling its oversight responsibilities

- for the financial reporting process
- the system of internal control
- the audit process
- the company's process for monitoring compliance with laws and regulations and the code of conduct.
- external reporting
- related party transactions
- risk management
- external audit
- administration

Authority

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.

- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.

Composition

The audit committee will consist of at least three and no more than six members of the board of directors. The board or its nominating committee will appoint committee members and the committee chair.

Each committee member will be both independent and financially literate. At least one member shall be designated as the "financial expert," as defined by applicable legislation and regulation.

Meetings

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or videoconference. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors (see below) and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

Responsibilities

The committee will carry out the following responsibilities:

Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing Standards.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

Internal Control

- Consider the effectiveness of the company's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Review with management and the chief audit executive the charter, activities, staffing, and organizational structure of the internal audit function.
- Have final authority to review and approve the annual audit plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.
- At least once per year, review the performance of the CAE and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing.*
- On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters.

Reporting Responsibilities

- Regularly report to the board of directors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.
- Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports the company issues that relate to committee responsibilities.

Other Responsibilities

- Perform other activities related to this charter as requested by the board of directors.
- Institute and oversee special investigations as needed.

- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.

The report should contain all matters relevant to the committee's role and responsibilities including:

- assessment of whether external reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs
- assessment of the management processes supporting external reporting
- procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners
- recommendations for the appointment or removal of an auditor
- assessment of the performance and independence of the external auditors and whether the audit committee is satisfied that independence of this function has been maintained having regard to the provision of non – audit services
- assessment of the performance and objectivity of the internal audit function
- the results of review of risk management and internal compliance and control systems. **Principle 7** provides further guidance on this matter

Source: Farrar (2001 pp. 369-371)

2.13 ROLE OF REMUNERATION COMMITTEE

The role of the remuneration committee is to set and review salary packages for executive and non-executive directors as well as executive staff. The committee will generally review also the makeup and content of the salaries including base salaries, options and performance bonuses.

As Farrar (2001) p.373 states:
The composition of the remuneration committee should:

- Consist of a minimum of three members, the majority being independent directors
- Be chaired by an independent director

The remuneration committee should have a formal charter that clearly sets out its role and responsibilities, composition, structure and membership requirements.

The responsibilities of the remuneration committee should include a review of the recommendations to the board on:

- Executive Remuneration and incentive policies
- The Remuneration packages of senior management
- The company's recruitment, retention and termination policies and procedures for senior management
- Incentive schemes
- Superannuation arrangements
- The remuneration framework for directors

The ASX Best Practice Recommendation **9.2** provides that the board should establish a remuneration committee.

Source: Farrar (2001 p.373)

2.14 ROLE OF THE NOMINATION COMMITTEE

The role of the nomination committee is to review the performance of nomination of new and existing board members as to suitability, performance and eligibility.

The Cadbury Report (1992) paras 4.15 and 4.30 recommended:
Given the importance of their distinctive contribution, non – executive directors should be selected with the same impartiality and care as senior executives. We recommend that their appointment should be a formal matter for the board as a whole and that

there should be a formal selection process that will reinforce the independence of non – executive directors and make it evident that they have been appointed on merit and not through any form of patronage

ASX Recommendation **2.4** provides that the board should establish a nomination committee, the commentary and guidance states as follows:

Purpose of the committee:

Particularly in larger companies, a nomination committee can be a more efficient mechanism for the detailed examination of selection and appointment practices meeting the needs of the company. The existence of a nomination committee should not be seen as implying a fragmentation or diminution of the responsibilities of the board as a whole. It is recognized that for smaller boards, the same efficiencies may not be apparent from a formal committee structure.

Composition of Nomination Committee

The Nomination Committee should:

- consist of a minimum of three members, the majority being independent directors
- be chaired by the chairperson of the board or an independent director

Charter

The nomination should have a charter that clearly sets out its role and responsibilities, composition, structure and membership requirements

Responsibilities

Responsibilities of the committee should include:

- assessment of the necessary and desirable competencies of board members
- review of board succession plans

- evaluation of the boards performance
- recommendations for the removal and appointment of directors

The nomination committee should consider developing and implementing a plan for identifying, assessing and enhancing director competencies.

The nomination committee should also consider whether succession plans are in place to maintain an appropriate balance of skills, experience and expertise of the board.

The 1998 Statement on Corporate Governance from the UK funds management group Hermes, recommended that:

- The nomination committee should comprise a minimum of three directors, a majority of whom should be independent non – executive directors. Membership of the committee should be disclosed in the annual report
- The chairperson of the company and the senior independent non – executive director should always be members of the committee
- The nomination committee should be formally constituted as a subcommittee of the main board who it is answerable and to whom it should report. It should be given written terms of reference which deal adequately with its membership, authority and duties
- The chairman of the remuneration committee should normally be a fully independent non – executive director
- Hermes recommends that the nomination committee be responsible, after consultation with other directors, for finalizing the candidate specification for all board appointments and for approving the process by which suitable candidates are identified and short listed, including choosing a third part advisor where appropriate. Confirmation of the appointment should be the responsibility of the board as a whole
- The nomination committee should ensure that all board appointees undergo an appropriate induction programme

Source: Farrar (2001 pp. 371-372)

2.15 INDUSTRY SECTORS

Within the ASX companies are divided also into defined sectors, these sectors being:

TABLE 2.1 INDUSTRY SECTORS

Sector Category	Index	Movement
Consumer Discretionary	2,220.0	-26.1
Consumer Staples	5,967.5	-77.2
Energy	11,741.1	-217.0
Financials	5,628.3	-67.5
Financial-x-Property Trusts	5,838.8	-75.2
Health Care	6,166.6	-125.0
Industrials	5,429.8	-60.6
Information Technology	442.2	-7.1
Materials	9,466.0	-135.4
Property Trusts	1,880.8	-16.4
Telecommunication Services	1,450.9	-12.5
Utilities	5,569.0	-23.9

Source: ASX Updated Wed 18 Jan 06, 01.26 PM Sydney

2.16 DISCLOSURE REQUIREMENTS

The ASX disclosure requirement states that a listed disclosing entity has obligations for continuous disclosure under s 1001A of the Corporations Act (2001).

Continuous disclosure required under chapter three of the ASX Listing Rules provides that 'Once an entity becomes or is aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entities securities, the entity must immediately tell ASX that information.

Periodic disclosure is required under chapter four of the ASX Listing Rules provides that a company that is required by the act to lodge accounts with ASIC must also give those accounts to the ASX no later than the time they were lodged with the ASIC.

2.17 HISTORY OF THE CORPORATIONS ACT

TABLE 2.2 HISTORY OF THE CORPORATIONS ACT

Period	Stage of Development
1892	The Introduction of separate company legislation for each state, based on the English Companies Act of (1862)
1961	The development of the uniform Companies Act
1981	The introduction of the co-operative scheme legislation
1991	The commencement of Corporations Law
2001	The Commencement of the Corporations Act

Source: Commercial Applications of Company Law, P Hanrahan, I Ramsay, G Stapleton, Edition 2002, p. 2

2.18 FLOW OF ACTIVITY

Business relationships like many relationships can be often complex and contentious. The flow of activity chart outlines a variety of these relationships, which is not seen as exhaustive yet comprehensive. As can be observed there are actual / potential relationships. To examine the relationships in detail requires vast amounts of thought and reflection to logically and grammatically trace these relations through a logical path. There are some relationships that are readily transferable to the business the environment, while other relationships are not so obvious and need to be analysed in detail for logic, reason and applicably to the business environment. By tracing out relationships, in a horizontal, vertical and diagonal directions there are a multitude of paths that begin to emerge. Question to be asked, is why we need to examine these relationships? What are the advantages and are there disadvantages to existing, perceived or possible linkages? Are there improvements to be made to corporate governance, corporate reporting, measurement, disclosure and corporate performance? There are as previously mentioned studies and research that have already identified, explored, characterized and utilize some of the integral theories that have emerged and

been built on by academics and business over many years. Berle and Means (1932), pioneered agency theory and afterwards, Jensen and Meckling (1976). Subsequently as a natural progression, there is stakeholder theory. Characterisation of associations of key people, authorities and relationships is seen as fundamental to not only understanding the flow of information, but to ideally implement overall improvements through innovation which may potentially emerge from such associations. To make an informed judgement and decision, the most optimal path to funnel decision-making process is crucial to ensure the correct decision outcome is attained. Likened to using any familiar roadmap if the wrong the path is taken, the final destination may not be the most direct route or may not be reached at all, i.e. the direction chosen may be totally incorrect. The use of analogies can be useful in outlining, defining and describing a concept, and also are invaluable in functional application of such concepts. It is useful to now explore and examine in detail, a selection of such associations / relationships.

Salter & Niswander (1995 pp. 379-397) also conducted studies similar to Eddie in the area of the application of Hostede's national culture and Gray's accounting sub cultures. Salter & Niswander as stated, there paper attempts to test the theory developed by Gray (1998) linking accounting values and systems with Hofstede's (1980) cultural constructs. As further stated based on data from 29 countries, it was found that while Gray's (1988) model has statistically significant explanatory power, it is best at explaining extant professional and regulatory structures from a cultural base. The paper further found that both the development of financial markets and levels of taxation enhance the explanations offered by Gray (1988). Salter & Niswander's paper generally discussed the same areas and so therefore not a great deal of point re discussing the same issues again. What is worth of mention though is the conclusions arrived at by Salter & Niswander. As discussed by Salter & Niswander; Gray appears to have provided a workable theory to explain cross-national differences in accounting structure and practice which is particularly strong in explaining differential financial reporting practices. From an international business theory perspective, Gray (1988) has given additional credence to the view that culture is a building block of cross – cultural differences in business practice and performance across nations.

Corporate Reporting and Levels of Disclosure

Corporate reporting is largely a matter of transparency, by the Chairperson and CEO who are essentially responsible for the correct and accurate production of the company's annual report which is presented to shareholders at the company's Annual General Meeting and later for public presentation either by request or more frequently in these times can be downloaded from the company's website, usually found under investor information or reports. Transparency is highlighted by Gray (1988), and defined as an accounting subculture as outlined by (Eddie) (2005a) being the extent of information contained in corporate annual reports and other disclosures to those outside the corporation. As Eddie further states, the secrecy subculture value is primarily concerned with disclosure. Eddie further argues that secrecy would also appear to be associated with conservatism in that both elements would be consistent with a cautious approach to accounting. The degree of disclosure in a society would also be reinforced by the relative development of the securities markets, the extent of equity ownership and the attitudes of management towards voluntarily disclosing accounting information. Eddie states, the relationship of the secrecy verses transparency accounting subcultural value to the four national cultural values, was argued by Gray (1988). First it could be expected that in societies with strong uncertainty avoidance, i.e. measures the degree of 'tolerance to ambiguity' within a society, that the subcultural value of secrecy would be predominant because of the desire to restrict information disclosure and accordingly increase the level of societal security. Countries which exhibit low levels of uncertainty avoidance display among other things weaker nationalism, a relativist orientation to knowledge and a flexible managerial style in organisations. Countries with high levels of uncertainty avoidance display among other things, stronger levels of nationalism, an orientation toward truth and a task orientation to management within organisations. Eddie (2005a) displays Hofstede (1991) rankings in Table 2 p.23 and shows Australia as an Index IND (51) and Ranking RAN (37) which indicates that Australia is a medium level uncertainty avoidance country falling in between the above outer limits as defined.

Eddie also states that in societies with power distance it could be expected that greater emphasis would be placed on the accounting subcultural value of secrecy because this would ensure greater social control by the power elite to the restriction in the quantity of disclosed information. As Hofstede (1984) states, power distance is the way in

which a society manages inequality. It is defined as the extent to which members of society tolerate inequality of power within institutions and organisations. As Eddie states, low power distance in a society be endowed by the emergence of pluralist political systems, a relative equal distribution of wealth and a dominance of non – hierarchical organisational and institutional structures. High power distance countries tend to have autocratic political regimes, an unequal distribution of wealth and hierarchical and utilize organisational and institutional structures. Eddie (2005a) displays Hofstede (1991) rankings in Table 2 p.23 and shows Australia as an Index IND (36) and Ranking RAN (36) which indicates that Australia is a medium level power distance country falling in between the above outer limits as defined. In the case of individualism it could be expected as stated by Eddie that secrecy would be negatively associated with this national cultural value dimension because of the increased demand for additional disclosures by an individualist orientated society. As defined by Hofstede (1984) Individualism verses collectivism measures the relationship between an individual and the collective in a given society. In societies with high levels of individualism, the members of the society are expected to look after themselves and their immediate family. Societies with low levels of individualism, or alternatively high levels of collectivism, members of the society are strongly integrated from birth into cohesive 'in-groups' which continue to protect and provide for the members throughout their lives. Eddie (2005a) displays Hofstede (1991) rankings in Table 2 p.23 and shows Australia as an Index IND (90) and Ranking RAN (2) which indicates that Australia is a high level individualism country falling in between the above outer limits as defined. As Eddie goes on to state, that societies that exhibit greater feminism would be expected to be more open and caring, accordingly the accounting subcultural value of transparency would be consistent with such societies. As defined by Hofstede (1984) and outlined by Eddie (2005a) Masculinity verses femininity as distinguishing societies according to their attitudes towards such ideas as 'assertiveness', 'nurturing', 'modesty', 'aggressiveness', 'material orientation' and 'caring for the weak'. As further stated societies with a high level of femininity have limited occupational segregation based on gender, a less achievement orientated reward system and organisations are driven less by conflict. Societies with a high level of masculinity, the reward system are based on achievement, occupations are determined by gender and organisations are faced with greater levels of conflict. Eddie (2005a) displays Hofstede (1991) rankings in Table 2 p.23 and shows Australia as an

Index IND (61) and Ranking RAN (16) which indicates that Australia is a reasonable high level Masculine country falling in between the above outer limits as defined. Eddie (2005a) Table 1: p.18 draws a positive association between Long Term Orientation and secrecy. As defined by Hofstede and Bond (1998, p.17) and outlined by Eddie (2005a p.9) Long Term Orientation as a 'long term verses a short term orientation in life' by Hofstede (1991, p.164). A society with a high long term orientation would reflect Confucian values such as; 'persistence', 'ordering relationships by status and observing this order', 'thrift' and having a sense of shame. A society with a short term orientation would reflect values such as; 'personal steadiness and stability', respect for tradition', 'reciprocation of greetings', 'favours' and 'gifts'. Eddie (2005a) displays Hofstede (1991) rankings in Table 2 p.23 and shows Australia as an Index IND (31) and Ranking RAN (15) which indicates that Australia is a short – medium term orientation country falling in between the above outer limits as defined.

Involvement of Key Board Members and Individual Directors in Corporate Reporting and Decision Making

As Judge, W.Q., JR. and Zeithaml, C.P., (1992, pp. 766-794) state; the level of a board of directors' involvement in strategic decisions can be viewed as an institutional response or as a strategic adaptation to external pressures for greater board involvement. Increasingly, the pressure for greater accountability in corporate decision making has focused on board involvement in the strategic decision making process. Power (1987) observed that institutional investors are pressuring boards to challenge managements' strategic leadership. As well Galen (1989) reported that the courts are increasingly supporting shareholder efforts to get boards more involved. Furthermore Weidenbaum (1985) argued that the best defence against corporate raiders is increased board involvement in the strategic decision process. Other academics such as Heidrick and Struggles (1990), Dobrynski (1989: 66), Worthy (1984), Lorsch (1989), Whisler (1984), Patton and Baker (1987), Child (1972) and Meyer and Rowan (1977) all maintain support for greater involvement in strategic leadership and greater involvement in management decision making at that level of the organisation. As Judge and Zeithaml (1992) state; external pressure for greater board involvement is being exerted by predominately institutional shareholders.

As Zahra and Pearce (1989) argue perhaps the most controversial issue surrounding board strategic role concerns board involvement and its impact on the financial performance of organisations. As Baysinger and Hoskisson (1990) state; the primary basis for this argument is that increased board involvement forces managers to check their assumptions and do their homework before advancing strategic proposals. In addition outside directors bring objectivity to the decision making process that can help to challenge narrow thinking, escalating commitment and weak analysis. It is further suggested that there is a positive relationship between board involvement and the financial performance of an organisation.

Involvement of Key Board Members and Individual Directors in Corporate Reporting and the Audit Function

As Boulton (1978) quotes Nader *et al* (1976) as stating;
If corporate governance is to be reformed, it must begin by returning the board to its traditional role. The board should serve as an internal auditor of the corporation, responsible for constraining executive management from violations of law and breach of trust. Like a rival branch of government, the boards function must be defined separate from operating management. Rather than pretending directors' can manage the corporation, the board's role as disciplinarian should be precisely described.

As Boulton (1978) outlines, some of the areas where board involvement should be increased are:

1. Those matters for which the board has explicit legal responsibility for approval. These responsibilities may be described in bylaws, articles of incorporation, or in the laws governing corporations.
2. Basic financial statements and reports provided to the board so that it may monitor the health of the corporation and its management performance and provide that information to stockholders of the firm
3. Establishment or revisions of objectives and policies which provide the standards by which the health and performance of the corporation can be evaluated and which provide the guidelines by which operations are carried out.

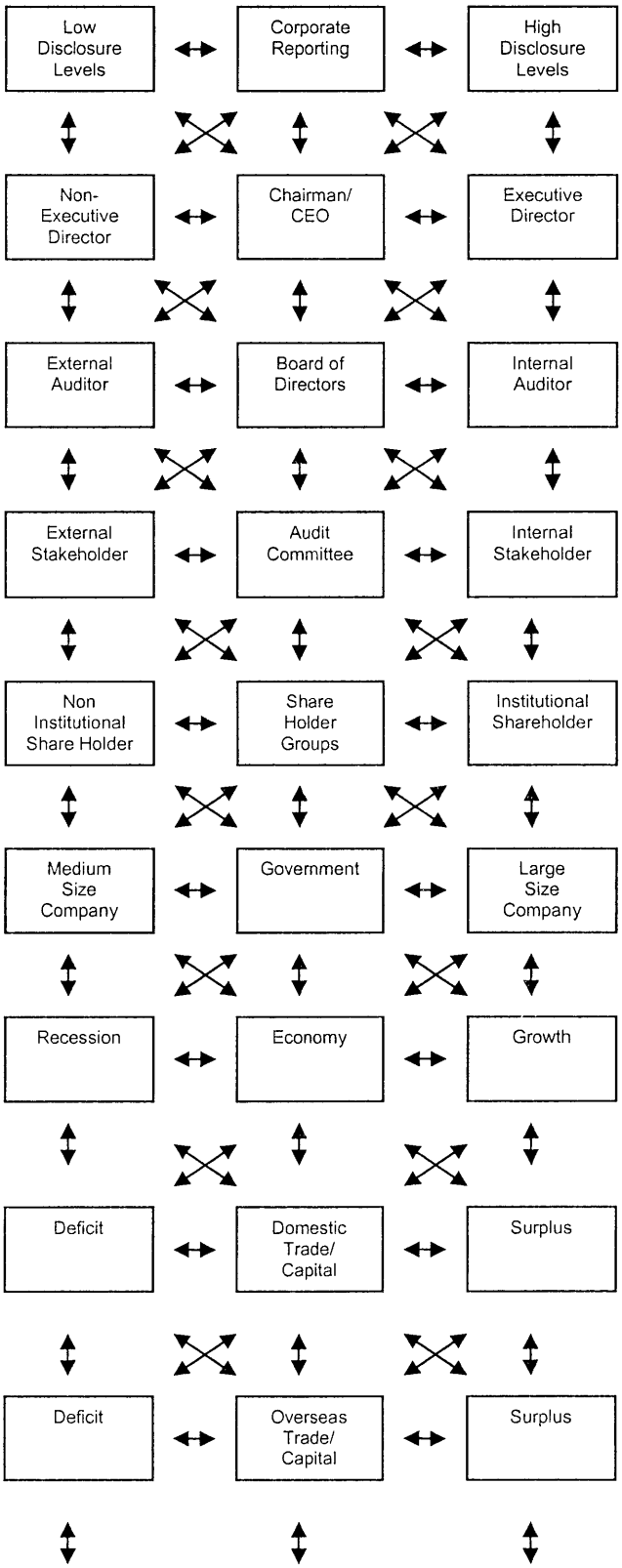
4. Strategic operating reviews and approvals, this allows the board to review the operations and plans for achieving its objectives through its investment plans and structures
5. Personnel and organisational reviews and approvals, the nature of the organisations systems for developing and monitoring individuals to carry out the strategic and operating plans of the corporation in an efficient manner
6. External and environmental matters, the nature of the environment in which the corporation plans to carry out its activities and which may have a significant impact on its abilities to carry out those activities

The board as part of its over all function, will have interaction with groups and individuals such as:

- The Audit Committee (If such has been established), although as per recommendation **4.3** of the ASX CGC Principles and Best Practice Recommendations, it is advised that an organisation should establish such a committee and is mandated if companies within the S&P/ASX All Ordinaries Index are subject to ASX Listing Rule 12.7
- External auditors
- Internal auditors
- External stakeholders (i.e. suppliers, debenture holders and joint venture partners)
- Internal stakeholders (employees)
- Non institutional shareholders
- Institutional shareholders

As noted **Figure 2.2**, graphically depicts these associations and taking the association to include environmental and social obligations. A corporation is a vital link between all affected parties, when analysed there is very little and indeed quite possibly nothing that affects our daily lives that does not involve a corporation, association, body, organisation, government and unlimited types of entities in one form or another. From our experiences these diverse entities in whatever mode are an integral and essential collaboration with our own existence. These entities may be local, regional,

domestic/national and global. Global organisations in particular are linked into these associations, not only for the agency theory profit motive, the stakeholder obligation requirement, the property rights requirement, but also legislatively and statutory regimes at all levels of government, including globally. Environmental and social concerns and obligations of the corporation are mandated as well at all above mentioned levels, through ISO and GRI standards as well EPA and World Heritage Act.


Low Disclosure Levels
Corporate Reporting
High Disclosure Levels
Non-Executive Director
Chairman/ CEO
Executive Director
External Auditor
Board of Directors
Internal Auditor
External Stakeholder
Audit Committee
Internal Stakeholder
Non Institutional Share Holder
Share Holder Groups
Institutional Shareholder
Medium Size Company
Government
Large Size Company
Recession
Economy
Growth
Deficit
Domestic Trade/ Capital
Surplus
Deficit
Overseas Trade/ Capital
Surplus

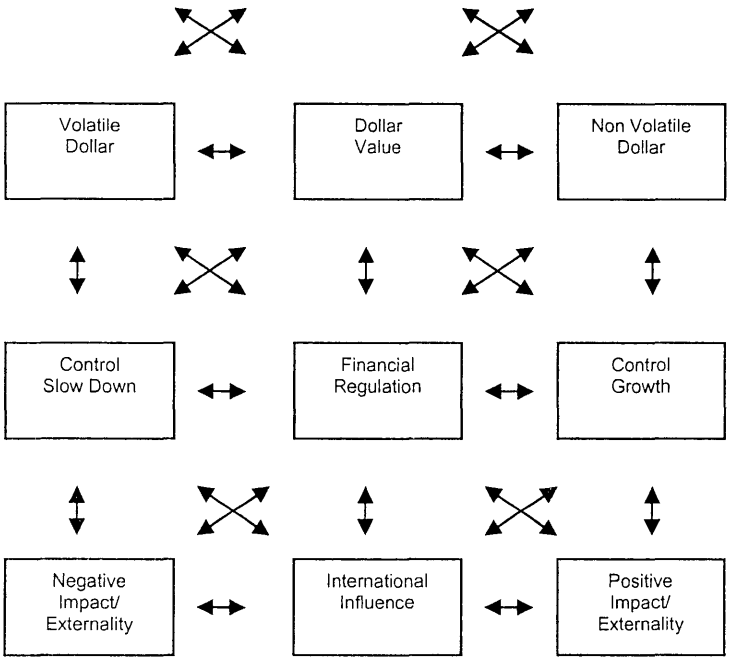


FIGURE 2.2 FLOW OF ACTIVITY FLOW CHART

Source: Peter. N Rampling (2006)

2.19 ECONOMIC BENEFITS AND COSTS OF REGULATION

Economic consequences are concerned with the distribution of costs and benefits across society. It is difficult to identify and measure all the costs and benefits of financial reporting. Identifying the distribution of these consequences over the community is an even more formidable task.

Regulation of general purpose reporting is now a reality and could be argued that the benefits include:

- Improved credibility of financial reporting in general and hence greater confidence and participation in capital markets
- A reduction in costs using information in general purpose financial reports flowing from increased uniformity of accounting policy choices among reporting entities
- Reduced contracting and monitoring costs as principals and agents have a uniform set of accounting principles and standards as a starting point for negotiating the terms of bonding and monitoring contracts
- Better investment decisions as a consequence of improved information set available to decision makers, it is usually assumed that this will favourably affect resource allocation and the rate of capital formation.

These alleged benefits are both direct and indirect; very little is known about their magnitude and distribution. The direct costs of regulation generally include out of pocket expenses.

There are also costs associated with regulation, which include:

- Developing, promulgating and enforcing reporting standards
- Collecting and processing information in order to prepare financial reports that comply with disclosure requirements
- Auditing and disseminating financial reports
- Information search, analysis and the use by decision makers; and
- Negotiating bonding and monitoring covenants, and renegotiating contracts when accounting standards are changed.

In addition to the direct costs of regulation noted above, regulation also brings hidden or indirect costs that can have equally powerful effects on wealth distributions. Indirect costs of regulation are said to include competitive disadvantage costs and the consequences of uneconomic decisions that are forced on managers by particular reporting requirements. Certified Practicing Accountants, (2006 p.3.29), *"CPA108 Reporting and Financial Practice"*

2.20 SUMMARY

The focus of **chapter two** is to discuss the studies that have influenced Corporate Governance development and disclosure compliance in Australia. Overall generally the development of Australian corporate governance principles and guidelines developed by the ASX have been influenced by international studies bought on by high profile corporate collapses as well as here in Australia, combined with the need and pressure on boards to better manage companies and perform at greater levels, which is required by internal and external stakeholders. Alongside stakeholder requirements is the incentive to do better by linking performance bonuses with the performance of the company. The chapter explored various mechanisms in place as to whether there is sufficient self regulation within the Australian Economic market or whether there is a greater need for increased statutory regulation. Clearly there needs to be a balance of both, but finding the correct balance to allow the market to operate freely without excess government intervention is the challenge.

Outlined is a detailed account of Australian business, what the influences, impacts, requirements of Australian companies. The issues and areas discussed are essential grounding to corporate governance and apply equally to both institutionally and non – institutionally controlled entities. The author believes this background essential for progression into further and much deeper analysis of these two similar but in many ways quite diverse corporate regimes.

The development of regulation and code is influenced by theory and ongoing changes and fine tuning which is discussed in **chapter three**.

CHAPTER 3

NATURE OF CORPORATE GOVERNANCE DISCLOSURE PRACTICE AND THEORIES OF DISCLOSURE

3.0 INTRODUCTION

The focus of **chapter three** is the framework of corporate disclosure that has evolved and operates in Australia.

There is no doubt that in recent years the disclosure of information by corporations has received much attention. This may be attributed partly to higher levels of accountability required resulting from the increase in the incidences of fraud, changes in the general economic and financial conditions and the immense complexity of corporate groups in existence today (Cook and Deakin,1989). With recent collapses in Australia; regulators have become very aware of the need for tighter regulation and increased disclosure by organisational boards. To facilitate this legislation was passed in Australia, The ASX Corporate Governance Council Principles and Regulations (2003), which have already been mentioned before will be discussed through, out this paper. In chapter three, concepts will be more fully examined as to the effect on variables used in this study. **Chapter three** introduces the concept and role of information disclosure, while moving on to discuss anchor concepts that essentially corporate is built around and in many respects takes its origin from. It is also vastly important that understanding of the environment that firms are operating in whether that environment is national or international, also discusses the Australian financial environment, the domestic, global research and influences that have and are shaping the sphere that Australian firms interact with and contribute to. Background and contributions to any field of endeavour and research is essential and corporate governance is no exception, hence an extensive observation into the background and contributions both domestically and globally are carried out to determine this. Finally **chapter three** looks at the shareholder impact within a firm, which in various ways affect corporate governance and / or the financial performance of a firm.

3.1 CONCEPT OF CORPORATE INFORMATION DISCLOSURE

To define corporate information disclosure it is required to look at the separate wordings that in isolation.

Corporate can be defined as: *"That vehicle or organisation which is defined as per the Corporations Act (2001) Pt. 1.2 (20)."*

Information as quoted by the Living Webster Encyclopedic Dictionary of the English Language:

"News or Intelligence communicated by word or in writing: facts or data: knowledge derived from reading or instruction, or gathered in any way."

Disclosure as quoted by the Living Webster Encyclopedic Dictionary of the English Language:

"The act of making known or revealing what was secret; that, which is disclosed or made known."

3.2 ROLE OF CORPORATE INFORMATION DISCLOSURE

The role of corporate information disclosure is to divulge and transfer relevant information to internal and external stakeholders to allow an informed decision to be made regarding the corporation. Corporations use annual reports as a tool to expedite their duty of disclosure to interested stakeholders and the market as a whole. Corporate information disclosure as outlined in the ASX CGC principles, recommendations and guidelines and the Sarbanes Oxley Act (2002) are designed to have disclosed the maximum amount of information to allow informed decision making and at the same time not putting the corporation in the path of hostile takeovers by being mandated to disclose market sensitive information, although the former is voluntary based disclosure compliance as where the latter is prescriptive based.

3.3 DISCLOSURE PROBLEMS

The problems of disclosure are that corporations will normally only disclose information that will convey good signals to stakeholders and the market in general and attempt to suppress bad signals. Jensen and Meckling (1976) state, "that in a classic shareholder and non – owner manager agency relationship in which principals delegate decision making powers to others acting as agents to make decisions on their behalf. The agency problem is that agents will not have exactly the same objectives and motivation as principals, will not always act in the interests of principals and will be tempted to divert resources away from their principals to themselves". Another aspect of disclosure problems is that of information asymmetries as outlined by Waterman and Meier (1998) stating that in the case of large organisations, managers

may well have information that shareholders do not and may use this to their advantage, although it may not always be the case that agents know more than principals. Berle and Means (1932) observed that ownership and control in large corporations were often separated and inquired whether this had organisational and public policy ramifications.

3.4 DISCLOSURE THEORIES

Theory of disclosure revolves around how much will corporate boards disclose in a realm of voluntary disclosure compliance. Voluntary disclosure compliance gives choices and determination of what can be gained by increased disclosure and what can be lost. Disclosure theory suggests that statements by companies result from complex processes that mask the actual corporate attributes or actions being disclosed Gibbins *et al.* (1990).

3.5 AGENCY THEORY

As Adam Smith (1776) stated:

The Directors of such [joint – stock] companies, however, being the managers rather of other people's money than of their own, it cannot be well expected, that they should watch over it with the same anxious vigilance which with the partners in a private copartnery frequently watch over their own. Like the stewards of a rich man, they are apt to consider attention to small matters as not their master's honour, and very easily give themselves a dispensation from having it. Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company.

Berle and Means (1932) observed that ownership and control in large corporations were often separated and inquired whether this had organisational and public policy ramifications. This separation of ownership and control results, according to Jensen and Meckling (1976), in a classic principal-agent relationship between shareholders and non-owner managers. Jensen and Meckling (1976) defined an agency relationship as one in which principals delegate decision-making power to others (agents) who are

charged with acting on their behalf. Following on from the work of Alchian and Demsetz (1972) pp.777 – 795 clear manifestations of agency costs in large organisations are shirking and the consumption of perquisites: "shirks" and "perks". According to Jensen and Meckling these arise whenever managers have less than a 100 percent stake in the enterprise at which point a hundred percent of an extra dollar of shirk or perk is worth more than their share in an extra dollar of profit.

Jensen and Meckling go on to define agency costs as the sum of:

1) the montoring expenditures by the principal

2) the bonding expenditures by the agent

3) the residual loss

with the monitoring costs being defined as those costs incurred by the principal monitoring the agent in performing duties as expected by the agency agreement; the bonding expenditure being the payoff amount and incentives; the residual loss being the excess of cash payments over cash receipts.

3.6 STAKEHOLDER THEORY

Stakeholder theory takes into consideration a wider group of constituents other than shareholders. The wider stakeholder group includes; employees, providers of credit, customers, suppliers, government and the local community. As Mallin (2004) notes that shareholders and stakeholders may favour different corporate governance structures and monitoring mechanisms. It can be seen for example in the corporate governance structures and monitoring systems of Anglo-American models with emphasis on shareholder value and a board comprised of executive and non-executive directors elected by shareholders. In comparison is the German Model whereby certain stakeholder groups such as employees, have a right enshrined in law for their representatives to sit on the supervisory board alongside directors. Jensen (2001) states that traditional stakeholder theory argues that managers of a firm should take account of the interests of all stakeholders in a firm, but as stated as well, theorists refuse to say how the tradeoffs against the interests of each stakeholder groups might be made, There are no defined measureable objectives and this leaves managers unaccountable

for their actions. It is considered that more emphasis in today's modern globalised society, stakeholder theory is a more relevant theory than that of agency theory which was considered revolutionary when developed by Berle and Means in 1932 and later wriiten about in detail by Jensen and Meckling 1976. This view is confirmed by authors Mahoney et al.(2004), in a paper entitled '*Towards a Property Rights Foundation for a Stakeholder Theory of the Firm*'. This paper suggests that due to the changing nature of the firm in today's business world, viewing shareholders as the sole claimants is an increasingly tenuous description of the actual relationships among a firms various stakeholders. As further stated, a shareholders wealth perspective is increasingly unsatisfactory for the purpose of accurately answering the two fundamental questions concerning the theory of the firm: that of economic value creation and the distribution of that economic value. As an extension of stakeholder theory, the development of a property rights theory posits to extend a stakeholder beyond a shareholder wealth perspective. Shareholder wealth perspective focuses on whether resources are valuable, rare and non – sustainable (the VRIN criteria). Barney (1991) relates to achieving sustainable competitive advantage, typically from a shareholder wealth perspective. However as the said paper states, a stakeholder perspective indicates that it is no longer tenable to regard shareholders as the only residual claimants, who are defined as persons or collectives whose relationship to the firm gives rise to a significant residual interest in the firms success or failure.

3.7 PROPERTY RIGHTS

Property rights are defined as any sanctioned behavioural relations among decision makers in the use of potentially valuable resources: as further stated such sanctioned behaviours allow people the right to use resources within the class of non – prohibited uses. North (1990) extends the definition of property rights to both the legal aspects and social conventions that govern business behaviour, such as corporate culture and reputation. Libecap (1989) states that private ownership of resources may involve a variety of property rights, including the right to exclude non – owners from access, the right to appropriate the stream of economic rents from the use of and investments in the resource, and the rights to sell or otherwise transfer the resources to others. Coase (1960) stated that that it is useful to think of resources as the 'bundle of rights' rather than physical entities. Therefore from the property rights perspective, resources that a

firm owns are not the physical resources but rather are the property rights. As stated by the Mahoney, J., Mahoney, J. and Asher C.C.,(2004) paper, examines three reasons why a new property rights theory of the firm is now needed. Firstly, changes in the reconstructed conceptualisation of the firm is needed because the nature of the firm in the world of management practice is changing, especially in a business environment with increasing importance placed on intellectual property rights and knowledge based resources and capabilities. Secondly, a new property rights theory of the firm is that changes in the nature of the firm motivate a new conceptualisation of the firm from which economic creation emerges. As stated by Chandler (1990), business enterprises that historically could be usefully understood in large measure as leveraging physical assets to achieve both economies of scale and economies of scope are now increasingly dominated by firm – specific human and organisational capital. As Williamson (1996), states both human and organisational capital are now emerging as the most crucial organisational assets, and such fundamental economic changes arguably call for changes in governance in terms of the constraints on management, compensation and / or board representation, also the need to address more accurately the fundamental question of economic valuation in a business world where the economic maximisation of a single residual claimant is becoming increasingly tenuous.

3.8 TRANSACTION COST ECONOMICS

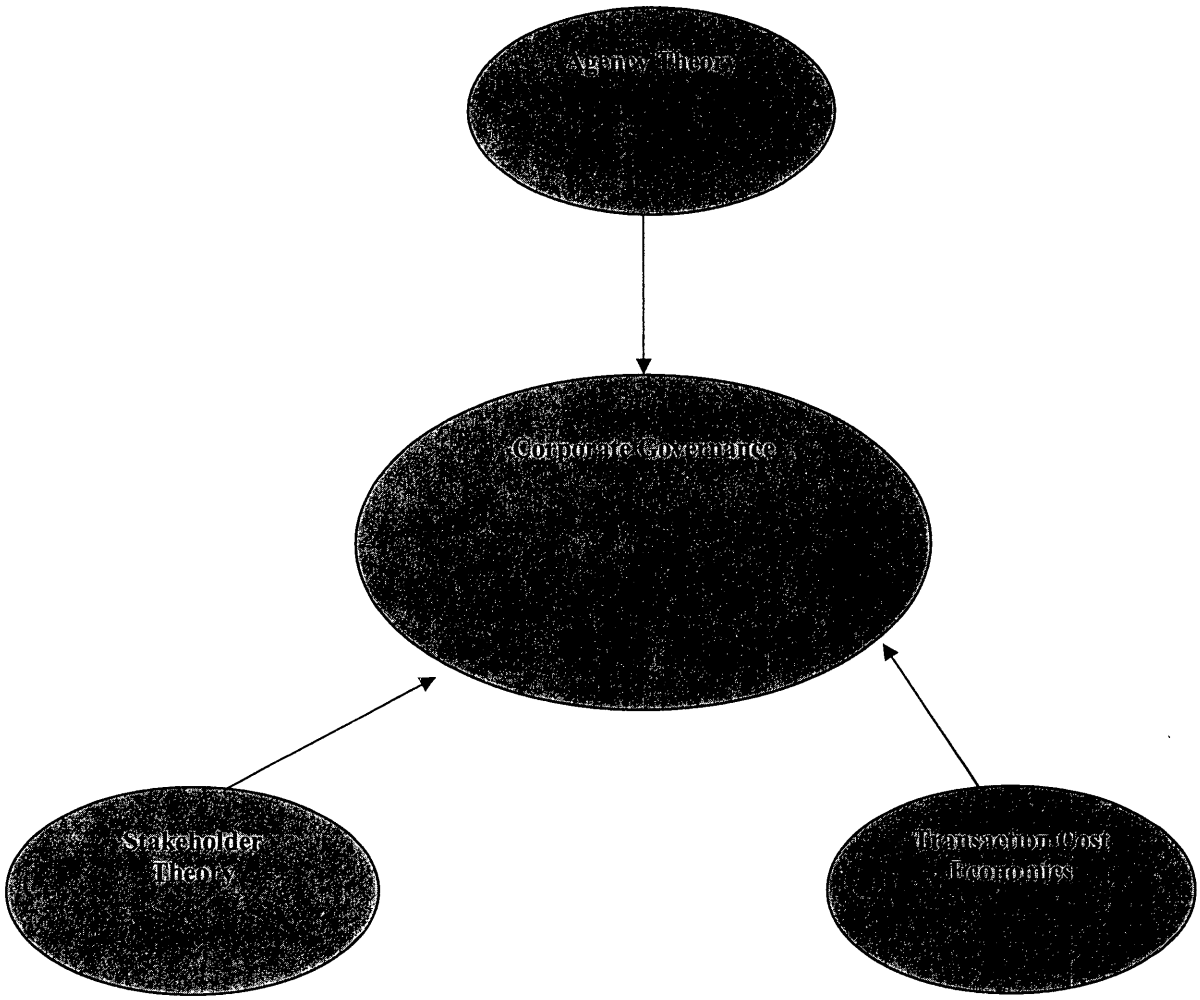
As Williamson (1975,1984) states Transaction Cost Economics (TCE) is often viewed as closely related to agency theory. TCE views the firm as a nexus of contracts. Coase (1937) who is influential in TCE states:

> *The operation of a market costs something and by forming an organisation and allowing some authority (an 'entrepreneur') to direct the resources, certain marketing costs are saved. The entreprenuer has to carry out this fuction at less cost, taking into account the fact that he may get factors of production at a lower price than the market transaction which he/she supercedes.*

This implies that there are certain economic benefits to the firm to undertake transactions internally rather than externally. Implicitly as the firm becomes larger, the transactions it undertakes will expand up to the point where it becomes more efficient to undertake transactions externally.

Coase (1960) therefore posits the theory that firms may become less efficient the larger a firm becomes.

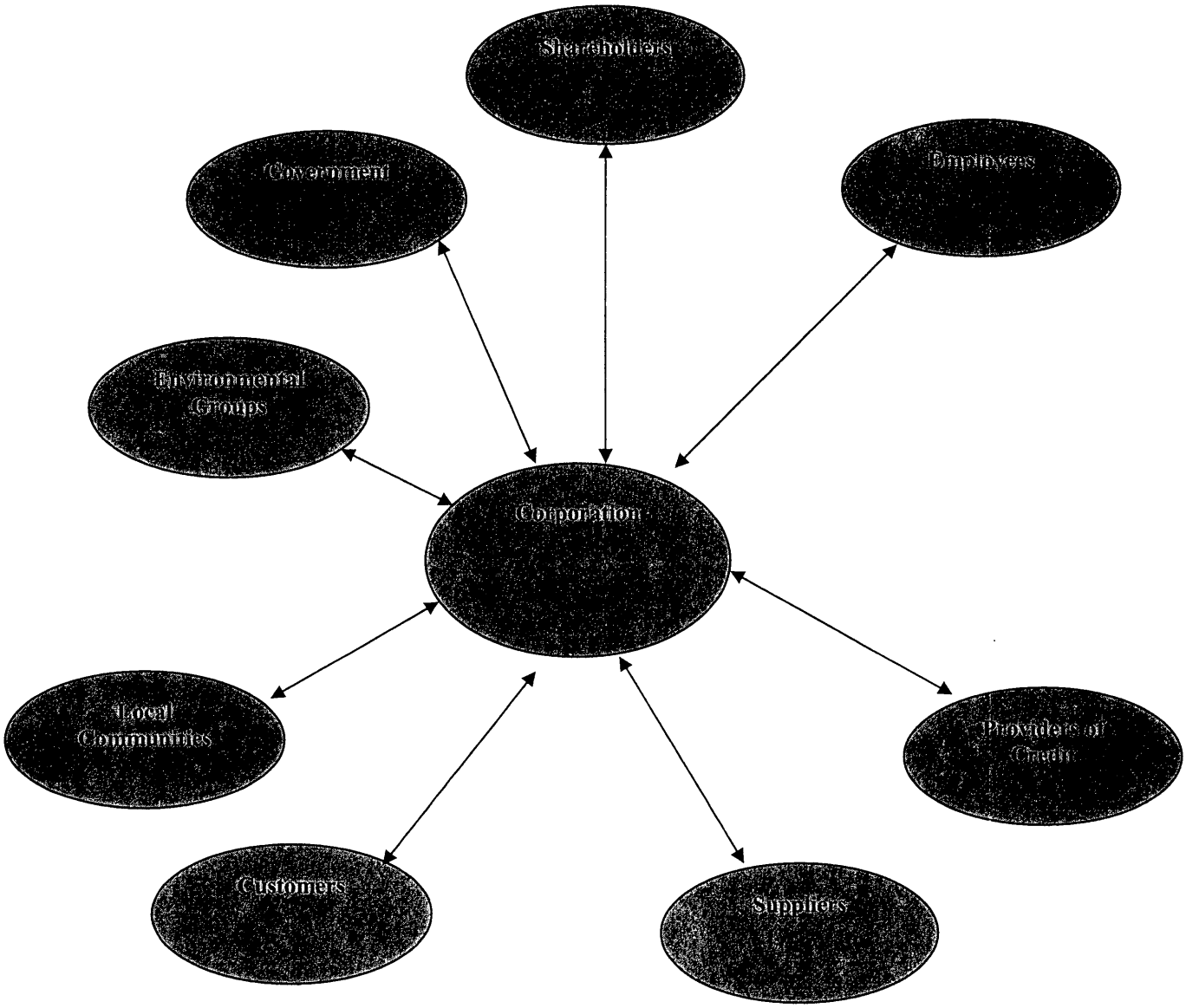
FIGURE 3.1 MAIN THEORIES INFLUENCING THE DEVELOPMENT OF CORPORATE GOVERNANCE



Main theories influencing the development of corporate governance

Source: Mallin (2004): Corporate Governance: p.15

FIGURE 3.2 THE CORPORATION AND ITS STAKEHOLDERS



The Corporation and its stakeholders

Source: Mallin (2004): Corporate Governance: p. 44

3.9 SEPARATION OF OWNERSHIP AND CONTROL

Fama and Jensen (1983) being pioneers of the concept of Separation of Ownership and Control have outlined in the article entitled 'Separation of Ownership and Control' the essential elements of Agency Theory and Stake Holder Theory as discussed above. The article begins by highlighting the concept of residual claims and the relationship to the misaligned goals, aspirations and priorities of managers and shareholders. Fama and Jensen refer to an organisation as a nexus of contracts, written and unwritten, among owners of factors of production and customers. As stated these contracts or internal 'rules of the game' specify the rights of each agent in the organisation, performance criteria on which agents are evaluated and the payoff functions they face. As Fama and Jensen further state the contract structures of most organisational forms limit the risks undertaken by most agents by specifying either fixed promised payoffs or incentive payoffs tied to specific measures of performance, the link to the ASX CGC Principles and Guidelines is noted, (i.e. ASX CGC Recommendation **9.1**). The concept of residual claims/claimants/risk is referred to as the residual being the difference between inflows of resources and outflows of promised payments to agents, the risk is borne by those who contract for the rights to the net cash flows, known as residual claimants or residual risk bearers. Fama & Jensen refer to non – complex and complex organisations. Non-complex organisations are those in which the total risk of net cash flows to be shared in small organisations is generally smaller, as where complex are larger organisations, where the risk of net cash flows is shared by a larger organisational base.

Most organisations characterized by separation of decision management from residual risk bearing are complex in the sense that specific knowledge relevant to different decisions, knowledge which is costly to transfer across agents, is diffused among agents at all levels of the organisation. Fama & Jensen make the assertion that it is given that the optimal organisations in some activities are complex.

Given that specific knowledge in complex organisations is diffused among agents, diffusion of decision management can reduce costs by delegating the initiation and implementation of decisions to the agents with valuable relevant knowledge. The agency problems as stated of diffuse decision management can then be reduced by separating the management (initiation and implementation) and control (ratification and monitoring) of decisions.

It is further asserted by Fama & Jensen that having many residual claimants has advantages in large complex organisations because the total risk of cash flows to be shared is generally large and there are large demands for wealth from residual claimants to bond the payoffs promised to a wide range of agents and to purchase risky assets. When there are many residual claimants, it is costly for all to be involved in decision control and it is efficient for them to delegate decision control.

Almost complete separation and specialization of decision control and residual risk bearing is common in large open corporations where most diffused residual claimants are not qualified for the roles in decision making and thus delegate their decision control rights to other agents. Where residual claimants have no role in decision control, we expect to observe separation of the management and control of important decisions at all levels of the organisation.

Separation and diffusion of decision management and decision control, in effect limit the power of individual decision agents to expropriate the interests of residual claimants. Diffusion and separation of decision management and control have benefits because they allow valuable knowledge to be used at the points in the decision process where it is most relevant. In complex organisations, the benefits of diffuse residual claims and the benefits of separation of decision functions from residual risk bearing are generally greater than the agency costs they generate, including the costs of mechanisms to separate the management and control of decisions.

3.10 FINANCIAL REGULATION IN AUSTRALIA

Financial Regulation in Australia is directly carried out by (four) agencies:

- The Australian Prudential Regulation Authority (APRA)
- The Australian Securities and Investment Commission (ASIC)
- The Reserve Bank of Australia (RBA)
- The Australian Treasury

  And the coordinating body being the:
- The Council of Financial Regulators

The Council of Financial Regulators

The Council of Financial Regulators is the coordinating body for Australia's main financial regulatory agencies. Its membership is comprised of the Reserve Bank of Australia, which chairs the Council; the Australian Prudential Regulation Authority (APRA); the Australian Securities and Investments Commission (ASIC); and the Australian Treasury. The council functions directly relate to the:

- Role and Responsibilities of the financial regulatory bodies
- Composition of the Council of Financial Regulators
- Co-ordination between Council Members

http://www.rba.gov.au/FinancialSystemStability/AustralianRegulatoryFramework/cfr.html

Role and Responsibilities

As specified in the council's charter, the council's role is to contribute to the efficiency and effectiveness of financial regulation by providing a high-level forum for co-operation and collaboration among its members. It operates as an informal body in which members are able to share information and views, discuss regulatory reforms or issues where responsibilities overlap and, if the need arises, co-ordinate responses to potential threats to financial stability. The council also has a role in advising the government on the adequacy of Australia's financial system architecture in light of ongoing developments. These arrangements provide a flexible, low-cost approach to co-ordination among the main financial regulatory agencies. The council is non-statutory and has no regulatory functions separate from those of its members.

Composition of the Council of Financial Regulators

Membership of the council comprises two representatives – the chief executive and a senior representative – from each of the four member agencies. The Chairman is the Governor of the Reserve Bank, and the Reserve Bank provides the Council Secretariat.

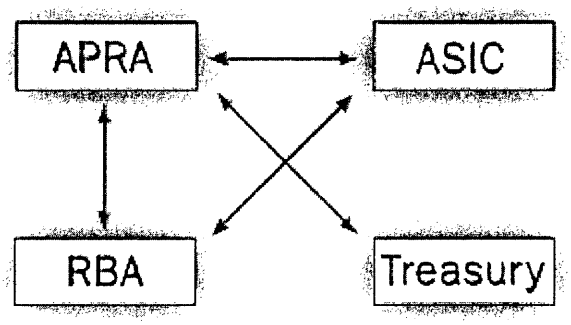
Co-ordination between Council Members

Australia's financial regulatory structure includes mechanisms to ensure effective co-ordination and co-operation between the four council member agencies. The liaison framework, which is overseen by the council itself, is a multi-tiered one. At the highest level, there is overlapping board representation: one APRA member has representation on the Payments System Board of the Reserve Bank; and the Secretary to the Treasury has a seat on the Reserve Bank Board.

At the operational level, co-operation arrangements have been set out in bilateral Memoranda of Understanding signed between various members of the Council. The Memoranda cover matters such as information sharing, prompt notification of any regulatory decisions likely to impact on the other agency's area of responsibility, and consultation arrangements in the event of financial disturbances. They also establish regular bilateral co-ordination arrangements that aim, among other things, to ensure close consultation and to avoid overlaps and gaps in regulatory coverage.

FIGURE 3.3 FINANCIAL REGULATORY FLOWCHART

Figure 1: Agencies which have signed bilateral Memoranda of Understanding



Source: http://www.rba.gov.au

The Australian Prudential Regulation Authority (APRA)

APRA is an integrated prudential regulator responsible for deposit-taking institutions (banks, building societies and credit unions) as well as friendly societies, life and general insurance and superannuation. APRA is charged with regulating these financial institutions and for developing administrative practices and procedures (e.g. prudential standards) to give effect to its regulatory role, in a manner that balances financial safety and efficiency, competition, contestability and competitive neutrality.

Deposit-taking institutions are regulated by APRA under a single licensing regime. The *Banking Act (1959)* gives APRA power to utilize and revoke authorities of deposit-taking institutions (ADIs), to make prudential standards or issue enforceable directions, and to inspect ADIs. In addition, the 'depositor protection' provisions of the Banking Act (1959) cover ADIs, which are permitted to accept retail deposits. These provisions provide APRA with the power to act in the interests of depositors, including the power to appoint a statutory manager to an ADI in difficulty to take control of the institution.

http:// www.apra.gov.au/

The Australian Securities and Investment Commission (ASIC)

The Australian Securities and Investments Commission (ASIC) administers and enforces a range of legislative provisions relating to financial markets, financial sector intermediaries and financial products, including investments, insurance, superannuation and deposit-taking activities (but not lending). ASIC's aim is to protect markets and consumers from manipulation, deception and unfair practices and, more generally, to promote confident participation in the financial system by investors and consumers. With this in mind, ASIC seeks to promote honesty and fairness in company affairs and securities and futures markets through adequate and timely disclosure of market information. In addition, ASIC:

- develops policy and guidance about the laws that it administers;
- licenses and monitors compliance by participants in the financial system; and

- provides comprehensive and accurate information on companies and corporate activity.

As part of its consumer protection role, ASIC monitors and assesses compliance with the *Code of Banking Practice*, the *Credit Union Code of Practice*, the *Building Society Code of Practice* and the *Electronic Funds Transfer Code of Practice* and supervises a number of industry-based alternative dispute resolution schemes.

ASIC also implements the provisions of the *Financial Services Reform Act (2001)*, which introduced a streamlined regulatory regime for market integrity and consumer protection across the financial services industry. The Act provides for a harmonised licensing, disclosure and conduct framework for financial service providers, and a single statutory regime for financial product disclosure. At the same time, the framework allows for flexible treatment of different financial products where appropriate (e.g. basic deposit products are subject to less intensive regulation than more complex investment products).

http:// www.asic.gov.au/

The Reserve Bank of Australia (RBA)

Stability of the financial system is a long-standing responsibility of the Reserve Bank – a mandate reconfirmed by the Government when it introduced landmark changes to Australia's financial regulatory structure in July 1998. These included the transfer of responsibility for the supervision of banks to a new integrated regulator, the Australian Prudential Regulation Authority (APRA), and the establishment of the Payments System Board within the Bank.

http:// www.rba.gov.au/

The Australian Treasury

- The Department of the Treasury has responsibility for advising the Government on financial stability issues and for the legislative and regulatory framework underpinning financial system infrastructure. It provides advice to the Government on policy processes and reforms that promote a secure financial system and sound corporate practices remove impediments to competition in

product and services markets and safeguard the public interest in matters such as consumer protection and foreign investment.

http:// www.treasury.gov.au/

3.11 FINANCIAL MARKET DEREGULATION IN AUSTRALIA

The period of deregulation in Australia commenced in the 1980's comprising two major aspects; firstly macroeconomic with the major changes being the float of the dollar and the full implementation of the tender system for selling debt to the public so that the deficit was financed at market rates.

The second aspect of financial deregulation was directed at financial intermediaries, mainly banks, with a few to increasing competition. The policy changes were the abolition of both interest rate controls and credit guidelines, and the entry of foreign banks.

3.12 THE US / EUROPEAN INFLUENCE ON AND CONTRIBUTION TO CORPORATE GOVERNANCE

Studies that have been carried out in the US include and to be read in conjunction with **Appendix A:**

Beyond Compliance: Building a Governance Culture: The Canadian Institute of Chartered Accountants (CICA) (2001)

This study focuses on key issues where it is believed that corporate governance can be improved by encouraging a healthier culture in the board room.

In particular the report focuses on three key issues:

- measures that can be taken to strengthen the capacity of the board to engage in a mature and constructive relationship with management – one that is grounded in a mutual understanding of respective roles and the ability of the board to act independently in fulfilling its responsibilities

- the critical role the board must play in choosing the CEO of the company, in actively contributing to the company's strategic direction, approving a strategic plan and monitoring performance in fulfilling its responsibilities
- particular issues that independent directors' must face in corporations that have significant shareholders

http://www.cica.ca/multimedia/Download_Library/Research_Guidance/Risk_Management_Governance/Governance_Eng_Nov26.pdf -

Corporate Governance (NYSE)

The NYSE website includes a dedicated section, which includes the full text of Corporate Governance listing standards from the NYSE Listed Company Manual

http:// www.nyse.com/pdfs/finalcorpgovrules.pdf

The Corporate Governance of Listed Companies: A Manual for Investors (CFA Institute) (2005)

The guide was described by the CFA institute as 'a comprehensive guide to help analysts and investors around the world assess a company's corporate governance policies and the associated risks they need to consider before making investment decisions'. The guide also states that it can be used 'to develop a better understanding of what investors are looking for in well – governed companies'.

http://www.iasplus.com/resource/0504corpgovmanualpressrel.pdf

Corporate Governance (Business Roundtable) (2002)

The Corporate Governance (Business Roundtable) is an American organisation described as an association of CEO's committed to improving public policy. The Business Roundtable's task force focuses on issues related to:

- Corporate Governance and Responsibilities
- Accounting Standards
- Press releases and publications
- Full text of their Principles of Corporate Governance

http://www.businessroundtable.com/newsroom/document.aspx?qs=58B6BF807822B0F1AD3448522FB51711FCF50C8

Corporate Governance Institute

A website of a US based education and research centre 'dedicated to the study and application of corporate governance principles'.

http://www.sdsu.edu/corpgov

Corporate Governance Resources (NASDAQ)

Is a component of the NASDAQ website for collected resources on Corporate Governance issues for NASDAQ listed companies, including FAQ and NASDAQ bulletins.

http://www.nasdaq.com/about/Corp_Gov_Summary101002.pdf

European Corporate Governance Institute

The website of the European Corporate Governance Institute (ECGI) aims to provide 'a focal point for academics working on corporate governance'. This site includes an impressive archive of library materials, which includes a directory of downloadable Codes and Principles from across the world arranged by continent, including Canada and the United States. The directory also lists a selection of international comparative summaries.

http://www.ecgi.org/

Institute of Chartered Secretaries and Administrators (ICSA)

An International organisation represented in more than 70 countries worldwide. A number of branches have published International Good Governance Guides

http://www.icsa.org.uk/

The New Stock Exchange Report (2002)

The New York Stock Exchange Report recommends 'new standards and changes in corporate governance and practices of NYSE – Listed companies' issued by the Corporate Accountability and Listing Standards Committee on the NYSE Board of Directors. The section on 'Recommendations to Other Institutions' includes greater SEC oversight of FASB and US GAAP.

http://fenwick.com/docstore/Publications/Corporate/sec/Corp_Sec_06-07-02.pdf

Restoring Trust (2003)

Restoring Trust is a report by SEC Chairman Richard Breeden. The report lists 78 recommendations to improve corporate governance at MCI (formerly WorldCom). Richard Breeden suggested that the report should be adopted as corporate governance model for US companies

http:// www.ecgi.org/codes/code.php?code_id=135

US and German Corporate Governance Rules (KPMG) (2003)

This report is a comparison of Corporate Governance rules in Germany and the United States.

http://www.icaew.co.uk/librarylinks/index.cfm?AUB=TB2I_86282,MNXI_86282

Sarbanes – Oxley (2002)

The Sarbanes – Oxley Act (2002) is a response by Congress in the US to large high profile corporate failures. The key areas of SOX are:

- The Public Company Accounting Oversight Board (PCAOB)
- Auditor Independence
- Corporate Responsibility
- Enhanced Financial Disclosures
- Analyst Conflicts of Interest
- Commission Resources and Authority

- Studies and Reports
- Corporate and Criminal Fraud Accountability
- White – Collar Crime Penalty Enhancements
- Corporate Tax Returns
- Corporate Fraud Accountability

http://www.soxlaw.com/

Commission on Public Trust and Private Enterprise (2002)

This study focuses on corporate governance issues in the US and issued a final report with recommendations on:

- Executive Compensation
- Corporate Governance
- Designing and Enforcing ethical codes of conduct
- Shareholder Relations
- Improving Accounting and Audit Practices

http://www.ecgi.org/codes/documents/757.pdf

Committee of Sponsoring Organisations (COSO) of the Treadway Commission (1992 -)

COSO, which describes itself as voluntary private sector organisation which focuses on:

- Improving the quality of financial reporting through business ethics
- Effective Internal Controls and Corporate Governance

http:://en.wikipedia.org/wiki/Committee_of_Sponsoring_Organizations_of_the_Treadway_Commission

Corporate Governance (Conference Board)

The Corporate Governance (Conference Board) is a website focusing on:

- Corporate Governance
- Details of Conferences
- Publications and Research into Corporate Governance from the conference board

http://www.conference-board.org/knowledge/governance.cfm

3.13 THE UK INFLUENCE ON AND CONTRIBUTION TO CORPORATE GOVERNANCE

Studies that have been carried out in the UK include and to be read in conjunction with **Appendix A**:

Cadbury Report (1992)

The Committee chaired by Sir Adrian Cadbury, which became widely known as the 'Cadbury Report', whose recommendations covered the operation of the main board; the establishment, composition and operation of key board committees; the importance and relevance of the 'comply or explain mechanism'.

http://www.ecgi.org/codes/code.php?code_id=132

Rutteman Report (1994)

The Rutteman Report (1994) examines the Internal Control and Financial Guidance for Directors of UK listed companies registered in 1994.

http://www.bath.ac.uk/management/research/pdf/2004-13.pdf

Greenbury Report (1995)

The Greenbury Report was set up in response to concern at both size of the directors' remuneration packages and the inconsistent and incomplete disclosure in companies' annual reports. Central to the Greenbury Report recommendations were the strengthening the accountability and enhancing the performance of directors. The two main objectives achieved from the Greenbury Report were:

- The presence of a remuneration committee comprised of independent non-executive directors who would report fully to shareholders in the companies' year-end financial report.
- The adoption of performance measures linking rewards to the performance of both the company and individual directors so that the interests of directors and shareholders are more closely aligned.

http://www.ecgi.org/codes/code.php?code_id=131

Hampel Report (1998)

The Hampel committee was established in 1995 to review the implementation of the Cadbury and Greenbury committee recommendations, which overwhelmingly supported the recommendations of the previous two committees. There was much discussion about the extent to which a company should consider the interests of various stakeholders as per those outlined in **figure 2.2.**

The Hampel Report stated that 'Directors as a board are responsible for relations with stakeholders; but are accountable to the shareholders'. The report also stated that 'Directors can meet their legal duties to shareholders, and can pursue the objective of long-term shareholder value successfully, only by developing and sustaining these stakeholder relationships.

http://www.ecgi.org/codes/code.php?code_id=130

Combined Code (1998)

The Combined Code drew together the recommendations of the Cadbury, Green and Hampel reports. The Combined Code operates on the 'comply and explain' mentioned above. In relation to the internal controls of the business, the Combined Code states 'the board should maintain a sound system of internal control to safeguard shareholders investment and the companies' assets.

http://www.fsa.gov.uk/pubs/ukla/lr_comcode.pdf

Turnbull Report (1999)

The Turnbull Committee was established to provide guidance as to the implementation of the internal control requirements of the Combined Code. The Turnbull Report confirms that it is the responsibility of the board to ensure that the company has a sound system of internal control, and that controls are working, as they should.

http://www.iia.org.uk/knowledgecentre/keyissues/corporategovernance.cfm?Action=1&ARTICLE_ID=107

Myners Report (2001)

The Myners Report on institutional investment concentrated on the trustee aspects of institutional investors and the legal requirements for trustees with the aim of raising standards and promoting greater shareholder activism. Additional recommendations of the Myners Report included:

- Stating the number of meetings of the board and its main committees in the annual report, together with the attendance records of individual directors.
- A chief executive should not also become chairman of the same company.
- Non-Executive Directors should meet as a group at least once a year without executive directors being present, and the annual report should indicate whether such meetings have occurred.
- The Chairperson and Chief Executives should consider executive development programs to train and development suitable individuals for future directorship roles.

- The board should inform shareholders as to why they believe a certain individual should be appointed to a non-executive directorship and how they meet the requirements of the role.
- There should be a comprehensive induction programme for new non-executive directors, and resources should be available for ongoing development of directors.
- The performance of the board, its committees and its individual members, should be evaluated at least once a year, the annual report should state whether these reviews are being held and how they are being conducted.
- A full-time director should not hold more than one non-executive directorship or become chairman of a major company.
- No one non-executive director should sit on all three principal board committees (audit, remuneration and nomination).

http://hm-treasury.gov.uk/Newsroom_and_Speeches/Press/2001/press_myners_01.cfm

Higgs Report (2002)

The Higgs Report (2002) reviews the role and effectiveness on non – executive directors.

http://www.kesteven.com.au/governance/reports.htm

Hermes Principles (2002)

The overriding requirement of the Hermes Principles is that companies be run in the long-term interests of all shareholders. Companies adhering to the principle will not only benefit shareholders, but also the long-term interests of other stakeholders.

http://www.ecgi.org/codes/code.php?code_id=123

King Report (2002)

The King Report is a comprehensive document that provides guidelines and corporate governance in South Africa. This document builds on the earlier King Report, which stated there should be an integrated approach to corporate governance, which took into account the interests of various stakeholder groups.

http://www.ecseonline.com/PDF/King

Tyson Report (2003)

The Tyson Report (2003) examines the recruitment and development on non – executive directors and looks at how companies might draw on broader pools of talent with varied and complementary skills, experiences and perspectives to enhance board effectiveness.

http://www.womenandequalityunit.gov.uk/publications/Tyson_report.doc

Smith Report (2003)

The Smith review was that of Audit Committees. The review made clear the important role of audit committees, 'while all directors have a duty to act in the interests of the company. The audit committee has a particular role, acting independently from the executive, to ensure that the interests of the shareholders are properly protected in relation to financial reporting and internal control.

http://www.nabarro.com/uploads/files/266.pdf

Combined Code (2003)

The Combined Code incorporates the substance of the Higgs and Smith reviews. However, rather than stating that non one non-executive director should sit on all three board committees, the Combined Code states 'undue reliance' should not be placed on particular individuals.

http://www.fsa.gov.uk/pubs/ukla/lr_comcode2003.pdf

Internal Control Guidance for Directors on the Combined Code (2005)

The Internal Control Guidance for Directors Code (2005) is related to as the title suggests internal control. The three main components of this study are:

- Maintaining a sound system of Internal Control
- Reviewing the effective of Internal Control
- The Boards statement on Internal Control

http://www.icaew.co.uk/index.cfm?AUB=TB2I_6242,MNXI_47896

3.14 AUSTRALIAN CONTRIBUTION TO AND INFLUENCE ON CORPORATE GOVERNANCE

Studies that have been carried out in Australia include and to be read in conjunction with **Appendix A:**

THE Hilmer Report (1993)

The Hilmer Report emphasized the importance of some basic principles of enterprise/corporate governance, including:

- Securing the confidence of the capital market by ensuring the interests of shareholders and stakeholders are taken into account in many company policies, and that the integrity of financial information is maintained
- Ensuring equity amongst shareholders with systems in place to allow reasonable shareholders' participation in the affairs of companies
- Monitoring the performance of the directors and officers in a way that the long-term value of the company is maintained
- Ensuring the integrity and proper disclosure of relevant information in a timely and honest manner

- Models of relationships such as audit independence, supervision and reward for management, audit committee memberships and independent chairmen of boards and board committees

http://www.pc.gov.au/orr/reports/annrpt/reglnrev9394/index.html

THE Bosch Committee (1993) (1995)

A working group chaired by Henry Bosch (the Bosch committee) put forward a guide, *Corporate Practices and Conduct* in 1991, with later revised versions in 1993 and 1995. This guide was the first Australian attempt to set out enterprise/corporate governance standards of best practice. The guide considered the function of the public company board, its structure, the role of company accountants and auditors, the conduct of directors, the role of shareholders and codes of ethics.

http://www.law.unimelb.edu.au/cclsr/research-papers.pdf

THE Ramsey Report (2001)

The Ramsay Report (2001) examined the adequacy of Australian Legislative and Professional requirements about the independence of external auditors, and made recommendations for changes to the Australian requirements. The recommendations covered five key issues concerned with either directly with audit independence (employment relationships, financial relationships and the provision of non-audit services) or with matters designed to enhance audit independence audit committees and a board to oversee audit independence issues). Some of the most interesting findings of Ramsay (2001) included that an auditor would not be taken to be independent if:

- Certain employment relationships existed with the client such as a current partner, principle, manager, or professional employee of the audit firm is an employee of the client

- Any member of the audit engagement team, or any of his or her immediate family' (or any entity from which the firm or person controls) has any direct financial investment in the client
- A partner of the audit firm, or any entity which the partner controls, or a body corporate in which the partner has a substantial holding, owes more than $10,000 (or such other amount as may be prescribed by regulation) to the client
- A member of the audit engagement team has a business relationship with the client or any of its officers

As stated somewhat surprisingly, if not controversially, Ramsay (2001) did not recommend a ban on the provision of non-audit services to audit clients. Instead, it was recommended that the regulation of non-audit services provided by audit firms to their clients be dealt with in professional ethical rules. It was also recommended that the disclosure requirements for non-audit services be enhanced to require disclosure of the monetary amount and category of all non-audit services provided by the audit firm to the client. Also recommended that a statement be made by the audit committee as to whether the committee had considered the impact (if any) on the auditors' independence of the provision of non-audit services. Finally recommended was the establishment of an Auditor Independence Supervisory Board to oversee this area.

http://www.treasury.gov.au/contentitem.asp?NavId=&ContentID=296

Source: CPA, (2006), *"CPA108 Reporting and Financial Practice"* Deakin University pp. 4.16 -4.17

Australian Standard: Good Governance Principles (AS 8000) (JUNE 2003)

The standard AS 8000 complements the guidelines produced by IFSA and the ASX, and is predicted to set a clear way forward towards a generally accepted standard of enterprise governance. CPA108 (p. 4.50)

CPA Australia (2003)

As a leading professional body in Australia, CPA Australia has also published its recommendations for enterprise governance principles in 2003 (see the CPA Australia website (<http://www.cpaaustralia.com.au>), which is similar to the ASX's principles. As stated CPA Australia also advises that the optimal number of directors on a board should be 6 to 10 and that the maximum number of directorships for an individual should not exceed 5, unless the director can clearly demonstrate that he/she has the time to commit to additional appointments.

THE Uhrig Report (2003)

The Uhrig Report (2003) has been a relatively recent influential report into best governance practice in public sector entities. In examined eight major government entities including Australia Post, The Australian Investment and Securities Commission (ASIC), the Australian Prudential Regulation Authority (APRA) and the Reserve Bank of Australia (RBA). The terms of reference were to:

[Examine] structures for good governance, including relationships between statutory authorities and the responsible government minister, the Australian Parliament and the public, including business. A key task was to develop a broad template of governance principles that, subject to consideration by government, might be extended to all statutory authorities and office holders. CPA108 (p.4.56)
http://www.governance.canberra.edu.au/our_work/**Uhrig**.pdf

3.15 VARIOUS INFLUENTIAL STUDIES

THE OECD

The definition that the OECD (1999) attaches to describing corporate governance is"...a set of relationships between a company's board, its shareholders and other stakeholders. It also provides the structure through which the objectives of the company are set, and the means of attaining those objectives, and monitoring performance, are determined."

The OECD suggests that there is no single model of good governance, but has proposed five principles that are compatible with many systems around the world.

The OECD's five principles for good governance encompass:

1. The rights of shareholders (the protection and the ability to influence decisions)
2. The equitable treatment of shareholders
3. The role of stakeholders
4. Disclosure and Transparency
5. The responsibilities of the board

The OECD's principles are seen to be embodied in the ASX Corporate Governance Principles and Guidelines.
http://www.oecd.org/

THE World Bank

The World Bank's corporate governance activities focus on the rights of shareholders, the equitable treatment of shareholders, the treatment of stakeholders, disclosure and transparency and the duties of board members.

The World Bank utilizes the OECD principles to prepare country corporate governance assessments which detail and assess corporate governance institutional framework and practices in individual countries.

The International Monetary Fund (IMF) also produces reports on the standards and codes, which summarise the extent to which countries observe internationally recognized standards and codes.

http://www.worldbank.org/

Global Corporate Governance Forum

The Global Corporate Governance Forum (GCGF) is at the heart of corporate governance co-operation between the OECD and the World Bank. The GCGF charter is aimed at bringing together leading groups in corporate governance, to exchange experience and good practices; to co-ordinate activities and fills gaps in provision of technical assistance.

http://www.valuebasedmanagement.net/organizations_worldbank.html

International Corporate Governance Network

The International Corporate Governance Network (ICGN), founded in 1995, whom membership includes major institutional investors, investor representative groups, companies, financial intermediaries, academics and others with an interest in the development of global corporate governance practices. The objective of the ICGN was to facilitate international dialogue on Corporate Governance issues. The ICGN issued a statement on Global Corporate Governance Principles, which comprised three main areas. Firstly, a statement on the OECD principles which the ICGN views as 'a remarkable convergence on Corporate Governance common ground among diverse interests, practices and cultures, which it sees as the minimum acceptable standards for companies and investors around the world. Secondly, the ICGN statement discusses its approach to the OECD principles, which encompasses ten key areas. Thirdly, the ICGN amplifies the OECD principles, emphasizing or interpreting each principle as appropriate.

http://www.icgn.org/

Commonwealth Association for Corporate Governance

The Commonwealth Association for Corporate Governance (CACG) has produced some fifthteen principles and guidelines covering a variety of key areas such as leadership, board appointments, strategies and values, company performance,

compliance, communication, accountability to shareholders, relationships with stakeholders, balance of power, internal procedures, board performance assessment, management appointments and developments, technology, risk management and future solvency.

http://www.cacg-inc.com/

3.16 MAJORITY SHAREHOLDERS INFLUENCE

It is in this section where the majority shareholder, whether institutional or non – institutional is discussed, as a majority shareholder can be either. To define a majority shareholder: demo.pcinvest.com/commerce/ilMMa.htm

A shareholder who controls more than half of the outstanding shares of a corporation– commonly considered 51% of the outstanding shares. However, if ownership is widely distributed such that there are no majority shareholders, control may be gained with far less than 51% of the outstanding shares.

This is an interesting area as control is something that is either exclusive or shared as the above definition outlines. The influences of Majority shareholders are exercised through voting rights. As Per Hanrahan, Ramsay, and Stapledon "Commercial Applications of Company Law" pp.143 – 144 (2002) state:

- Whether members have a power to compel the company to take some action against the wishes of directors, or whether the power is simply one to approve or veto some action proposed by the directors
- Whether the power to vote is conferred by law or is something that can be removed or excluded by agreement between the participants in the company
- What percentage of members must agree with the resolution for it to be passed (generally, either an ordinary or special resolution will be required)
- Whether those who dissent from the proposal are bound by the majority's decision, or have a right to ask a court to review the merits of the decision to ensure it is fair.

As stated, Generally speaking, members of public companies have more extensive voting rights than members of proprietary companies, and members of listed companies have more extensive voting rights than members of unlisted companies.

Members' voting rights are limited to the matters expressly provided for in the *Corporations Act*, the internal governance rules and the general law. The Australian Stock Exchange (ASX) Listing Rules confer more extensive voting rights on members of listed companies.

Typically, company members may have a right to vote on certain decisions relating to the structure or constitution of the company, including:

- adoption and amendment to the internal governance rules
- changes of company name and type
- variation of class rights
- certain transactions affecting share capital (such as selective buybacks and reductions of capital)

Members may also have a say in the composition of the board and the choice of company auditor – this may include a right to vote on:

- the appointment and removal of directors
- certain of the directors' remuneration and benefits
- the appointment and removal of the companies auditor

In certain companies, members may have a right to veto some transactions. These include:

- related party transactions by public companies and their controlled entities
- certain significant commercial transactions by listed companies (such as the sale of the company's main business
- certain takeovers and reconstructions

Finally members can use their voting rights:

- to initiate a members voluntary winding up

- to pass a resolutions where the board is unable to act to ratify a breach of directors duties

As can be seen, the areas to which members have influence is quite extensive and in corporate governance terms quite powerful. The greater the voting power of the majority shareholder/s the more relevant is the influence levied on these areas and issues.

3.17 MINORITY SHAREHOLDERS REMEDIES

As Per Hanrahan, Ramsay, and Stapledon "Commercial Applications of Company Law" pp.182 – 184 (2002) state:
Company law imposes restrictions on the exercise by members of the voting rights attaching to their shares so as to protect minority shareholders from exploitation. One option open to members who disagree with the decisions of the majority is to sell their shares, however this not always an option.

A summary of restrictions imposed on majority voting power to protect the minority shareholders from oppression are as follows:

- under a legal principle known as the equitable limitation on majority power
- through procedural requirements that apply to particular decisions made by company members
- through provisions of the *Corporations Act* and, for listed companies, the ASX Listing Rules, which prevent interested members from voting on certain resolutions
- under statutory provisions protecting the minority
- through legal rules that protect the personal rights of members
- through the limits on the power of the majority to ratify breaches of directors duties.

3.18 MARKET CORRECTION OR GOVERNMENT INTERVENTION

A report commissioned by the Federal Government in July 2002, which was the 'Joint Standing Committee on Public Accounts and Audit' (JSCPAA). The JSCPAA adopted fairly concise Terms of Reference into a review of Independent Auditing by Registered Company Auditors. It was stated, 'With the spate of recent noteworthy corporate collapses both within Australian and overseas, the Joint Committee of Public Accounts and Audit wishes to explore the extent to which it may be necessary to enhance accountability of public and private sector auditing'.

Further stated, *'In particular, the Committee is keen to determine where the balance lies between the need for external control through government regulation, and the freedom for industry to self – regulate'.*

According to this report, it is evident that Commerce and Industry has preference for greater self – regulation rather than enhanced Government Intervention. As noted by the report 'Any substantive shift in the regulatory balance would bring with it enhanced moral hazard, i.e. the onus of responsibility would inevitably shift from the private accounting sector to the government to ensure regulatory requirements are met'.

Generally the opinion of Commerce and Industry according to this report is that within the existing business framework of Australian Corporation Law: jurisprudence; Australian Accounting Standards (now AIFRS): the rule of professional accounting associations, rather than enhanced government regulation is the optimal outcome.

Another report commissioned by the Australian Federal Government which was called the 'Ramsay Report' noted a substantial deficiency in the Corporations Law which was attributed to government failure in the area of auditor independence and accountability under current Corporations Law.

3.19 SHARE PRICE AS INDICATOR OF GOOD/POOR CORPORATE GOVERNANCE

In the ASX Listing Rule **3.1** in the continuous disclosure chapter states:

'Once an entity is or becomes aware of any information concerning it that a reasonable would expect to have a material effect on the price or value of the entities securities, the entity must tell the ASX that information.'

Section 677 of the *Corporations Act (2001)* defines material effect on price or value as:

'For the purposes of sections 674 and 675, a reasonable person would be taken to expect information to have a material effect on the price or value of ED securities of a disclosing entity if the information, would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the ED securities.

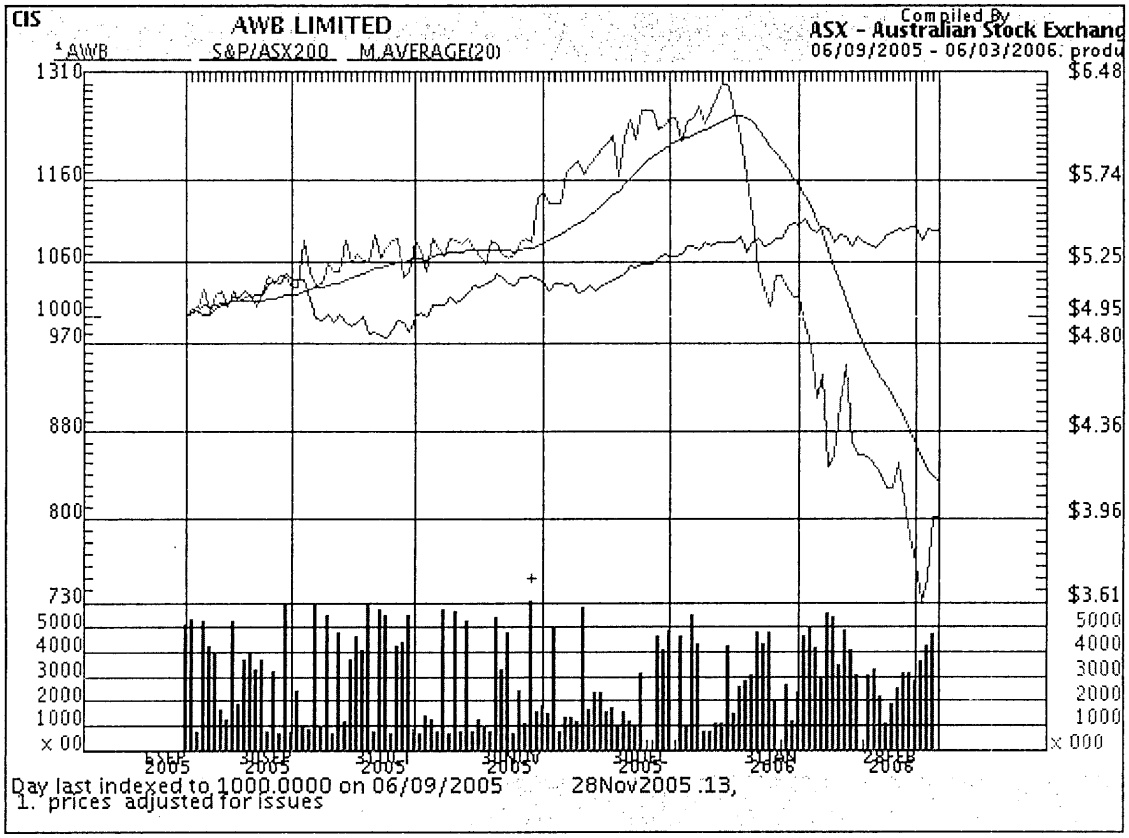
Reports that are able to accessed taking share price as a key indicator of Good / Poor Corporate Governance are for example; The Institutional Shareholder Services (ISS), which provides a 'Corporate Governance Quotient' for US and International Companies by subscription. The quotient shows the impact of over 60 conventional corporate governance measures on share performance and valuations so that it can be seen which corporate governance factors have the greatest relationship with financial measures (www.issproxy.com).

In Australia there is the Horwath Corporate Governance Report that ranks the top 250 Australian Companies, with the use of both soft and hard measures to assess Corporate Governance performance against both national and international corporate governance codes and guidelines.

Another noteworthy publication is the Corporate Governance: Business under Scrutiny, a White paper from the Economist Intelligence Unit sponsored by KPMG, which measures Directors against Corporate Governance Performance.

It is interesting to note that all of the three mentioned reports use Share Price Movement as a key indicator when measuring Corporate Governance Performance.

FIGURE 3.4 AWB SHARE MOVEMENT CHART



Source: www.asx.com.au 6/03/2006

As can be seen by the above charting of share prices the value of the AWB share has dropped dramatically.

As this exert shows that share price fluctuations and corporate governance are indeed linked.

'The dumb move by the AWB's board was not the sacking of chief executive Andrew Lindberg but the wheat marketeer's failure to implement good governance policies ("A dumb move by AWB's board", Chanticleer, February 10). This episode should sheet

home to all company boards that good governance is the only way to maintain long-term profitability and shareholder confidence.'
The Financial Review *13/02/2006*

3.20 ROLE OF INSTITUTIONAL INVESTORS

To firstly define an institutional investor as per
http://www.investorwords.com/2504/institutional_investor.html

Is an entity with large amounts to invest, such as investment companies, mutual funds, brokerages, insurance companies, pension funds, investment banks and endowment funds. Institutional investors are covered by fewer protective regulations because it is assumed that they are more knowledgeable and better able to protect themselves. They account for a majority of overall volume. As Weiss (2004) states some benefits that institutional investors may provide are:

- Adequate shareholder control of the corporation
- Effective Monitoring of Management's performance
- Effective oversight of board's resolutions
- Close alignment of management's and shareholder's interests
- Increased productivity and enhanced firm value
- Effective deterrence of fraud and other forms of non-compliance

Weiss(2004) further states that institutional investors promote successful governance reforms, encompassing the litigation, regulatory and policy – making arenas, that ultimately will make corporate directors and executives more accountable to shareholders, instill confidence among investors, institutional and non-institutional alike, in the integrity of the financial markets; protect employees, bondholders and other stakeholders from fraud and egregious corporate conduct.

'We believe that by virtue of their large holdings and the significant influence they can exert of management of public companies, private and public institutional investors – including pension funds and employee stock ownership plans – are the dominant driver

of governance reform within the institutional shareholder community. Owing to their vast economic power and financial sophistication, we believe that institutional investors are best situated to lead the national – and, indeed the global – effort to improve upon corporate governance of public companies listed on various American exchanges.'

' Increasingly, institutional investors have come to recognize their power to effect change and set the desirable course for corporate governance reform, and the substantial benefits that are bound to accrue. In pursuing such reforms, institutions not only fulfill their fiduciary responsibilities to individual investors – employees, retirees, and other retail investors – who have entrusted their assets to them but also bring to bear their role as leading participants in modern financial markets. The degree to which institutional investors use their power and influence to pursue value – enhancing corporate governance reforms is bound to have a tremendous impact in coming years.'

'As owners of public corporations, shareholders should have the ability to actively participate in governing the corporation. To that end, shareholders should be able to play a leading role in corporate decision-making where fundamental, long-term corporate changes are at issue. Precisely for this reason, establishing and maintaining proper balance between the ability of the management to run the operations and take business risks, on the one hand, and the ability of shareholders to govern the corporation at a more general level, protect against abuses, and monitor the management's performance, on the other, requires that shareholders possess basic participatory and decisional powers.'

'In large measure, the capacity of shareholders to have an impact on the corporation and participate in its governance flows from specific governance powers that every institution should work to have adopted by public companies in its portfolio. Ensuring that shareholders possess such powers will situate them in a strong monitoring position so as to effectively oversee the management's performance and, through their vote, screen-out proposed resolutions that do not well serve their interests. Transparency of corporate information is also crucial to effectuating the oversight role of institutional investors over the board and the performance of the management.'

'We believe that institutional investors can maximize their impact by pursuing reform activities on two different, yet not mutually exclusive fronts. The institutional role in prompting effective corporate governance reforms encompasses both internal activism with respect to the companies whose securities they hold and external activism with respect to the regulatory and policy environment in which issuers, securities exchanges, and members of the securities and financial services industry operate.'

'First, institutional investors should take steps to establish an ongoing dialogue with the board and the management over reform of governance policies that they consider to be substandard. Second, institutional investors should reach out to third-party organizations—including securities exchanges, legislative bodies, regulatory agencies, and securities industry and trade associations—that influence, propagate or enforce regulations and standards that are relevant to instilling effective corporate governance and corporate accountability. To that end, institutions should offer their sophisticated insight and input to enhance the quality, quantity, and voice of institutional advocacy in regulatory and policy circles, especially in rule-making and standard-setting processes.'

In a paper by Davis (1996) defines institutional investors as specialized financial institutions, which manage savings collectively on behalf of small investors, toward a specific objective in terms of acceptable risk, return – maximization and maturity of claims.

As outlined by Davis (1996), there are essential characteristics of institutional investors, these are:

Firstly, institutions provide a form of risk pooling for small investors, thus providing a better trade off risk and return than is possible via direct holdings.

Secondly, the size of institutions has a number of important implications. In terms of economies of scale, ability to attract in large volumes typically leads to a lowering of transaction costs. Size also enables them to invest in large indivisible investments; considerable countervailing power also results from size. This gives rise to the ability to ensure fair treatment by capital market intermediaries on the one hand, and on the other gives potential for improved control over companies in which they invest, thus reducing adverse incentive problems, i.e. (agency problems).

In this paper Davis (1996 pp.82 – 83) also discusses Corporate Governance Issues and in particular 'Dealing with Incentive Problems.' As stated, the development of institutional investors and their growing dominance as owners of corporations has had a pervasive influence on corporate governance.

The basic issue as simply stated, given the divorce of ownership and control in the modern corporation, principal – agent problems arise, as shareholders cannot perfectly control managers acting on their behalf. Principal – Agent problems in equity finance imply a need a for shareholders to exert control over management, while also remaining sufficiently distinct from managers to let them buy and sell shares freely without breaking insider trading rules.

If difficulties of corporate governance are not resolved, these market failures in turn also have implications for corporate finance in that equity will be costly and often subject to quantitative restrictions.

Further Farrar (2001) defines the institutional investor as a broad term that encompasses pension and superannuation fund investment companies, mutual funds, unit trusts, insurance companies, banks and charitable foundations. It also includes funds managers who are professionals managing investments on behalf of other institutional investors.

As Farrar (2001) p.339 illustrates the level of institutional investment is on the rise with 31.7% of portfolios in held in Australian Public Listed Corporations as at 30th June 1998, held by institutions.

As Farrar (2001) further points out there are legal and other restraints placed on institutional investors, these being:

- problems centred around control
- problems about conflict of interest
- problems of access to inside information and insider trading
- possible problems centred on fiduciary and statutory obligation

3.21 THE RELATIONSHIP BETWEEN FAMILY FIRMS AND CORPORATE GOVERNANCE AND COMPARISON WITH NON – FAMILY FIRMS

As Bartholomeusz and Tanewski (2006) suggest in a paper written on this particular aspect find that research finds that evidence that suggests that family (Non Institutional Controlled Firms) as opposed to non – family (Institutional Controlled Firms) □tilize substantially different corporate governance structures and that these structures lead to performance differentials. In terms of agency costs it is argued by the authors that family control creates rather than negates agency costs.

The paper is broken into two main purpose pursuits. The first purpose as stated is to contribute to the small but emerging body of family firm literature and provide a new and powerful perspective on agency theory. A portion of the paper examines the relationship between family control and corporate governance. As James (1999) posits that family block holders in family controlled firms have different incentives to atomized shareholders in widely held companies. James proceeds to pose the question of whether family ownership provides the incentive to reduce agency costs through as is stated 'a better alignment of shareholder and managerial interests', although both could be and in family firms is one and the same or create agency costs, by providing opportunities for family members to expropriate the wealth of out side shareholders.

The second purpose of the paper is to examine the degree to which family firms adopt wealth – maximizing internal controls as opposed to the degree that of which non – family firms adopt wealth-maximizing controls. As the literature suggests, the agency costs of closely held firms, i.e. those firms where shareholding is concentrated in a small number of closely associated shareholders, should be less than that of widely held firms, i.e. those firms where shareholding is dispersed among a large number of normally disassociated shareholders resulting in superior financial performance.

Contrary to this theory, authors such as, Mroczkoski & Tanewski (2006), Harijono, Arif & Tanewski (2004), Anderson, Mansi & Reed (2003), Blondel, Rowell & Van der Heyden (2002), Klien & Blondel (2002), Demetz & Lehn (1985) all state acknowledgement that there are distinct deviations due to the previously mentioned differing incentives of the family firms as compared with non-family firms. Anderson & Reeb (2003) derive that as an unintended consequence that in fact, family companies that are closely held and theoretically have reduced agency costs, may in

fact impede performance as opposed to widely held firms, where agency costs Are expended for an expected superior return. As well it is argued that family firms make decisions on much longer time lines than non-family firms.

Chami (1999) suggests that family owners view the firm as an asset to be passed on to later generations, leading to strict adherence to maximizing the value of the firm, James (1999). In contrast the average tenure in Australia for a CEO is 4.4 years, Booz, Allen, Hamilton & Business Council of Australia (2003), accepts that he or she will outperform the average and therefore decides to manage the company over a short period of time to his or her own utility maximization. This fact being the case though is outlined by Adam Smith (1776), Berle & Means (1932), Alchian & Demsetz (1972) and Jensen & Meckling (1976).

Andersen, Mansi & Reeb (2003), following on from Jensen & Meckling (1976), argue that atomized shareholders have an incentive to take on risky projects with a view of expropriating wealth to bond holders. In comparison family members because of their undiversified shareholding, long term interest and concern for reputation have fundamentally different risk profile to typical equity holders.

As stated, as a consequence are more likely to maximise the overall value of the firm as opposed to the value of equity, reducing the agency cost of debt. As stated by Andersen, Mansi & Reebs (2003), empirically corroborated results suggest that the average cost of debt financing is 32 basis points lower for family firms than non-family firms.

In closing it could be reasonably assumed that when applying strict agency theory as outlined by Adam Smith (1776) and Jensen & Meckling (1976) that outcomes raised in this study possibly should be in the reverse, i.e. Lower agency costs in family business's that are closely held firms, that profits could be expected on average to higher than non family firms, rather than being lower.

Alternatively as Smith and Jensen & Meckling hypothesis suggest should be the case for non family firms is that managers indulge in self maximisation and that the wealth and interests of the shareholder may be diminished, this is not necessarily as indicated always the case. Possible reasons for this outcome may be the influence of counter balances. Two such suggested counter balances may be the influence of Institutional

Shareholders and the effects of bonding techniques and performance bench marks, used to motivate and bench mark the performance of executive, which in turn is used to determine final remuneration and make up remuneration.

3.22 ENTERPRISE GOVERNANCE

While corporate governance, arguably a well known term, is receiving much prominence as a consequence of high profile corporate failures over several decades, enterprise governance, a relatively new concept, is broader in its orientation. Corporate governance has generally been described as the compliance framework aimed as ensuring that those responsible for steering the corporation (principally, the directors and senior management) conform to codes, standards, controls and principles necessary to maintain and protect the resources of the enterprise. Whereas, enterprise governance encompasses the entire accountability framework, including a framework for compliance (known as corporate governance) and the performance of the enterprise generally (known as business governance), being the two major components of enterprise governance. CPA108 (p. 4.5)

3.23 SUMMARY

During this chapter the concepts of the theories that have been developed as to what may affect disclosure have been discussed. The role of corporate information disclosure and why it is imperative that a corporation be transparent in their disclosure process is to ensure accountability of the board of directors and to instill investor confidence.

Also discussed was the type of problems, which may suppress information disclosure, and what are the consequences of such problems on the corporation.

Following was academic theories of disclosure and outlines the factors and reasoning's for transparent or opaque disclosure by corporations.

An insight into both US/European and US influences and contributions to Corporate Governance alongside developments and contributions both in Australia and Internationally.

Majority shareholders whether they are institutional or non – institutional have an impact on decision-making and corporate governance issues and have the voting capacity to bring influence to bear.

Minority shareholders unfortunately can become affected and displaced by the will and influence of Majority shareholders, but there are remedies at law, which can mitigate or eliminate these ramifications.

Outlined are studies being the 'Joint Standing Committee on Public Accounts and Audit' (JSCPAA) and the 'Ramsay Report' into audit practices and independence and whether there is a need for greater government intervention or which was seen as the preferable mode, greater self-regulation.

The share price is a very fluid indicator as to the state of health, not only of the corporation, but also the state of corporate governance within the corporation.

The role of the institutional investor is pivotal in this study and the effects that are had on the directors, performance, procedure, investment and corporate governance issues.

CHAPTER 4

EMPIRICAL RESEARCH AND DEVELOPMENT OF HYPOTHESIS RELATING TO CORPORATE GOVERNANCE DISCLOSURE

4.0 INTRODUCTION

Chapters one to three have defined Corporate Governance, legislation, regulations and the business environment as thus pertain to Australian business. Throughout these chapters the author has attempted to outline in as much detail as possible all the factors and elements to Listed applicable Public Companies operating within Australia and its jurisdictions. The purpose of **chapter four** is to research and develop a testable hypothesis.

4.1 STATEMENT OF HYPOTHESIS

- The Hypotheses which the author wishes to test are:
- H1o: Higher levels of institutional shareholding have no association with corporate governance practice
- H1a: Higher levels of institutional shareholding are associated with higher levels of corporate governance practice
- H2o: Higher levels of institutional shareholding have no association with financial performance
- H2a: Higher levels of institutional shareholding are with higher levels of financial performance

4.2 HYPOTHESIS DEVELOPMENT

Hypothesis development is a body of techniques for investigating phenomena and acquiring new knowledge, as well as for correcting and integrating previous knowledge. It is based on gathering observable, empirical, measurable evidence, subject to principles of reasoning.

Although procedures vary from one field of inquiry to another, there are identifiable features that distinguish scientific enquiry from other methods of developing knowledge. Scientific researchers propose specific hypotheses as explanations of natural phenomena, and design experimental studies that test these predictions for study. These steps are repeated in order to make increasingly dependable predictions of future results. Theories that encompass wider domains of inquiry serve to bind many specific hypotheses together in a coherent structure. This in turn aids in the formation

of new hypotheses, as well as in placing groups of specific hypotheses into a broader context of understanding.

Among other facets shared by various fields of inquiry is the conviction that the process must be objective to reduce a biased interpretation of the results. Another basic expectation is to document, archive and share all data and methodology so it is available for scrutiny.

Enveloping the theoretical models of hypothesis development into the hypotheses outlined in **4.1** assists in solidifying the foundations that relate to institutional involvement and influence on boards as to corporate governance compliance and subsequent financial performance.

4.3 PROFILE OF NON-INSTITUTIONAL CONTROLLED ENTITIES

The predominant characteristic of non – institutionally controlled entities observed is the level of control, which is exerted on the board and entity by a dominant individual/Corporation or family shareholder/s.

4.4 PROFILE OF INSTITUTIONAL CONTROLLED ENTITIES

The predominant characteristic on institutional controlled entities observed is the level of control, which is exerted on the board and company by dominant financial institutions.

4.5 NOMINEE SHAREHOLDERS

Nominee shareholders are those financial institutions, such as superannuation funds, investment banks and large stockbroker firms, which hold portfolios of shares in trust for other institutional or private shareholders.

4.6 SUBSTANTIAL SHAREHOLDERS

Substantial shareholders provisions, ss 707 – 716 of the Corporations Act (2001), aim to promote an informed market for shares of public listed companies. The provisions oblige persons entitled to more than 5 percent of voting shares of a listed company to

disclose to the company full particulars of their entitlement in the shares. Disclosure of substantial shareholdings enables both a company and the market to know who controls significant shareholdings. Sections 717 – 727 of the Corporations Act (2001) complement the substantial shareholding provisions. They enable ASIC to obtain information not only as to the identity of persons who control voting shares or a 'relevant interest' in those shares but also the nature and extent of their interest.

4.7 SAMPLE SELECTION CLUSTER

The method used to select sample institutional and non – institutional controlled entities was completely random, given that entities were chosen to equally represent the population of the ASX as May 5, 2005. The companies selected were taken from a diverse number of sectors from the ASX spectrum with the intention of creating a wide and unbiased spread of entities as possible.

4.8 CHARACTERISTICS OF THE BOARDS

As Sheridan (2001) notes, the boards of Australian ASX Listed public companies are predominately controlled by men as the following table sets out.

Table 4.1 Board Positions by Gender

Board Members	Number	Percentage
Men	6,409	87.3
Women	251	3.4
Not Identifiable	681	9.3
Total	7,341	100.0

Source: A View from the Top: Women on the Boards of Public Companies: March (2000) Sheridan, A., (2001 p.10)

It was noted by Sheridan (2001), that the average age of female board members was 45 years, and it was further noted by Braund (2005), that the average age of male board members was 57 years.

Generally as noted above, female representation on the boards of ASX Listed Companies as at March (2000) was substantially less than those of male counterparts.

It is seen relevant to the level of voluntary disclosure compliance, whether the make up of the board of directors, has any direct or indirect impact on such compliance levels.

4.9 FAMILY MEMBERS ON BOARD

The impact of family members on the board of directors is generally viewed as being rather influential and pervasive when decisions are being considered and made by the company. In the majority of cases the founding family member and the wider family have a controlling interest and vote to be able to sway a vote on a particular decision toward the desired outcome.

4.10 DIFFICULTIES ENCOUNTERED COLLECTING SAMPLE DATA

Difficulties encountered collecting sample data in this study include:

- Whether the voluntary corporate disclosures made by boards of the various selected sample companies are relatively unbiased or whether as suggested in **2.3** have been biased by signalling concerns.
- Whether the independent variable data has been biased by the fact that certain business entities have been used as vehicles for example, as tax minimization purposes as opposed to those business entities that are operated for the purpose of maximization of shareholder returns.

4.11 SUMMARY

Chapter four discussed the formulation of hypotheses that relate to the research question. Outlined as well as the hypotheses being tested are the various factors that influence the hypothesis being the institutional shareholders and board directors that have direct bearing on the outcome of Corporate Governance Disclosure compliance. Also highlighted was whether the gender or age of board directors may also have influence on compliance. Profiled as well were institutional and non institutional

corporations and the effect on the board and compliance of family members in a family controlled entity.

CHAPTER 5

RESEARCH AND DESIGN METHODOLOGY

5.0 INTRODUCTION

Chapter five examines the data that has been accumulated on the sample of companies selected that will either support or refute the hypotheses outlined in **Chapter four**. During the analysis phase statistical testing will be performed to summarise the relevant data. The Chapter outlines the actual research question posed by the paper and the intended objectives that are desired. With any type of research there needs to be a point of significance and how the research intended to contribute to the body of accumulated knowledge in an area. To achieve a desired outcome the scope or parameter that are the defining boundaries need to be specifically outlined. After boundaries are established, the research methodology and design specify what data is required and what areas need to be addressed to accumulate, classify and disseminate data into a format to be further worked on. Lastly the chapter examines the methods to be employed to transform data into useful and usable information.

5.1 RESEARCH QUESTIONS AND OBJECTIVES

The objective of this research is to evaluate the current levels of voluntary corporate governance compliance of selected ASX Listed public companies in Australia in relation to ASX CGC Principles and Recommendations and financial performance levels. The focus will be on the correlation of the levels of corporate governance disclosure compliance and shareholding of the selected companies based on four dependent variables (i.e. corporate governance disclosure, type of shareholder and level, i.e. institutional or non – Institutional).

5.2 REASONS AND SIGNIFICANCE OF THE STUDY

The reasons for the study are to draw an association between the levels of voluntary disclosure compliance of a corporation as compared with the ASX CGC Principles and Recommendations; and secondly whether there is a significant difference when the share register is dominated by an Institutional or Non – Institutional shareholder. The significance of the study is to broaden the research as to whether a corporation operates more efficiently and profitably as a consequence of good corporate governance which is consequence of Institutional Shareholding influence.

5.3 RESEARCH SCOPE

In this study, the analysis of and the extent of voluntary disclosure in Australia are assessed and limited to the disclosure of information in corporate annual reports.
The study focuses on (214) ASX Listed Public companies. Only ASX Listed Public companies' rather private or unlisted private companies that have readily accessible information.
The disclosure-scoring sheet for this study is compiled on a constructed access data base which sets out 30 possible Principle Guidelines, which can be either taken up or not, depending on the board of a particular company.

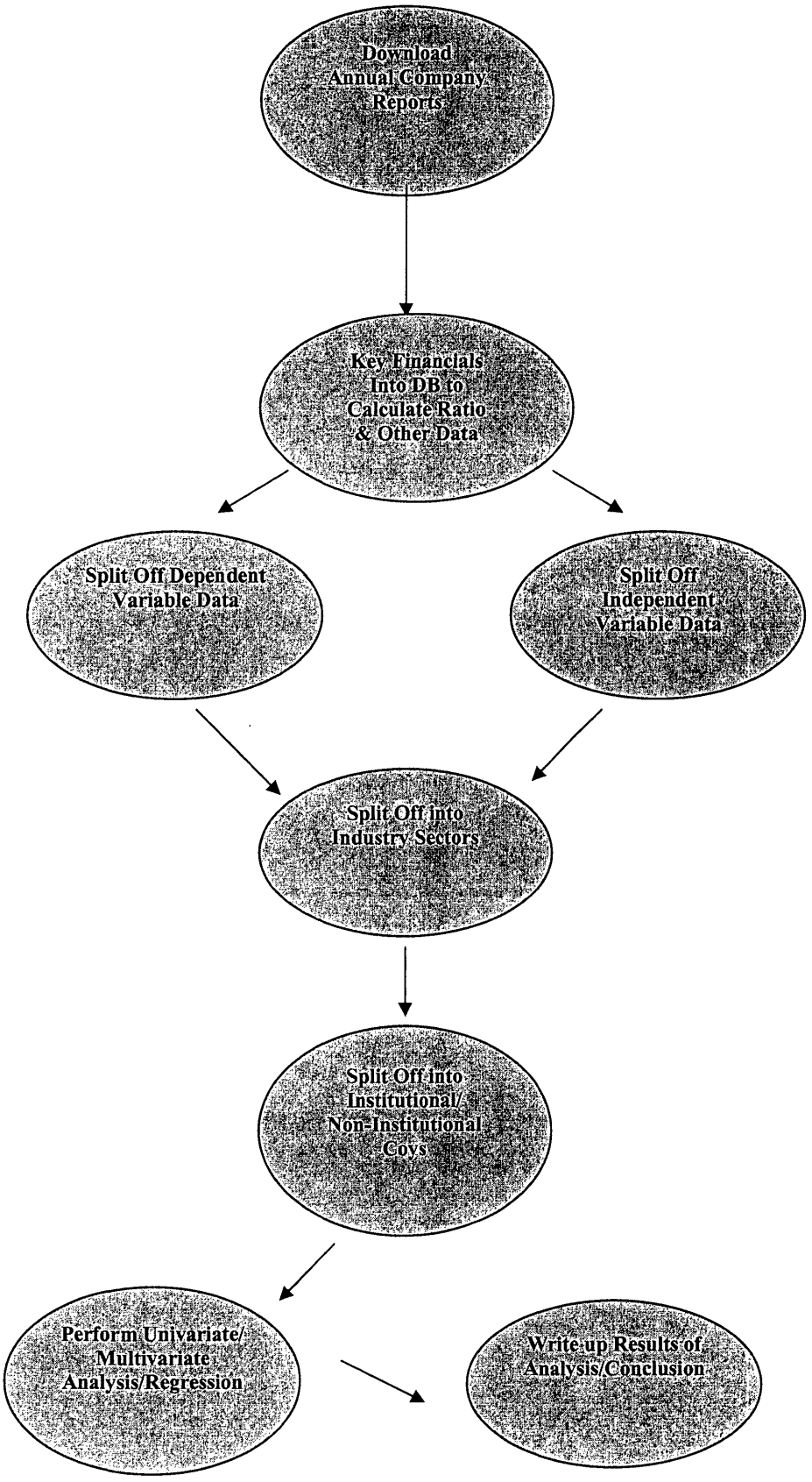
5.4 RESEARCH METHODOLOGY

The research methodology employed is to test increments and decrements in disclosure compliance levels. The focus of the methodology will score which ASX CGC guidelines have been voluntarily disclosed and then calculate a disclosure score between 0 – 100. The independent variables, which are accounting ratios as, set out in section **5.8**, a normative paradigm is employed consistent with the approach taken in this study.

5.5 RESEARCH DESIGN

1) The research design involves downloading 2005 Company annual reports.
2) It is necessary to key in statements of financial performance and positions for y/end 2004 and 2005 into Microsoft Access Database specifically constructed to calculate and collate required data sets as per **Appendix B and sections 5.8 and 5.9.**
3) Involves splitting off data as per second step into dependent variable and independent variable data.
4) Involves splitting data in the third step according to like industry sectors.
5) The data from step four is then split into Institutional and Non – Institutional controlled companies.
6) The data as arranged in step five is then analysed using both univariate and multivariate statistical methods.
7) The results of analysis are written up.

Figure 5.1 Graphical Research Design Plan



5.6 RESEARCH SAMPLE

The sample size selected for the study is 214 ASX Listed Companies.

- The sampling method used in this paper to sample the population was the 'stratified random sampling method'. This method is defined by Cavana et.al (p.463) as a probability sampling design that first divides the population into meaningful, non overlapping subsets, and then randomly choosing the subjects from each subset. I.E. Institutional v Non – Institutional Corporations and then defined ASX sectors.
- The population and subsequent selected sample is one which is determined as a non contrived setting, I.E. the ASX
- The nominal scale is used in conjunction with dependent variables to indicate voluntary disclosure as 1 or non-disclosure as 0 as per ASX CGC Principles, Guidelines and recommendations
- The ratio scale is used in conjunction with independent variables, which are financial ratios as calculated using annual report financial information
- Descriptive/Univariate analysis – both summary and detailed include, mean, standard deviation, median, mode, skewness and kurtosis.
- Multivariate analysis – *inter item correlation matrix* (The correlation matrix gives the degree to which items co vary in a standardized form (as a standard score known as a correlation co-efficient). These co variances that have been transformed by being standardized around a SD of 1.0) *Communalities* (Communalities as Cooksey p.82 points out are indices that summarise how much variance in each variable are shared in common with the variance of the set of factors in the final solution.) *Factor analysis* (A 'factor structure matrix' (a set of Pearson Correlations between each variable and each factor in the final solution). A Matrix of 'factor correlations' shows the estimated degree of correlation which would exist between the factors in the correlation.)
- Multiple Regression – both summary and detailed include, R, R2, F-Score, T-Score and related significance levels.

5.7 DATA ANALYSIS PROCEDURES

Data analysis procedures are as follows:

a) Descriptive analysis of items in the disclosure-scoring sheet are undertaken to find the most and least frequent items disclosed by the companies in the sample. The scores are then tabulated in the scoring sheet outlined in section **5.4** and then converted into a percentage of a total possible score attainable.

b) Statistical analysis based on both Univariate and multivariate methods were performed to test the generated hypothesis will be carried out.

c) Multiple Regression models were also conducted using criterion dependent and predictor independent variables to assess the level of disclosures at various levels of activity.

5.8 MODEL SPECIFICATION

The author wishes to test the relationship between corporate governance compliance levels and the levels of institutional as compared with non institutional owner dominance in Australian Public listed corporations.

Table 5.1 Compliance Model Specification

If institutional dominated compliance > non institutional compliance then null hypothesis rejected and alternative hypothesis accepted

As well as testing the above mentioned relationship, the author also wishes to test the relationship between institutional and non institutional owner dominance in Australian Public listed corporations as to levels of financial performance.

Table 5.2 Financial Performance Model Specification

Financial Performance Measures Model Specifications:

*Inpershare: f (FAT*TAT*MarketCap*EPS*PE) then P Score Conv <>.05*
*Nipershare: f (FAT*TAT*MarketCap*EPS*PE) then P Score Conv <>.05*
*Inpershare: f (CR*QR*CashR*MarketCap*EPS*PE) then P Score Conv <>.05*
*Nipershare: f (CR*QR*CashR*MarketCap*EPS*PE) then P Score Conv <>.05*
*Inpershare: f (WCT*DebtCapR*DebteqR*MarketCap*EPS*PE) then P Score Conv <>.05*
*Nipershare: f (WCT*DebtCapR*DebteqR*MarketCap*EPS*PE) then P Score Conv <>.05*
*Nipershare: f (DebtCapR*Tier*MarketCap*EPS*PE) then P Score Conv <>.05*
*Inpershare: f (OpmargR*EBIT*EBT*MarketCap*EPS*PE) then P Score Conv <>.05*
*Nipershare: f (OpmargR*EBIT*EBT*MarketCap*EPS*PE) then P Score Conv <>.05*
*Inpershare: f (ROA*ROTC*ROE*MarketCap*EPS*PE) then P Score Conv <>.05*
*Nipershare: f (ROA*ROTC*ROE*MarketCap*EPS*PE) then P Score Conv <>.05*
*Inpershare: f (ROTC*WCT*DebrCapR*DebteqR*MarketCap*EPS*PE) then P Score Conv <>.05*
*Nipershare: f (ROTC*WCT*DebrCapR*DebteqR*MarketCap*EPS*PE) then P Score Conv <>.05*
*Inpershare: f (ROE*DebteqR*MarketCap*EPS*PE) then P Score Conv <>.05*
*Nipershare: f (ROE*DebteqR*MarketCap*EPS*PE) then P Score Conv <>.05*
*Indislev: f (FAT*TAT*MarketCap*EPS) then P Score Conv <>.05*
*Nidislev: f (FAT*TAT*MarketCap*EPS) then P Score Conv <>.05*
*Indislev: f (CR*QR*CashR*MarketCap*EPS*PE) then P Score Conv <>.05*
*Nidislev: f (CR*QR*CashR*MarketCap*EPS*PE) then P Score Conv <>.05*
*Indislev: f (WCT*DebtCapR*DebteqR*MarketCap*EPS*PE) then P Score Conv <>.05*
*Nidislev: f (WCT*DebtCapR*DebteqR*MarketCap*EPS*PE) then P Score Conv <>.05*
*Indislev: f (DebtCapR*Tier*MarketCap*EPS*PE) then P Score Conv <>.05*
*Nidislev: f (DebtCapR*Tier*MarketCap*EPS*PE) then P Score Conv <>.05*
*Indislev: f (OpmargR)*EBIT*EBT*MarketCap*EPS*PE) then P Score Conv <>.05*
*Nidislev: f (OpmargR)*EBIT*EBT*MarketCap*EPS*PE) then P Score Conv <>.05*
*Indislev: f (ROA*ROTC*ROE*MarketCap*EPS*PE) then P Score Conv <>.05*
*Nidislev: f (ROA*ROTC*ROE*MarketCap*EPS*PE) then P Score Conv <>.05*
*Indislev: f (ROTC*WCT*DebtCapR*DebteqR*MarketCap*EPS*PE) then P Score Conv <>.05*
*Nidislev: f (ROTC*WCT*DebtCapR*DebteqR*MarketCap*EPS*PE) then P Score Conv <>.05*
*Indislev: f (ROE*Debteqr*MarketCap*EPS*PE) then P Score Conv <>.05*
*Nidislev: f (ROE*Debteqr*MarketCap*EPS*PE) then P Score Conv <>.05*

Given that abbreviations are as such:

FAT (Fixed Asset Turnover)

TAT (Total Asset Turnover)

MarketCap (Market Capitalisation)

EPS (Earnings per Share)

PE (Price/Equity Ratio)

CR (Current Ratio)

QR (Quick Ratio)

CashR (Cash Ratio)

WCT (Working Capital Ratio)

DebtCapR (Debt/Capital Ratio)

DebteqR (Debt/Equity Ratio)

Tier (Times Interest Earned Ratio)

OpmargR (Operating Margin Ratio)

EBIT (Earnings before Interest and Tax)

EBT (Earnings before Tax)

ROA (Return on Assets)

ROE (Return on Equity)

ROTC (Return on Total Capital)

5.9 INDEPENDENT VARIABLES

The independent variables are those which as the term suggests, that independent of the dependent variable, these variables will fluctuate in a random pattern on regression to produce a predicted outcome when interacting with the dependent variable.

Working Capital Ratio

The Working Capital Ratio is the ratio of Sales for the current year over Average Working Capital comprising (PY Working Capital + CY Working Capital)/2

Fixed Assets Turnover

The Fixed Assets Turnover Ratio is the ratio of Sales for the current year over Average Fixed Assets comprising (PY Fixed Assets + CY Fixed Assets)/2

Total Assets Turnover

The Total Assets Turnover Ratio is the ratio of Sales for the current year over Average Total Assets comprising (PY Total Assets + CY Total Assets)/2

Current Ratio

The Total Assets Turnover Ratio is the ratio of Sales for the current year over Average Total Assets comprising (PY Total Assets + CY Total Assets)/2

Quick Ratio

The Quick Ratio is the ratio of (Cash + Marketable Securities + Accounts Receivable) over Current Liabilities for the CY.

Cash Ratio

The Cash Ratio is the ratio of (Cash + Marketable Securities) over Current Liabilities for the CY.

Debt to Total Capital Ratio

The Debt to Total Capital Ratio is the ratio of Total Debt (Current + Long Term) for the CY over Total Capital (Debt + Equity) for the CY.

Debt to Equity Ratio

The Debt to Equity Ratio is the ratio of Total Debt (Current + Long Term) for the CY over Total Capital Equity for the CY.

Times Interest Earned Ratio

The Times Interest Earned Ratio is the ratio of Earnings before Interest and Tax (EBIT) for the CY over Interest Expense for the CY.

Operating Margin Ratio

The Operating Margin Ratio is the ratio of Operating Income for the CY over Sales for the CY.

EBIT Ratio

The Earnings before Interest and Taxes (EBIT) Ratio is the ratio of EBIT for the CY over Sales for the CY.

EBT Ratio

The Earnings before Taxes (EBT) Ratio is the ratio of EBT for the CY over Sales for the CY.

ROA Ratio

The Return on Assets (ROA) Ratio is the ratio of (Net Income + After – Tax Interest Cost) for the CY over Average Total Assets for the CY.

ROTC Ratio

The Return on Total Capital (ROTC) Ratio is the ratio of (EBIT) for the CY over Average (Total Debt + Shareholders Equity) for the CY.

ROE Ratio

The Return on Equity (ROE) Ratio is the ratio of (EBT) for the CY over Average (Shareholders Equity) for the CY.

Market Capitalisation

Market Capitalisation is the Product of the number of issued ordinary share capital scripts multiplied by the ASX listed share value as at a certain date.

EPS Ratio

The EPS Ratio is calculated dividing net earnings of the corporation as 30th June 2005 by the number of diluted shareholdings

PE Ratio

The PE ratio is calculated by dividing the share price of the corporation as 30th June 2005 by the EPS Ratio

5.10 DEPENDENT VARIABLES

The dependent variables used in the study are:

- The level of Institutional Shareholding
- The level of Non – Institutional Shareholding
- The level of Institutional Voluntary Disclosure
- The level of Non – Institutional Voluntary Disclosure

The dependent variable is that which on regression will fluctuate dependent on the movement of the independent variable/s although the value of the dependent variable can be altered. The dependencies of such variables are that levels of institutional ownership of entities and influence on corporate governance disclosure compliance that is bought to bear by such levels of ownership has association with the levels of

financial performance that is outlined by the movement independent variables, i.e. the higher levels of performance will see generally see an enhanced level of Institution ownership of entities.

Corporate Ownership Structure in Australian Companies is a combination of a variety of Individuals, i.e. Mum and Dad small portfolio ownerships, larger family controlling ownerships, i.e. Murdoch, Packer and Lowy type families, institutional investors such as banks, insurance, investment and superannuation companies, i.e. Westpac, AMP, Macquarie Bank, AXA and also Corporate Institutionally controlled shareholders, which in turn may have shareholdings in other Corporations. Governments also through various instrumentalities exercise influence in such companies as Telstra and Qantas, although over the past years and into the future, governments have sought to sell down these interests citing that governments have no place in running large corporations, rather they need to be concentrating on the core process of government. The corporate ownership structure and the influences on performance and corporate governance in this research will be limited to the top 20 shareholders.

If a corporation is an institutionally controlled share register which is the first dependent variable, that is a substantial percentage of the top 20 shareholders are those which are catagorised as being institutional shareholders, that corporation will be denoted with an I, the aggregate percentage of the shareholding will be used.

If a corporation is a non - institutionally controlled share register which is the second dependent variable that is a substantial percentage of the top 20 shareholders, that corporation will be denoted with an NI, the aggregate percentage of the shareholding will be used.

The third and fourth dependent variable as above to be used is that of the level of voluntary disclosure, being measure as follows:
If the company complies with ASX CGC Principles, Recommendations and Guidelines, this will be denoted by 1;
If the company does not comply with ASX CGC Principles, Recommendations ands Guidelines, this will be denoted as a 0.

From a total possible score of 30, the level of voluntary disclosure is shown as a percentage, i.e. 25/30 = .83

5.11 TYPE OF STUDY AND UNIT OF ANALYSIS

This study is a cross sectional study of Australian public listed companies with a well-developed stock market. The aim is to identify company specific, corporate governance and independent variables that may influence the extent of voluntary disclosures (dependent variables).

The unit of analysis in this study comprised Australian institutionally controlled and non – institutionally controlled public companies listed on the ASX.

5.12 PARTIES RESPONSIBLE FOR DISCLOSURE

The parties responsible for corporate governance and informational disclosure are the board of directors of the respective companies sampled.

5.13 FACTORS INFLUENCING THE DECISION TO DISCLOSE OR NOT DISCLOSE

Apart from the mandatory disclosure requirements laid out in various legislation, i.e. Accounting Standards, The Corporations Act (2001) and the ASX CGC Principles and Guidelines, there are reasons to disclose or not disclosure on the basis of signalling. If signals are good then it would be advantageous to disclose, similarly if signals are bad then it would be in the best interests of the corporation to suppress such information where possible.

5.14 POPULATION AND SAMPLE

The population consists of 1813 as (05/05/2006) ASX listed public companies, and sample selected are companies that are owned substantially by institutional type shareholders and those companies that are controlled by non – institutional

shareholders. For the purposes of this study the sample utilised was taken from the listing of top 20 shareholders and substantial shareholders. Of the sample companies, subjects were selected from varying and diverse sectors within Australian Industry.

5.15 SAMPLE SIZE

The sample size used for the study was selected as a weighted percentage of the population, e.g. Materials 472/1813 = 26.03% by using this percentage a percentage of 26.03 % of 472 = 122.86 rounded to an even number of 122 and so on.

Corporations were then assessed as being substantially controlled by financial institution shareholders or by substantially controlled by non – institutional shareholders

5.16 SAMPLING METHOD

Of the sample companies, subjects were selected from varying and diverse sectors within Australian Industry. The sampling method used to extract a sample was 'stratified random sampling' which is defined as 'a probability sampling design that first divides the population into meaningful, non overlapping subsets, and then randomly choosing the subjects from each subset. Cavana (2001 p.463)

5.17 SCORING THE DISCLOSURE ITEMS

The disclosure items are scored by assigning a 0 for non - conformance with the ASX CGC Principles and Guidelines or a 1 for conformance with the Principles and Guidelines.

5.18 DISCLOSURE INDEX

The disclosure index is calculated as percentage of positive scores being that number out of a possible score of 30.

5.19 DATA COLLECTION

The author has personally constructed a database using Microsoft Access. The information entered into the database was collated from Company 2005 Annual Reports. The database contains quantitative and qualitative data, which is keyed in and analysed, these are:

- Financial Statement Analysis
- Ratio Calculation
- Corporate Governance Score Calculation

5.20 TREATMENT OF OUTLIERS

During the collection of Data, there are always invariably outliers that arise that require attention. It was determined through initial experimentation on the data that leaving the outliers in had a causal masking effect of the true distribution of variables, alternatively removing the outliers complete created the effect of overly distributing the variables across the spectrum. An alternative method to deal with outliers is a process called 'Transformation'. Transformation is a process of converting outlier/s into a Log (10) factorial, which has the effect of correcting the skewness of the distribution that extreme outliers creates and brings the observation closer to normal distribution curvature. Looking very closely at analysis made on the advantages and disadvantages of both methods, it was decided that adopting the transformation method rather than the deletion method displays the variable in a more factual manner. Transformation provides for even though the observation/s are outside of the normal distribution of other variables, that it is recognized that the outlier data is part of the overall sample and should be included as such at a comparative value that equates to the value of the outlier/s. Selection of what variable data constitutes an outlier/s is determined by the use of a scatter graph, from which outlier/s are isolated and transformed. To apply a strict definition of an outlier; Hair *et al* (1995) state:

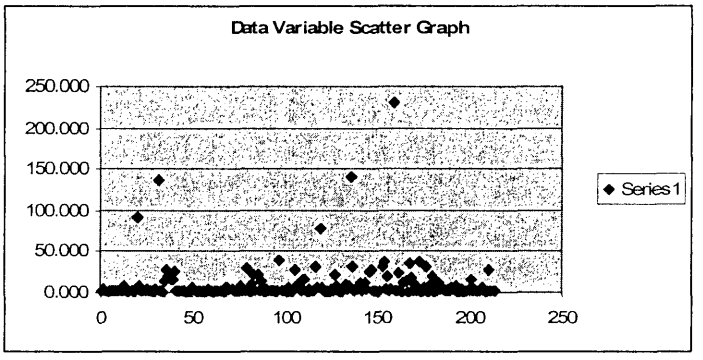
In strict terms, an observation that has substantial difference between the actual value for the dependent variable and the predicted value. Cases that are substantially different, whether in regard to the dependent or independent variables are often termed outliers as well. In all instances, the objective is to identify observations that represent

inappropriate representations of the population from which the sample is drawn, so that they may be discounted or even eliminated from the analysis as unrepresentative.

Hair, J.F, Anderson, R.E, *et al* (1995) also provide a definition for transformation stating:

A variable may have an undesirable characteristic, such as non-normality, that detracts from the ability of the correlation coefficient to represent the relationship between it and another variable. A transformation, such as taking the logarithm or square root of the variable, creates a new variable and relationship. Transformations may be applied to either the dependent or independent variables, or both. The need and specific type of transformation may be based on theoretical reasons (such as transforming a known non-linear relationship) or empirical reasons (identified through graphical or statistical means).

Figure 5.2 Data Variable Scatter Graph



Source: Sample Data Used in this study

5.21 OBSERVED DEPENDENT AND INDEPENDENT VARIABLE RELATIONSHIPS / ASSOCIATIONS

Of all the relationships between dependent and independent variables that could be established, it is imperative that only those relationships that are logically associated to produce both a relevant and substantiated outcome. It serves little or no purpose whatsoever attempting to associate variables that do not naturally occur with each other.

5.22 DESCRIPTIVE ANALYSIS

Descriptive univariate analysis entails estimating the occurrence of some phenomenon within a population. The purpose is to determine whether the entity is common or rare; how frequently it occurs, or with what intensity or severity; or, whether it is present in vast quantities or limited amounts. The principal tools for answering such questions are measures of central tendency. In almost all numeric applications, the mean is used.

In some instances, dispersion is also a concern, but distributional issues generally play a supporting role to issues of elevation when description is the research role. However, dispersion plays the lead role when univariate analysis sets the stage for multivariate analysis. Aneshensel (2004)

Descriptive analysis encompasses inferential statistics, which is the generalization from a sample to a population where all data is not known exactly. Sample description, which is the most common use of descriptive univariate analysis, where descriptions usually have two components, central tendency and dispersion, often expressed as means and standard deviations.

5.23 HYPOTHESIS TESTING

The testing of the hypothesis will entail the correlation of:

Institutionally Controlled Shareholdings → Corporate Governance Score → Level of Voluntary Disclosure Compliance→ Financial Performance

Non-Institutionally Controlled Shareholdings → Corporate Governance Score → Level of Voluntary Disclosure Compliance → Financial Performance

The hypotheses outlined in section **4.1** shall be tested by the use of statistically testing data collected. It is anticipated that testing will confirm H1a, H2a and Reject H1o and H2o simply due to the empirical literature that suggests that this is normally the expected outcome.

5.24 UNIVARIATE ANALYSIS

As Anehensel (2004) states 'Data Analysis begins with univariate analysis'. Univariate analysis is first and foremost the assessment of the distributional properties of a variable. Univariate analysis serves two broad purposes: (1) description and (2) preparation for multivariate analysis. These functions correspond to the two primary forms of univariate analysis, the assessment of central tendency and dispersion, or convergence or divergence. Although descriptive research often focuses on identifying what is most characteristic of a set of observations, variation from this typical value usually is the most important concern with regard to subsequent multivariate analysis. Most research has an explanatory focus, and univariate serves primarily as a precursor to multivariate analysis. When univariate analysis is preliminary to multivariate analysis, dispersion takes centre stage. This analysis often uncovers at least some technical problems that need to be resolved before other forms of analysis can proceed. The most critical of these issues concerns the degree of variation present for the variables that comprise the theoretical model.

THE DISTRIBUTION OF A VARIABLE

The distribution of a variable is an array of each and every one of its values across all units of analysis.

CENTRAL TENDENCY

Central tendency refers to the typical, to a value that embodies the characteristics or qualities of a set of values so fully as to be representative of set. Measures of central tendency summarise the entire distribution of values as one single quantity or quality that can be thought of as the average value. Central tendency is sometimes referred to as elevation because it indicates whether numeric scores are high or low. There are numerous indicators of central tendency, though discussion is limited to the three most frequently used statistics: the mode (frequency), the median (middle value) and mean (average value). The choice of a measure of central tendency depends upon the level of measurement (nominal, ordinal, interval or ratio) of the variable and the shape of its distribution.

DISPERSION

The mode, the median and the mean are alike in that each identifies the centre of a distribution. When a distribution is symmetrical, balanced around a central value, these three measures of central tendency will have highly similar if not identical values. Distributions that have similar centres, however, may nevertheless exhibit very different shapes; likewise distributions with different centres may have the same shape. The spread of distribution is a separate dimension from its centre. To describe a distribution, we need to specify both its centre and the degree to which values cluster around this centre; this is known as the range and standard deviation.

5.25 MULTIVARIATE ANALYSIS

As Abdi (2003) states multivariate analysis comprises a set of techniques dedicated to the analysis of data sets with more than one variable. Several of these techniques were developed recently in part because they require computational capabilities of modern computers. Also as stated by Abdi, because most of them are recent, these techniques

are not always unified in their presentation, and the choice of the proper technique for a given problem is often difficult.

The different methods of Multivariate Analysis being:

Interval or ratio level of measurement: principle component analysis (PCA) Exploratory Factor Analysis

The goal of PCA is to decompose a data table with correlated measurements into a new data set of uncorrelated (i.e. orthogonal) variables.
As per Cooksey (1996) the purpose of Exploratory Factor Analysis is to summarise and represent the interrelationships amongst a set of variables using a much smaller number of composite variates. Principle Components Analysis attempts to accomplish this task explicitly combining variables in a weighted fashion to form 'components' which account for the maximum amount of variability in the variables scores. Virtually all exploratory factoring methods produce similar types of output statistics:
'Eigenvalues'
(these indices summarise how much variance each factor explains out of total available).
As further stated by Cooksey p.82, advantages of Exploratory Factor Analysis include; providing a class of techniques useful for condensing many variables into smaller, more manageable and more reliable subset of dimensions or factors. Factor Analysis utilises all of the available correlational information amongst a set of variables and the various rotational procedures can be used to provide the simplest structure possible for interpreting a solution.

Similarity or distance: multidimensional scaling (MDS), additive tree, and cluster analysis

These techniques are applied when the rows and the columns of the data tables represent the same units and when the measure is a distance or a similarity. The goal of the analysis is to represent graphically these distances or similarities. As per Cooksey (1996 p.86) the purpose of Cluster Analysis is to form relatively homogeneous groups of either variables (similar to Factor Analysis) or more commonly, observed

respondents in a sample based on the extent similarity or dissimilarity between them. Cluster analysis refers to a collection of statistical procedures designed to cluster respondents or variables into homogenous subsets of an entire sample. A cluster is a grouping of variables or respondents formed in such a way that members of a particular cluster are more similar to (or correlate more highly with) each other than with any other respondents (variables) in other clusters.

Multidimensional Scaling and Correspondence Analysis

The purpose of multidimensional scaling is to explore the dimensionality of a set of variables whose nature can vary from simple attitude ratings to explicit assessments of similarity or preference. The purpose of correspondence analysis is to accomplish a similar task to multidimensional scaling in the context of contingency tables by showing how two category systems relate to each other.

Multiple linear regression analysis (MLR)

In MLR, several independent variables (which are supposedly fixed or equivalently measured without error) are used to predict with a least squares approach one dependent variable. If the independent variables are orthogonal, the problem reduces to a set of univariate regressions. When the independent variables are correlated, their importance is estimated from the partial coefficient of correlation.

Multivariate analysis of variance (MANOVA)

In MANOVA the independent variables have the same structure as in a standard ANOVA and are used to predict a set of Dependent Variables. MANOVA computes a series of ordered orthogonal linear combinations of the Dependent Variables (i.e. factors) with the constraint that the first factor generates the Largest F if used in an ANOVA.

As Cooksey p.161 states, the purpose of MANOVA is to compare groups of respondents classified according to one or more grouping (independent) variables on two or more dependent variables simultaneously. Analysis can easily be extended to

include n – way factorial MANOVA designs and multivariate analysis of covariance designs.

Predictable a nominal variable: discriminant analysis (DA)

DA, which is mathematically equivalent to MANOVA, is used when a set of independent variables are used to predict the group to which a given unit belongs (which is a nominal dependent variable)

Fitting a model: confirmatory factor analysis (CFA)

In CFA, the researcher first generates one (or a few) model(s) of an underlying explanatory structure (i.e. a construct) which is often expressed as a graph, and then the correlations between the dependent variables are fitted into this structure.

Multiple factor analysis (MFA)

MFA combines several data tables into a single analysis. The first is to perform a PCA of each table. Then each data is normalized by dividing all entries of the table of the first eigenvalue table of its PCA. This transformation akin to the univariate Z – score equalizes the weight of each table in the final solution and therefore makes possible the simultaneous analysis of several heterogeneous data tables. As is outlined by Cooksey p.81, the purpose of Exploratory Factor Analysis is to summarise and represent the interrelationships amongst a set of variables using a much smaller of composite variates. Principal Components Analysis attempts to accomplish this task by explicitly combining variables in a weighted fashion to form 'components' which account for the maximum amount of variability in the variables' scores. As Cooksey p.82 explains, virtually all factoring methods produce similar types of output statistics: 'eigenvalues' (these indices summarise how much variance each factors explain out of the total available; if they are plotted against the number of factors, they give a rough indication as to the number of factors to interpret.

Communalities

Communalities as Cooksey p.82 points out are indices that summarise how much variance in each variable are shared in common with the variance of the set of factors in the final solution. A 'factor pattern matrix' (a set of standardized regression weights for predicting variable scores on the basis of the factors identified in the final solution. A 'factor structure matrix' (a set of Pearson Correlations between each variable and each factor in the final solution). A Matrix of 'factor correlations' shows the estimated degree of correlation which would exist between the factors in the correlation.

Inter-Item Correlation Matrix

The correlation matrix gives the degree to which items co vary in a standardized form (as a standard score known as a correlation co-efficient). These co variances that have been transformed by being standardized around a SD of 1.0

R - Square

As per Cavana et.al (p.435) R – Square value (also called the co-efficient of determination) is the square of the correlation co-efficient (R). It is the proportion of the total variation around the mean that is explained by the regression model. To explain in another way, R2 is the percentage movement in the dependent variable and as explained by movements of the independent variables.

F - Test

As per Cavana et.al (p.456) the F – test is a statistical test based on the analysis if variances, that is used to test for differences in the means between sample groups. As per Cooksey (1996 p.153) the F – test is also referred to as the 'omnibus F – test'. As further stated by Cavana et.al (p.435) if the significance or p-value of the F – statistic is small (smaller than, say, .05 or the specified alpha level), then the independent variables collectively do a good job explaining the variation in the dependent variable. If the significance value of F is larger than .05 or the specified alpha level, then the

independent variables as a group do not explain the variation in the dependent variable to the level of confidence that may be required.

T – Test

As per Cavana et.al (p.463) the T – test is a statistical test that can be used to test the mean difference in a variable between two groups (for small sample sizes). As well per Cavana et.al (p.435) the T – statistic in a regression model can help determine the relative importance of each independent variable in the regression model. Generally if a co-efficient has a t – value well below -2 or above +2, then keep that independent variable in the equation. If the p – value is less than .05 or the specified alpha level, it can be concluded that the co-efficient is significantly different from and hence can keep the variable in the equation.

Significance Level

As per Cavana et.al (p.462) the significance level is the probability of rejecting the null hypothesis when it is true, also called the critical value, and the probability of this occurring is called (Alpha) or Cronbach's alpha. As well per Cavana et.al (p.463) the error made when the null hypothesis is rejected when it is true is called a Type I error. The accepted significance level for business purpose is .05, the lower the factor below .05 enhances the significance level.

Confidence Interval

As per Cavana et.al (p.454) the confidence interval is the probability estimate of how much reliance can be placed on the findings; the usual accepted level of confidence in social science research is 95 percent. As well per Cavana et.al (p.410) as stated, the mean and standard deviation are the most widely used descriptive statistics. The standard deviation, in conjunction with the mean, is a very useful tool because of the following statistical rules, in a normal distribution.

1. Most observations (more than 99%) fall within three standard deviations of the average or mean.

2. More than 95% of the observations are within two standard deviations of the mean.
3. About 68% of the observations are within one standard deviation of the mean.

5.26 SUMMARY

Chapter five outlined the essence data analysis, much emphasis has been placed in this chapter on multivariate analysis given that MVA is such an important tool in the analysis, explanation and prediction of numbers generated by this paper, but to also gain an in depth understanding for subsequent PHD analysis. The chapter outlined descriptive analysis which, are measures that outline central tendency data that include mean, median, skewness, kurtosis and standard deviation. These measures help determine the uniformity of distribution of data under a normal distribution curve, which assists also in identifying outliers in data.

Univariate analysis is an assessment process that as fore mentioned prepares data for multivariate analysis. Involved is the assessment of dispersion, so that only relevant data is used in the multivariate analysis stage. It can be seen that descriptive analysis and univariate analysis go closely with each other to achieve an acceptable data pool for later analysis. As fore mentioned multivariate analysis is possibly the more relevant analysis to be carried out, although cannot be successfully achieved with logical unless descriptive and univariate analysis is carried out before hand. In the more common complex analysis that is common place in modern decision making, it is multivariate analysis which carries out the necessary computations that frequently required. It is not to often whereby only singular variables are interacting with each other, more common place is the interaction of multiple independent and dependent variables, hence Multivariate analysis which as shown can take a number of different formats depending on the application required.

CHAPTER 6

RESULTS OF EMPIRICAL RESEARCH RELATING TO CORPORATE GOVERNANCE DISCLOSURE AND FINANCIAL PERFORMANCE

6.0 INTRODUCTION

Chapter six presents results of empirical research and analysis carried out on data collected and collated throughout this dissertation. The results being of a deductive nature are in keeping with a positive paradigm. The thrust of an explanation, being deduced from the process of first developing a theory, formulating hypothesis, collect and analyse data and then precede to the explanation drawn from that data ,Cavana et.al (p.36). The results of the analysis are displayed in descriptive, univariate, multivariate and multiple regression analysis. Definitive results are the culmination of all prior research which has been carried out to either accept or reject the hypothesis outlined in chapter four.

Parametric Analysis

To measure the association bewteen variables as per **Appendix C**. Outlined are both descriptive and multivariate analysis to test association, the closer the coefficient is to 1.00, the stronger the association between dependent and independent variables.

As for the associations between the variables, the paired independent sample t – test was conducted and for nominal independent variables that comprised more than two groups, the analysis (ANOVA) was undetaken.

The t – test produces two versions of t – value: one is equal variance which assumes the variance in two populations are equal and the other is unequal variance, which does not. Thus, the Levene test (a test for homogeneity of variance) is used as a benchmark in deciding which t – value to consider in rejecting the null hypothesis. If the F – value in the Levene test is not significant ($p>0.05$), it means that the equal variance assumption is approximately met and hence, the equal variance t – value is used to test the significance of association between the dependent and the nominal independent variable. (see Kinnear and Gray, 1995: p.93 and Norusis, 1995: p.261 – 2)

The reason for adopting ANOVA rather than the multiple t – test for the industry variable was because the probability of at least one test showing significance even if the null hypothesis is true is higher than the conventional significance level when the latter method is used (Kinnear and Gray, 1995: p.98).

However, to undertake the ANOVA procedure (and also multiple regression later, the data needs to fulfil two conditions: each group must be a random sample from a normal distribution and the variance from all groups must be equal. The first condition was checked by a visual inspection using histograms and normal probablity plots for each of the groups, while the Levenes test (test for equality of variance) was conducted to check for the second condition. The F – probability value in ANOVA indicates if the F ratio is statistically significant. In other words, the smaller the value of the F probablity, the stronger the evidence against the null hypothesis.

6.1 UNIVARIATE/DESCRIPTIVE STATISTICS

Summary Descriptive/Univariate data/graphs and Detailed Descriptive/Univariate data are data which relate to all tested independent and dependent variables. The mean scores of collected data have been collated in a summary result table together with a corresponding graph of this data. The graph in particular outlines with a high degree of clarity, the peaks and troughs of variables per sector classifications used. When perusing the graph it is noted that that generally institutional entities fair much better than corresponding non institutional entities.

6.2 MULTIVARIATE ANALYSIS

The purpose of multivariate analysis is to determine the level of correlation and interaction between variables. The measures used to determine correlation/interaction levels in this study are factor analysis, communalities and inter-item correlation matrix for institutional and non institutional entities and related sectors being analysed. It was felt that both multivariate analysis tests were most appropriate to use, because of the fact that both Univariate/Descriptive and multiple regression analysis sufficiently test collected data for hypothesis testing and the purpose of the selected multivariate tests was purely to test correlation and interaction levels of the variables. As previously explained in *Factor analysis* using 'eigenvalues' (these indices summarise how much variance each factors explain out of the total available; if they are plotted against the number of factors, they give a rough indication as to the number of factors to interpret. *Communalities* are indices that summarise how much variance in each variable is shared in common with the variance of the set of factors in the final solution. A 'factor

pattern matrix' (a set of standardized regression weights for predicting variable scores on the basis of the factors identified in the final solution. *Inter-item correlation matrix* states the correlation matrix gives the degree to which items co vary in a standardized form (as a standard score known as a correlation co-efficient). These co variances have been transformed by being standardized around a SD of 1.0. Outlined which components in the final analysis are the greater contributors to the explanatory process and to what degree as determined by the assigned 'eigenvalue'. The eigenvalues cumulative percentages for components 1- 6 are as follows in the table below.

Table 6.1 Factor Analysis Cumulative Percentages

Cumulative Percentage	Sector
78.690%	Institutional Miscellaneous
87.153%	Institutional Materials
83.661%	Non Institutional Miscellaneous
82.425%	Non Institutional Materials

Therefore in **table 6.1** it shown an average explanatory power for the top 6 component variables for institutional controlled entities of 82.922% and for non institutional controlled entities of 83.043%. Therefore it is concluded that the independent variables marginally do a better job of explaining the movement in the dependent variables, in non institutionally controlled entities than that of institutionally controlled entities. Analysing communiailities for the variuous institutionally controlled and non institutionally controlled entities, it is found that the main portion are extractions. Communalities as Cooksey p.82, 4.27 (p.145) points out are indices that summarise how much variance in each variable are shared in common with the variance of the set of factors in the final solution. Therefore looking at the extraction rates for the various studies, it is seen that in varying degrees for both institutionally controlled and non institutionally controlled entities for the various sectors, the various independent and dependent variables share in common and interact with each other in the final solution. The last multivariate analysis utilised is the inter-item correlation matrix. The correlation matrix, as explained previously outlines as a factor between -1 and + 1 as to how much an independent or dependent variable correlates with each other when

performing regression analysis toward a final solution. In essence to select variables that correlate highly with each other in a multiple regression, it is prudent to run an inter-item correlation matrix before hand, then run regressions.

6.3 MULTIPLE REGRESSION ANALYSIS

The tables and corresponding graphs are consistent with variables, it was thought appropriate that the various combinations of predictor and criterion variables be shown both seperately to show the individual effects and influences and variables along with an over all summary. By showing results in this fashion enables the reader to assess what tests are more influencial than others in confirming the acceptance or rejection of stated hypothesis as set out in Chapter four. The strength of taking this particular approach is that if a particular test is required by a reader rather than using all extensive tests given, the reader is able to select one particular test, that maybe identified as more applicable than others to assist in decision making purpose.By observing the overall summary though it is much to correlate the information and make judgements about individual sectors by theoretically applying all the tests, or alternatively use the information generated in this study for decision making purposes. Consistent with hypothesis outlined in Chapter four it is assumed that Institutionally Controlled Entities will have a greater level of Corporate Governance voluntary disclosure, which in turn lead to superior financial performance levels. In the results stage of this study and the accompanying graphs, data is divided into; Institutional Materials; Non – Institutional Materials in graphs; Institutional Miscellaneous Sectors in graphs and Non – Institutional Miscellaneous Sectors in graphs. During my results stage it assumed that if individual or collective Institutional Sectors have greater significance than Non – Institutional Sectors that this will constitute an acceptance of H1a and H2a and rejection of H1o and H2o. If individual or collective Non Institutional Sectors have greater significance than Institutional Sectors this will constitute an acceptance of H1o and H2o and rejection of H1a and H2a. If no signficant difference in results for either Institutional or Non – Institutional Sectors this will constitute an acceptance of H1o and H2o and rejection of H1a and H2a. The method in which is preferable to present results is to use tables or graphs individually

but to both concurrently each other, so that if the reader is more comfortable reading either tables or graphs, then both are supplied. Also on a collective basis show the sectors summarised in one table and graph or individually with the combination of the selected independent and dependent variables. To be able to narrow analysis of data down to a particular sector shows which sector/s has the highest/ lowest means where ever applicable, lowest standard deviations, highest T – score, highest r2 and the lowest probability factor below .05 being the level of significance, which is defined as 'alpha' being the probability of making a Type I error, which is the error made when the null hypothesis is rejected when it is true. When assessing whether to either reject or accept stated hypothesis, it is felt essential that also the generalisability; being ' the applicability of research findings in one setting to others', reliability; ' the internal consistency and stability over time of the measuring instrument' and validity; 'evidence that the instrument, technique or process used to measure a concept does indeed measure the intended concept, Cavana et al (2001).

Determining an outcome using data collected and collated through the multiple regression process, it was found that generally in conjunction for the reasons outlined in those hypothesis as per **Chapter four**.

The results as to as to voluntary disclosure compliance should also be read in conjunction with **Table 6.2** and **Figure 6.1** these table and graph show per each recommendation the levels of voluntary disclosure compliance per sector and out rightly support the hypothesis that voluntary disclosure compliance is higher in Institutionally controlled entities than that of Non institutionally controlled entities. See **Appendix D** for multiple regression tables.

Table 6.2: ASX CGC Principles and Guidelines Voluntary Levels of Disclosure per Sector

CLASSIFICATION	INSTITUTIONAL MATERIALS	INSTITUTIONAL MISCELLEANEOUS	NON INSTITUTIONAL MATERIALS	NON INSTITUTIONAL MISCELLANEOUS
1.1	93.2%	98.2%	82.1%	96.8%
2.1	75.0%	89.3%	46.4%	51.6%
2.2	70.5%	76.8%	57.1%	41.9%
2.3	95.5%	94.6%	89.3%	77.4%
2.4	63.6%	69.6%	23.8%	41.9%
2.5	93.2%	89.3%	77.4%	71.0%
3.1.1	93.2%	98.2%	85.7%	96.8%
3.1.2	93.2%	98.2%	85.7%	96.8%
3.2	81.8%	83.9%	75.0%	87.1%
3.3	86.4%	87.5%	75.0%	74.2%
4.1	97.7%	89.3%	86.9%	90.3%
4.2	81.8%	85.7%	57.1%	71.0%
4.3	63.6%	73.2%	35.7%	61.3%
4.4	86.4%	85.7%	58.3%	67.7%
4.5	93.2%	89.3%	75.0%	74.2%
5.1	88.6%	85.7%	70.2%	71.0%
5.2	90.9%	87.5%	72.6%	67.7%
6.1	93.2%	94.6%	86.9%	96.8%
6.2	95.5%	94.6%	84.5%	74.2%
7.1	88.6%	83.9%	72.6%	87.1%
7.2.1	97.7%	96.4%	82.1%	90.3%
7.2.2	97.7%	94.6%	82.1%	96.8%
7.3	97.7%	85.7%	71.4%	74.2%
8.1	86.4%	83.9%	66.7%	77.4%
9.1	95.5%	92.9%	82.1%	100.0%
9.2	70.5%	75.0%	36.9%	54.8%
9.3	93.2%	96.4%	79.8%	90.3%
9.4	93.2%	96.4%	81.0%	90.3%
9.5	90.9%	87.5%	72.6%	74.2%
10.1	93.2%	87.5%	78.6%	83.9%
OVERALL MEAN	**88.03%**	**88.38%**	**71.02%**	**77.63%**
OVERALL SD	**9.09%**	**7.50%**	**16.70%**	**16.19%**

Read in conjunction with Appendix B

Table 6.2 and accompanying statistical tables outlines the levels of compliance for each of the 30 recommendations. As can be noted the compliance levels are higher for institutional controlled entities as opposed to non-institutionally controlled entities.

Table 6.3: ASX CGC Principles and Guidelines Voluntary Levels of Disclosure Compliance Paired Samples Statistics for Institutional and Non Institutional Materials Dominated Entities

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Inst_Materials	.880367	30	.0993557	.0181398
	Non_Inst_Materials	.710200	30	.1670072	.0304912

Table 6.3 Paired Samples Statistics show Institutional Dominated a high means of .8804 with a lower standard deviation .099, supporting higher voluntary disclosure compliance than that of the Non Institutional Materials counterpart showing a mean of .7102 and standard deviation of .1670.

Table 6.4: ASX CGC Principles and Guidelines Voluntary Levels of Disclosure Compliance Paired Samples Correlations for Institutional and Non Institutional Materials Dominated Entities

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	Inst_Materials & Non_Inst_Materials	30	.924	.000

Table 6.4 Paired Samples Correlations for Institutional and Non Institutional Materials support a high level of correlation between the samples data sets used in the analysis.

Table 6.5: ASX CGC Principles and Guidelines Voluntary Levels of Disclosure Compliance Paired Samples Statistics for Institutional and Non Institutional Miscellaneous Dominated Entities

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Inst_Miscellaneous	.883800	30	.0754094	.0137678
	Non_Inst_Miscellaneous	.776333	30	.1619426	.0295665

Table 6.5 Paired Samples Statistics highlights the very high mean for Institutional Miscellaneous (.8838) and low standard deviation level (.0754) as compared with the Non Institutional Miscellaneous counterpart showing a mean of (.7763) and standard deviation of (.1619).

Table 6.6: ASX CGC Principles and Guidelines Voluntary Levels of Disclosure Compliance Paired Samples Correlations for Institutional and Non Institutional Miscellaneous Dominated Entities

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	Inst_Miscellaneous & Non_Inst_Miscellaneous	30	.791	.000

Table 6.6 Paired Samples Correlations for Institutional Miscellaneous and Non Institutional Miscellaneous Entities show a medium correlation between ASX CGC voluntary disclosure compliance of (.791).

Figure 6.1 shows in graphical form where the compliance levels overlap and at what levels. It is noted that institutionally controlled entities show higher percentages of overlap than those of non-institutionally controlled entities.

Figure 6.1: ASX CGC Principles and Guidelines Voluntary Levels of Disclosure per Sector

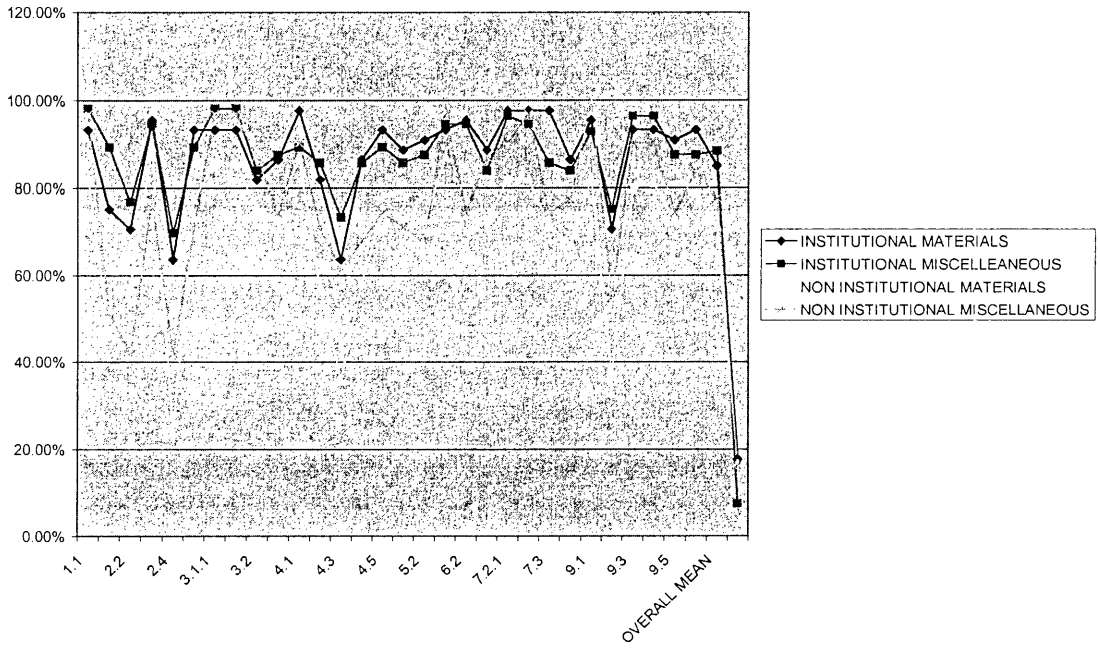


Figure 6.2: ASX CGC Principles and Guidelines Voluntary Levels of Compliance Histogram for Institutional Dominated Materials Entities

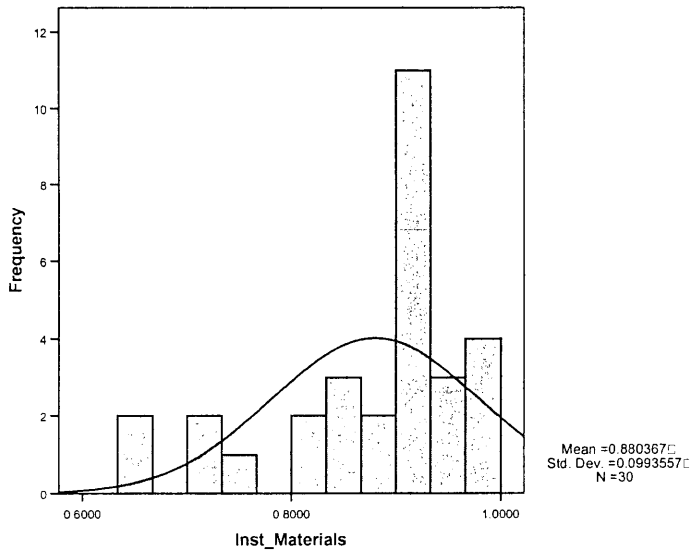


Table 6.7: ASX CGC Principles and Guidelines Voluntary Levels of Disclosure Compliance Descriptive Statistics for Institutional Dominated Materials Entities

Descriptive Statistics

	N	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Inst_Materials	30	.880367	-1.377	.427	.950	.833
Valid N (listwise)	30					

The Histogram **figure 6.2** shows the frequencies and dispersion of Institutional Dominated Materials entities for compliance levels. As is shown in the descriptive **table 6.7** against a normal distribution curve that the positioning of compliance levels predominately fall under the distribution curve with a high left hand skewness (-1.377) and generally a flat right hand kurtosis (.950).

Figure 6.3: ASX CGC Principles and Guidelines Voluntary Levels of Compliance Histogram for Institutional Dominated Miscellaneous Entities

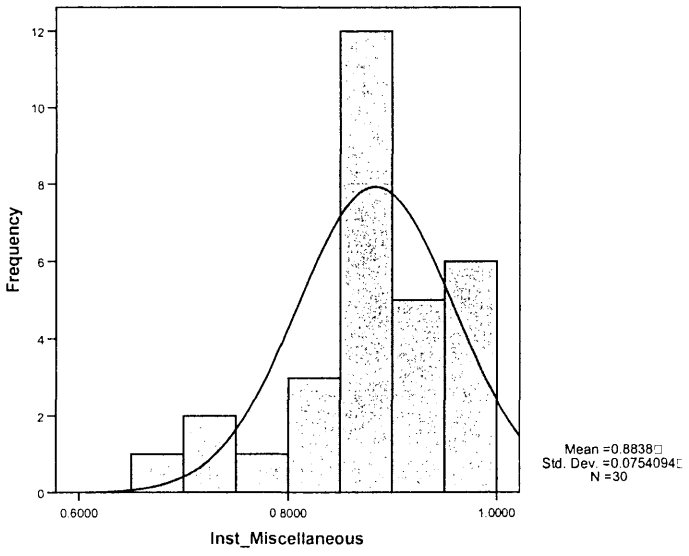


Table 6.8: ASX CGC Principles and Guidelines Voluntary Levels of Disclosure Compliance Descriptive Statistics for Institutional Miscellaneous Dominated Entities

Descriptive Statistics

	N	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Inst_Miscellaneous	30	.883800	-.773	.427	.279	.833
Valid N (listwise)	30					

The Histogram **figure 6.3** shows the frequencies and dispersion of Institutional Dominated Miscellaneous entities for compliance levels. As is shown in the descriptive statistics **table 6.8** against a normal distribution curve that the positioning of compliance levels predominately fall under the distribution curve with as slight left hand skewness (-.773) and generally a flat kurtosis (.279).

Figure 6.4: ASX CGC Principles and Guidelines Voluntary Levels of Compliance Histogram for Non Institutional Dominated Materials Entities

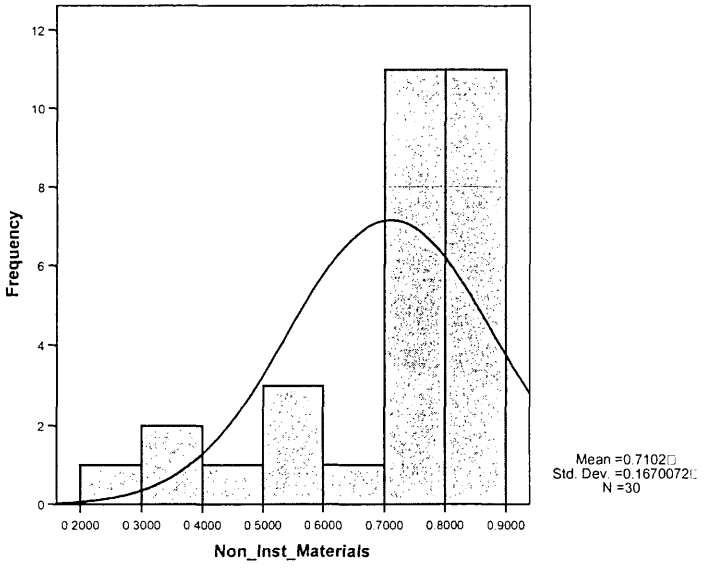


Table 6.9: ASX CGC Principles and Guidelines Voluntary Levels of Disclosure Compliance Descriptive Statistics for Non Institutional Materials Dominated Entities

Descriptive Statistics

	N	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Non_Inst_Materials	30	.710200	-1.433	.427	1.461	.833
Valid N (listwise)	30					

The Histogram **figure 6.4** shows the frequencies and dispersion of Non- Institutional Dominated Materials entities for compliance levels. As is shown in the descriptive statistics **table 6.9** against a normal distribution curve that the positioning of compliance levels generally fall under the distribution curve with a high left hand skewness (-.1.433) and generally a peaked kurtosis (1.461).

Figure 6.5: ASX CGC Principles and Guidelines Voluntary Levels of Compliance Histogram for Non Institutional Dominated Miscellaneous Entities

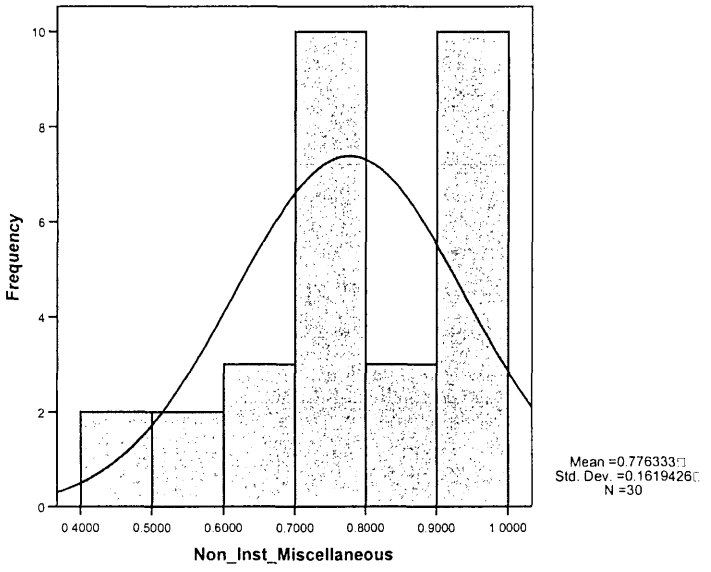


Table 6.10: ASX CGC Principles and Guidelines Voluntary Levels of Disclosure Compliance Descriptive Statistics for Non Institutional Miscellaneous Dominated Entities

Descriptive Statistics

	N	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Non_Inst_Miscellaneous	30	.776333	-.624	.427	-.170	.833
Valid N (listwise)	30					

The Histogram **figure 6.5** shows the frequencies and dispersion of Non- Institutional Dominated Miscellaneous entities for compliance levels. As is shown in the descriptive statistics **table 6.10** against a normal distribution curve that the positioning of compliance levels predominately fall under the distribution curve with a slight left hand skewness (-.624) and generally a flat left hand kurtosis (-.170).

The following Paired Samples Tests show the level of significance and therefore correlation between sample sector data sets being analysed.

Table 6.11: Paired Samples Test for Levels of Significance for Institutional Materials and Non Institutional Materials Dominated Entities

Paired Samples Test

		Paired Differences					T	df	Sig. (2-taile
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
air 1	Inst_Materials - Non_Inst_Materials	.1701667	.0843258	.0153957	.1386789	.2016544	11.053	29	.0

Table 6.11 outlines the level of compliance between Institutional dominated Materials entities and Non Institutional dominated Materials entities as per data outlined **Table 6.4**. The high T – score 11.053 and the low significance factor .000 show convincingly that Institutional Dominated Materials Entities are far more compliant that Non Institutional Dominated Materials Entities.

Table 6.12: Paired Samples Test for Levels of Significance for Institutional Miscellaneous and Non Institutional Miscellaneous Dominated Entities

Paired Samples Test

		Paired Differences					t	df	Sig. (2-taile
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
air 1	Inst_Miscellaneous - Non_Inst_ Miscellaneous	.1074667	.1122644	.0204966	.0655465	.1493869	5.243	29	.0

Table 6.12 outlines the level of compliance between Institutional dominated Miscellaneous entities and Non Institutional Materials Miscellaneous entities as per data outlined **Table 6.4**. As noted that there is substantial evidence of the substantial degree of compliance with ASX CGC recommendations in the Miscellaneous Sector. The high T – score 5.243 and the low significance factor .000 show convincingly that Institutional Dominated Miscellaneous Entities are far more compliant that Non Institutional Dominated Miscellaneous Entities.

The following set of tables outline the degree of correlation and significance of three (3) selected financial ratio variables from the selection of variables utilised to determine whether or not ASX CGC Voluntary compliance which has been shown to be affected by shareholding mix has any bearing on financial performance.

Table 6.13: Paired Samples Statistics for Institutional Materials Dominated Entities

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	ROA	-.01540	45	.183479	.027351
	ROTC	-.02971	45	.189796	.028293
Pair 2	ROTC	-.02971	45	.189796	.028293
	ROE	.00971	45	.253795	.037833
Pair 3	ROA	-.01540	45	.183479	.027351
	ROE	.00971	45	.253795	.037833

Table 6.13 Paired Samples Statistics outlines descriptive data on the three (3) Institutional Materials Dominated Entities combinations of variables used and where they lay in comparison with each other, showing relatively small standard deviations for the recorded means.

Table 6.14: Paired Samples Correlations for Institutional Materials Dominated Entities

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	ROA & ROTC	45	.992	.000
Pair 2	ROTC & ROE	45	.974	.000
Pair 3	ROA & ROE	45	.980	.000

Table 6.14 Paired Samples Correlations outlines Correlation data on the three (3) Institutional Materials dominated entities combinations of variables used and where they lay in comparison with each other, showing substantially high correlations between the three (3) selected combinations being examined.

Table 6.15: Paired Samples Test for Institutional Materials Dominated Entities

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	ROA - ROTC	.014311	.025027	.003731	.006792	.021830	3.836	44	.000
Pair 2	ROTC - ROE	-.039422	.081191	.012103	-.063815	-.015030	-3.257	44	.002
Pair 3	ROA – ROE	-.025111	.082410	.012285	-.049870	-.000352	-2.044	44	.047

Table 6.15 outlines the strength of determining significance to test explanatory power of the three (3) different Institutional Materials dominated entities combinations utilised. As noted the Paired Sampled Test have been ranked according to levels of significance below .05, with clearly by a substantial margin ranking both significance and t – score that the superior combination is ROA – ROTC.

Table 6.16: Paired Samples Statistics for Non Institutional Materials Dominated Entities

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	ROA	-.19857	84	.286888	.031302
	ROTC	-.23739	84	.362530	.039555
Pair 2	ROTC	-.23739	84	.362530	.039555
	ROE	-.25794	84	.396336	.043244
Pair 3	ROA	-.19857	84	.286888	.031302
	ROE	-.25794	84	.396336	.043244

Table 6.16 Paired Samples Statistics outlines descriptive data on the three (3) Non Institutional Materials Dominated Entities combinations of variables used and where they lay in comparison with each other, showing somewhat larger standard deviations for the recorded means.

Table 6.17: Paired Samples Correlations for Non Institutional Materials Dominated Entities

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	ROA & ROTC	84	.989	.000
Pair 2	ROTC & ROE	84	.957	.000
Pair 3	ROA & ROE	84	.945	.000

Table 6.17 Paired Samples Correlations outlines Correlation data on the three (3) Non Institutional Materials dominated entities combinations of variables used and where they lay in comparison with each other, showing substantially high correlations between the three (3) selected combinations being examined.

Table 6.18: Paired Samples Test for Non Institutional Materials Dominated Entities

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	ROA - ROTC	.038821	.089756	.009793	.019343	.058300	3.964	83	.000
Pair 2	ROTC - ROE	.020548	.116572	.012719	-.004750	.045845	1.615	83	.110
Pair 3	ROA – ROE	.059369	.156251	.017048	.025461	.093278	3.482	83	.001

Table 6.18 outlines the strength of determining significance to test explanatory power of the three (3) different Non Institutional Materials dominated entities combinations utilised. As noted the Paired Sampled Test have been ranked according to levels of significance below .05, with clearly by a substantial margin ranking both significance and t – score that the superior combination is ROA – ROTC and ROA – ROE.

Table 6.19: Paired Samples Statistics for Institutional Miscellaneous Dominated Entities

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	ROA	.04228	57	.148984	.019733
	ROTC	.02879	57	.146361	.019386
Pair 2	ROTC	.02879	57	.146361	.019386
	ROE	.10368	57	.210704	.027908
Pair 3	ROA	.04228	57	.148984	.019733
	ROE	.10368	57	.210704	.027908

Table 6.19 Paired Samples Statistics outlines descriptive data on the three (3) Institutional Miscellaneous dominated entities combinations of variables used and where they lay in comparison with each other, showing smaller standard deviations for the recorded means.

Table 6.20: Paired Samples Correlations for Institutional Miscellaneous Dominated Entities

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	ROA & ROTC	57	.976	.000
Pair 2	ROTC & ROE	57	.843	.000
Pair 3	ROA & ROE	57	.858	.000

Table 6.20 Paired Samples Correlations outlines Correlation data on the three (3) Institutional Miscellaneous dominated entities combinations of variables used and where they lay in comparison with each other, showing substantially high correlations between the three (3) selected combinations being examined.

Table 6.21: Paired Samples Test for Institutional Miscellaneous Dominated Entities

Paired Samples Test

		Paired Differences					T	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	ROA - ROTC	.013491	.032755	.004338	.004800	.022182	3.110	56	.003
Pair 2	ROTC - ROE	-.074895	.117512	.015565	-.106075	-.043715	-4.812	56	.000
Pair 3	ROA – ROE	-.061404	.112910	.014955	-.091363	-.031444	-4.106	56	.000

Table 6.21 outlines the strength of determining significance to test explanatory power of the three (3) different Institutional Miscellaneous dominated entities combinations utilised. As noted the Paired Sampled Test have been ranked according to levels of significance below .05, with clearly by a substantial margin ranking both significance and t – score that the superior combination is ROTC – ROE and ROA – ROE .

Table 6.22: Paired Samples Statistics for Non Institutional Miscellaneous Dominated Entities

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	ROA	-.05843	28	.381227	.072045
	ROTC	-.03207	28	.492641	.093100
Pair 2	ROTC	-.03207	28	.492641	.093100
	ROE	-.13368	28	.378408	.071512
Pair 3	ROA	-.05843	28	.381227	.072045
	ROE	-.13368	28	.378408	.071512

Table 6.22 Paired Samples Statistics outlines descriptive data on the three (3) Non Institutional Miscellaneous dominated entities combinations of variables used and where they lay in comparison with each other, showing somewhat larger standard deviations for the recorded means.

Table 6.23: Paired Samples Correlations for Non Institutional Miscellaneous Dominated Entities

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	ROA & ROTC	28	.956	.000
Pair 2	ROTC & ROE	28	.312	.105
Pair 3	ROA & ROE	28	.524	.004

Table 6.23 Paired Samples Correlations outlines Correlation data on the three (3) Non Institutional Miscellaneous dominated entities combinations of variables used and where they lay in comparison with each other, showing substantially high correlations between the three (3) selected combinations being examined.

Table 6.24: Paired Samples Test for Non Institutional Miscellaneous Dominated Entities

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	ROA – ROTC	-.026357	.170260	.032176	-.092377	.039663	-.819	27	.420
Pair 2	ROTC – ROE	.101607	.519028	.098087	-.099651	.302865	1.036	27	.309
Pair 3	ROA – ROE	.075250	.370780	.070071	-.068523	.219023	1.074	27	.292

Table 6.24 outlines the strength of determining significance to test explanatory power of the three (3) different Non Institutional Miscellaneous dominated entities combinations utilised. As noted the Paired Sampled Test have been ranked according to levels of significance below .05, with clearly by a substantial margin ranking both significance and t – score that the superior combination is ROA – ROE which in this case is not impressive.

Figure 6.6: Histogram for Institutional (ROA) Dominated Materials Entities Return on Assets for Institutional Material Entities

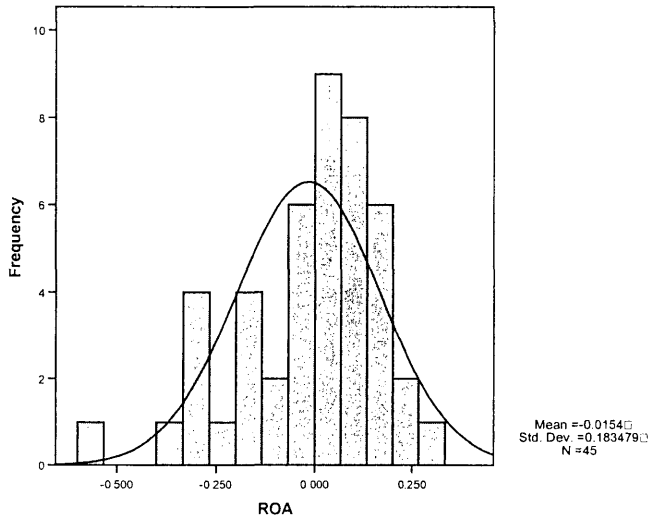


Table 6.25: Descriptive Statistics (ROA) Institutional Materials Dominated Entities

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROA	45	-.01540	.183479	-.968	.354	.944	.695
Valid N (listwise)	45						

The Histogram **figure 6.6** shows the frequencies and dispersion of Institutional Dominated Material entities for Return on Assets. As is shown in the descriptive **table 6.25** against a normal distribution, predominately fall under the distribution curve with slight left hand skewness (-.968) and generally a flat right hand kurtosis (.944).

Figure 6.7: Histogram for Institutional (ROE) Dominated Materials Entities Return on Equity for Institutional Material Entities

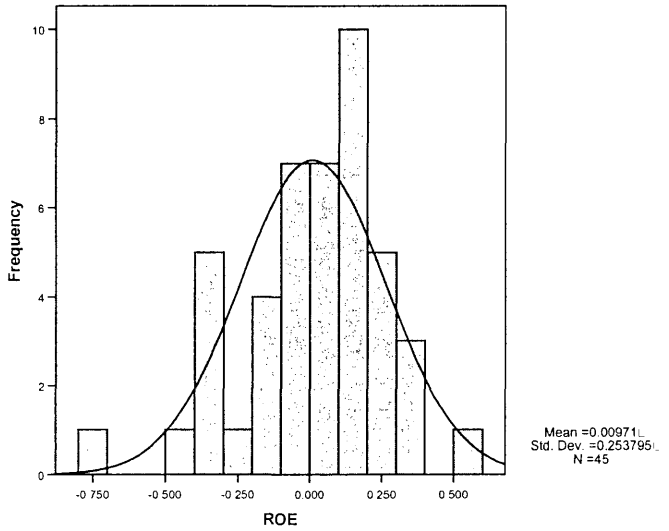


Table 6.26: Descriptive Statistics (ROE) Institutional Materials Dominated Entities

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROE	45	.00971	.253795	-.577	.354	.572	.695
Valid N (listwise)	45						

The Histogram **figure 6.7** shows the frequencies and dispersion of Institutional Dominated Material entities for Return on Equity. As is shown in the descriptive **table 6.25** against a normal distribution, predominately fall under the distribution curve with slight left hand skewness (-.577) and generally a flat right hand kurtosis (.572).

Figure 6.8: Histogram for Institutional (ROTC) Dominated Materials Entities Return on Total Capital for Institutional Material Entities

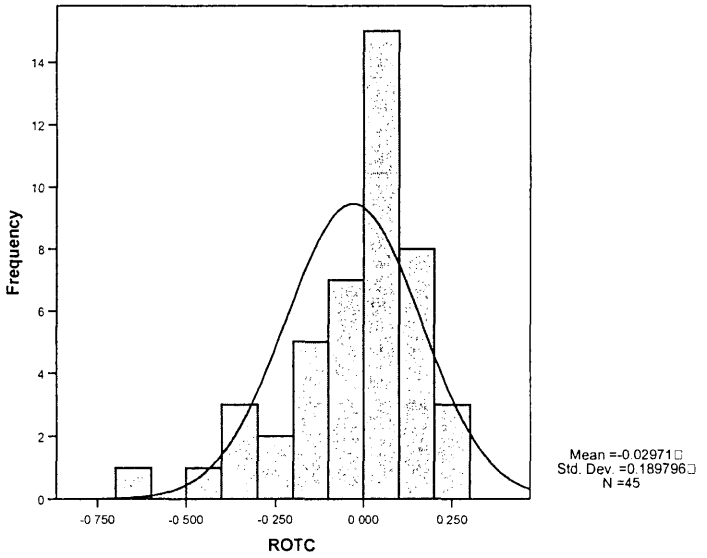


Table 6.27: Descriptive Statistics (ROTC) Institutional Materials Dominated Entities

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROTC	45	-.02971	.189796	-1.101	.354	1.364	.695
Valid N (listwise)	45						

The Histogram **figure 6.8** shows the frequencies and dispersion of Institutional Material entities for Return on Total Capital. As is shown in the descriptive **table 6.25** against a normal distribution curve, generally fall under the distribution curve with high left hand skewness (-.1.011) and a moderately peaked right hand kurtosis (1.364).

Figure 6.9: Histogram for Non Institutional (ROA) Dominated Materials Entities Return on Assets for Non Institutional Material Entities

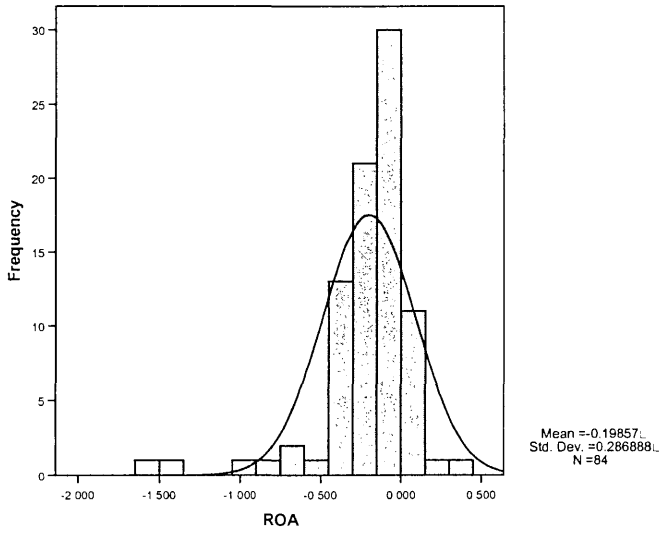


Table 6.28: Descriptive Statistics (ROA) Non Institutional Materials Dominated Entities

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROA	84	-.19857	.286888	-2.334	.263	7.858	.520
Valid N (listwise)	84						

The Histogram **figure 6.9** shows the frequencies and dispersion of Non Institutional Material entities for Return on Assets. As is shown in the descriptive **table 6.26** against a normal distribution, predominately fall outside the distribution curve with high left hand skewness (-2.344) and generally a very high peaked right hand kurtosis (7.858).

Figure 6.10: Histogram for Non Institutional (ROE) Dominated Materials Entities

Return on Equity for Non Institutional Material Entities

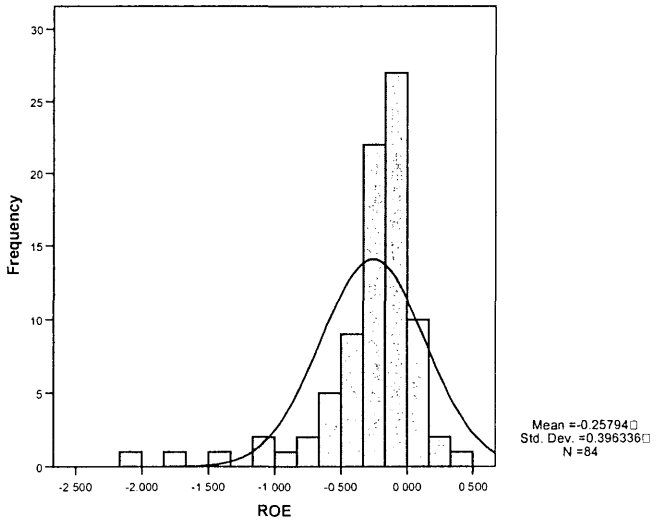


Table 6.29: Descriptive Statistics (ROE) Non Institutional Materials Dominated Entities

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROE	84	-.25794	.396336	-2.253	.263	7.225	.520
Valid N (listwise)	84						

The Histogram **figure 6.10** shows the frequencies and dispersion of Non Institutional Material entities for Return on Equity. As is shown in the descriptive **table 6.27** against a normal distribution curve, predominately outside the distribution curve with high left hand skewness (-2.344) and generally a very high peaked right hand kurtosis (7.225).

Figure 6.11: Histogram for Non Institutional (ROTC) Dominated Materials Entities

Return on Total Capital for Non Institutional Material Entities

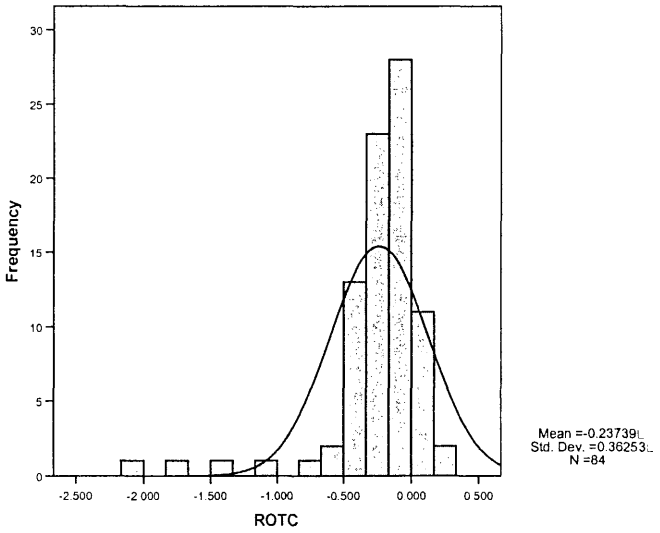


Table 6.30: Descriptive Statistics (ROTC) Non Institutional Materials Dominated Entities

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROTC	84	-2.113	.293	-.23739	.362530	-2.944	.263	11.459	.520
Valid N (listwise)	84								

The Histogram **figure 6.11** shows the frequencies and dispersion of Non Institutional Material entities for Return on Total Capital. As is shown in the descriptive **table 6.28** against a normal distribution, predominately fall outside the distribution curve with high left hand skewness (-2.944) and generally a very high peaked right hand kurtosis (11.459).

Figure 6.12: Histogram for Institutional (ROA) Dominated Miscellaneous Entities

Return on Assets for Institutional Miscellaneous Entities

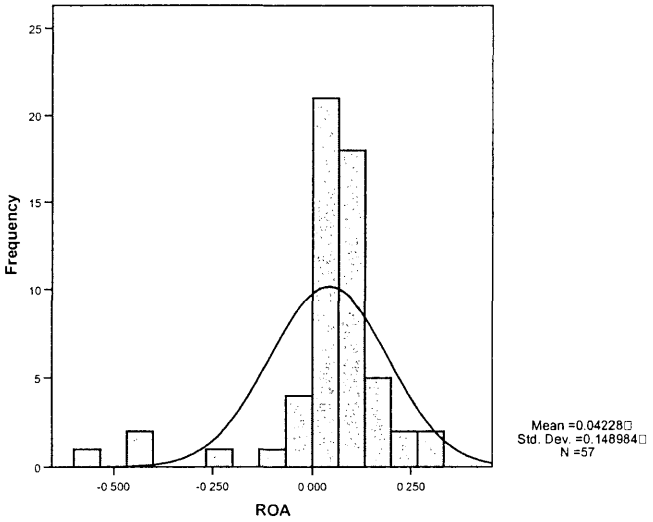


Table 6.31: Descriptive Statistics (ROA) Institutional Miscellaneous Dominated Entities

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROA	57	.04228	.148984	-2.166	.316	6.774	.623
Valid N (listwise)	57						

The Histogram **figure 6.12** shows the frequencies and dispersion of Institutional Miscellaneous entities for Return on Total Assets. As is shown in the descriptive **table 6.29** against a normal distribution curve, predominately fall outside the distribution curve with high left hand skewness (-2.166) and generally a high peaked right hand kurtosis (6.774).

Figure 6.13: Histogram for Institutional (ROE) Dominated Miscellaneous Entities

Return on Equity for Institutional Miscellaneous Entities

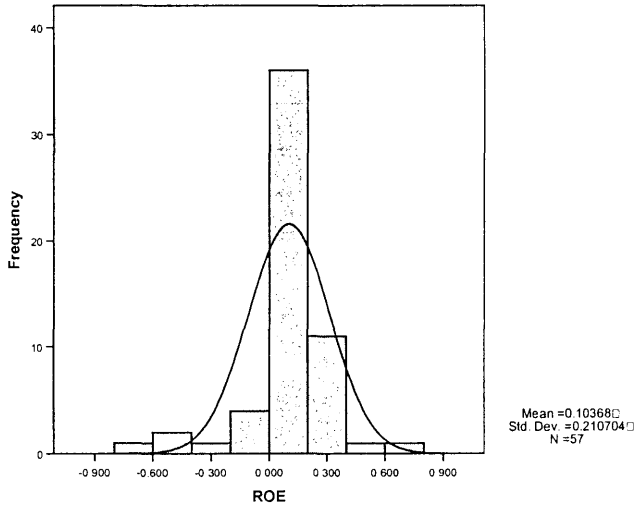


Table 6.32: Descriptive Statistics (ROE) Institutional Miscellaneous Dominated Entities

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROE	57	.10368	.210704	-.935	.316	5.236	.623
Valid N (listwise)	57						

The Histogram **figure 6.13** shows the frequencies and dispersion of Institutional Miscellaneous entities for Return on Equity. As is shown in the descriptive **table 6.30** against a normal distribution curve, predominately outside the distribution curve with slight left hand skewness (-.935) and generally a high peaked right hand kurtosis (5.236).

Figure 6.14: Histogram for Institutional (ROTC) Dominated Miscellaneous Entities

Return on Total Capital for Institutional Miscellaneous Entities

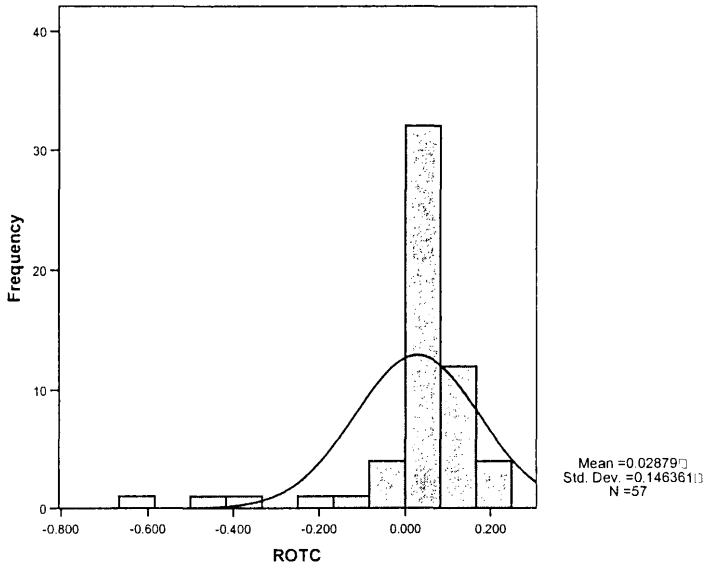


Table 6.33: Descriptive Statistics (ROTC) for Institutional Miscellaneous Dominated Entities

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROTC	57	.02879	.146361	-2.736	.316	9.654	.623
Valid N (listwise)	57						

The Histogram **figure 6.14** shows the frequencies and dispersion of Institutional Miscellaneous entities for Return on Total Capital. As is shown in the descriptive **table 6.31** against a normal distribution curve, predominately fall outside the distribution curve with high left hand skewness (-2.736) and generally a very high peaked right hand kurtosis (9.654).

Figure 6.15: Histogram for Non Institutional (ROA) Dominated Miscellaneous Entities

Return on Assets for Non Institutional Miscellaneous Entities

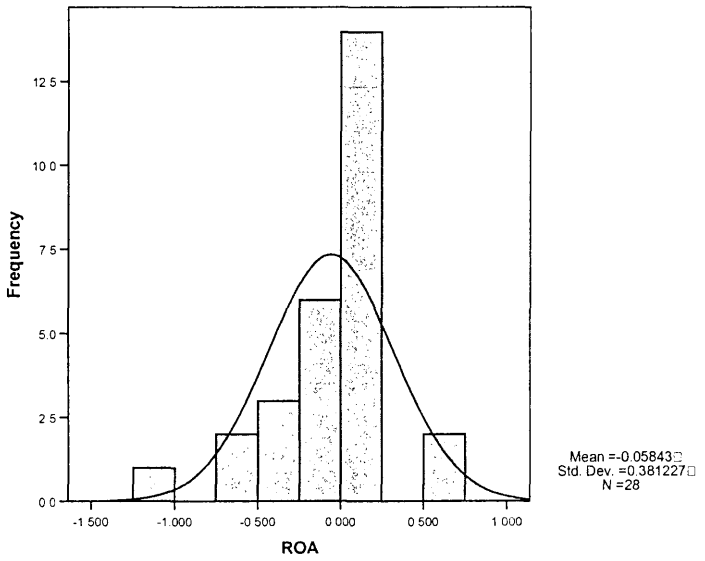


Table 6.34: Descriptive Statistics (ROA) for Non Institutional Miscellaneous Dominated

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROA	28	-.05843	.381227	-.935	.441	2.234	.858
Valid N (listwise)	28						

The Histogram **figure 6.15** shows the frequencies and dispersion of Non Institutional Miscellaneous entities for Return on Assets. As is shown in the descriptive **table 6.32** against a normal distribution curve, generally fall under the distribution curve with slight left hand skewness (-.935) and generally a moderately peaked right hand kurtosis (2.234).

Figure 6.16: Histogram for Non Institutional (ROE) Dominated Miscellaneous Entities

Return on Equity for Non Institutional Miscellaneous Entities

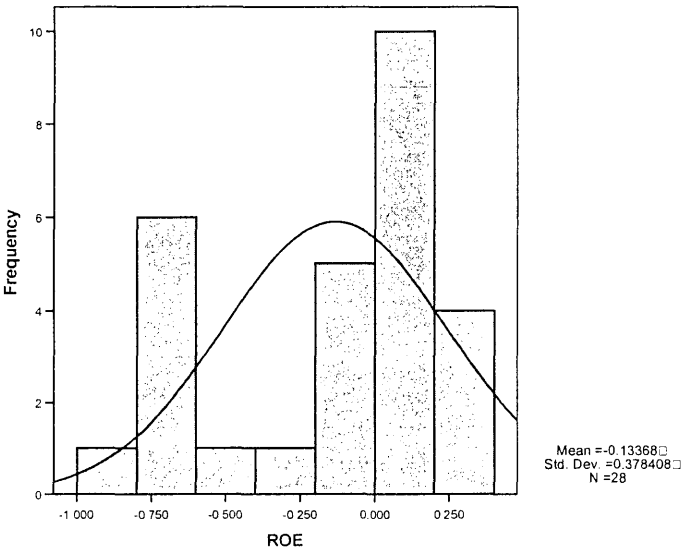


Table 6.35: Descriptive Statistics (ROE) for Non Institutional Miscellaneous Dominated

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROE	28	-.13368	.378408	-.753	.441	-.920	.858
Valid N (listwise)	28						

The Histogram **figure 6.16** shows the frequencies and dispersion of Non Institutional Miscellaneous entities for Return on Equity. As is shown in the descriptive **table 6.33** against a normal distribution curve, predominately fall under the distribution curve with slight left hand skewness (-.753) and generally a very flat left hand kurtosis (-.920).

Figure 6.17: Histogram for Non Institutional (ROTC) Dominated Miscellaneous Entities

Return on Total Capital for Non Institutional Miscellaneous Entities

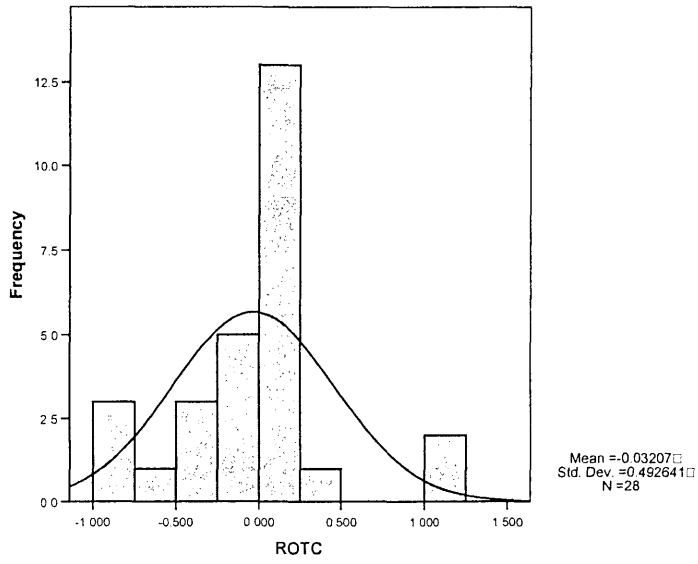


Table 6.36: Descriptive Statistics (ROTC) for Non Institutional Miscellaneous Dominated

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROTC	28	-.03207	.492641	.536	.441	2.181	.858
Valid N (listwise)	28						

The Histogram **figure 6.17** shows the frequencies and dispersion of Non Institutional Miscellaneous entities for Return on Total Capital. As is shown in the descriptive **table 6.34** against a normal distribution, generally fall under the distribution curve with slight right hand skewness (.536) and a moderately peaked right hand kurtosis (2.181).

Table 6.37: Summary of All Statistical Data Tables

Table No:	Dominance	Entity Type	Pairs	Mean	SD	T - Score	Sig	Skewness	Kurtosis	Correlation
6.2	Institutional	Materials		88.03%	9.09%					
	Institutional	Miscellaneous		88.38%	7.50%					
	Non Institutional	Materials		71.02%	16.70%					
	Non Institutional	Miscellaneous		77.63%	16.19%					
6.3	Institutional	Materials		.880367	.0993557					
	Non Institutional	Materials		.710200	.1670072					
6.4	Institutional & Non Institutional	Materials					.000			.924
6.5	Institutional	Miscellaneous		.883800	.0754094					
	Non Institutional	Miscellaneous		.776333	.1619426					
6.6	Institutional & Non Institutional	Miscellaneous					.000			.791
6.7	Institutional	Materials		.880367				-1.377	.950	
6.8	Institutional	Miscellaneous		.883800				-.773	.279	
6.9	Non Institutional	Materials		.710200				-1.433	1.461	
6.10	Non Institutional	Miscellaneous		.776333				-.624	-.170	
6.11	Institutional & Non Institutional	Materials		.1701667	.0843258	11.053	.000			
6.12	Institutional & Non Institutional	Miscellaneous		.1074667	.1122644	5.243	.000			
6.13	Institutional	Materials	ROA and ROTC	-.01540 and -.02971	.183479 and .189796					
			ROTC and ROE	-.02971 and .00971	.189796 and .253795					
			ROA and ROE	-.01540 and .00971	.183479 and .253795					
6.14	Institutional	Materials	ROA and ROTC				.000			.992
			ROTC and ROE				.000			.974
			ROA and ROE				.000			.980

6.15	Institutional	Materials	ROA and ROTC	.014311	.025027	3.836	.000			
			ROTC and ROE	-.039422	.081191	-3.257	.002			
			ROA and ROE	-.025111	.082410	-2.044	.047			
6.16	Non Institutional	Materials	ROA and ROTC	-.19857 and -.23739	.286888 and .362530					
			ROTC and ROE	-.23739 and -.25794	.362530 and .396336					
			ROA and ROE	-.19857 and -.25794	.286888 and .396336					
6.17	Non Institutional	Materials	ROA and ROTC				.000			.989
			ROTC and ROE				.000			.957
			ROA and ROE				.000			.945
6.18	Non Institutional	Materials	ROA and ROTC	.038821	.089756	3.964	.000			
			ROTC and ROE	.020548	.116572	1.615	.110			
			ROA and ROE	.059369	.156251	3.482	.001			
6.19	Institutional	Miscellaneous	ROA and ROTC	.04228 and .02879	.148984 and .146361					
			ROTC and ROE	.02879 and .10368	.146361 and .210704					
			ROA and ROE	.04228 and .10368	.148984 and .210704					
6.20	Institutional	Miscellaneous	ROA and ROTC				.000			.976
			ROTC and ROE				.000			.843
			ROA and ROE				.000			.858

6.21	Institutional	Miscellaneous	ROA and ROTC	.013491	.032755	3.110	.003			
			ROTC and ROE	-.074895	.117512	-4.812	.000			
			ROA and ROE	-.061404	.112910	-4.106	.000			
6.22	Non Institutional	Miscellaneous	ROA and ROTC	-.05843 and -.03207	.381227 and .492641					
			ROTC and ROE	-.03207 and -.13368	.492641 and .378408					
			ROA and ROE	-.05843 and -.13368	.381227 and .378408					
6.23	Non Institutional	Miscellaneous	ROA and ROTC				.000			.956
			ROTC and ROE				.105			.312
			ROA and ROE				.004			.524
6.24	Non Institutional	Miscellaneous	ROA and ROTC	-.026357 and .170260		-.819	.420			
			ROTC and ROE	.101607 and .519028		1.036	.309			
			ROA and ROE	.075250 and .370780		1.074	.292			
6.25	Institutional	Materials	ROA	-.01540	.183479			-.968	.944	
6.26	Institutional	Materials	ROE	.00971	.253795			-.577	.572	
6.27	Institutional	Materials	ROTC	-.02971	.189796			-1.101	1.364	
6.28	Non Institutional	Materials	ROA	-.19857	.286888			-2.344	7.858	
6.29	Non Institutional	Materials	ROE	-.25794	.396336			-2.253	7.225	
6.30	Non Institutional	Materials	ROTC	-.23739	.362530			-2.944	11.459	
6.31	Institutional	Miscellaneous	ROA	.04228	.148984			-2.166	6.774	
6.32	Institutional	Miscellaneous	ROE	.10368	.210704			-.935	5.236	
6.33	Institutional	Miscellaneous	ROTC	.02879	.146361			-2.736	9.654	
6.34	Non Institutional	Miscellaneous	ROA	-.05843	.381227			-.935	2.234	
6.35	Non Institutional	Miscellaneous	ROE	-.13368	.378408			-.753	-.920	
6.36	Non Institutional	Miscellaneous	ROTC	-.03207	.492641			.536	2.181	

6.4 SUMMARY

In summary **Chapter six** outlined the various analysis tools used in this study at Univariate/Descriptive, Multivariate Analysis and Multiple regression levels. The chapter reiterated definitions outlined in **Chapter five** as to how the various tools implemented are designed and implemented to secure information to form an educated opinion as to whether to accept or reject stated hypothesis. The findings and results in **Chapter six** are intended to provide the fullest explanation to the stated problem and hypothesis, coinciding with the maximum amount of clarity possible in this study. Generally the results of analysis carried support the hypothesis that has been conjectured in **Chapter four**. As outlined by Alan Kohler on the ABC finance on October 30, 2006, that over the quarter July – September 2006 prices of large public entities in which research has shown is dominated by institutional shareholders rose by 1% in value compared to those smaller entities in which research has shown in dominated by non – institutional shareholders rose by .03% in value. This evidence along side evidence produced in this study gives increased weight the hypothesis posed in this study. In conclusion after analysing all of the data which has been presented in tables and graphical depictions support the acceptance of alternative hypothesis H1a and H2a and reject the null hypothesis of H1o and H2o. The results that have been obtained also correlate with the evidence that has been outlined in the literature review that also supports the conclusions drawn in this dissertation. Generally it is observed that Institutionally Controlled entities show very slight skewness and kurtosis under a normal distribution curve as where Non – Institutionally Controlled entities show very pronounced skewness and kurtosis under a normal distribution curve, adding further weight to the alternative hypothesis and rejection of the null hypothesis. Further support is also outlined in 6.4 which give even further weighting to the support of the alternative and rejection of the null hypothesis.

The findings are gathered around four dependent variables, sixteen independent variables and sectors of the ASX Stock Exchange. The variables being:

1. Levels of Shareholdings – both Institutional and Non Institutional controlled share registers, limited to the top 20 shareholders of Public Listed Corporations

2. Levels of Disclosure – both Institutional and Non Institutional controlled Public Listed Corporations

Sectors are divided into four main areas, being:

1. Institutional Controlled Materials Companies
2. Non - Institutional Controlled Materials Companies
3. Institutional Controlled Miscellaneous Companies, i.e. Comprising of a selection of all other sectors
4. Non – Institutional Controlled Miscellaneous Companies, i.e. Comprising of a selection of all other sectors

The relevant findings outlined in this study being:

1. Generally, it was found that Institutionally controlled materials companies were found to exhibit a lower level of overall ownership but a higher level of Corporate Governance Disclosure Compliance.
2. Institutionally controlled entities in the majority were found to produce higher R2 and T - Score values than those of Non Institutionally controlled entities.
3. Institutionally controlled entities in the majority were found to produce higher mean scores and lower standard deviations in beneficial independent variable ratios and lower mean scores and lower standard deviations in non beneficial independent variable ratios.
4. Institutionally controlled entities in the majority were found to produce lower significance levels below .05 than Non Institutional controlled counterparts.
5. Institutionally controlled materials entities in the majority were found to produce better outcomes than that of Institutionally Controlled Miscellaneous entities, followed by Non Institutionally controlled Materials entities and lastly Non Institutionally controlled Miscellaneous Entities.
6. When comparing actual results with stated hypothesis, it is apparent that H1o and H2o can be rejected, H1a and H2a can be accepted.

7. When purusing individual summaries of data and accompanying graph, conclusions are not only confirm within a 95% confidence interval, but also the variations of testing combinations are highlighted as to which are good and not so good tests to carry when assessing an entity for performance level.

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH

7.0 INTRODUCTION

Chapter seven intends to focus on the conclusions of the disseratation and recommendations for further as a result of the research. During research there is inedidably areas of interest touched on and uncovered, but outside the scope of the current study. During this dissertation the focus of has been maintained around corporate governance compliance disclosure and financial performance as regards to those entities either institutionally or non institutionally controlled. There are always of course better ways of approaching and assessing a task or outcome and one such way is to experiment with new and different variables, this approach is an element of such further research as well as exploring the before mentioned uncovered topics as outlined.

7.1 THE RESEARCH PROBLEM AND SCOPE

The research problem that has been covered in this paper is one which is dynamic and does not show any signs of slowing or becoming stationary any time soon. Generally speaking there are aspects of Corporate Governance that I think it would be fair to assume that have not been addressed at this point. Who would have thought, for example, that Enron had a Corporate Governance Issue in play. Enron displayed at the time all the attributes of a well run and well governed company, with record profits and share prices exceeding all expectations and certainly outstripping the performance of other comparative companies. The scope of this paper encompassed what was happening in Australia in regards to Corporate Governance and Voluntary Disclosure and how corporate practices in Australia compare globally. The question that requires addressing in future papers is whether Australia lags, surpasses or is equal to Corporate Governance practices in other countries and how corporate governance practices in Australia compare to overseas.

RESEARCH VALIDITY

Research Validity as per Cavana et.al (2001 p.464) is defined as 'evidence that the evidence, instrument or process used to measure a concept does in fact measure the intended concept'. The tools that have been constructed using Microsoft Access are purposely designed to capture voluntary disclosure data, financial information to test both independent and dependent variable correlation. The information from company annual reports are directly keyed into to Access and manipulations performed. Other software used to calculate statistical data is SPSS v.14 and Microsoft Excel to sort data for further use in other relevant packages. The relevance of research validity to the study is to ensure that the approach taken embodies and captures the definition and is applied correctly to a normative paradigm research project.

RESEARCH RELIABILITY

Research reliability as per Cavana et.al (2001 p.461) is defined as 'the internal consistency over time of the measuring instrument'. It is felt that whether a longitudinal study was carried out in the future on the same sample or on a new sample, the applicability of the measurement would deliver consistent and credible results.

RESEARCH GENERALISABILITY

Research generalisability as per Cavana et.al (2001 p.457) is defined as 'the applicability of research findings in one setting to others'. It is felt that given that the research spans the ASX Public Listed Entity populations, comprising a representative sample of Public listed companies in each of the sampled sectors of the ASX, that the research is seen to be highly generalisable.

MEASUREMENT SENSITIVITY

As stated by Cooksey (2006) AFM 491 'Research and Methodology' Topic notes, measurement sensitivity is defined as the extent to which a measure can reflect particular magnitudes of change or difference in a construct or characteristic, perhaps

resulting from an experimental manipulation or intervention. As further stated by Cooksey, a measure can be reliable and valid for the property it is measuring but still be relatively insensitive for detecting differences of a certain expected size. The relevance of measurement sensitivity is reflected in whether apart from an entity being either institutionally or non institutionally controlled, could the size of the firm, i.e. market capitalisation, have a bearing as predicted on corporate governance disclosure practice and financial performance.

7.2 VOLUNTARY DISCLOSURE (VD)

The level of voluntary disclosure compliance is a consequence of the board's willingness to either disclose or not disclose information to interested parties.

The level of voluntary disclosure for the various sectors analysed are:

Institutional Material Companies

Non – Institutional Material Companies

Institutional Miscellaneous Companies

Non – Institutional Miscellaneous Companies

The levels of voluntary disclosure compliance revealing that in the majority of cases, that Institutionally controlled entities exhibited a higher level of voluntary disclosure than that of their Non Institutionally controlled entity counterparts and outlined in results contained in **chapter six**.

Generally it is proposed that the reason for higher levels of voluntary disclosure with in institutional shareholder dominated companies as opposed to non – institutionally shareholder dominated is that institutional shareholders that invest in companies are usually nominee entities for a larger group of members or unit holders, that have invested large amounts of funds, usually superanuation funds to be invested by the nominee entities to achieve the highest possible returns.

7.3 CORPORATE GOVERNANCE CHARACTERISTICS

Corporate governance characteristics are influenced by the characteristics of the board culture that dominates an individual corporation. Board culture is that whether a board as a consequence of the culture intrinsically discloses or suppresses information to interested parties.

Of the corporations that have been studied, the corporate governance characteristics have been found to diminish from Institutionally controlled corporations, which exhibit a high level of disclosure.

In comparison non – institutionally controlled corporations showed lower levels of disclosure.

Larger institutionally controlled corporations tend to fully comply with a great majority of all recommendations, with a lapse in a small percentage of corporations, not complying with recommendation **4.3**.

Medium sized institutionally controlled corporations show a tendency to comply to a lesser extent than that of larger corporations. In these cases there is a perceived lapse in compliance with recommendation **4.3** as well as perceived that this class of corporation seems to either not form all or particular committees or follow a path of integrating the functions of certain committees into board functions. In particular the nomination committee, the committee which falls into this category.

Larger non – institutionally controlled corporations seem to exhibit Corporate Governance characteristics that equate to that of a Medium sized institutionally controlled corporations.

Medium and smaller size non – institutionally controlled corporations exhibit the lowest of all corporations analysed. In this class of corporation a large proportion show a tendency not to establish any committees at all citing company size as the prime reason. All or many functions are carried out by the board as part of the board function.

7.4 EXTENT OF VOLUNTARY DISCLOSURE

The extent of voluntary disclosure compliance shown in this study is reasonably high. The reasons for voluntary disclosure compliance are wide and varied. These reasons maybe signalling, which is the desire to transmit good news and suppress bad news.

As hypothesised voluntary disclosure compliance amongst institutionally controlled entities is higher than that of non institutionally controlled entities.

7.5 SUGGESTIONS FOR FURTHER RESEARCH

Future research could possibly encompass such areas as:

1. Examining Corporate Governance regimes in other countries; In various countries, corporate governance is carried out in different ways. It is to look at these differences and make a comparison of voluntary disclosure and performance.

2. Exploring some of the relationships in **Figure 3.2** that have not been addressed in this dissertation; analysing some of the relationships, there are areas which have not been widely explored. When cross – linking is carried out comes to light avenues for further analysis and research.

3. Analysing the differences in corporate governance practice and disclosure between quasi government entities and public listed companies; to look at if there are noticeable differences between the way quasi government entities and public listed companies are governed.

4. Pursuing the data and information that has been generated in **Chapter six** as to further relationships that have not been analysed in this study; to look at data and other relationships outlined in Chapter six that have not been considered in this study.

5. Examine impact on business' that do not consider sustainability, TBL (Triple Bottom Line Reporting), QBL (Quadruple Bottom Line Reporting: which includes Corporate Governance) as part of the overall business planning process.

7.6 SUMMARY

In summary it was found by this study that there is strong evidence that the stated hypotheses as outlined in **Chapter four** are supported.

In analyzing all the data produced in this study, there was great care and accuracy taken to collate, display and interpret this data to show a totally unbiased account of how the data confirmed or rejected hypotheses. This particular study has been structured to form a document that outlines procedures and stated hypotheses that can essentially be used as a tool to test investment proposals by subsequent users, sector by sector to hopefully assist in prudently evaluating an intended investment decision.

It is viewed with great importance that the rules and boundaries of a particular research paradigm followed are strictly adhered to in respect to all practical and theoretical expectations, i.e. with respect to the normative/positive paradigm followed in this study, that the research is seen as valid, reliable, generalisable and sensitive.

It is also intended that the depth and detail undertaken not only in the body of the dissertation but also in the appendices, will help to form a collection of valuable research/resource materials for subsequent post graduate and under graduate students attempting business related studies at UNE.

It has been for the writer a rewarding, demanding and worthwhile study undertaken and once again would like to thank all parties involved and named in the acknowledgements for their contribution, and for any contributor that may have remained un named.

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http://www.acci.asn.au/text_files/issues_papers/ Corporate_Governance/CG02.pdf

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http://www.asic.gov.au/asic/asic.nsf/byheadline/CLERP+9?openDocument

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http://www.ecgi.org/codes/code.php?code_id=123
http://www.ecgi.org/codes/code.php?code_id=130
http://www.ecgi.org/codes/code.php?code_id=131
http://www.ecgi.org/codes/code.php?code_id=132
http://www.ecgi.org/codes/documents/757.pdf
http://www.ecseonline.com/PDF/King
http://www.fsa.gov.uk/pubs/ukla/lr_comcode.pdf
http://www.fsa.gov.uk/pubs/ukla/lr_comcode2003.pdf
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http://www.iasplus.com/resource/0504corpgovmanualpressrel.pdf
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Software Utilised

Microsoft Access

Microsoft Excel

Microsoft Word

SPSS V.14

APPENDICES

Appendix A

GLOBAL CORPORATE GOVERNANCE REPORTS, STUDIES AND RESOURCES OF INFLUENCE

YEAR	AUSTRALIA	UK	US	INTERNATIONAL
1991	Bosch Report			
1992		Cadbury Report	Committee on Sponsoring Organisations of the Treadway Commission	
1993	Bosch Report Hilmer Report			
1994		Rutteman Report		
1995	Bosch Report	Greenbury Report		International Corporate Governance Network
1998		Hampel Report		Commonwealth Association for Corporate Governance (CACG)
1998		Combined Code		
1999	CLERP	Turnbull Report	Treadway Commission (COSO 1992)	The OECD
2000				The World Bank
2001	Ramsay Report	Myners Report	Beyond Compliance: Building a Corporate Governance Culture (CICA)	
2002		Higgs Report	Corporate Governance (Business Roundtable)	
2002		Hermes Principles	The New York Stock Exchange Report	
2002		King Report	Sarbanes – Oxley Act	
2002			Commission on Public Trust and Private Enterprise	
2003	ASX Corporate Governance Council (Principles of Good Corporate Governance and Best Practice Recommendations	Smith Report Tyson Report		
2003	Australian Standard: Good	Combined Code		

	Governance Principles AS (8000)			
2003	CPA Australia			
2003	Uhrig Report			
2004	CLERP 9		PAIB Report into Enterprise Governance	Global Corporate Governance Forum
2005			Business Roundtable, Principles of Corporate Governance	
2005		Internal Control Guidance For Directors on Combined Code	The Corporate Governance of Listed Companies: A Manual for Investors (CFA Institute)	
2006	Parliamentary Joint Committee on Corporations and Financial Services: Corporate Responsibility: Managing Risk and Creating Value			
Websites			NYSE	
			Corporate Governance Institute	
			Corporate Governance Resources (NASDAQ)	European Corporate Institute
			Corporate Governance (Conference Board)	Institute of Chartered Secretaries and Administrators (ICSA)

Appendix B

ASX CORPORATE GOVERNANCE COUNCIL

PRINCIPLES OF GOOD GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

Recommendation No:	Recommendation
1.1	Formalise the functions reserved to the board and those delegated to management
2.1	A majority of the board should be independent
2.2	The chairperson should be an independent director
2.3	The roles of the chairperson and chief executive officer should not be exercised by the same individual
2.4	The board should establish a nomination committee
2.5	Provide the information in ***Guide to reporting on Principle 2***
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer or equivalent and any other key executives as to: 3.1.1 and 3.1.2
3.1.1	The practices necessary to maintain confidence in the company's integrity
3.1.2	The responsibility and accountability of individuals for reporting and investigating reports of unethical practice
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees
3.3	Provide the information indicated in ***Guide to reporting on Principle 3***
4.1	Require the chief executive (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results are in accordance with relevant accounting standards.
4.2	The board should establish an audit committee.
4.3	Structure the audit committee so that it consists of: • Only non executive directors • A majority of independent directors • An independent chairperson, who is not chairman of the board • At least three members
4.4	The audit committee should have a formal charter.
4.5	Provide the information indicated in ***Guide to reporting on Principle 4***
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and ensure accountability at a senior management level for that compliance.
5.2	Provide the information indicated in ***Guide to reporting on Principle 5***

6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditors report.
7.1	The board or appropriate board committee should establish policies on risk oversight and management
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state in writing that as to 7.2.1 and 7.2.2
7.2.1	The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.
7.2.2	The company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects.
7.3	Provide the information indicated in ***Guide to reporting on Principle 7***
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors and key executives
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (1) the costs and benefits of those policies and (2) the link between remuneration paid to directors and key executives and corporate performance
9.2	The board should establish a remuneration committee
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.
9.4	Ensure that payment of equity based remuneration is made in accordance with thresholds set in plans approved by shareholders
9.5	Provide the information indicated in ***Guide to reporting on Principle 9***
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate shareholders

Source: ASX Corporate Governance Council 'Principles of Good Governance and Best Practice Recommendations' March 2003

Appendix C
LIST OF ANNUAL REPORT HYPERLINK REFERENCES

Company Name	Web Address	Date Accessed
AGL Limited	http://www.agl.com.au/	15/04/2006
ABB Grain Limited	http://www.abb.com.au/	14/04/2006
AJ Lucas Group Limited	http://www.lucas.com.au/	17/01/2006
Australian Zircon Limited	http://www.auzircon.com.au/	10/04/2006
Aurora Minerals Limited	http://www.auroraminerals.com/	18/03/2006
Amcor Limited	http://www.amcor.com/	15/04/2006
Austal Limited	http://www.austal.com/	20/1/2006
Australian Ethical Investment Limited	http://www.austethical.com.au/	18/03/2006
Australian United Investment Co. Ltd	http://www.aui.com.au/	18/03/2006
AGD Mining Limited	http://www.agdmining.com.au/	18/03/2006
Aim Resources Limited	http://www.aimresources.com.au/	10/04/2006
Anvil Mining Limited	http://www.anvilmining.com/	10/04/2006
Anglo Australian Resources Ltd	http://www.anglo.com.au/	18/03/2006
Australian Ethanol Limited	http://www.australianethanol.com.au/	18/03/2006
Avatar Industries Limited	http://www.avatar-industries.com.au/	18/03/2006
Bentley International Limited	http://www.bel.com.au/	16/04/2006
Bridgestone Australia Limited	http://www.bridgestone.com.au/	19/03/2006
Beaconsfield Gold NL	http://www.beaconsfieldgold.com.au/	18/01/2006
Boulder Steel Limited	http://www.boulder.au.com/	19/03/2006
Bullion Minerals Limited	http://www.bullionminerals.com/	19/03/2006
BHP Billiton Limited	http://www.bhpbilliton.com/	17/04/2006
Boral Limited	http://www.boral.com.au/	17/04/2006
Brambles Industries Limited	http://www.brambles.com/	17/04/06
Batavia Mining Limited	http://www.bataviamining.com.au/	19/03/2006
Blue scope Steel Limited	http://www.bluescopesteel.com/	19/03/2006
Bradford and Bingley	http://www.bbg.co.uk/	18/04/2006
Breakaway Resources Limited	http://www.breakawayresources.com.au/	19/03/2006
BMA Gold Limited	http://www.bmagold.com.au/	19/03/2006
Bake house Quarter Fund	http://www.pelorus-pipes.com.au/	19/03/2006
Calliden Group Limited	http://www.calliden.com.au/	19/03/2006
Capral Aluminum Limited	http://www.capral.com.au/	20/03/2006
CBH Resources Limited	http://www.consbh.com.au/	20/03/2006
Campbell Brothers Limited	http://www.campbell.com.au/	17/01/2006

Carnarvon Petroleum	http://www.carnarvonpetroleum.com/	18/01/2006
Charter Pacific	http://www.charpac.com.au/	10/04/2006
Coca - Cola Amatil	http://www.ccamatil.com/	11/04/2006
CitroFresh International Limited	http://www.citrofresh.com/	11/04/2006
Coles Myer Limited	http://www.colesmyer.com/	21/04/2006
Colorado Group Limited	http://www.coloradogroup.com.au/	21/04/2006
Cochlear Limited	http://www.cochlear.com.au/	20/03/2006
CSR Limited	http://www.csr.com.au/	20/03/2006
CSL Limited	http://www.csl.com.au/	20/03/2006
Comet Resources Limited	http://www.cometres.com.au/	20/03/2006
Compass Resources NL	http://www.compassnl.com/	21/03/2006
Computershare Limited	http://www.computershare.com/	21/03/2006
Commonwealth Bank of Australia	http://www.commbank.com.au/	21/03/2006
Deep Yellow Limited	http://www.deepyellow.com.au/	22/03/2006
Discovery Nickel Limited	http://www.discoverynickel.com.au/	22/03/2006
De Grey Mining Limited	http://www.degreymining.com.au/	11/04/2006
Dominion Mining Limited	http://www.dml.com.au/	22/03/2006
Downer EDI Limited	http://www.downeredi.com/	22/03/2006
Dragon Mining Limited	http://www.dragon-mining.com.au/	22/03/2006
Dwyka Diamonds Limited	http://www.dwykadiamonds.com/	23/03/2006
Eagle Bay Resources NL	http://www.eaglebayresources.com.au/	23/03/2006
ERG Group	http://www.erggroup.com/	14/04/2006
Essential Petroleum Resources	http://www.essentialpetroleum.com.au/	20/01/2006
Eurogold Limited	http://www.eurogold.com.au/	23/03/2006
Elkedra Diamonds NL	http://www.elkedra.com.au/	24/03/2006
Emperor Mines Limited	http://www.emperor.com.au/	23/03/2006
Ellendale Resources Limited	http://www.dioro.com.au/	24/03/2006
Energy Resources Australia	http://www.energyres.com.au/	14/04/2006
Energy Developments Limited	http://www.energydevelopments.com/	26/04/2006
Equity Trustees Limited	http://www.eqt.com.au/	24/03/2006
E - Servglobal Limited	http://www.eservglobal.com./	11/04/2006
Fosters Group Limited	http://www.fostersgroup.com/	24/04/2006
Forest Enterprises	http://www.fealtd.com/	14/04/2006

Australia Limited		
Falcon Minerals Limited	http://www.falcon.indigo.net.au/	24/03/2006
Fortescue Metals Group Limited	http://www.fmgl.com.au/	15/04/2006
Fisher & Paykel Appliances Holdings Ltd	http://www.fisherpaykel.com/.	24/03/2006
Flight Centre Limited	http://www.flightcentre.com/	26/03/2006
Flinders Diamonds Limited	http://www.flindersdiamonds.com/	26/03/2006
Focus Minerals Limited	http://www.austminex.com.au/	26/03/2006
Fox Resources Limited	http://www.foxresources.com.au/	26/03/2006
GEC Asian Value Fund	http://www.gecetf.com.au/	27/03/2006
GEC Australian Healthcare Fund	http://www.gecetf.com.au/	27/03/2006
Grange Resources Limited	http://www.grangeresources.com.au/	11/04/2006
Gippsland Limited	http://www.gippslandltd.com/	27/03/2006
Gryphon Minerals Limited	http://www.gryphonminerals.com.au/	11/04/2006
Goldstream Mining NL	http://www.goldstreammining.com.au/	27/03/2006
Gindalbie Metals Limited	http://www.gindalbie.com.au/	19/01/2006
Golden Tiger Mining NL	http://www.goldentiger.com.au/	20/01/2006
Halcyon Securities Limited	http://www.halcyongroup.com.au/	29/03/2006
Heron Resources Limited	http://www.heronresources.com.au/	14/04/2006
Hill End Gold Limited	http://www.hillendgold.com.au/	29/03/2006
Hills Industries Limited	http://www.hills.com.au/	29/03/2006
Havilah Resources NL	http://www.havilah-resources.com.au/	29/03/2006
Helix Resources Limited	http://www.helix.net.au/	29/03/2006
Hannans Reward Limited	http://www.hannansreward.com/	11/04/2006
Home Building society Limited	http://www.homedirect.com.au/	11/04/2006
Hutchinson Telecommunications (Australia Limited)	http://www.hutchison.com.au/	25/04/2006
Hydro – Electric Corporation	http://www.hydro.com.au/	29/03/2006
Hunter Hall Value Growth Trust	http://www.hunterhall.com.au/	25/04/2006
Imdex Limited	http://www.imdex.com.au/	30/03/2006
Incitec Pivot Limited	http://www.incitecpivot.com.au/	30/03/2006
IMD Group Limited	http://www.imdgroup.com.au/	30/03/2006
IOOF Holdings Limited	http://www.ioof.com.au/	12/04/2006

Independence Group NL	http://www.igo.com.au/	30/03/2006
Integra Mining Limited	http://www.integramining.com.au/	30/03/2006
IMF (Australia Limited)	http://www.imf.com.au/	12/04/2006
Jabiru Metals Limited	http://www.jabirumetals.com.au/	30/04/2006
Jervois Mining Limited	http://www.jervoismining.com.au/	12/04/2006
Jaguar Minerals Limited	http://www.jaguarminerals.com.au/	12/04/2006
Jupiter Mines Limited	http://www.jupitermines.com/	30/04/2006
James Hardie Limited NV	http://www.ir.jameshardie.com.au/	26/04/2006
JF Meridian	http://www.mirvac.com.au/	12/04/2006
Kagara Zinc Limited	http://www.kagara.com.au/	14/04/2006
Kentor Gold Limited	http://www.kentorgold.com.au/	30/04/2006
Korab Resources Limited	http://www.korabresources.com.au/	30/04/2006
Kingsgate Consolidated Limited	http://www.kingsgate.com.au/	26/04/2006
Kimberly Diamond Company NL	http://www.kimberleydiamondco.com.au/	30/04/2006
Korvest Limited	http://www.korvest.com.au/	30/04/2006
Liberty Gold NL	http://www.libertygold.com.au/	03/04/2006
Latrobe Magnesium Limited	http://www.latrobemagnesium.com/	12/04/2006
Lion Selection Group Limited	http://www.lionselection.com.au/	12/04/2006
Lynas Corporation Limited	http://www.lynascorp.com/	12/04/2006
Lihir Gold Limited	http://www.lihir.com.pg/	12/04/2006
Leighton Holdings Limited	http://www.leighton.com.au/	26/04/2006
Longreach Group Limited	http://www.longreach.com/	15/04/2006
Leyshon Resources Limited	http://www.leyshonresources.com/	19/01/2006
Lindsay Australia Limited	http://www.lindsayaustralia.com.au/	17/01/2006
Macarthur Coal Limited	http://www.macarthurcoal.com.au/	03/04/2006
Macquarie Bank Limited	http://www.macquarie.com.au/	26/04/2006
Magnesium International Limited	http://www.mgil.com.au/	14/04/2006
Macquarie Prologis Income Trust	http://www.macquarie.com.au/mpr	03/04/2006
Mariner Credit Corporation Ltd	http://www.marinerfunds.com.au/	26/04/2006
Matilda Minerals Limited	http://www.matildaminerals.com/	03/04/2006
Meditech Research Limited	http://www.mrl.com.au/	03/04/2006

Mincor Resources NL	http://www.mincor.com.au/	12/04/2006
Murchison Metals Limited	http://www.mml.net.au/	03/04/2006
Mirvac Group	http://www.mirvac.com.au/	26/04/2006
Multiplex Group	http://www.multiplex.com.au/	15/01/2006
MXL Limited	http://www.mxl.com/	20/01/2006
MYOB Limited	http://www.myob.com.au/	05/04/2006
Namberry Limited	http://www.namberry.com.au/	05/04/2006
Nustar Mining Corporation Limited	http://www.nustarmining.com.au/	13/04/2006
Nufarm Limited	http://www.nufarm.com/	15/04/2006
Nexus Bonds Limited	http://www.nexusbonds.com.au/	05/04/2006
Nickel Australia Limited	http://www.nickelaustralia.com.au/	05/04/2006
Niquest Limited	http://www.niquest.com.au/	11/04/2006
NGM Resources Limited	http://www.ngmresources.com.au/	05/04/2006
Newcrest Mining Limited	http://www.newcrest.com.au/	13/04/2006
Niagra Mining Limited	http://www.niagaramining.com.au/	13/04/2006
NorthernStar Resources	http://www.nsrltd.com/	14/04/2006
Norwest Energy NL	http://www.norwestenergy.com.au/	19/01/2006
Oxiana Limited	http://www.oxiana.com.au/	05/04/2006
Onesteel Limited	http://www.onesteel.com/	05/04/2006
Oropa Limited	http://www.oropa.com.au/	13/04/2006
Olympia Resources Limited	http://www.olympiaresources.com/	05/04/2006
Orica Limited	http://www.orica.com/	26/04/2006
Ottoman Energy Limited	http://www.ottomanenergy.com/	20/01/2006
Paperlinx Limited	http://www.paperlinx.com.au/	05/04/2006
Peninsula Minerals Limited	http://www.peninsulaminerals.com.au/	13/04/2006
Pan Australian Resources Limited	http://www.panaustralian.com.au/	05/04/2006
Perilya Limited	http://www.perilya.com.au/	05/04/2006
Pacific Brands Limited	http://www.pacificbrands.com.au/	26/04/2006
Panbio Limited	http://www.panbio.com.au/	20/01/2006
Patrick Corporation Limited	http://www.patrick.com.au/	18/01/2006
Peet & Company Limited	http://www.peet.com.au/	13/04/2006
Peptech Limited	http://www.peptech.com/	13/02/2006
Plaspak Group Limited	http://www.plaspak.com.au/	20/01/2006
Publishing and	http://www.pbl.com.au/	14/01/2006

Broadcasting Limited		
Perpetual Limited	http://www.perpetual.com.au/	08/04/2006
Quantum Resources Limited	http://www.qur.com.au/	08/04/2006
Quay Magnesium Limited	http://www.quaymagnesium.com/	08/04/2006
Red Metal Limited	http://www.redmetal.com.au/	14/04/2006
Ramelius Resources Limited	http://www.rameliusresources.com.au/	14/04/2006
Reckon Limited	http://www.quicken.com.au/	08/04/2006
RCR Tomlinson	http://www.rcrtom.com.au/	14/04/2006
Rio Tinto Limited	http://www.riotinto.com/	08/04/2006
Rimfire Pacific Mining NL	http://www.rimfire.com.au/	08/04/2006
Reefton Mining NL	http://www.reeftonmining.com.au/	14/04/2006
Rinker Group Limited	http://www.rinker.com.au/	15/02/2006
Sabina Corporation Limited	http://www.sabina.com.au/	08/04/2006
Sonnet Corporation Limited	http://www.sonnet.com.au/	14/04/2006
Schaffer Corporation Limited	http://www.schaffer.com.au/	08/04/2006
Sedimentary Holdings Limited	http://www.sedimentary.com.au/	15/04/2006
Silex Systems Limited	http://www.silex.com.au/	08/04/2006
Southern Gold Limited	http://www.southerngold.com.au/	08/04/2006
SMC Gold Limited	http://www.smcgold.com.au/	14/04/2006
South Boulder Mines Limited	http://www.southbouldermines.com.au/	08/04/2006
Sundance Resources Limited	http://www.sundanceresources.com.au/	08/04/2006
Senetas Corporation Limited	http://www.senetas.com/	20/01/2006
Smorgon Steel Group	http://www.smorgonsteel.com.au/	16/01/2006
Stockland Corporation Limited	http://www.stockland.com.au/	26/04/2006
Strike Oil Limited	http://www.strikeoil.com.au/	20/01/2006
Suncorp Metway Limited	http://www.suncorpmetway.com.au/	08/04/2006
Tabcorp Holdings Limited	http://www.tabcorp.com.au/	08/04/2006
Tanami Gold NL	http://www.tanami.com.au/	08/04/2006
Tethyan Copper Company Limited	http://www.tethyan.com/	14/04/2006
Territory Iron Limited	http://www.territoryiron.com.au/	08/04/2006
TFS Corporation Limited	http://www.tfsltd.com.au/	08/04/2006

Troy Resources NL	http://www.try.com.au/	14/04/2006
Tasman Resources Limited	http://www.tasmanresources.com.au/	20/01/2006
Transfield Services Limited	http://www.transfieldservices.com.au/	26/04/2006
Taps Trust	http://www.hfm.com.au/	14/04/2006
Transpacific Industries Group	http://www.transpacific.com.au/	26/04/2006
Tectonic Resources NL	http://www.tectonicres.com.au/	15/04/2006
Tower Limited	http://www.towerlimited.com/	08/04/2006
Union Resources Limited	http://www.unionresources.com.au/	08/04/2006
Universal Resources Limited	http://www.universalresources.com.au/	08/04/2006
United Kimberly Diamonds NL	http://www.ukd.com.au/	08/04/2006
Vulcan Resources Limited	http://www.vulcanresources.com.au/	08/04/2006
Victoria Petroleum Limited	http://www.vicpet.com.au/	20/01/2006
Village Roadshow Limited	http://www.villageroadshow.com.au/	14/02/2006
Vision Group Holdings	http://www.visiongroupaustralia.com/	26/04/2006
Wesfarmers Limited	http://www.wesfarmers.com.au/	08/04/2006
West Australian Metals Limited	http://www.wametals.com.au/	08/04/2006
Westonia Mines Limited	http://www.westoniamines.com.au/	08/04/2006
Western Areas NL	http://www.westernareas.com.au/	14/04/2006
Willmott Forests Limited	http://www.willmottforests.com.au/	08/04/2006
Washington Resources Limited	http://www.washingtonresources.com.au/	08/04/2006
Westmag Limited	http://www.westmag.com.au/	14/04/2006
Yilgarn Mining Limited	http://www.yilgarnmining.com.au/	08/04/2006
Zimplats Holding Limited	http://www.zimplats.com/	08/04/2006

Appendix D Multiple Regression Tables

SUMMARY

Dependent Variables: Inpershare (Institutional Percent Shareholding) Nipershare (Non Institutional Percent Shareholding)
Independent Variables: FAT (Fixed Asset Turnover) TAT (Total Asset Turnover) MARKET CAP (Market Capitalisation) EPS (Earnings per Share)
PE (Price Earnings)

R1&R18 Dep Var: Inpershare Nipershare Ind Var: FAT TAT MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T - SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SCORE
Overall	.128		.18		.051		.168	
Inpershare		14.067		12.693				
Nipershare						16.474		11.368
FAT		.773		-1.294		.817		.067
TAT		-.872		.884		.040		-.747
MARKETCAP		1.595		.050		-1.414		.408
EPS		-1.179		-1.523		1.011		.869
PE		-.649		2.685		.460		-.152
PRODUCT T-SCORES (IV)		.822		.234		.021		.002
P - CONVERSION		.30>.05		.08>.05		.007<.05		.0007<.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY

Dependent Variables: Inpershare (Institutional Percent Shareholding) Nipershare (Non Institutional Percent Shareholding)
Independent Variables: Independent Variables: CR (Current Ratio) QR (Quick Ratio) CASHR (Cash Ratio) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R2&R19 Dep Var: Inpershare Nipershare Ind Var: CR QR CASHR MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SC0RE
Overall	.181		.245		.075		.402	
Inpershare		11.465		10.007				
Nipershare						15.264		9.405
CR		1.663		-1.056		-1.439		.775
QR		-.443		2.406		.539		-2.891
CASHR		-.096		-2.166		-.351		3.087
MARKETCAP		1.110		-.228		-1.711		1.193
EPS		-.901		-1.473		1.204		1.568
PE		-1.362		3.108		.321		-.585
PRODUCT T-SCORES (IV)		.096		5.744		.180		7.569
P - CONVERSION		.035<.05		.001<.05		.065>.05		.01<.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY
Dependent Variables: Inpershare (Institutional Percent Shareholding) Nipershare (Non Institutional Percent Shareholding)
Independent Variables: WCT (Working Capital Turnover) DEBTCAPR (Debt / Capital Ratio) DEBTEQR (Debt / Equity Ratio) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R3&R20 Dep Var: Inpershare Nipershare Ind Var: WCT DEBTCAPR DEBTEQR MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SCORE
Overall	.148		.247		.083		.153	
Inpershare		14.703		12.972				
Nipershare						17.399		11.373
WCT		-1.157		.232		-.690		-1.008
DEBTCAPR		.248		-.528		1.151		.731
DEBTEQR		-.026		1.787		.281		-.605
MARKETCAP		1.119		-.773		-1.723		.132
EPS		-1.069		-1.559		.777		1.147
PE		-.481		1.974		.611		-.372
PRODUCT T-SCORES (IV)		.004		.520		.183		.025
P - CONVERSION		.001<.05		.19>.05		.067>.05		.0009<.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY
Dependent Variables: Inpershare (Institutional Percent Shareholding) Nipershare (Non Institutional Percent Shareholding)
Independent Variables: DEBTCAPR (Debt / Capital Ratio) TIER (Times Interest Earned Ratio) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R4&R21 Dep Var: Inpershare Nipershare Ind Var: DEBTCAPR TIER MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SCORE
Overall	.200		.197		.080		.143	
Inpershare		17.079		13.027				
Nipershare						18.404		11.325
DEBTCAPR		.147		1.676		1.651		.303
TIER		2.025		-.056		-.451		-.354
MARKETCAP		.601		-.506		-1.758		.344
EPS		-.905		-1.612		.776		1.073
PE		-1.560		2.287		.508		-.230
PRODUCT T-SCORES (IV)		.252		.175		.516		.009
P - CONVERSION		.09>.05		.06>.05		.19>.05		.003<.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY
Dependent Variables: Inpershare (Institutional Percent Shareholding) Nipershare (Non Institutional Percent Shareholding)
Independent Variables: OPMARGR (Operating Margin Ratio) EBIT (Earnings before Interest & Tax) EBT (Earnings before Tax) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R5&R22 Dep Var: Inpershare Nipershare Ind Var: OPMARGR EBIT EBT MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SCORE
Overall	.176		.458		.082		.308	
Inpershare		14.128		13.227				
Nipershare						17.725		13.662
OPMARGR		-1.164		.722		.334		-2.229
EBIT		1.644		2.713		-.354		2.455
EBT		-1.492		-4.636		.497		-.685
MARKETCAP		1.362		-.426		-1.682		-.107
EPS		-1.363		-1.014		.808		1.158
PE		-.941		3.804		.380		-.921
PRODUCT T-SCORES (IV)		4.988		14.922		.030		.428
P - CONVERSION		.009<.05		.027<.05		.01<.05		.156>.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY
Dependent Variables: Inpershare (Institutional Percent Shareholding) Nipershare (Non Institutional Percent Shareholding)
Independent Variables: ROA (Return on Assets) ROTC (Return on Total Capital) ROE (Return on Equity) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R6&R23 Dep Var: Inpershare Nipershare Ind Var: ROA ROTC ROE MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SCORE
Overall	.247		.201		.062		.150	
Inpershare		17.123		13.838				
Nipershare						16.874		10.900
ROA		2.490		-1.225		.973		1.380
ROTC		-1.651		.641		-.486		-1.359
ROE		-1.734		1.527		-.640		-1.473
MARKETCAP		1.644		-.118		-1.739		.081
EPS		-1.205		-1.231		.991		1.048
PE		-.988		2.783		.515		.275
PRODUCT T-SCORES (IV)		13.952		.485		.269		.064
P - CONVERSION		.025<.05		.179>.05		.010>.05		.02<.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY
Dependent Variables: Inpershare (Institutional Percent Shareholding) Nipershare (Non Institutional Percent Shareholding)
Independent Variables: ROA (Return on Assets) FAT (Fixed Assets Turnover) TAT (Total Assets Turnover) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R7&R24 Dep Var: Inpershare Nipershare Ind Var: ROA FAT TAT MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SCORE
Overall	.134		.191		.058		.238	
Inpershare		12.101		12.410				
Nipershare						13.511		9.562
ROA		.485		-.820		.718		1.396
FAT		.846		-1.472		.823		.047
TAT		-.991		1.080		-.185		-1.116
MARKETCAP		1602		.017		-1.530		.042
EPS		-1.232		-1.280		1.092		.693
PE		-.735		2.778		.532		-.258
PRODUCT T-SCORES (IV)		.589		.078		.097		.0005
P - CONVERSION		.216>.05		.028<.05		.035<.05		.000<.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY
Dependent Variables: Inpershare (Institutional Percent Shareholding) Nipershare (Non Institutional Percent Shareholding)
Independent Variables: ROTC (Return on Total Capital) WCT (Working Capital Turnover) DEBTCAPR (Debt / Capital Ratio) DEBTEQR (Debt / Equity Ratio) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R8&R25 Dep Var: Inpershare Nipershare Ind Var: ROTC WCT DEBTCAPR DEBTEQR MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SCORE
Overall	.148		.247		.087		.153	
Inpershare		12.827		12.809				
Nipershare						14.816		10.982
ROTC		.159		-.049		.557		.065
WCT		-1.127		.227		-.759		-.980
DEBTCAPR		.237		-.525		1.156		.670
DEBTEQR		-.016		1.770		.260		-.590
MARKETCAP		1.093		-.767		-1.792		.094
EPS		-1.066		-1.476		.829		1.105
PE		-.497		1.908		.640		-.366
PRODUCT T-SCORES (IV)		.000		.022		.121		.000
P - CONVERSION		.000<.05		.008<.05		.044<.05		.000<.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY

Dependent Variables: Inpershare (Institutional Percent Shareholding) Nipershare (Non Institutional Percent Shareholding) Independent Variables: ROE (Return on Equity) DEBTEQR (Debt / Equity Ratio) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R9&R26 Dep Var: Inpershare Nipershare Ind Var: ROE DEBTEQR MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SCORE
Overall	.121		.242		.067		.094	
Inpershare		16.970		14.437				
Nipershare						16.070		10.199
ROE		-.430		-.070		.358		-.583
DEBTEQR		.561		2.393		1.402		-.713
MARKETCAP		1.132		-.791		-1.532		.176
EPS		-1.134		-1.579		.773		1.236
PE		-.666		2.010		.359		-.405
PRODUCT T-SCORES (IV)		.206		.421		.213		.036
P - CONVERSION		.075>.05		.155>.05		.024<.05		.013<.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY

Dependent Variables: Indislev (Institutional Disclosure Level) Nidislev (Non Institutional Disclosure Level) Independent Variables: FAT (Fixed Asset Turnover) TAT (Total Asset Turnover) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R10&R27 Dep Var: Indislev Nidislev Ind Var: FAT TAT MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SCORE
Overall	.426		.206		.077		.223	
Indislev		24.274		29.845				
Nidislev						18.783		12.265
FAT		-3.139		-1.310		-.893		.273
TAT		2.352		1.276		1.183		.705
MARKETCAP		1.359		1.568		-1.734		-.408
EPS		-.272		1.046		-1.660		-.362
PE		1.608		.983		-.221		-.106
PRODUCT T-SCORES (IV)		4.388		2.695		.672		.003
P - CONVERSION		.008<.05		.005<.05		.248>.05		.001<.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY

Dependent Variables: Indislev (Institutional Disclosure Level) Nidislev (Non Institutional Disclosure Level) Independent Variables: CR (Current Ratio) QR (Quick Ratio) CASHR (Cash Ratio) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R11&R28 Dep Var: Indislev Nidislev Ind Var: CR QR CASHR MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SCORE
Overall	.428		.300		.143		.214	
Indislev		22.402		25.505				
Nidislev						18.658		9.727
CR		-.122		2.139		-.780		-.495
QR		.111		.081		-1.383		1.900
CASHR		-.661		-1.595		1.345		-1.965
MARKETCAP		1.425		1.274		2.184		-.607
EPS		-.258		1.536		-.669		-.680
PE		.814		1.237		-.030		-.041
PRODUCT T-SCORES (IV)		0.002		.669		.063		.031
P - CONVERSION		.000<.05		.245>.05		.023<.05		.011<.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY

Dependent Variables: Indislev (Institutional Disclosure Level) Nidislev (Non Institutional Disclosure Level) Independent Variables: WCT (Working Capital Turnover) DEBTCAPR (Debt / Capital Ratio) DEBTEQR (Debt / Equity Ratio) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R12&R29 Dep Var: Indislev Nidislev Ind Var: WCT DEBTCAPR DEBTEQR MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SCORE
Overall	.286		.216		.106		.288	
Indislev		21.560		31.107				
Nidislev						19.580		14.803
WCT		.521		-.695		-.259		2.073
DEBTCAPR		.038		1.099		1.177		-1.483
DEBTEQR		.004		-.292		.138		.610
MARKETCAP		1.573		1.023		-1.966		-.099
EPS		-.204		1.056		-1.564		-.431
PE		1.166		.909		-.087		-.191
PRODUCT T-SCORES (IV)		0.000		.219		.011		.015
P - CONVERSION		.000<.05		.08>.05		.004<.05		.005<.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY

Dependent Variables: Indislev (Institutional Disclosure Level) Nidislev (Non Institutional Disclosure Level) Independent Variables: DEBTCAPR (Debt / Equity Ratio) TIER (Times Interest Earned Ratio) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R13&R30 Dep Var: Indislev Nidislev Ind Var: WCT DEBTCAPR DEBTEQR MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SCORE
Overall	.283		.263		.120		.378	
Indislev		25.701		32.467				
Nidislev						20.994		16.259
DEBTCAPR		.313		1.675		2.204		-.637
TIER		.358		1.982		1.138		3.170
MARKETCAP		1.436		.463		-1.948		-.427
EPS		-.060		1.091		-1.780		-.450
PE		1.246		.344		-.423		-.178
PRODUCT T-SCORES (IV)		0.012		.577		3.679		.108
P - CONVERSION		.006<.05		.03>.05		.184>.05		.005<.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY

Dependent Variables: Indislev (Institutional Disclosure Level) Nidislev (Non Institutional Disclosure Level) Independent Variables: OPMARGR (Operating Margin Ratio) EBIT (Earnings before Interest & Tax) EBT (Earnings before Tax) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R14&R31 Dep Var: Indislev Nidislev Ind Var: OPMARGR EBIT EBT MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SCORE
Overall	.319		.258		.099		.209	
Indislev		21.043		30.521				
Nidislev						18.986		14.623
OPMARGR		1.430		-.901		1.589		.862
EBIT		-.178		2.113		-1.753		-1.155
EBT		-.125		-2.361		1.037		1.642
MARKETCAP		1.902		1.045		-1.965		.609
EPS		.104		1.358		-1.369		-.401
PE		1.335		1.560		.233		-.424
PRODUCT T-SCORES (IV)		0.008		9.950		1.811		.169
P - CONVERSION		.003<.05		.001<.05		.023<.05		.06>.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY

Dependent Variables: Indislev (Institutional Disclosure Level) Nidislev (Non Institutional Disclosure Level) Independent Variables: ROA (Return on Assets) ROE (Return on Equity) ROTC (Return on Total Capital) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R15&R32 Dep Var: Indislev Nidislev Ind Var: ROA ROTC ROE MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SCORE
Overall	.485		.290		.091		.290	
Indislev		30.742		34.534				
Nidislev						18.279		16.904
ROA		-.2760		1.621		1.564		-.382
ROTC		3.514		-1.849		-1.213		.623
ROE		-.452		1.411		-.485		1.618
MARKETCAP		1.790		1.513		-1.803		-.804
EPS		.085		1.005		-1.382		-.565
PE		1.709		.834		-.114		-.697
PRODUCT T-SCORES (IV)		1.140		5.363		.2614		.122
P - CONVERSION		.034<.05		.002<.05		.096>.05		.045<.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY

Dependent Variables: Indislev (Institutional Disclosure Level) Nidislev (Non Institutional Disclosure Level) Independent Variables: ROTC (Return on Total Capital) WCT (Working Capital Turnover) DEBTCAPR (Debt / Capital Ratio) DEBTEQR (Debt / Equity Ratio) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R16&R33 Dep Var: Indislev Nidislev Ind Var: ROTC WCT DEBTCAPR DEBTEQR MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORS T-SCORE
Overall	.346		.245		.110		.351	
Indislev		20.413		31.401				
Nidislev						16.025		15.165
ROTC		1.845		1.371		-.562		1.391
WCT		-.126		-.637		-.175		2.180
DEBTCAPR		-.047		1.191		1.162		-.752
DEBTEQR		.122		-.313		.158		.280
MARKETCAP		1.512		1.112		-1.807		-.637
EPS		-.404		.668		-1.608		-.591
PE		.797		.554		-.119		-.283
PRODUCT T-SCORES (IV)		.000		.134		.006		.068
P - CONVERSION		.000<.05		.049<.05		.002<.05		.025<.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28

SUMMARY

Dependent Variables: Indislev (Institutional Disclosure Level) Nidislev (Non Institutional Disclosure Level) Independent Variables: ROE (Return on Equity) DEBTEQR (Debt / Equity Ratio) MARKET CAP (Market Capitalisation) EPS (Earnings per Share) PE (Price Earnings)

R17&R34 Dep Var: Indislev Nidislev Ind Var: ROE DEBTEQR MARKETCAP EPS PE	INST MATERIALS R2	INST MATERIALS T-SCORE	INST MISC SECTORS R2	INST MISC SECTORS T-SCORE	NON INST MATERIALS R2	NON INST MATERIALS T-SCORE	NON INST MISC SECTORS R2	NON INST MISC SECTORST-SCORE
Overall	.319		.245		.094		.259	
Indislev		27.647		35.554				
Nidislev						17.800		15.085
ROE		1.498		1.946		-.577		2.611
DEBTEQR		.408		.546		1.677		.410
MARKETCAP		1.516		1.317		-1.641		-.549
EPS		-.436		.853		-1.571		-.595
PE		.841		.569		-.229		-.318
PRODUCT T-SCORES (IV)		.340		.679		.571		.111
P - CONVERSION		.125>.05		.25>.05		.21>.05		.04<.05
DF	44	44	56	56	83	83	27	27
N	45	45	57	57	84	84	28	28