

21 Financial statements

for the year ended 30 June 2002

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INDEPENDENT AUDIT REPORT

To the Treasurer

Scope

I have audited the financial statements of the Australian Securities and Investments Commission for the year ended 30 June 2002. The financial statements comprise:

- Statement by Commissioners;
- Statements of Financial Performance, Financial Position, and Cash flows;
- Schedules of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements.

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

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

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

Audit Opinion

In my opinion the financial statements:

- (i) have been prepared in accordance with Finance Ministers Orders made under the *Commonwealth Authorities and Companies Act 1997* and the *Financial Management and Accountability Act 1997*; and
- (ii) give a true and fair view, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Finance Minister's Orders, of the financial position of the Australian Securities and Investments Commission as at 30 June 2002, and its financial performance and cash flows on the year then ended.

Australian National Audit Office

Mashelle Parrett
Executive Director

Delegate of the Auditor-General

Canberra
15 August 2002

Statement by Commissioners

In our opinion, the attached financial statements for the year ended 30 June 2002 give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and the *Financial Management and Accountability Act 1997*.



D.W. Knott
Chairman

15 August 2002



B. J. Collier
Commissioner

15 August 2002



I. A. Johnston
Acting Commissioner

15 August 2002

Statement of financial performance

for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
Revenues from ordinary activities			
Revenues from government	3	146,090	131,621
Sale of services	4(a)	2,709	1,914
Interest	4(b)	2,185	1,908
Proceeds from sale of assets	4(c)	230	23
Other	4(d)	3,124	8,735
Total revenues from ordinary activities		154,338	144,201
Expenses from ordinary activities (excluding borrowing costs expense)			
Employees	5(a)	85,191	83,051
Suppliers	5(b)	61,475	50,454
Depreciation and amortisation	5(c)	11,697	9,479
Write-down of assets	5(d)	396	270
Written down value of assets disposed	5(e)	999	78
Total expenses from ordinary activities (excluding borrowing costs expense)		159,758	143,332
Borrowing costs expense	6	179	–
Total expenses from ordinary activities		159,937	143,332
Net operating surplus (deficit) from ordinary activities	12, 13	(5,599)	869
Net surplus (deficit) attributable to the Commonwealth		(5,599)	869
Net credit (debit) to asset revaluation reserve	12	2,495	2,434
Total revenues, expenses and valuation adjustments attributable to the Commonwealth and recognised directly in equity		2,495	2,434
Total changes in equity other than those resulting from transactions with owners as owners		(3,104)	3,303

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

Statement of financial position

for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
ASSETS			
Financial assets			
Cash	7 (a)	16,546	12,277
Receivables	7 (b)	2,814	1,969
Total financial assets		19,360	14,246
Non-financial assets			
Leasehold improvements	8 (a)	10,553	7,905
Plant and equipment	8 (b)	11,972	8,789
Intangibles	8 (c)	5,242	5,367
Other	8 (h)	1,136	916
Total non-financial assets		28,903	22,977
Total assets		48,263	37,223
LIABILITIES			
Interest bearing liabilities			
Leases	9 (a)	9,334	-
Total interest bearing liabilities		9,334	-
Non interest bearing liabilities			
Unearned revenue	9(b)	2,910	63
Other	9(c)	4,154	4,693
Total non interest bearing liabilities		7,064	4,756
Provisions			
Employees	10	26,926	26,333
Total provisions		26,926	26,333
Payables			
Suppliers	11	5,859	3,950
Total payables		5,859	3,950
Total provisions and payables		32,785	30,283
Total liabilities		49,183	35,039
Net Assets (Liabilities)		(920)	2,184
EQUITY			
Parent entity interest			
Reserves	12	5,254	2,759
Retained surpluses (accumulated deficits)	12	(6,174)	(575)
Total parent entity interest		(920)	2,184
Total Equity (Deficiency)	1	(920)	2,184
Current assets		20,496	15,162
Non-current assets		27,767	22,061
Current liabilities		27,536	18,592
Non-current liabilities		21,647	16,447

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

Statement of cash flows

for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	3	148,821	131,465
Sales of goods and services			
– Government		1,730	3,910
– Non-government		1,082	737
Interest		2,185	1,908
GST recovered		4,922	3,961
Other		4,600	6,723
Total cash received		163,340	148,704
Cash used			
Employees		(84,478)	(80,152)
Suppliers		(67,759)	(57,350)
Borrowing costs	6, (i)	(179)	(222)
Total cash used		(152,416)	(137,724)
Net cash from operating activities	13(a)	10,924	10,980
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of property, plant & equipment	4(c)	230	23
Total cash received		230	23
Cash used			
Purchase of property, plant & equipment		(8,415)	(4,512)
Total cash used		(8,415)	(4,512)
Net cash used in investing activities		(8,185)	(4,489)
FINANCING ACTIVITIES			
Cash received			
Proceeds of sale and lease back of assets under finance lease		3,555	–
Total cash received		3,555	–
Cash used			
Repayments of debt		–	(2,772)
Repayment of finance lease principal		(2,025)	–
Total cash used		(2,025)	(2,772)
Net cash from (used by) financing activities		1,530	(2,772)
Net increase in cash held		4,269	3,719
Cash at the beginning of the reporting period		12,277	8,558
Cash at the end of the reporting period	7(a)	16,546	12,277

Note (i): The amount shown for 2000-01 represents payment of interest accrued in 1999-00 on a loan from Government.

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

Schedule of commitments

as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
BY TYPE			
Capital commitments			
Intangibles	(a)	53	–
Other commitments			
Operating leases	(b)	140,816	160,026
Total commitments payable		140,869	160,026
Commitments receivable	(c)	(10,082)	(12,217)
Net commitments		130,787	147,809
BY MATURITY			
Operating lease commitments			
One year or less		20,299	20,913
From one to five years		81,346	81,387
Over five years		39,171	57,726
Operating lease commitments		140,816	160,026
All net commitments			
One year or less		18,604	18,696
From one to five years		76,251	75,806
Over five years		35,932	53,307
Net commitments		130,787	147,809

Note:

(a) Outstanding contractual payments for intangible (software) purchases.

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

Nature of lease	General description of leasing arrangements
Leases for office accommodation	.Subject to bi-annual rental reviews
Motor vehicles – senior executives	.No contingent rentals exist There are no purchase options available to ASIC
Office equipment	.No contingent rentals exist There are no purchase options available to ASIC

(c) Commitments receivable consists of GST receivable. All 2002 commitments are GST inclusive. Where relevant 2001 comparatives have been restated to include GST which has resulted in an increase in net commitments of \$5.84m for that year.

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

Schedule of contingencies

as at 30 June 2002

Contingent losses

There were no contingent losses as at 30 June 2002 (2001: nil)

Contingent gains

There were no contingent gains as at 30 June 2002 (2001: nil)

Schedule of unquantifiable contingent losses/gains

ASIC is party to many civil litigation matters arising out of its statutory duty to administer and enforce laws for which it is responsible. Like any other party to litigation, ASIC is exposed to the risk of being required to pay the other party's costs if unsuccessful. Similarly, ASIC may be entitled to recover costs arising out of such litigation if it is successful.

There are five such claims against ASIC where proceedings were current as at 30 June 2002. Four of these matters were the subject of reporting last year. In each of the five matters, we are of the view, based on legal advice received that, save for having to pay legal fees and other out of pocket expenses ASIC:

- (a) denies liability;
- (b) is confident of successfully defending the action instituted; and
- (c) considers that it will not be required to pay any damages.

Seven claims have been threatened since 1 July 2001. In the case of four of these matters, it is not anticipated that proceedings will be commenced. In the case of the remaining three matters, it is not yet possible to assess the likelihood that proceedings will be commenced.

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

Notes to and forming part of the financial statements

for the year ended 30 June 2002

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Notes to and forming part of the financial statements

for the year ended 30 June 2002

1. Economic dependency

ASIC is controlled by the Government of the Commonwealth of Australia, and is dependent on appropriations from the Commonwealth Parliament for its continued existence and ability to carry out its normal activities and functions under the *Corporations Act 2001*.

2. Summary of accounting policies

(a) Objectives of ASIC

The Australian Securities & Investments Commission (ASIC) is an independent Commonwealth government body operating under the *Australian Securities & Investments Commission Act 2001 (ASIC Act)* to administer the *Corporations Act 2001* throughout Australia.

ASIC's objective is to promote the confident and informed participation of investors and consumers in the financial system.

ASIC collects and administers revenue under the *Corporations Act 2001* and prescribed fees set by the *Corporations (Fees) Regulations*.

(b) Basis of accounting

The financial statements are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and Section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (being the *Commonwealth Authorities and Companies (Financial Statements 2001-2002) Orders*);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board;
- Other authoritative pronouncements of the Board; and
- Consensus Views of the Urgent Issues Group.

The statements have been prepared having regard to:

- the Explanatory Notes to Schedule 1 issued by the Department of Finance and Administration;
- Finance Briefs issued by the Department of Finance and Administration; and
- the provisions of the *Australian Securities & Investments Commission Act 2001 (ASIC Act)*.

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

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities

arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets, which are unrecognised, are reported in the Schedule of Commitments and the Schedule of Contingencies.

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

(c) Administered items

ASIC collects and administers revenue under the *Corporations Act 2001* and prescribed fees set by the Corporations (Fees) Regulations. The revenues from these fees are not available to ASIC and are remitted to the Commonwealth's Official Public Account. Transactions and balances relating to these fees are reported as Administered Items.

Administered revenues, expenses, assets, liabilities and cash flows are presented in the Notes to these financial statements. In 2000-01, summary information was presented in Schedules following the primary financial statements.

The notes are prepared on the same basis and using the same policies as for ASIC items, except where otherwise stated at Note 2(g).

Administered items are distinguished by shading.

(d) Changes in Accounting Policy

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

(e) Reporting by Outcomes

A comparison of Budget and Actual figures by outcome specified in the Appropriation Acts relevant to ASIC is presented in Note 40. Any intra-government costs included in the figure 'net cost to Budget outcomes' are eliminated in calculating the actual budget outcome for the Government overall.

(f) Appropriations

Revenues from Government – Output Appropriations

Parliament appropriates monies to ASIC as revenue appropriations. Appropriations for outputs are recognised as revenue to the extent they have been received into ASIC's bank account or are entitled to be received by ASIC at year-end.

Appropriations received for specific Government initiatives that are conditional on any unspent balance being returned to Government are initially recognised as Unearned Revenue - Government Appropriation (Note 9(b) refers). At 30 June 2002, the balance of this account represents the amount of appropriation received that remains unspent at that date.

Revenues from Government are disclosed in the Statement of Financial Performance (Note 3).

2. Summary of accounting policies (cont)

Resources Received Free of Charge

Services received free of charge are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are combined with the revenues from Government for the purposes of presentation (Note 3).

Going Concern

ASIC is a statutory body and prepares its accounts on a going concern basis, which assumes that it is able to extinguish its liabilities as they arise through the normal level of appropriations it receives from Government and where necessary by seeking an advance from future appropriations or a capital injection.

(g) Other Revenue

Operating revenue from independent sources is mainly comprised of bank interest, business names receipts relating to the administration of the business names register, fees charged for the administration of the companies unclaimed money account, recoveries of legal costs and prosecution disbursements.

Revenue from the sale of services is recognised upon the delivery of services to customers.

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

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

Other revenue is disclosed in the Statement of Financial Performance.

Administered revenue

(i) Definition

Revenues and related assets are considered to arise when the Government, through the application of legislation by ASIC, gains control of the future economic benefits that flow from prescribed fees and other statutory charges.

Administered revenues are disclosed in the note on Revenues and Expenses Administered on behalf of Government (Note 23).

(ii) Recognition

The revenues of the Commonwealth, when administered by ASIC, are recognised (on an accruals basis) when the following conditions apply:

- the client or the client group can be identified in a reliable manner;
- an amount of prescribed fee or other statutory charge is payable by the client or client group under legislative provisions; and
- the amount of the prescribed fee or other statutory charge payable by the client or the client group can be reliably measured, and it is probable that the amount will be collected.

Statutory Revenue arising from services rendered by ASIC under the Corporations Act is collected and deposited in the Commonwealth Public Account (CPA) on behalf of the Commonwealth.

Statutory revenue comprises fees for the lodgement of annual returns and other prescribed fees and voluntary enquiries from clients for microfiche, certificates and document images.

ASIC also determines a reliable estimate of amounts payable by existing clients who have been identified as not having remitted or not lodged an annual return.

(h) Employee entitlements

Leave

The liability for employee entitlements includes a provision for annual leave, long service leave and accrued employer superannuation contributions. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of ASIC is estimated to be less than the annual entitlement for sick leave.

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2002 and is recognised at its nominal amount.

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2002. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Separation and redundancy

Provision is made for separation and redundancy payments in cases where positions have been formally identified as excess to requirements, and a reliable estimate of the amount payable can be determined.

Superannuation

The majority of employees contribute to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. There are also a small number of employees covered under state government and private superannuation schemes. The majority of these employees were employed by the various state governments and were transferred to ASIC at its inception in 1989.

Details of Superannuation payments are disclosed in Note 5(a).

(i) Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

ASIC entered into a sale and leaseback of certain IT assets on 30 October 2001. The capitalised amount of these leased assets was the written down value at that date.

Other leases are classified as operating leases.

Operating lease payments are charged to expense on a basis which is representative of the pattern of benefits derived from the leased assets. The net present value of future net outlays in respect of surplus space under non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

Lease incentives are recognised as a liability and are reduced by allocating lease payments between rental expense in the Statement of Financial Performance and the deferred lease incentive liability over the term of the lease.

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

2. Summary of accounting policies (cont)

(j) Borrowing Costs

All borrowing costs are expensed as incurred except to the extent that they are directly attributable to qualifying assets, in which case they are capitalised. The amount capitalised in a reporting period does not exceed the amounts of costs incurred in that period.

(k) Cash

For the purpose of the Statements of Cash Flows for both ASIC and Administered items, cash includes deposits held at call with a bank.

(l) Taxation

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

Administered items are exempt from all forms of taxation.

(m) Capital Use Charge

A capital use charge of 11% (2001: 12%) is imposed by the Government only on the positive value of net assets. The charge is adjusted to take account of revaluation increments during the financial year.

(n) Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

(o) Property (Leasehold improvements), plant and equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition. The \$2,000 threshold was selected because it facilitates efficient asset management and recording without materially affecting asset values recognised. Items of property, plant and equipment acquired free or for a nominal charge are recognised initially at their fair value.

Revaluations

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

Revaluations have been implemented as follows:

- leasehold improvements were revalued progressively during the 2000-01 financial year;
- plant and equipment assets were revalued in full during the 2001-02 financial year.

Assets in each class acquired after the commencement of the revaluation cycle are reported at cost and are not captured by the progressive revaluation then in progress.

Any assets which would not be replaced or are surplus to requirements are valued at net realisable value.

All valuations are independently performed by the Australian Valuation Office.

Recoverable amount test

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amounts. If an excess exists as at the reporting date, the asset is written down to its recoverable amount immediately. In assessing recoverable amounts, the relevant cash flows, including the expected cash inflows from future appropriations by the Parliament, have been discounted to their present value.

(p) Depreciation and amortisation

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

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

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

	2002	2001
Leasehold improvements	Lease term	Lease term
Plant and equipment	2 to 10 years	2 to 10 years
Plant and equipment under finance lease	1 to 3 years	–

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 5(c).

(q) Intangible Assets – computer software

Purchased Software

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

Internally developed software

Internally developed business systems and enhancements are measured at cost and these costs are held as software under development until the system or component is released to production, at which time it becomes internally developed software and is recorded as an intangible asset.

The carrying amount of each non-current intangible asset is reviewed to determine whether it is in excess of the asset's recoverable amount. If an excess exists as at the reporting date, the asset is written down to its recoverable amount immediately. In assessing recoverable amounts, the relevant cash flows, including the expected cash inflows from future appropriations by the Parliament, have been discounted to their present value.

The cost of internally developed software which is capitalised includes the cost of direct labour and other directly attributed costs.

No write-down to recoverable amounts has been made in 2001-02.

2. Summary of accounting policies (cont)

Intangible assets are amortised on a straight-line basis over their anticipated useful lives.

Useful lives are:

	2002	2001
Computer software	3 to 5 years	3 to 5 years

Any enhancements to an existing asset are depreciated over the remaining life of the asset.

(r) Receivables

ASIC's receivables comprise amounts expected to be received from operating revenue.

A provision for doubtful debts is raised in accordance with a policy that reflects actual collection experience.

Administered debts deemed uncollectable are written off against a provision for doubtful debts. A provision is raised in accordance with a policy that reflects actual collection experience.

(s) Unclaimed Monies – administered items

Banking Act administration

On 1 July 2000 ASIC assumed responsibility for the administration of unclaimed monies from banking and deposit taking institutions.

Monies from bank and deposit taking institution accounts inactive for seven years are transferred to the Commonwealth. These unclaimed monies are deposited in the Consolidated Revenue Fund and are recognised as administered revenue.

A provision representing the expected recovery of these monies less refunds paid, based on an analysis of historical transactions, is recognised in the administered schedules.

Life Insurance Act administration

On 1 July 1998 ASIC assumed responsibility for the administration of unclaimed monies from life insurance institutions.

Monies in respect of matured life insurance policies that have not been claimed for more than 7 years are transferred to the Commonwealth from life insurance companies and friendly societies. These unclaimed monies are deposited in the Consolidated Revenue Fund and are recognised as administered revenue. A provision representing the expected recovery of these monies less refunds paid, based on an analysis of historical transactions, is recognised in the administered schedules. From 1 July 2001, these monies have been treated as administered items.

Comparative figures have been adjusted to conform with changes in presentation in the administered notes.

(t) Expenditure of Boards and Tribunal

Pursuant to Parts 11 and 12 of the *Australian Securities & Investments Commission Act 2001*, and the *Superannuation (Resolution of Complaints) Act 1993*, ASIC is required to support various boards and a tribunal to promote activities that enable ASIC to attain its aims. Employee and administrative expenditure incurred on behalf of these boards and tribunal are included in the Statement of Financial Performance of ASIC (Note 18).

(u) Rounding

Amounts are rounded off to the nearest \$1,000 except in relation to:

- remuneration of Commissioners;
- remuneration of executive officers;
- remuneration of auditors;
- administered fee write off and waivers; and
- administered act of grace payments.

(v) Comparative figures

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

(w) Financial instruments

Accounting policies in relation to financial instruments are disclosed in Notes 22 and 37.

(x) Insurance

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

3. Revenues from Government

Revenue from Government	Note	2002 \$'000	2001 \$'000
Appropriation Act No.1 Operating Expenditure		141,221	131,162
Appropriation Act No.3 Operating Expenditure		4,749	303
Services received free of charge		120	156
Total	(i)	146,090	131,621

- (i) Actual appropriation received by ASIC for 2001-02 amounted to \$148.821m (2001: \$131.465m). The increase in appropriation received from Government in 2001-02 is largely represented by special one off funding of \$7.1m (2001: nil) relating to the HIH investigation and to the HIH Royal Commission.

Of the \$148.821m appropriation received for 2001-02, \$145.970m has been recognised as revenue. The remaining \$2.851m represents the unspent portion of specific purpose appropriation received from the Government to fund ASIC for its costs associated with the HIH Royal Commission, and has been disclosed as unearned revenue in the Statement of Financial Position (Note 9(b) refers)

4. Revenue from independent sources

	Note	2002 \$'000	2001 \$'000
(a) Sale of services			
Services were sold to:			
– Government		1,758	1,611
– Non-government		951	303
Total sales of services		2,709	1,914
Cost of services sold		1,931	1,386
(b) Bank interest			
		2,185	1,908
(c) Proceeds from sale of assets			
Plant & equipment	5(e)	230	23
(d) Other revenue			
Cost recoveries	(i)	366	575
Other	(ii)	2,758	3,497
Major cost recovery upon litigation			
Settlement	(iii)	–	4,663
Total other revenue		3,124	8,735

4. Revenue from independent sources (cont)

- (i) ASIC has been a litigant in courts. The amounts paid by ASIC for court costs, investigations, professional fees, legal costs and prosecution disbursements are recovered where possible.

	Note	2002 \$'000	2001 \$'000
(ii) This item is comprised of:			
Rent of surplus space		1,452	2,010
Other, including seminars, royalties and witness cost recoveries		1,306	1,487
		2,758	3,497

- (iii) This was the result of a once-off settlement of a major litigation matter upon the basis that ASIC's costs would be paid in full.

5. Operating expenses

(a) Employee expenses

Basic remuneration for services provided		84,373	81,870
Separation and redundancy		818	1,181
Total employee expenses		85,191	83,051

Redundancy expenses are calculated on the basis of two weeks pay for every year of service by employees made redundant, up to a maximum of 48 weeks.

Employer contributions to superannuation amounting to **\$7,338,761** (2001: \$7,667,817) have been expensed in the financial statements. Contributions to superannuation schemes are at rates calculated to cover existing and emerging obligations.

Employer Superannuation Productivity Benefit contributions totalled **\$1,262,426** (2001: \$1,200,198) and is included in the amount shown for employer superannuation contributions above.

(b) Suppliers expenses

Supply of goods and services	(i)	47,759	36,065
Operating lease rentals		13,716	14,389
Total suppliers expenses		61,475	50,454

- (i) The increase in supply of goods and services for 2001-02 is largely represented by expenditure attributable to investigations and litigation and includes externally sourced legal, accounting and forensic expenses.

5. Operating Expenses (cont)

	Note	2002 \$'000	2001 \$'000
(c) Depreciation and amortisation			
Amortisation of leasehold improvements		2,091	1,250
Depreciation of plant & equipment			
– Plant & equipment owned	4,340		5,662
– Assets subject to a finance lease	2,341	6,681	–
Amortisation of intangible assets			
– computer software		2,925	2,567
Total depreciation and amortisation	8(d)	11,697	9,479
(d) Write-down of assets			
Bad and doubtful debts expense		84	–
Plant & equipment - write-off on disposal	5(e)	312	270
Total write-down of assets		396	270
(e) Disposal of non-financial assets			
Plant & equipment:			
Revenue (proceeds from sale)	4(c)	(230)	(23)
Expense (written down value of assets disposed)		999	78
Loss on sale of plant & equipment	13	769	55
Less: Plant & equipment written off on disposal	5(d)	312	270
Net loss on disposal of plant & equipment		1,081	325

6. Borrowing cost expenses

Finance charges on lease liabilities		179	–
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7. Financial assets

(a) Cash

Cash at bank and on hand		4,063	3,667
Deposits at call		12,483	8,610
		16,546	12,277
Balance of cash as at 30 June shown in the Statement of Cash Flows		16,546	12,277

(b) Receivables

Trade debtors		1,293	1,377
Less: provision for doubtful debts		(84)	–
		1,209	1,377
GST receivable		1,605	592
		2,814	1,969

7. Financial assets (cont)

	Note	2002 \$'000	2001 \$'000
Receivables (gross) are aged as follows:			
– Not overdue		2,238	1,334
Overdue by:			
– Less than 30 days		353	223
– 30 to 60 days		17	143
– 60 to 90 days		60	40
– More than 90 days		230	229
		2,898	1,969

8. Non-financial assets

(a) Leasehold improvements

Leasehold improvements - at cost		5,713	975
Accumulated amortisation		(656)	(115)
		5,057	860
Leasehold improvements - at valuation 2001		16,660	16,737
Accumulated amortisation		(11,164)	(9,692)
		5,496	7,045
Total leasehold improvements		10,553	7,905

(b) Plant and equipment

Plant and equipment – at cost		1,204	15,463
Less accumulated depreciation		(144)	(7,976)
		1,060	7,487
Plant and equipment – at valuation 2002	(i), (ii)	13,546	–
Less accumulated depreciation		(11,652)	–
		1,894	–
Plant and equipment - at valuation 1999		–	16,722
Less accumulated depreciation		–	(15,420)
		–	1,302
Plant and equipment subject to a finance lease	(iii)	11,359	–
Less accumulated amortisation		(2,341)	–
		9,018	–
Total plant and equipment		11,972	8,789

8. Non-financial assets (cont)

	Note	2002 \$'000	2001 \$'000
(c) Intangible assets - computer software			
Computer software – internally developed – in progress		414	730
Computer software at cost		13,235	11,017
Less accumulated amortisation		(8,407)	(6,380)
		4,828	4,637
Total intangibles		5,242	5,367

- (i) The revaluation of plant and equipment was performed on 1 July 2001 in accordance with the progressive revaluation policy stated at Note 2(o) by an independent valuer from the Australian Valuation Office (Simon B. O'Leary AAPI MSAA).

In accordance with the requirements of Schedule 1 of the Commonwealth Authorities and Companies (Financial Statements 2001-02) Orders, all revalued assets are shown on a gross basis: asset values are at deprival value, and accumulated depreciation has been calculated based on this value. The resulting adjustment has been transferred directly to the asset revaluation reserve.

- (ii) During the year, ASIC entered into a lease agreement for certain IT assets and desktop computers as part of its strategy to outsource the upgrade of its IT assets. The financial effect of the disposal of existing IT assets and desktop computers, has been included in Note 8(d).
- (iii) This amount is the present value of the minimum lease payments capitalised in accordance with ASIC's accounting policy Note 2(i).

8. Non-financial assets (cont)

(d) Movement summary 2001-02 for all leasehold improvements, plant & equipment and intangible assets irrespective of valuation basis

Item	Leasehold improvements	Plant & equipment	Computer software-intangibles	Total
	\$'000	\$'000	\$'000	\$'000
Gross value as at 1 July 2001	17,712	32,185	11,747	61,644
Additions: Purchase of assets	4,739	8,822	2,658	16,219
Additions: Capitalised value of IT assets subject to a sale and lease back agreement	–	3,555	–	3,555
Disposal: Gross value of IT assets sold and financed under a sale and lease back agreement	–	(10,482)	–	(10,482)
Revaluations: write-ups/(write-downs)	–	(1,131)	–	(1,131)
Write-offs	–	(3,021)	(1,051)	(4,072)
Disposals	(78)	(3,524)	–	(3,602)
Other movements	–	(295)	295	–
Gross value as at 30 June 2002	22,373	26,109	13,649	62,131
Accumulated depreciation/amortisation as at 1 July 2001	9,807	23,396	6,380	39,583
Disposal: Accumulated depreciation on IT assets sold and financed under a sale and lease back agreement	–	(6,927)	–	(6,927)
Depreciation/amortisation charge for the year	2,091	6,681	2,925	11,697
Revaluations: write-ups/(write-downs)	–	(3,626)	–	(3,626)
Write-offs	–	(2,709)	(1,051)	(3,760)
Disposals	(78)	(2,525)	–	(2,603)
Other movements	–	(153)	153	–
Accumulated depreciation/amortisation as at 30 June 2002	11,820	14,137	8,407	34,364
Net book value as at 30 June 2002	10,553	11,972	5,242	27,767
Net book value as at 30 June 2001	7,905	8,789	5,367	22,061

8. Non-financial assets (cont)

(e) Summary of balances of leasehold improvements and plant & equipment at valuation as at 30 June 2002, included in table 8(d) above

Item	Leasehold improvements	Plant & equipment	Total
	\$'000	\$'000	\$'000
As at 30 June 2002			
Gross value	16,660	13,546	30,206
Accumulated Depreciation/Amortisation	(11,164)	(11,652)	(22,816)
Net book value	5,496	1,894	7,390
As at 30 June 2001			
Gross value	16,737	16,722	33,459
Accumulated Depreciation/Amortisation	(9,692)	(15,420)	(25,112)
Net book value	7,045	1,302	8,347

(f) Summary of intangible assets under construction as at 30 June 2002, included in table 8(d) above

Item	Intangibles – computer software	Total
	\$'000	\$'000
As at 30 June 2002		
Gross value	414	414
Accumulated Depreciation/Amortisation	–	–
Net book value (Note 8(c))	414	414
As at 30 June 2001		
Gross value	730	730
Accumulated Depreciation/Amortisation	–	–
Net book value (Note 8(c))	730	730

(g) Summary of balances of assets held under finance lease as at 30 June 2002, included in table 8(d) above

Item	Plant & equipment	Total
	\$'000	\$'000
As at 30 June 2002		
Gross value	11,359	11,359
Accumulated Depreciation/Amortisation	(2,341)	(2,341)
Net book value (Note 8(b))	9,018	9,018
As at 30 June 2001		
Gross value	–	–
Accumulated Depreciation/Amortisation	–	–
Net book value (Note 8(b))	–	–

8. Non-financial assets (cont)

(h) Other non-financial assets

	Note	2002 \$'000	2001 \$'000
Other prepayments		1,136	916
Total other non-financial assets		1,136	916

9. Interest bearing liabilities

(a) Leases

Finance Lease Commitments

Payable:

Within one year		4,475	–
In one to five years		5,581	–
In more than five years		–	–
Minimum lease payments		10,056	–
Deduct: future finance charges		722	–
Lease liability		9,334	–
Lease liability is represented by:			
– Current		4,063	–
– Non-current		5,271	–
Total interest bearing liabilities		9,334	–

Finance leases exist in relation to certain IT assets. The leases are for terms averaging 3 years, with an option to extend for a further term of 3 years.

Non interest bearing liabilities

(b) Unearned revenue

Government Appropriation	3(i)	2,851	–
Other unearned revenue		59	63
		2,910	63

9. Interest bearing liabilities (cont)

(c) Other debt

	Note	2002 \$'000	2001 \$'000
Property lease incentives			
The property lease incentive liability is repayable as follows:			
– Current		679	756
– Non-current		2,800	3,479
	(i)	3,479	4,235
Property sub-lease (surplus space)			
The net liability in respect of future payments for surplus space on non-cancellable leases is as follows:			
– Current		7	391
– Non-current		–	67
	(ii)	7	458
Insurance recoveries			
	(iii)	668	–
		4,154	4,693
Total non interest bearing liabilities		7,064	4,756

- (i) Total property lease incentives represent deferred rental expenditure at 30 June 2002. The amortisation of these amounts will be made over the life of the leases, commencing after the expiry of the rent deferral periods.
- (ii) The surplus space on non-cancellable leases has been recognised as a liability and an expense. The above amounts for operating lease rentals include the total expected outlay relating to surplus space as specified in the leases and are determined net of probable sub-lease revenue.
- (iii) Insurance recoveries are payments made by ASIC's insurer, Comcover, in connection with claims made by ASIC for expenditure attributable to the HIH Royal Commission. The amount of \$667,716 represents the full amount of claims received to date from Comcover. A liability exists at 30 June 2002, as ASIC will be returning this amount to Government.

10. Provisions

Employee Provisions

Salaries and wages	3,604	3,983
Leave	21,802	20,815
Superannuation	1,344	1,097
Separation and redundancy	176	438
Aggregate employee entitlement liability	26,926	26,333
Employee provisions are categorised as follows:		
– Current	13,350	13,432
– Non-current	13,576	12,901
	26,926	26,333

11. Payables

Supplier payables

Trade creditors	(i)	5,859	3,950
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All supplier payables are current

- (i) The increase in payables for 2001-02 is largely represented by expenditure attributable to investigations and litigation (refer Note 5(b)(i)).

12. Equity

Item	Accumulated results		Asset revaluation reserve		TOTAL EQUITY	
	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance 1 July 2001	(575)	(1,444)	2,759	325	2,184	(1,119)
Operating result	(5,599)	869	–	–	(5,599)	869
Net revaluation increase (a)	–	–	2,495	2,434	2,495	2,434
Balance 30 June 2002	(6,174)	(575)	5,254	2,759	(920)	2,184

(a) The net revaluation increase in the asset revaluation reserve comprises:

	Note	2002 \$'000	2001 \$'000
Revaluation increment – plant & equipment	2(o)	2,495	–
Revaluation increment – leasehold improvements	2(o)	–	2,434
Total revaluation increment		2,495	2,434

13. Notes to the Statement of Cash Flows

(a) Reconciliation of operating surplus/(deficit) to net cash from operating activities:

	Note	2002 \$'000	2001 \$'000
Operating surplus/(deficit)		(5,599)	869
Depreciation and amortisation of property, plant & equipment and intangibles	5(c)	11,697	9,479
Net loss on disposal of property, plant & equipment	5(e)	769	55
Write down of property, plant & equipment assets	5(d)	312	270
Write down of bad and doubtful debts	5(d)	84	-
Changes in assets and liabilities:			
Increase/(decrease) in employee provisions		593	2,700
Decrease/(increase) in other assets		(220)	64
Decrease/(increase) in receivables		(929)	726
(Decrease)/increase in liability to suppliers		1,909	(1,913)
(Decrease)/increase in other payables		-	(222)
(Decrease)/increase in non interest bearing liabilities		2,308	(1,048)
Net cash provided by operating activities		10,924	10,980

(b) Non-Cash Financing and Investing Activities

Finance Lease Transaction

During the financial year ASIC acquired plant & equipment with an aggregate fair value of \$11,359,423 (2001: nil), by means of a finance lease. This acquisition is not reflected in the Statement of Cash Flows.

14. Related party disclosures

The Commissioners of ASIC during the financial year and to the date of this report were:

D.W. Knott (Chairman)

J. S. Segal (Deputy Chair to 30 June 2002)

B. J. Collier (Commissioner from 5 November 2001)

I. A. Johnston (Acting Commissioner from 29 April 2001 to 2 November 2001, and from 5 July 2002)

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

There were no loans made to Commissioners or Commissioner related entities during the reporting period.

There were no other transactions with Commissioners or Commissioner related entities during the reporting period.

15. Remuneration of Commissioners and Executive Officers

The number of Commissioners included in these figures is shown below in the relevant remuneration bands.

(a) Remuneration of Commissioners

	2002 Commissioners	2001 Commissioners
\$170,001 - \$180,000	1	1*
\$210,001 - \$220,000	–	1
\$240,001 - \$250,000	1	–
\$280,001 - \$290,000	–	1
\$290,001 - \$300,000	1	–
\$310,001 - \$320,000	1	1
* includes redundancy/retirement payment	4	4

	2002 \$	2001 \$
Aggregate amount of superannuation payments in connection with the retirement of Commissioners	47,153	53,559
Other remuneration received or due and receivable by Commissioners	982,129	939,654
Total remuneration received or due and receivable by Commissioners	1,029,282	993,213

(b) Remuneration of Executive Officers

	2002	2001
The number of officers who received or were due to receive total remuneration of \$100,000 or more in the relevant income bands is shown below:	Executives	Executives
\$100,001 - \$110,000	2	–
\$110,001 - \$120,000	3	1
\$120,001 - \$130,000	2	5
\$130,001 - \$140,000	3	3
\$140,001 - \$150,000	2	6*
\$150,001 - \$160,000	2	2
\$160,001 - \$170,000	8	3
\$170,001 - \$180,000	4	5
\$180,001 - \$190,000	3	4
\$200,001 - \$210,000	2	1
\$210,001 - \$220,000	–	2*
\$220,001 - \$230,000	2	–
\$270,001 - \$280,000	–	1*
\$280,001 - \$290,000	–	1*
*includes redundancy/retirement payment	33	34

15. Remuneration of Commissioners and Executive Officers (cont)

(b) Remuneration of Executive Officers (cont)

	2002 \$	2001 \$
The aggregate amount of total remuneration of officers shown above is	5,222,182	5,645,429
The aggregate amount of separation and redundancy payments during the year to officers shown above	–	319,962

The executive remuneration includes all Executive Officers concerned with or taking part in the management of ASIC during 2001-02 except for the Commissioners. Details in relation to Commissioners are shown at Note 15(a) – Remuneration of Commissioners.

16. Assets held in trust

ASIC has established a Comcare trust account. Monies received are placed in this bank account and expended in accordance with the *Safety Rehabilitation and Compensation (SRC) Act 1988*. These monies are not available for the purposes of ASIC and are not recognised in the financial statements.

	2002 \$'000	2001 \$'000
Comcare Trust Account (SRC Act 1988)		
Opening balance	–	–
Receipts	227	–
Interest received	–	–
Disbursements	–	–
Bank Charges	–	–
Closing balance	227	–

17. Fiduciary monies (other than trust monies)

ASIC has established a number of special purpose accounts. Monies received are placed in special bank accounts and expended in accordance with the Corporations Act. These monies are not available for the purposes of ASIC and are not recognised in the financial statements.

	2002 \$'000	2001 \$'000
Settlements monies held pending the outcome of legal proceedings (represented by cash at bank)		
Opening balance	5,925	3,607
Receipts	1,430	10,700
Interest received	225	220
Disbursements	(1,082)	(8,602)
Closing balance	6,498	5,925

18. Expenditure relating to Statutory Boards and Tribunal.

Pursuant to Parts 11 and 12 of the *Australian Securities & Investments Commission Act 2001*, ASIC is required to support statutory boards and a tribunal to promote activities that assist ASIC to attain its aims.

	2002 \$'000	2001 \$'000
Companies Auditors and Liquidators Disciplinary Board (CALDB)	331	439
Australian Accounting Standards Board (AASB)	1,500	1,500
Superannuation Complaints Tribunal	2,766	2,691

The Superannuation Complaints Tribunal (SCT) is an independent body with distinct responsibilities as set out under the *Superannuation (Resolution of Complaints) Act 1993* and has operated under the budgetary umbrella of ASIC since 1 July 1998.

Employee and administrative expenditure incurred on behalf of these boards and tribunal are included in the Statement of Financial Performance of ASIC.

19. Auditors remuneration

	2002 \$	2001 \$
Remuneration to the Auditor-General for auditing the financial statements of ASIC in respect of the reporting period.	110,000	115,000

20. Assets of deregistered companies vesting in ASIC

During the financial year section 601AD of the *Corporations Act 2001* provided that, on deregistration of a company, all of the company's property vests in ASIC. ASIC adopts a passive approach to administering vested property and accounts for those assets in accordance with its statutory duties.

ASIC generally only deals with vested property once an application is made by a third party for ASIC to exercise its powers under section 601AE of the *Corporations Act 2001*. ASIC therefore does not consider it to be appropriate that the value of any identified property vesting be recorded, or disclosed in these financial statements.

21. Average staffing level

	2002	2001
The average staffing levels for ASIC during the year were	1,284	1,221

22. Financial instruments

(a) Terms, conditions and accounting policies

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
Financial assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash at bank	7(a)	Deposits are recognised at their nominal amounts. Interest is accrued as it is earned.	Interest is earned on the daily balance. At 30 June 2002 the current interest rate was 3.7%
Deposits at call	7 (a)	Deposits are recognised at their nominal amounts. Interest is accrued as it is earned.	Surplus funds, mainly from monthly drawdowns of appropriation, are placed on deposit at call with ASIC's banker. Interest is earned on the daily balance.
Receivables (services)	7(b)	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are net 14 days (2001: 14 days)
Financial Liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Finance lease liabilities	9(a)	Liabilities are recognised at the present value of the minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rates implicit in the leases.	At reporting date, ASIC had finance leases with terms averaging 3 years, with an option to extend for a further term of 3 years. The interest rate used to discount the minimum lease payments is ASIC's incremental borrowing rate of 5.1%. The lease liabilities are secured by the lease assets.
Lease incentives	9(c)	The lease incentive is recognised as a liability on receipt of the incentive. The amount of the liability is reduced on a straight-line basis over the life of the lease by allocating lease payments between rental expense and reduction of the liability	
Trade creditors	11	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is usually made net 30 days.

22. Financial instruments (cont.)

(b) Interest rate risk

Financial instrument	Notes	Floating interest rate		Fixed interest rate						Non-interest bearing		Total		Weighted Average Effective Interest Rate	
				1 year or less		1 to 2 years		> 2 years							
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 %	2001 %
Financial assets (recognised)															
Cash at bank	7 (a)	3,999	3,598	-	-	-	-	-	-	-	-	3,999	3,598	3.7	4.9
Cash on hand	7 (a)	-	-	-	-	-	-	-	-	64	69	64	69	n/a	n/a
Deposits at call	7 (a)	12,483	8,610	-	-	-	-	-	-	-	-	12,483	8,610	4.4	6.0
Receivables services	7 (b)	-	-	-	-	-	-	-	-	2,814	1,969	2,814	1,969	n/a	n/a
Total		16,482	12,208	-	-	-	-	-	-	2,878	2,038	19,360	14,246		
Total assets												48,183	37,223		
Financial liabilities (recognised)															
Finance lease liabilities ⁽ⁱ⁾	9 (a)	-	-	4,063	-	2,948	-	2,323	-	-	-	9,334	-	5.1	
Unearned revenue	9 (b)	-	-	-	-	-	-	-	-	2,910	63	2,910	63	n/a	n/a
Other debt	9 (c)	-	-	-	-	-	-	-	-	4,154	4,693	4,154	4,693	n/a	n/a
Trade creditors	11	-	-	-	-	-	-	-	-	5,859	3,950	5,859	3,950	n/a	n/a
Total		-	-	4,063	-	2,948	-	2,323	-	12,923	8,706	22,257	8,706		
Total liabilities												49,183	35,039		

(i) The interest rate used to discount the minimum lease payments is ASIC's incremental borrowing rate of 5.1%.

22. Financial instruments (cont.)

(c) Net fair values of financial assets and liabilities

Financial assets	2002		2001	
	Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
Cash at bank	3,999	3,999	3,598	3,598
Cash on hand	64	64	69	69
Deposits at call	12,483	12,483	8,610	8,610
Receivables for services	2,814	2,814	1,969	1,969
	19,360	19,360	14,246	14,246
Financial liabilities				
Finance lease liabilities	9,334	9,334	-	-
Unearned revenue	2,910	2,910	63	63
Other debt	4,154	4,154	4,693	4,693
Trade creditors	5,859	5,859	3,950	3,950
	22,257	22,257	8,706	8,706

Financial assets

The net fair values of cash and deposits on call approximate their carrying amounts.

The net fair values of receivables for services approximate their carrying amounts.

Financial liabilities

The net fair values of finance leases are based on discounted cash flows using current interest rates for liabilities with similar risk profiles.

The net fair values of non-bank loans approximate their carrying amounts.

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

The net fair values for insurance recoveries, unearned revenue and trade creditors, all of which are short-term in nature, approximate their carrying amounts.

(d) Credit risk exposures

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

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

23. Revenues and Expenses Administered on behalf of Government – for the year ended 30 June 2002

Revenues	Note	2002 \$'000	2001 \$'000
Other taxes, fees and fines			
Revenues from Government	24(a)	12,725	17,822
Non-taxation revenues	24(c)	413,216	392,318
Interest	24(e)	133	189
Total revenues administered on behalf of Government		426,074	410,329
Expenses			
Write-down and waivers of administered assets	25(a)	10,610	6,969
Refunds	25(b)	14,454	13,526
Total expenses administered on behalf of Government		25,064	20,495
Net surplus	30	401,010	389,834
Transfer to Official Commonwealth Public Account (CPA)	30(a)	416,843	377,355
Net change in administered net assets	29	(15,833)	12,479

24. Revenues Administered on behalf of Government – for the year ended 30 June 2002

(a) Revenue from the Government

Transfers from Official Public Account – Corporations Act		200	1,300
Administered services received free of charge	(b)	25	22
Special Appropriation draw down – Banking Act Unclaimed money		10,000	15,000
Special public money draw down – Life Insurance Act Unclaimed money		2,500	1,500
		12,725	17,822

(b) Services received free of charge

Financial statement audit services by the Auditor-General are provided free of charge to ASIC in relation to the audit of Corporations Act, Banking Act and Life Insurance Act revenue items. The fair value of audit services provided is \$25,000 (2001: \$22,000).

(c) Non-taxation revenues

Corporations Act fees and charges	(d)	379,351	362,596
Monies received from banks and deposit taking institutions in respect of accounts inactive for seven years	2(s)	29,953	24,716
Monies received from life insurance institutions for policies inactive for seven years	2(s)	3,912	5,006
		413,216	392,318

25. Expenses Administered on behalf of Government (cont)

	Note	2002 \$'000	2001 \$'000
(b) Other expenses			
Refunds paid to bank and deposit taking institution account holders	2(s)	12,188	11,626
Refunds paid to life insurance policy holders	2(s)	2,241	1,878
Audit fees	24(b)	25	22
		14,454	13,526

(i) The number and aggregate amount of Commonwealth monies written off during the financial year pursuant to section 47 of the FMA Act 1997 is 16,686 items totalling \$4,909,521 (2001: 13,088 items totalling \$2,334,695).

(ii) An increase in the provision for doubtful debts over last year of \$2,219,000, to \$5,619,000 (2001: \$3,399,800). The level of the provision was re-appraised at 30 June 2002, in accordance with ASIC's debt management policy.

(iii) The number and aggregate of amounts owing to the Commonwealth the recovery of which was waived during the financial year pursuant to section 34(1) of the FMA Act 1997 is 20,328 items totalling \$3,481,346 (2001: 17,277 items totalling \$2,967,946).

26. Assets and liabilities Administered on behalf of Government – as at 30 June 2002

ASSETS

Cash	27(a)	3,453	4,844
Receivables – other	27(b)	85,892	85,956
Other – accrued revenues	27(c)	11,127	11,636
Total Assets administered on behalf of Government		100,472	102,436

LIABILITIES

Provisions

Unclaimed monies	28	74,149	66,328
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Payables

Other	28	6,528	480
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Total provisions and payables

		80,677	66,808
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Total liabilities administered on behalf of Government 80,677 66,808

Net Assets 19,795 35,628

EQUITY

Accumulated results		19,795	35,628
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Total equity 29 19,795 35,628

Current assets		43,823	47,379
Non-current assets		56,649	55,057
Current liabilities		24,028	11,751
Non-current liabilities		56,649	55,057

28.Administered provisions and payables – as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
Provisions			
Provision for unclaimed monies repayments – Banking Act		68,220	60,505
Provision for unclaimed monies repayments – Life Insurance Act		5,929	5,823
		74,149	66,328
Payables			
Information Integrity Program monies – Corporations Act – payable to ASIC		137	115
Corporations Act refunds		1,458	365
Unallocated monies - Corporations Act		4,933	–
Total payables		6,528	480
Total provisions and payables		80,677	66,808

29.Administered equity

Item	Accumulated results		Total Equity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance 1 July	35,628	23,149	35,628	23,149
Surplus/(Deficit)	(15,833)	12,479	(15,833)	12,479
Balance 30 June	19,795	35,628	19,795	35,628

31.Administered commitments

There were no administered commitments as at 30 June 2002 (2001: nil).

32.Administered contingencies

There were no administered contingencies as at 30 June 2002 (2001: nil).

33.Auditors remuneration – Administered items

	Note	2002 \$	2001 \$
Financial statement audit services by the Auditor-General are provided free of charge to ASIC in relation to the audit of Corporations Act, Banking Act and Life Insurance Act (administered) items	24(b)	25,000	22,000

34.Assets held in trust

ASIC has established trust accounts for Companies Unclaimed Money. Monies received are placed in a special bank account and is expended in accordance with the *Corporations Act 2001*. These monies are not available for the purposes of ASIC and are not recognised in the financial statements.

Companies Unclaimed Monies Account (Part 9.7 – Corporations Act 2001) (represented by cash at bank)

	2002 \$'000	2001 \$'000
Opening balance	25,930	24,769
Receipts	12,474	3,171
Interest received	1,112	1,333
Disbursements	(892)	(657)
Bank Charges	(1)	(3)
Management costs recovered by ASIC	(302)	(341)
Consolidated revenue transfer	(4,503)	(2,342)
Closing balance	33,818	25,930

35. Fiduciary monies – (other than trust monies)

Security deposits

The *Corporations Act 2001* and the *Corporations Regulations 2001* require applicants for a dealers or investment advisers licence, and applicants for registration as a liquidator, to lodge a security deposit with ASIC. These monies, deposits, stock, bonds or guarantees are not available for the purposes of ASIC and are not recognised in the financial statements.

Security Deposits under Corporations Regulations 2001 regulation 10.2.45 (Dealers & investment advisers)

	2002 \$'000	2001 \$'000
Cash (at bank)	367	356
Interest bearing deposits (at bank)	820	940
Inscribed stock	100	120
Insurance bonds	20	20
Bank guarantees	41,764	40,472
Total	43,071	41,908

Security Deposits under Corporations Act 2001 s1284(1) (Liquidators)

Insurance bonds	5,550	5,650
Bank guarantees	500	500
Total	6,050	6,150

36. Fiduciary monies – (other than trust monies)

Section 462 Companies Code receipts

ASIC has established a number of special purpose bank accounts in terms of section 462 of the *Companies Code* in respect of defunct companies. Monies received are expended in accordance with the *Corporations Act 2001*. These monies are not available for the purposes of ASIC and are not recognised in the financial statements.

Section 462 Companies Code receipts (represented by cash at bank)

Opening balance	154	98
Receipts	13	91
Interest received	8	2
Disbursements	(128)	(37)
Closing balance	47	154

37.Administered financial instruments

(a) Terms, conditions and accounting policies.

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Deposits at call	27(a)	Deposits are recognised at their nominal amounts.	Monies awaiting payment to the Commonwealth Public Account (CPA) are held at call with ASIC's banker.
Receivables - <i>Corporations Act 2001</i> fees outstanding.	27(b)	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms: payable on lodgement of annual return (2001: payable on lodgement of annual return).
Accrued revenues	27(c)	As for Receivables – <i>Corporations Act 2001</i> fees outstanding.	As for Receivables – <i>Corporations Act 2001</i> fees outstanding.
Financial liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Refunds	28	These amounts are payable to companies that have either paid in excess of what has been assessed or as a result of waiving a late fee. Refunds are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.	Refunds awaiting payment to companies are held at call with ASIC's banker.
Unallocated monies – <i>Corporations Act</i>	28	Unallocated monies including overpaid accounts are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.	That portion of monies awaiting refund are held at call with ASIC's banker.

37. Administered financial instruments (cont)

(b) Interest rate risk : Administered

Financial instrument	Notes	Floating interest rate	Floating interest rate	Fixed interest rate		Non-interest bearing		Total	Total	Weighted Average Effective Interest Rate	Weighted Average Effective Interest Rate	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 %	2001 %	
Financial assets (recognised)												
Deposits at call	27(a)	1,807	3,603	-	-	1,646	1,241	3,453	4,844	n/a	n/a	
Receivables	27(b)	-	-	-	-	85,892	85,956	85,892	85,956	n/a	n/a	
Accrued revenue	27(c)	-	-	-	-	11,127	11,636	11,127	11,636	n/a	n/a	
Total		1,807	3,603	-	-	98,665	98,833	100,472	102,436	-	-	
Total assets									100,472	102,436	-	-
Financial liabilities (recognised)												
Refunds	28	-	-	-	-	1,458	365	1,458	365	n/a	n/a	
Other monies	28	-	-	-	-	5,070	115	5,070	115	n/a	n/a	
Provision for Banking Act unclaimed Monies repayments	28	-	-	-	-	68,220	60,505	68,220	60,505	n/a	n/a	
Provision for Life Insurance Act unclaimed Monies repayments	28	-	-	-	-	5,929	5,823	5,929	5,823	n/a	n/a	
Total		-	-	-	-	80,677	66,808	80,677	66,808	-	-	
Total liabilities									80,677	66,808	-	-

(c) Net fair values of administered financial assets and liabilities

Administered financial assets	2002 Total carrying amount \$'000	2002 Aggregate net fair value \$'000	2001 Total carrying amount \$'000	2001 Aggregate net fair value \$'000
Cash at bank and on hand	3,453	3,453	4,844	4,844
Receivable	85,892	85,892	85,956	85,956
Accrued revenue	11,127	11,127	11,636	11,636
Total financial assets	100,472	100,472	102,436	102,436
Financial liabilities (recognised)				
Refunds	1458	1458	365	365
Other monies	5070	5070	115	115
Provision for unclaimed monies repayments – <i>Banking Act</i>	68,220	68,220	60,505	60,505
Provision for unclaimed monies repayments – <i>Life Insurance Act</i>	5,929	5,929	5,823	5,823
Total financial liabilities (recognised)	80,677	80,677	66,808	66,808

Financial assets

The net fair values of cash and deposits on call approximate their carrying amounts.

Receivables are carried at assessed value, which is equal to their net fair value.

Financial liabilities

Refunds are carried at their nominal value.

(d) Administered credit risk exposures

The maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as disclosed in Note 26, Assets and Liabilities Administered on behalf of the Government.

There are no significant exposures to any concentrations of credit risk in regard to the Administered accounts.

38.Administered appropriations

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

	2002 \$'000	2001 \$'000
Administered Appropriations 2002		
Life Insurance Unclaimed Monies Account – <i>s216 Life Insurance Act 1995</i>	2,500	1,500
Appropriation – <i>Banking Act</i> unclaimed monies	10,000	15,000
Appropriation – <i>Corporations Act</i> refunds	200	1,300
Total	12,700	17,800

39.Events occurring after reporting date

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

40. Reporting by segments and outcomes (Whole of Government reporting)

The outcomes and output framework for budgeting and reporting was introduced by Government for all Commonwealth Departments and Agencies in 1999-00.

ASIC receives funding from Government within the context of this framework to regulate the market in order to achieve “A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers” (Outcome 1).

ASIC’s operations and activities that give effect to its role as a regulator are categorised into four outputs. The relationship between Outcome 1 and the corresponding four outputs is shown in the diagram below.

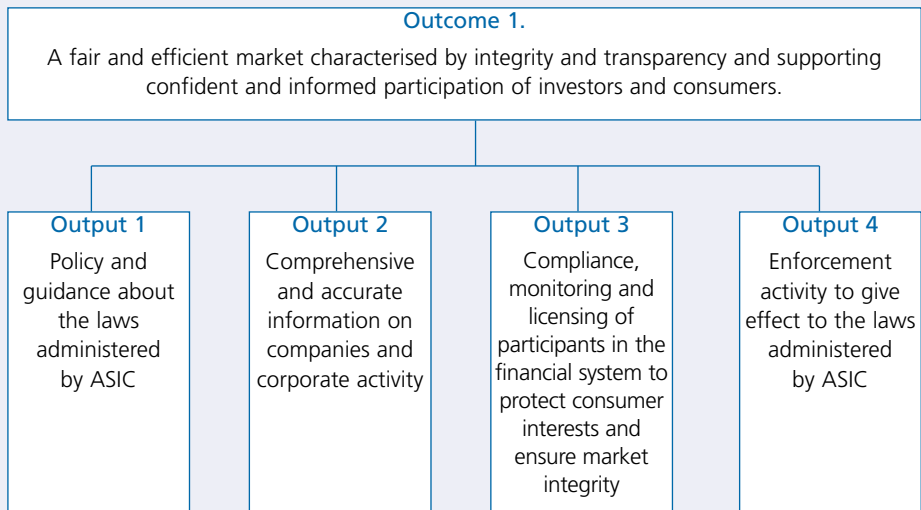


Table A: Total cost/contribution of outcomes (Whole of Government)

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

	Outcome 1	
	Budget \$'000	Actual \$'000
Net taxation, fees and fines revenues	352,750	368,741
Other administered revenues	41,525	46,698
Net subsidies, benefits and grants expenses	–	–
Other administered expenses	(18,025)	(14,429)
Net cost of departmental outputs	(141,221)	(151,569)
Cost/Contribution of outcome before extraordinary items	235,029	249,441
Extraordinary items	–	–
Administered	–	–
Departmental	–	–
Net cost/contribution to Budget outcome (a)	235,029	249,441

(a) Table A above shows the net contribution to the Commonwealth Budget outcome by adding the net cost of departmental outputs, administered revenue less administered expenditure to produce a positive contribution to the Budget outcome of \$249.441m. This derived amount of \$249.441m is meaningful only when it is used to consider ASIC's contribution to the budget outcome for the purposes of "whole of Government" reporting. It is not intended to represent or portray an alternative operating result for ASIC to that which is disclosed in the Statement of Financial Performance.

Administered expenses represent revenue foregone to the Commonwealth as a result of refunds and waivers and write offs of fees and charges owing to the Commonwealth (not ASIC) under the Corporations Act. Both administered expenses and revenues are detailed in Note 23, Revenues and Expenses Administered on behalf of Government.

ASIC collects administered revenue on behalf of the Commonwealth under the Corporations Act, Banking Act and the Life Insurance Act.

The net cost of entity outputs on the other hand represents the expenses incurred by ASIC less the revenue earned by ASIC from other sources – each of these amounts is detailed in the Statement of Financial Performance.

years: 11 dishonest company office rs and others who cheated investor, \$401 million nds protected, com ers or assets frozen estors an creditors, criminals jailed for s totalling 74 years: dishonest any officers others who cheated estors, \$401 million nds prote cted, com tion orders or assets estors - creditors, 19 minals jailed for ter s totalling 74 ye ars: dishonest company rs an 8 others who nals jailed for terms years: 11 dishonest mpany office rs and others who cheated estor, \$401 million nds prote cted, minals jailed for rms 74 years: 11 dishonest company offi rs and 8 others who eated investor, \$401 nals jailed for terms years: 11 dishonest mpany office rs and others who cheated estor, \$401 million nds protected, com ers or assets frozen estors an creditors, criminals jailed for s totalling 74 years: dishonest any officers others who cheated estors, \$401 million nds prote cted, minals jailed for terms totalling 74 years: dishonest any officers others who cheated estors, \$401 million nds prote cted, com tion orders or assets estors - creditors, 19 minals jailed for terms totalling 74 years: dishonest any officers others who cheated estors, \$401 million nds prote cted, com tion orders or assets estors - creditors, 19

Table B: Major departmental revenues and expenses by output (Output Group)

	Output 1		Output 2		Output 3		Output 4		Total	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Operating Revenues										
Revenue from government	8,240	13,500	39,049	39,860	40,360	23,465	58,321	54,640	145,970	131,465
Sale of goods & services	–	–	2,709	1,914	–	–	–	–	2,709	1,914
Interest	120	196	574	554	593	340	898	818	2,185	1,908
Proceeds from sale of assets	14	1	60	6	62	6	94	10	230	23
Other	–	–	–	–	–	–	3,124	8,735	3,124	8,735
Operating expenses										
Employees	4,802	4,983	22,758	21,593	23,522	22,424	33,989	33,895	85,071	82,895
Suppliers	3,480	3,027	16,493	13,118	17,047	13,623	24,634	20,686	61,654	50,454
Depreciation & amortisation	660	569	3,129	2,465	3,234	2,559	4,674	3,886	11,697	9,479
Write-down of assets	22	16	106	70	109	73	159	111	396	270
Written down value of assets disposed	60	5	260	20	270	21	409	32	999	78

Table C: Major classes of departmental assets and liabilities by output (or Output Group)

	Output 1		Output 2		Output 3		Output 4		Total	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Output specific departmental assets										
Leasehold improvements	633	474	2,744	2,055	2,849	2,134	4,327	3,242	10,553	7,905
Infrastructure, plant & equipment	678	527	2,940	2,285	3,053	2,373	5,301	3,604	11,972	8,789
Intangibles	315	322	1,363	1,395	1,415	1,449	2,149	2,201	5,242	5,367
Other	68	55	295	238	307	247	466	376	1,136	916
Other departmental assets										
Cash	–	–	4,224	1,682	–	–	12,322	10,595	16,546	12,277
Receivables	–	–	2,814	1,969	–	–	–	–	2,814	1,969
Output specific departmental liabilities										
Other departmental liabilities										
Finance lease liability	520	–	2,254	–	2,341	–	4,219	–	9,334	–
Unearned revenue	–	–	–	–	–	–	2,910	63	2,910	63
Other non interest bearing liabilities	249	282	1,080	1,220	1,122	1,267	1,703	1,924	4,154	4,693
Provisions - Employees	1,616	1,580	7,001	6,847	7,270	7,110	11,039	10,796	26,926	26,333
Payables - Suppliers	352	237	1,523	1,027	1,582	1,067	2,402	1,619	5,859	3,950

Table D: Major classes of administered revenues and expenses by outcomes

	Outcome 1	
	2002 \$'000	2001 \$'000
Revenues		
Other taxes, fees and fines	379,351	362,596
Monies from banks and deposit taking institutions	29,953	24,716
Monies from life insurance institutions	3,912	5,006
Government appropriation for refunds under the Banking Act	10,000	15,000
Government appropriation for refunds under the Life Insurance Act	2,500	1,500
Drawdown from the official public account for refunds	200	1,300
Interest	133	189
Expenses		
Write-down of assets	10,610	6,969
Other	14,429	13,504

Table E: Major classes of Administered assets and liabilities by outcome

	Outcome 1	
	2002 \$'000	2001 \$'000
Outcome specific administered assets		
Cash	3,453	4,844
Receivables	85,892	85,956
Other – accrued revenues	11,127	11,636
Outcome specific administered liabilities		
Provisions – refunds	74,149	66,328
Payables – other	6,528	480

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How to find ASIC

www.asic.gov.au

For consumers and investors

www.fido.asic.gov.au

Infoline

Information for consumers and complaints about financial services and products, investors' rights, companies, company directors, auditors and liquidators, company administration, policy and procedures:

1300 300 630

ASIC Offices

Policy and coordination, enforcement and regulation

Melbourne

Sydney

Adelaide

Brisbane

Canberra

Darwin

Hobart

Perth

GPO Box 9827 in your capital city

Service Centres

Incorporation, document lodgement, searches & fees

Adelaide

Telephone 08 8202 8500

Facsimile 08 8202 8510

Brisbane

Telephone 07 3867 4900

Facsimile 07 3867 4727

Canberra

Telephone 02 6250 3850

Facsimile 02 6250 3834

Darwin

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Hobart

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Facsimile 03 6235 6860

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Facsimile 03 9280 3550

Newcastle

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Perth

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Facsimile 08 9261 4210

Sydney

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Townsville

Telephone 07 4721 3885

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Information Processing Centre

Company annual returns, penalty notices, deregistration and reinstatement

Traralgon, VIC

Telephone 03 5177 3988

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PO Box 4000

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