

## Contents for financial statements

	Page
Independent audit report	68
Statement by the Commissioners	69
Statement of financial performance	70
Statement of financial position	71
Statement of cash flows	72
Schedule of commitments	73
Schedule of contingencies	74
Schedule of administered items	75

## Notes to and forming part of the financial statements

	Page		Page
1. Economic dependency	80	19. Auditors remuneration	102
2. Summary of significant accounting policies	80	20. Assets of deregistered companies vesting in ASIC	102
3. Revenues from Government	88	21. Average staffing level	102
4. Revenue from independent sources	89	22. Financial instruments	103
5. Operating expenses	90	23. Administered revenue	106
6. Borrowing costs expense	91	24. Administered expenses	107
7. Financial assets	92	25. Administered assets	108
8. Non-financial assets	93	26. Administered liabilities	109
9. Interest bearing liabilities and non-interest bearing liabilities	96	27. Administered equity	109
10. Provisions	97	28. Administered cash flow reconciliation	110
11. Supplier payables	97	29. Administered – auditors remuneration	110
12. Equity	98	30. Administered – assets held in trust	110
13. Notes to the statement of cash flows	98	31. Administered – fiduciary monies – security deposits (other than trust monies)	111
14. Related party disclosures	99	32. Administered – fiduciary monies – (other than trust monies)	112
15. Remuneration of Commissioners and Executive Officers	99	33. Administered special accounts	112
16. Assets held in trust	101	34. Administered financial instruments	113
17. Fiduciary monies (other than trust monies)	102	35. Events occurring after reporting date	115
18. Expenditure relating to statutory boards and tribunal	102	36. Reporting of outcomes	115
		37. Appropriations	118



## 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 2003. The financial statements comprise:

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

The Commissioners 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 Minister's 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 2003, and its financial performance and cash flows for the year then ended.

Australian National Audit Office

A handwritten signature in black ink, appearing to read "P. Hinchey".

P. Hinchey  
Senior Director  
Delegate of the Auditor-General

Sydney  
8 August 2003

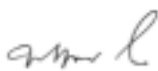
## Statement by Commissioners

In our opinion, the attached financial statements for the year ended 30 June 2003 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*.

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



D. W. Knott  
Chairman  
6 August 2003



J. J. Lucy  
Deputy Chairman  
6 August 2003



B. J. Collier  
Commissioner  
6 August 2003

## Statement of Financial Performance

for the year ended 30 June 2003

	Notes	2003 \$'000	2002 \$'000
<b>REVENUE</b>			
<b>Revenues from ordinary activities</b>			
Revenues from government	3	162,832	146,090
Sale of services	4(a)	2,782	2,709
Interest	4(b)	2,094	2,185
Revenue from sale of assets	4(c)	69	230
Other	4(d)	4,718	3,124
<b>Revenues from ordinary activities</b>		<b>172,495</b>	<b>154,338</b>
<b>EXPENSE</b>			
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>			
Employees	5(a)	96,919	85,191
Suppliers	5(b)	62,557	61,475
Depreciation and amortisation	5(c)	12,317	11,697
Write-down of assets	5(d)	185	396
Written down value of assets disposed	5(e)	70	999
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>		<b>172,048</b>	<b>159,758</b>
<b>Borrowing costs expense</b>	6	<b>559</b>	<b>179</b>
<b>Total expenses from ordinary activities</b>		<b>172,607</b>	<b>159,937</b>
<b>Operating surplus (deficit) from ordinary activities</b>	12, 13	<b>(112)</b>	<b>(5,599)</b>
Revaluation increment taken to asset revaluation reserve	12	-	2,495
<b>Total revenues, expenses and valuation adjustments recognised directly in equity</b>		<b>-</b>	<b>2,495</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>(112)</b>	<b>(3,104)</b>

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

## Statement of Financial Position

as at 30 June 2003

	Notes	2003 \$'000	2002 \$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash	7(a)	11,188	16,546
Receivables	7(b)	3,375	2,814
<b>Total financial assets</b>		<b>14,563</b>	<b>19,360</b>
<b>Non-financial assets</b>			
Leasehold improvements	8(a)	12,133	10,553
Plant and equipment	8(b)	12,930	11,972
Intangibles	8(c)	8,200	5,242
Other	8(h)	1,036	1,136
<b>Total non-financial assets</b>		<b>34,299</b>	<b>28,903</b>
<b>TOTAL ASSETS</b>		<b>48,862</b>	<b>48,263</b>
<b>LIABILITIES</b>			
<b>Interest bearing liabilities</b>			
Leases	9(a)	11,364	9,334
<b>Total interest bearing liabilities</b>		<b>11,364</b>	<b>9,334</b>
<b>Non-interest bearing liabilities</b>			
Unearned revenue	9(b)	30	2,910
Other	9(c)	4,096	4,154
<b>Total non-interest bearing liabilities</b>		<b>4,126</b>	<b>7,064</b>
<b>Provisions</b>			
Employees	10	27,637	26,926
<b>Total provisions</b>		<b>27,637</b>	<b>26,926</b>
<b>Payables</b>			
Suppliers	11	6,767	5,859
<b>Total payables</b>		<b>6,767</b>	<b>5,859</b>
<b>TOTAL LIABILITIES</b>		<b>49,894</b>	<b>49,183</b>
<b>NET ASSETS (LIABILITIES)</b>		<b>(1,032)</b>	<b>(920)</b>
<b>EQUITY</b>			
<b>Parent entity interest</b>			
Reserves	12	5,254	5,254
Accumulated deficits	12	(6,286)	(6,174)
<b>Total parent entity interest</b>		<b>(1,032)</b>	<b>(920)</b>
<b>TOTAL DEFICIENCY OF EQUITY</b>	1	<b>(1,032)</b>	<b>(920)</b>
<b>Current assets</b>		<b>15,599</b>	<b>20,496</b>
<b>Non-current assets</b>		<b>33,263</b>	<b>27,767</b>
<b>Current liabilities</b>		<b>29,031</b>	<b>27,536</b>
<b>Non-current liabilities</b>		<b>20,863</b>	<b>21,647</b>

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

## Statement of Cash Flows

for the year ended 30 June 2003

	Notes	2003 \$'000	2002 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations	37	159,981	148,821
Sales of goods and services		3,234	2,812
Interest		2,094	2,185
GST recovered		6,953	4,922
Other		4,021	4,600
<b>Total cash received</b>		<b>176,283</b>	<b>163,340</b>
<b>Cash used</b>			
Employees		(96,208)	(84,478)
Suppliers		(68,905)	(67,759)
Borrowing costs	6	(559)	(179)
<b>Total cash used</b>		<b>(165,672)</b>	<b>(152,416)</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	13(a)	<b>10,611</b>	<b>10,924</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sale of property, plant & equipment	4(c)	69	230
<b>Total cash received</b>		<b>69</b>	<b>230</b>
<b>Cash used</b>			
Purchase of property, plant & equipment		(11,066)	(8,415)
<b>Total cash used</b>		<b>(11,066)</b>	<b>(8,415)</b>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		<b>(10,997)</b>	<b>(8,185)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds of sale and lease back of assets under finance lease		-	3,555
<b>Total cash received</b>		<b>-</b>	<b>3,555</b>
<b>Cash used</b>			
Repayment of finance lease principal		(4,972)	(2,025)
<b>Total cash used</b>		<b>(4,972)</b>	<b>(2,025)</b>
<b>NET CASH FROM (USED BY) FINANCING ACTIVITIES</b>		<b>(4,972)</b>	<b>1,530</b>
<b>Net increase (decrease) in cash held</b>			
		(5,358)	4,269
Cash at the beginning of the reporting period		16,546	12,277
<b>CASH AT THE END OF THE REPORTING PERIOD</b>	7(a)	<b>11,188</b>	<b>16,546</b>

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

## Schedule of Commitments

as at 30 June 2003

	Notes	2003 \$'000	2002 \$'000
<b>By type</b>			
<b>Capital commitments</b>			
Intangibles	(a)	–	53
Plant and equipment	(b)	102	–
		<u>102</u>	<u>53</u>
<b>Other commitments</b>			
Operating leases	(c)	119,941	140,816
Other commitments (goods & services)		179	–
		<u>120,120</u>	<u>140,816</u>
<b>Total commitments payable</b>		<u>120,222</u>	<u>140,869</u>
<b>Commitments receivable</b>	(d)	<u>(8,185)</u>	<u>(10,082)</u>
<b>Net commitments</b>		<u>112,037</u>	<u>130,787</u>
<b>By maturity</b>			
<b>Capital commitments</b>			
One year or less		<u>102</u>	<u>53</u>
<b>Operating lease and other commitments</b>			
One year or less		20,941	20,299
From one to five years		73,833	81,346
Over five years		25,448	39,171
<b>Operating lease and other commitments</b>		<u>120,222</u>	<u>140,816</u>
<b>Net commitments by maturity</b>			
One year or less		19,555	18,604
From one to five years		69,164	76,251
Over five years		23,318	35,932
<b>Net commitments</b>		<u>112,037</u>	<u>130,787</u>

Note:

- (a) Outstanding contractual payments for intangible (software) purchases.  
 (b) Outstanding contractual payments for other purchases of plant and equipment.  
 (c) Operating leases included are effectively non-cancellable and comprise:

Nature of lease	General description of leasing arrangements
Leases for office accommodation	• Subject to annual or 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

- (d) Commitments receivable consists of GST recoverable in respect of operating leases.

All 2003 commitments are GST inclusive.

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

## Schedule of Contingencies

as at 30 June 2003

### Contingent liabilities

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.

As at the date of this report there were no contingent liabilities other than as disclosed in the Schedule of unquantifiable contingent liabilities below (2002: nil).

### Contingent assets

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 may be entitled to recover costs arising out of such litigation if it is successful.

As at the date of this report there were no contingent assets other than as disclosed in the Schedule of unquantifiable contingent assets below (2002: nil).

### Schedule of unquantifiable contingent liabilities

#### *1. Civil litigation matters brought by ASIC to enforce the laws for which it is responsible*

As at the date of this report there is one matter of this type which may result in a material contingent liability by way of an award of costs against ASIC. It is not practicable to make an estimate of any such costs.

#### *2. Civil litigation brought, or threatened to be brought, against ASIC as a defendant*

Like any other corporate body, ASIC is from time to time the subject of legal proceedings for damages brought against it, or receives notice indicating that such proceedings may be brought.

There are at the date of this report, 7 matters of this type where proceedings are current. In each of those matters, ASIC denies liability and is of the view, based on legal advice received that, save for having to pay legal fees and other out-of-pocket expenses, ASIC:

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

Four further possible claims of this type have been notified to ASIC since 1 July 2002. It is not yet possible in any of those cases to assess the likelihood that proceedings will be commenced.

### Schedule of unquantifiable contingent assets

#### *Civil litigation brought by ASIC to enforce the laws for which it is responsible*

As at the date of this report there are two matters of this type which may result in a material contingent asset by way of a payment of costs in favour of ASIC. It is not practicable to make an estimate of any such costs.

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



## Schedule of Administered Items

	Notes	2003 \$'000	2002 \$'000
<b>Revenues Administered on Behalf of Government</b>			
<i>for the year ended 30 June 2003</i>			
<b>Non-taxation</b>			
Non-taxation revenues	23(a)	431,162	413,216
Interest	23(c)	150	133
Other revenue	23(d)	25	25
<b>Total Revenues Administered on Behalf of Government</b>		<b>431,337</b>	<b>413,374</b>
<b>Expenses Administered on Behalf of Government</b>			
<i>for the year ended 30 June 2003</i>			
<b>Write-down of assets</b>			
Other expenses	24(a)	19,326	14,454
Write-down and impairment of administered assets	24(b)	7,538	10,610
<b>Total Expenses Administered on Behalf of Government</b>		<b>26,864</b>	<b>25,064</b>

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 Official Public Account (OPA).

ASIC has responsibility for the administration of unclaimed monies from banking and deposit taking institutions. Monies from bank and deposit taking institution accounts that remain inactive for seven years are transferred to the Commonwealth, and are deposited into the OPA.

ASIC also has responsibility for the administration of unclaimed monies from life insurance institutions and friendly societies. Monies in respect of matured life insurance policies that have not been claimed for more than seven years are transferred to the Commonwealth and are deposited into the OPA.

Note: Intra-Government transactions have been omitted as a result of changes in reporting requirements specified in the Finance Minister's Orders.

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

## Schedule of Administered Items (continued)

	Notes	2003 \$'000	2002 \$'000
<b>Assets Administered on Behalf of Government</b>			
<i>as at 30 June 2003</i>			
<b>Financial assets</b>			
Cash	25(a)	5,378	3,453
Receivables	25(b)	11,061	11,743
Accrued revenues	25(c)	7,591	11,127
<b>Total Assets Administered on Behalf of Government</b>		<b>24,030</b>	<b>26,323</b>
<b>Liabilities Administered on Behalf of Government</b>			
<i>as at 30 June 2003</i>			
<b>Payables</b>			
Other	26	8,170	6,528
<b>Total Liabilities Administered on Behalf of Government</b>		<b>8,170</b>	<b>6,528</b>
<b>Net Assets Administered on Behalf of Government</b>	27	<b>15,860</b>	<b>19,795</b>
<b>Current assets</b>		<b>24,030</b>	<b>26,323</b>
<b>Non-current assets</b>		<b>-</b>	<b>-</b>
<b>Current liabilities</b>		<b>8,170</b>	<b>6,528</b>
<b>Non-current liabilities</b>		<b>-</b>	<b>-</b>

Note: Intra Government transactions have been omitted as a result of changes in reporting requirements specified in the Finance Minister's Orders.

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

## Schedule of Administered Items (continued)

	Notes	2003 \$'000	2002 \$'000
<b>Administered Cash Flows</b>			
<i>for the year ended 30 June 2003</i>			
<b>Operating Activities</b>			
<b>Cash received</b>			
– Corporations Act fees & charges		405,275	383,383
– Banking Act unclaimed monies		21,240	27,884
– Life Insurance Act unclaimed monies		4,818	4,185
<b>Total cash received</b>		<b>431,333</b>	<b>415,452</b>
<b>Cash used</b>			
Cash to Official Public Account from:			
– Corporations Act fees & charges		403,699	382,978
– Banking Act unclaimed monies		21,147	29,953
– Life Insurance Act unclaimed monies		4,562	3,912
<b>Total cash used</b>		<b>429,408</b>	<b>416,843</b>
<b>Net cash from/(used by) operating activities</b>		<b>1,925</b>	<b>(1,391)</b>
<b>Net increase (decrease) in cash held</b>		<b>1,925</b>	<b>(1,391)</b>
Cash at the beginning of the reporting period		3,453	4,844
<b>Cash at the end of the reporting period</b>	25(a)	<b>5,378</b>	<b>3,453</b>
Note: Intra Government transactions have been omitted as a result of changes in reporting requirements specified in the Finance Minister's Orders.			
The above schedule should be read in conjunction with the accompanying notes.			

## Schedule of Administered Items (continued)

### Administered Commitments

as at 30 June 2003

There were no administered commitments as at 30 June 2003 (2002: nil).

### Administered Contingencies

as at 30 June 2003

#### Contingent liabilities

##### Banking Act administration

Monies from bank and deposit taking institution accounts inactive for seven years are transferred to the Commonwealth and are deposited into the Consolidated Revenue Fund.

A contingent liability of \$71,692,565 (2002: \$68,220,000) exists, and represents an estimate of future claims for repayment, when the validity of the claim has been established by the relevant institution.

##### Life Insurance Act administration

Monies in respect of matured life insurance policies that have not been claimed for more than seven years are transferred to the Commonwealth from life insurance companies and friendly societies, and are deposited into the Consolidated Revenue Fund.

A contingent liability of \$5,905,280 (2002: \$5,929,000) exists, and represents an estimate of future claims for repayment, when the validity of the claim has been established by the relevant institution.

#### Contingent assets

There were no administered contingent assets as at 30 June 2003 (2002: nil).

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

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

Note	Page
1. Economic dependency	80
2. Summary of significant accounting policies	80
3. Revenues from Government	88
4. Revenue from independent sources	89
5. Operating expenses	90
6. Borrowing costs expense	91
7. Financial assets	92
8. Non-financial assets	93
9. Interest bearing liabilities and non-interest bearing liabilities	96
10. Provisions	97
11. Supplier payables	97
12. Equity	98
13. Notes to the statement of cash flows	98
14. Related party disclosures	99
15. Remuneration of Commissioners and Executive Officers	99
16. Assets held in trust	101
17. Fiduciary monies (other than trust monies)	102
18. Expenditure relating to statutory boards and tribunal	102
19. Auditors remuneration	102
20. Assets of deregistered companies vesting in ASIC	102
21. Average staffing level	102
22. Financial instruments	103
23. Administered revenue	106
24. Administered expenses	107
25. Administered assets	108
26. Administered liabilities	109
27. Administered equity	109
28. Administered cash flow reconciliation	110
29. Administered – auditors remuneration	110
30. Administered – assets held in trust	110
31. Administered – fiduciary monies – security deposits (other than trust monies)	111
32. Administered – fiduciary monies – (other than trust monies)	112
33. Administered special accounts	112
34. Administered financial instruments	113
35. Events occurring after reporting date	115
36. Reporting of outcomes	115
37. Appropriations	118

## 1. Economic dependency

The Australian Securities & Investments Commission (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

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

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 (CAC Act)* (referred to as Schedule 1 in this financial report) and Section 49 of the *Financial Management and Accountability Act 1997 (FMA Act)* 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, and the Financial Management and Accountability (Financial Statements for reporting periods ending on or after 30 June 2003) Orders*);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board;
- Consensus Views of the Urgent Issues Group; and
- the provisions of the *Australian Securities & Investments Commission Act 2001 (ASIC Act)*.

The statements have been prepared having regard to:

- the Explanatory Notes to Schedule 1 issued by the Department of Finance and Administration; and
- Finance Briefs issued by the Department of Finance and Administration.

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) Reporting of administered activities**

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 Official Public Account (OPA). Transactions and balances relating to these fees are reported as Administered Items.

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Schedule of Administered Items and related notes.

Administered Items are accounted for on the same basis and using the same policies as for ASIC items, including the application of Accounting Standards, Accounting Interpretations and UIG Consensus Views.

Administered revenues transferred or transferable to the OPA are not reported as administered expenses or payables. These transactions or balances are internal to the Administered entity.

In 2001–02, summary information was presented in the Notes to these financial statements.

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 36. Any intra-government costs included in the figure 'net cost to Commonwealth Budget outcome' are eliminated in calculating the actual budget outcome for the Government overall.

### **(f) Appropriations**

#### *Revenues from Government – Output Appropriations*

The full amount of appropriation for departmental outputs for the year is recognised as revenue.

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 remained unspent at that date.

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

*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 refers).

*Going Concern*

ASIC is a statutory body and prepares its financial statements on a going concern basis, which assumes that it is able to extinguish its liabilities as they arise through the normal level of appropriations it receives from Government and where necessary by seeking an advance from the Minister for Finance 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 both 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 Administered on behalf of Government (Note 23 refers).

*(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 2001* is collected and deposited in the OPA 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 benefits**

### *Leave*

The provision for employee benefits 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 benefits of all employees at 30 June 2003 and is recognised at its nominal amount. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. This change in accounting policy is required by the adoption of Australian Accounting Standard AASB 1028 (*Employee Benefits*) from 1 July 2002, and has resulted in a charge of \$478,530 which is included in employees expenses (Note 5(a) refers).

The provision for long service leave has been determined by reference to a review undertaken by an independent actuary (Mercer Human Resource Consulting) as at 30 June 2003. Future actuarial reviews will be undertaken on a five yearly basis. In determining the present value of the liability, attrition rates and future pay increases have been taken into account (Note 5(a) refers).

### *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 number of employees covered under state government and private superannuation schemes. The employees covered under state superannuation schemes 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 is 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.

### **(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% (2002: 11%) is imposed by the Government only on the positive value of equity. The charge is adjusted to take account of revaluation increments during the financial year.

In accordance with the recommendations of a review of the Budget Estimates and Framework, the Government has determined that the capital use charge will not operate after 30 June 2003.

### **(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) Leasehold improvements, plant and equipment**

*Asset recognition threshold*

Purchases of leasehold improvements, 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 leasehold improvements, plant and equipment acquired free or for a nominal charge are recognised initially at their fair value.

#### *Revaluations*

Leasehold improvements and plant and equipment are carried at valuation. Revaluations undertaken up to 30 June 2002 were made on a deprival basis; revaluations from that date will be at fair value. This change in accounting policy is required by Australian Accounting Standard AASB 1041 (*Revaluation of Non-Current Assets*).

Fair and deprival values for each class of asset are determined as shown below.

Asset class	Fair value measured at:	Deprival value measured at:
Leasehold improvements	Depreciated replacement cost	Depreciated replacement cost
Plant & equipment	Market selling price	Depreciated replacement cost

Under both deprival and fair value, assets which are surplus to requirements are measured at their net realisable value.

#### *Frequency*

Leasehold improvements, plant and equipment are revalued progressively in successive three-year cycles.

Revaluations have been implemented as follows:

- leasehold improvements were revalued progressively during the 2000–01 financial year, using the deprival method of valuation;
- plant and equipment assets were revalued in full during the 2001–02 financial year, using the deprival method of valuation.

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.

#### *Conduct*

All valuations are independently performed by the Australian Valuation Office.

#### *Recoverable amount test*

From 1 July 2002, Schedule 1 no longer requires the application of the recoverable amount test in Australian Accounting Standard AAS 10 (*Recoverable Amount of Non-Current Assets*) to the assets of agencies when the primary purpose of the asset is not the generation of net cash inflows.

No leasehold improvements, plant and equipment assets have been written to recoverable amount per AAS 10. Accordingly the change in policy has had no financial effect.

### **(p) Depreciation and amortisation**

Depreciable 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:

	2003	2002
Leasehold improvements	<b>Lease term</b>	Lease term
Plant and equipment	<b>2 to 10 years</b>	2 to 10 years
Plant and equipment under finance lease (i)	<b>1 to 5 years</b>	1 to 3 years

(i) Two leases for terms of 5 years were entered into during 2003.

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.

From 1 July 2002, Schedule 1 no longer requires the application of the recoverable amount test in Australian Accounting Standard AAS 10 (*Recoverable Amount of Non-Current Assets*) to the assets of agencies when the primary purpose of the asset is not the generation of net cash inflows.

However Schedule 1 now requires such assets, if carried on the cost basis, to be assessed for indications of impairment. The carrying amount of impaired assets must be written down to the higher of its net market selling price or depreciated replacement cost.

An assessment for impairment was undertaken as at 30 June 2003. No software assets were found to be impaired.

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

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

Useful lives are:

	2003	2002
Computer software	<b>3 to 5 years</b>	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. This 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 that are inactive for seven years are transferred to the Commonwealth, and are deposited into the OPA.

### Life Insurance Act administration

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

Monies in respect of matured life insurance policies that have not been claimed for more than seven years are transferred to the Commonwealth, and are deposited into the OPA.

## (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 the tribunal are included in the Statement of Financial Performance of ASIC (Note 18 refers).

## (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 34.

## (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

	<i>Note</i>	<u>2003</u> \$'000	<u>2002</u> \$'000
Appropriation Act No. 1 Operating Expenditure		160,447	141,221
Appropriation Act No. 3 Operating Expenditure		2,385	4,749
		<u>162,832</u>	<u>145,970</u>
Services received free of charge		–	120
<b>Total</b>	(i),37(b)	<u><b>162,832</b></u>	<u><b>146,090</b></u>

(i) The increase in Appropriation received by ASIC in 2002–03 of \$16.862m (net of services received free of charge) is made up as follows:

	<u>2003</u> \$'000
(a) Funding provided by the Government for ASIC to implement the Financial Services Reform Act and for its enhanced consumer protection and regulatory roles	10,977
(b) Increased funding for enforcement activities	5,290
(c) Other	595
	<u><b>16,862</b></u>

## 4. Revenue from independent sources

	<i>Note</i>	<u>2003</u> <u>\$'000</u>	<u>2002</u> <u>\$'000</u>
<b>(a) Sale of services</b>			
Services were sold to:			
Commonwealth Government entities		1,214	1,758
External entities		1,568	951
<b>Total sale of services</b>		<u>2,782</u>	<u>2,709</u>
<b>(b) Bank interest</b>		<u>2,094</u>	<u>2,185</u>
<b>(c) Revenue from sale of assets</b>			
Plant & equipment	5(e)	<u>69</u>	<u>230</u>
<b>(d) Other revenue</b>			
Cost recoveries	(i)	3,292	938
Other	(ii)	1,426	2,186
<b>Total other revenue</b>		<u>4,718</u>	<u>3,124</u>
(i) Amounts recovered by ASIC for court costs, investigations, professional fees, legal costs and prosecution disbursements.			
(ii) This item is comprised of:			
Rent of surplus space		499	1,452
Other revenue including seminars, royalties and professional and witness cost recoveries		927	734
		<u>1,426</u>	<u>2,186</u>

## 5. Operating expenses

	Note	2003 \$'000	2002 \$'000
<b>(a) Employees expenses</b>			
Basic remuneration for services provided:			
Wages and salaries	(i)	76,857	68,701
Superannuation	(ii)	10,459	7,339
Leave and other benefits		8,907	7,883
Separation and redundancy	(iii)	797	818
Reduction in provision for long service leave	(iv)	(700)	–
Other employee benefits		139	157
<b>Total employees benefits expenses</b>		<b>96,459</b>	<b>84,898</b>
Workers compensation premiums		460	293
<b>Total employees expenses</b>		<b>96,919</b>	<b>85,191</b>

(i) The increase in wages and salaries has resulted from the recruitment of additional staff to implement the Financial Services Reform Act, and for enhanced consumer protection and regulatory roles under that Act, and to supplement ASIC's general enforcement capability (Note 3 refers).

(ii) Contributions to superannuation schemes are at rates calculated to cover existing and emerging obligations. The employer contribution rates for the Commonwealth Superannuation Scheme (CSS) was 17.7% (2002: 18.4%), the Public Sector Superannuation Scheme (PSS) was 10.5% (2002: 5.7%), and the superannuation productivity benefit was 3% (2002: 3%).

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

(iv) Reduction in provision for Long Service Leave

ASIC's provision for long service leave has been determined by reference to a review undertaken by an independent actuary (Mercer Human Resource Consulting, M. A. Stevenson FIAA) as at 31 December 2002. As a result of this review, it was necessary to reduce the provision at 30 June 2003 by \$700,268 in respect of:

Current year	51
Prior year provisions	649
Total reduction in provision for long service leave	<u>700</u>

### (b) Suppliers expenses

Supply of goods and services:			
Services from Commonwealth Government entities		5,770	4,811
Services from external entities		42,640	42,948
Operating lease rentals		14,147	13,716
<b>Total suppliers expenses</b>		<b>62,557</b>	<b>61,475</b>



	Note	<u>2003</u> \$'000	<u>2002</u> \$'000
<b>(c) Depreciation and amortisation</b>			
Amortisation of leasehold improvements		2,992	2,091
Depreciation of plant & equipment			
Plant & equipment owned		1,243	4,340
Assets subject to a finance lease		5,095	2,341
		<u>6,338</u>	<u>6,681</u>
Amortisation of intangible assets – computer software		2,987	2,925
<b>Total depreciation and amortisation</b>	8(d)	<u>12,317</u>	<u>11,697</u>
<b>(d) Write-down of assets</b>			
Bad and doubtful debts expense		–	84
Plant & equipment – write-off on disposal	5(e)	185	312
<b>Total write-down of assets</b>		<u>185</u>	<u>396</u>
<b>(e) Disposal of non-financial assets</b>			
Plant & equipment:			
Revenue (proceeds from sale)	4(c)	(69)	(230)
Expense (written down value of assets disposed)		70	999
<b>Loss on sale of plant &amp; equipment</b>	13	<u>1</u>	<u>769</u>
Less: Plant & equipment written off on disposal	5(d)	185	312
<b>Net loss on disposal of plant &amp; equipment</b>		<u>186</u>	<u>1,081</u>
<b>6. Borrowing costs expense</b>			
Finance charges on lease liabilities		<u>559</u>	<u>179</u>

## 7. Financial assets

	<i>Note</i>	<i>2003</i> \$'000	<i>2002</i> \$'000
<b>(a) Cash</b>			
Cash at bank and on hand		6,023	4,063
Deposits at call		5,165	12,483
		<u>11,188</u>	<u>16,546</u>
Balance of cash as at 30 June shown in the Statement of Cash Flows		<u>11,188</u>	<u>16,546</u>
<b>(b) Receivables</b>			
Trade debtors		2,798	1,293
Less: provision for doubtful debts		(33)	(84)
		<u>2,765</u>	<u>1,209</u>
GST receivable		610	1,605
		<u>3,375</u>	<u>2,814</u>
Receivables (gross) are aged as follows:			
– Not overdue		3,242	2,238
Overdue by:			
– Less than 30 days		12	353
– 30 to 60 days		53	17
– 60 to 90 days		–	60
– More than 90 days		101	230
<b>Total receivables (gross)</b>		<u>3,408</u>	<u>2,898</u>
The provision for doubtful debts is aged as follows:			
Overdue by:			
– More than 90 days		(33)	(84)
<b>Total provision for doubtful debts</b>		<u>(33)</u>	<u>(84)</u>

## 8. Non-financial assets

	<i>Note</i>	<i>2003</i> <i>\$'000</i>	<i>2002</i> <i>\$'000</i>
<b>(a) Leasehold improvements</b>			
Leasehold improvements – at cost		10,285	5,713
Accumulated amortisation		(2,253)	(656)
		<u>8,032</u>	<u>5,057</u>
Leasehold improvements – at valuation 2001 (deprival)		16,660	16,660
Accumulated amortisation		(12,559)	(11,164)
		<u>4,101</u>	<u>5,496</u>
<b>Total leasehold improvements</b>		<u><b>12,133</b></u>	<u><b>10,553</b></u>
<b>(b) Plant and equipment</b>			
Plant and equipment – at cost		1,714	1,204
Less accumulated depreciation		(406)	(144)
		<u>1,308</u>	<u>1,060</u>
Plant and equipment – at valuation 2002 (deprival)	(i), (ii)	9,492	13,546
Less accumulated depreciation		(8,784)	(11,652)
		<u>708</u>	<u>1,894</u>
Plant and equipment subject to a finance lease	(iii)	17,762	11,359
Less accumulated amortisation		(6,848)	(2,341)
		<u>10,914</u>	<u>9,018</u>
<b>Total plant and equipment</b>		<u><b>12,930</b></u>	<u><b>11,972</b></u>
<b>(c) Intangibles</b>			
Computer software – internally developed – in progress		102	414
Computer software at cost		19,482	13,235
Less accumulated amortisation		(11,384)	(8,407)
		<u>8,098</u>	<u>4,828</u>
<b>Total intangibles</b>		<u><b>8,200</b></u>	<u><b>5,242</b></u>

(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).

(ii) In accordance with the requirements of Schedule 1, all revalued assets are shown on a gross basis. Asset values are at deprival value for revaluations undertaken up to 30 June 2002, and accumulated depreciation has been calculated based on this value. The resulting adjustment has been transferred directly to the asset revaluation reserve.

(iii) This amount is the present value of the minimum lease payments capitalised in accordance with ASIC's accounting policy Note 2(i).

**(d) Movement summary 2002–03 for all leasehold improvements, plant & equipment and intangible assets irrespective of valuation basis**

<i>Item</i>	<i>Leasehold improvements</i>	<i>Plant &amp; Equipment</i>	<i>Intangibles – Computer software</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>Gross value as at 1 July 2002</b>	22,373	26,109	13,649	62,131
Additions: Purchase of assets	4,572	7,546	5,950	18,068
Write-offs	(2)	(3,659)	(15)	(3,676)
Disposals	–	(1,026)	–	(1,026)
Other movements	2	(2)	–	–
<b>Gross value as at 30 June 2003</b>	<b>26,945</b>	<b>28,968</b>	<b>19,584</b>	<b>75,497</b>
<b>Accumulated depreciation/amortisation as at 1 July 2002</b>	11,820	14,137	8,407	34,364
Depreciation/amortisation charge for the year	2,992	6,338	2,987	12,317
Write-offs	(2)	(3,479)	(10)	(3,491)
Disposals	–	(956)	–	(956)
Other movements	2	(2)	–	–
<b>Accumulated depreciation/amortisation as at 30 June 2003</b>	<b>14,812</b>	<b>16,038</b>	<b>11,384</b>	<b>42,234</b>
<b>Net book value as at 30 June 2003</b>	<b>12,133</b>	<b>12,930</b>	<b>8,200</b>	<b>33,263</b>
<b>Net book value as at 30 June 2002</b>	<b>10,553</b>	<b>11,972</b>	<b>5,242</b>	<b>27,767</b>

**(e) Summary of balances of leasehold improvements and plant & equipment at valuation as at 30 June 2003, included in table 8(d) above**

<i>Item</i>	<i>Leasehold improve-ments</i>	<i>Plant &amp; Equipment</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>As at 30 June 2003</b>			
Gross value	16,660	9,492	26,152
Accumulated depreciation/amortisation	(12,559)	(8,784)	(21,343)
<b>Net book value</b>	<b>4,101</b>	<b>708</b>	<b>4,809</b>
<b>As at 30 June 2002</b>			
Gross value	16,660	13,546	30,206
Accumulated depreciation/amortisation	(11,164)	(11,652)	(22,816)
<b>Net book value</b>	<b>5,496</b>	<b>1,894</b>	<b>7,390</b>

**(f) Summary of intangible assets under construction as at 30 June 2003, included in table 8(d) above**

<i>Item</i>	<i>Intangibles – Computer software</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>
<b>As at 30 June 2003</b>		
Gross value	102	102
Accumulated depreciation/amortisation	–	–
<b>Net book value (Note 8(c))</b>	<b>102</b>	<b>102</b>
<b>As at 30 June 2002</b>		
Gross value	414	414
Accumulated depreciation/amortisation	–	–
<b>Net book value (Note 8(c))</b>	<b>414</b>	<b>414</b>

**(g) Summary of balances of assets held under finance lease as at 30 June 2003, included in table 8(d) above**

<i>Item</i>	<i>Plant &amp; Equipment</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>
<b>As at 30 June 2003</b>		
Gross value	17,762	17,762
Accumulated depreciation/amortisation	(6,848)	(6,848)
<b>Net book value (Note 8(b))</b>	<b>10,914</b>	<b>10,914</b>
<b>As at 30 June 2002</b>		
Gross value	11,359	11,359
Accumulated depreciation/amortisation	(2,341)	(2,341)
<b>Net book value (Note 8(b))</b>	<b>9,018</b>	<b>9,018</b>

**(h) Other non-financial assets**

	<i>Note</i>	<i>2003</i>	<i>2002</i>
		<i>\$'000</i>	<i>\$'000</i>
Prepayments		1,036	1,136
<b>Total other non-financial assets</b>		<b>1,036</b>	<b>1,136</b>

## 9. Interest bearing liabilities

	<i>Note</i>	<i>2003</i> <i>\$'000</i>	<i>2002</i> <i>\$'000</i>
<b>(a) Leases</b>			
Finance Lease Commitments Payable:			
Within one year		5,518	4,475
In one to five years		6,583	5,581
Minimum lease payments		12,101	10,056
Deduct: future finance charges		737	722
Lease liability		<b>11,364</b>	<b>9,334</b>
Lease liability is represented by:			
– Current		5,041	4,063
– Non-current		6,323	5,271
<b>Total interest bearing liabilities</b>		<b>11,364</b>	<b>9,334</b>
Finance leases exist in relation to certain IT assets. The leases are for terms of up to 5 years, with an option to extend for a further term.			
<b>Non-interest bearing liabilities</b>			
<b>(b) Unearned revenue</b>			
Government Appropriation	3, 37	–	2,851
Other unearned revenue		30	59
		<b>30</b>	<b>2,910</b>
<b>(c) Other debt</b>			
<b>Property lease incentives</b>			
The property lease incentive liability is repayable as follows:			
– Current		571	679
– Non-current		2,229	2,800
	(i)	<b>2,800</b>	<b>3,479</b>
<b>Property sub-lease (surplus space)</b>			
The net liability in respect of future payments for surplus space on non-cancellable leases is as follows:			
– Current		–	7
– Non-current		–	–
	(ii)	<b>–</b>	<b>7</b>
<b>Insurance recoveries</b>	(iii)	<b>1,296</b>	<b>668</b>
		<b>4,096</b>	<b>4,154</b>
<b>Total non-interest bearing liabilities</b>		<b>4,126</b>	<b>7,064</b>

(i) Total property lease incentives are disclosed as deferred rental expenditure at 30 June 2003. 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 \$1,296,400 represents the balance of insurance recoveries owing to Government. An amount of \$672,000 was returned to the Government during the year.

## 10. Provisions

	<i>Note</i>	<i>2003</i> <i>\$'000</i>	<i>2002</i> <i>\$'000</i>
<b>Employees</b>			
Salaries and wages		4,521	3,604
Leave		22,656	21,802
Superannuation		–	1,344
Separation and redundancy		460	176
<b>Aggregate employee entitlement liability</b>		<b>27,637</b>	<b>26,926</b>
Employee provisions are categorised as follows:			
– Current		15,326	13,350
– Non-current		12,311	13,576
		<b>27,637</b>	<b>26,926</b>

## 11. Supplier payables

Trade creditors	<b>6,767</b>	<b>5,859</b>
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All supplier payables are current.

## 12. Equity

Item	Asset revaluation reserve		Accumulated results		Total deficiency of equity	
	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance 1 July 2002	5,254	2,759	(6,174)	(575)	(920)	2,184
Operating deficit	–	–	(112)	(5,599)	(112)	(5,599)
Net revaluation increase (a)	–	2,495	–	–	–	2,495
<b>Balance 30 June 2003</b>	<b>5,254</b>	<b>5,254</b>	<b>(6,286)</b>	<b>(6,174)</b>	<b>(1,032)</b>	<b>(920)</b>

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

	Note	2003 \$'000	2002 \$'000
Revaluation increment – plant & equipment	2(o)	–	2,495
Total revaluation increment		–	2,495

## 13. Notes to the Statement of Cash Flows

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

Operating deficit		(112)	(5,599)
<b>Non cash items</b>			
Depreciation and amortisation of property, plant & equipment and intangibles	5(c)	12,317	11,697
Net loss on disposal of property, plant & equipment	5(e)	1	769
Write down of property, plant & equipment assets	5(d)	185	312
Increase/(decrease) in provision for doubtful debts		(51)	84
Increase/(decrease) in employee provisions		711	593
<b>Changes in assets and liabilities</b>			
Decrease/(increase) in other assets		100	(220)
Decrease/(increase) in receivables		(510)	(929)
(Decrease)/increase in liability to suppliers		908	1,909
(Decrease)/increase in non-interest bearing liabilities		(2,938)	2,308
<b>Net cash from operating activities</b>		<b>10,611</b>	<b>10,924</b>



## (b) Non-cash financing and investing activities

### Finance Lease Transaction

During the financial year ASIC acquired plant & equipment with an aggregate fair value of \$7,001,631 (2002: \$11,359,423), 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. J. Lucy (Deputy Chairman from 25 February 2003)

B. J. Collier (Commissioner)

I. A. Johnston (Acting Commissioner from 5 July 2002 to 24 February 2003)

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

	2003 <i>Commissioners</i>	2002 <i>Commissioners</i>
\$100,000 – \$109,999	1	–
\$170,000 – \$179,999	–	1
\$240,000 – \$249,999	–	1
\$260,000 – \$269,999	1	–
\$290,000 – \$299,999	1	1
\$310,000 – \$319,999	–	1
\$340,000 – \$349,999	1	–
	<b>4</b>	<b>4</b>
	<i>2003</i> \$	<i>2002</i> \$
Aggregate amount of superannuation payments in connection with the retirement of Commissioners	<b>50,987</b>	47,153
Other remuneration received or due and receivable by Commissioners	<b>962,286</b>	982,129
Total remuneration received or due and receivable by Commissioners	<b>1,013,273</b>	1,029,282

**(b) Remuneration of Executive Officers**

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:

	<i>2003</i> <i>Executives</i>	<i>2002</i> <i>Executives</i>
\$100,000 – \$109,999	–	2
\$110,000 – \$119,999	3	3
\$120,000 – \$129,999	4	2
\$130,000 – \$139,999	1	3
\$140,000 – \$149,999	2	2
\$150,000 – \$159,999	4	2
\$160,000 – \$169,999	4	8
\$170,000 – \$179,999	5	4
\$180,000 – \$189,999	4	3
\$190,000 – \$199,999	1	–
\$200,000 – \$209,999	–	2
\$210,000 – \$219,999	3	–
\$220,000 – \$229,999	1	2
\$230,000 – \$239,999	1	–
\$270,000 – \$279,999	1	–
	<b>34</b>	<b>33</b>

	<i>2003</i> <i>\$</i>	<i>2002</i> <i>\$</i>
The aggregate amount of total remuneration of officers shown above is	<b>5,756,017</b>	<b>5,222,182</b>
The aggregate amount of separation and redundancy payments during the year to officers shown above	–	–

The executive remuneration includes all Executive Officers concerned with or taking part in the management of ASIC during 2002–03 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 Act 1988* (SRC Act). These monies are not available for the purposes of ASIC and are not recognised in the financial statements.

	2003 \$'000	2002 \$'000
<b>COMCARE Trust Account (SRC Act 1988)</b>		
Opening balance	227	–
Receipts	174	227
Interest received	9	–
Disbursements	(318)	–
Closing balance	<u>92</u>	<u>227</u>

## 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.

### Monies held pending the outcome of ASIC investigations and/or legal proceedings

Opening balance	4,418	3,920
Receipts	204	1,430
Interest received	171	149
Disbursements	(112)	(1,081)
Closing balance	<u>4,681</u>	<u>4,418</u>

### Monies received and disbursed in accordance with orders made by the courts or deeds of settlement between ASIC and other parties

Opening balance	2,080	2,005
Receipts	41,923	–
Interest received	279	76
Disbursements	(42,523)	(1)
Closing balance	<u>1,759</u>	<u>2,080</u>

## 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.

	2003 \$000	2002 \$000
Companies Auditors and Liquidators Disciplinary Board (CALDB)	375	331
Australian Accounting Standards Board (AASB)	1,500	1,500
Superannuation Complaints Tribunal	3,138	2,766

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

	2003 \$	2002 \$
Remuneration to the Auditor-General for auditing the financial statements of ASIC in respect of the reporting period	100,000	110,000

Refer to Note 23(d) for audit services received free of charge in respect of administered items.

## 20. Assets of deregistered companies vesting in ASIC

Section 601AD of the *Corporations Act 2001* provides 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

	2003	2002
The average staffing levels for ASIC during the year were	1,396	1,284

## 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)
<i>Financial assets</i>			
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.
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 (2002: 14 days).
<i>Financial liabilities</i>			
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 of up to 5 years, with an option to extend for a further term. The interest rate used to discount the minimum lease payments is ASIC's incremental borrowing rate of 4.5%. 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.	
Suppliers	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 (continued)

### (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									
		2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	%	%
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
<b>Financial assets (recognised)</b>																	
Cash at bank	7(a)	5,956	3,999	-	-	-	-	-	-	-	-	5,956	3,999	3.75	3.7		
Cash on hand	7(a)	-	-	-	-	-	-	-	-	67	64	67	64	n/a	n/a		
Deposits at call	7(a)	5,165	12,483	-	-	-	-	-	-	-	-	5,165	12,483	4.7	4.4		
Receivables for services	7(b)	-	-	-	-	-	-	-	-	3,375	2,814	3,375	2,814	n/a	n/a		
<b>Total</b>		<b>11,121</b>	<b>16,482</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,442</b>	<b>2,878</b>	<b>14,563</b>	<b>19,360</b>				
<b>Total assets</b>												<b>48,862</b>	<b>48,263</b>				
<b>Financial liabilities (recognised)</b>																	
Finance lease liabilities <sup>(1)</sup>	9(a)	-	-	5,041	4,063	4,521	2,948	1,802	2,323	-	-	11,364	9,334	4.5	5.1		
Unearned revenue	9(b)	-	-	-	-	-	-	-	-	30	2,910	30	2,910	n/a	n/a		
Other debt	9(c)	-	-	-	-	-	-	-	-	4,096	4,154	4,096	4,154	n/a	n/a		
Trade creditors	11	-	-	-	-	-	-	-	-	6,767	5,859	6,767	5,859	n/a	n/a		
<b>Total</b>		<b>-</b>	<b>-</b>	<b>5,041</b>	<b>4,063</b>	<b>4,521</b>	<b>2,948</b>	<b>1,802</b>	<b>2,323</b>	<b>10,893</b>	<b>12,923</b>	<b>22,257</b>	<b>22,257</b>				
<b>Total liabilities</b>												<b>49,894</b>	<b>49,183</b>				

<sup>(1)</sup> The interest rate used to discount the minimum lease payments is ASIC's incremental borrowing rate of 4.5% (2002: 5.1%).

## 22. Financial instruments (continued)

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

	2003		2002	
	<i>Total carrying amount</i>	<i>Aggregate net fair value</i>	<i>Total carrying amount</i>	<i>Aggregate net fair value</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>Financial assets</b>				
Cash at bank	5,956	5,956	3,999	3,999
Cash on hand	67	67	64	64
Deposits at call	5,165	5,165	12,483	12,483
Receivables for services	3,375	3,375	2,814	2,814
	<b>14,563</b>	<b>14,563</b>	<b>19,360</b>	<b>19,360</b>
<b>Financial liabilities</b>				
Finance lease liabilities	11,364	11,364	9,334	9,334
Unearned revenue	30	30	2,910	2,910
Other debt	4,096	4,096	4,154	4,154
Trade creditors	6,767	6,767	5,859	5,859
	<b>22,257</b>	<b>22,257</b>	<b>22,257</b>	<b>22,257</b>

#### *Financial assets*

The net fair values of cash and deposits at 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 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 administered on behalf of Government

	Note	2003 \$'000	2002 \$'000
<b>(a) Non-taxation revenues</b>			
Fees and charges	(b)	405,453	379,351
Monies received from banks and deposit taking institutions in respect of accounts inactive for seven years	2(s)	21,147	29,953
Monies received from life insurance institutions for policies inactive for seven years	2(s)	4,562	3,912
		<b>431,162</b>	<b>413,216</b>

### (b) Fees and charges

	Note	2003 \$'000	2003 \$'000	2003 \$'000	2002 \$'000	2002 \$'000	2002 \$'000
		Fines	Fees	Total	Fines	Fees	Total
Mandatory collections	(i)	37,562	330,997	368,559	32,520	316,005	348,525
Information broker fees	(ii)	–	32,347	32,347	–	28,349	28,349
Other fees	(ii)	–	1,293	1,293	–	1,473	1,473
Court recoveries	(iii)	3,254	–	3,254	1,004	–	1,004
Total fees and charges		<b>40,816</b>	<b>364,637</b>	<b>405,453</b>	<b>33,524</b>	<b>345,827</b>	<b>379,351</b>

(i) Fees and charges arising from actions which are mandatory under the *Corporations Act*. Examples include lodgement of annual returns and other fees prescribed in the *Corporations (Fees) Regulations*.

(ii) Fees and charges paid by information brokers (intermediaries between ASIC and the consumer) and other consumers for information provided by ASIC from its corporations information database.

(iii) Recoveries of outstanding lodgement fees in accordance with ASIC's summary prosecutions program.

### (c) Interest

	Note	2003 \$'000	2002 \$'000
Interest from <i>Banking Act</i> Unclaimed Money account		133	119
Interest from <i>Life Insurance Act</i> Unclaimed Money account		17	14
		<b>150</b>	<b>133</b>

### (d) Other revenue

Administered services received free of charge	(i)	25	25
		<b>25</b>	<b>25</b>

#### (i) 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 (2002: \$25,000).



## 24. Expenses administered on behalf of Government

	<i>Note</i>	<i>2003</i> <i>\$'000</i>	<i>2002</i> <i>\$'000</i>
<b>(a) Other expenses</b>			
Refunds paid to bank and deposit taking institution account holders	2(s)	16,540	12,188
Refunds paid to life insurance policy holders	2(s)	2,761	2,241
Audit fees	23(d)	25	25
<b>Total other expenses</b>		<b>19,326</b>	<b>14,454</b>
<b>(b) Write Down of Administered Assets – Corporations Act</b>			
Write off of fees and charges	(i)	4,358	4,910
Increase/(decrease) in provision for doubtful debts	(ii)	(1,491)	2,219
		<b>2,867</b>	<b>7,129</b>
Waiver of fees and charges owing	(iii)	4,671	3,481
<b>Total write down of assets</b>		<b>7,538</b>	<b>10,610</b>

(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 **20,042** items totalling **\$4,357,804** (2002: 16,686 items totalling \$4,909,521).

(ii) A decrease in the provision for doubtful debts of **\$1,491,000** to **\$4,128,000** (2002: \$5,619,000). The level of the provision was re-appraised at 30 June 2003, in accordance with ASIC's debt provisioning 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 **22,491** items totalling **\$4,671,004** (2002: 20,328 items totalling \$3,481,346).

## 25. Assets administered on behalf of Government

	2003 \$'000	2002 \$'000
<b>(a) Cash</b>		
Cash at bank and on hand – <i>Corporations Act</i>	3,222	1,646
Cash at bank – <i>Banking Act</i>	1,571	1,478
Cash at bank – <i>Life Insurance Act</i>	585	329
	<b>5,378</b>	<b>3,453</b>
<b>Balance of cash as at 30 June shown in the Schedule of Administered Cash Flows</b>	<b>5,378</b>	<b>3,453</b>
<b>(b) Receivables</b>		
<b><i>Corporations Act</i></b>		
Fees and charges	10,338	13,801
Court costs	1,800	641
Information brokers fees	3,051	2,920
Gross receivables	15,189	17,362
Less: provision for doubtful debts	(4,128)	(5,619)
	<b>11,061</b>	<b>11,743</b>
The total of uncollected <i>Corporations Act</i> Commonwealth revenue classified by age analysis is as follows:		
Current	210	575
Overdue by:		
– less than 30 days	6,015	6,719
– 30 to 60 days	1,252	962
– 61 to 90 days	997	842
– more than 90 days	6,715	8,264
<b>Total owing</b>	<b>15,189</b>	<b>17,362</b>
The provision for doubtful debts is aged as follows:		
Overdue by:		
– more than 90 days	(4,128)	(5,619)
<b>Total owing</b>	<b>(4,128)</b>	<b>(5,619)</b>
<b>(c) Accrued revenues – Corporations Act</b>		
Annual returns not yet lodged	5,693	8,345
Late fees attributable to annual returns	1,898	2,782
<b>Total Accrued revenue</b>	<b>7,591</b>	<b>11,127</b>

## 26. Liabilities administered on behalf of Government

	2003 \$'000	2002 \$'000
<b>Payables</b>		
Information Integrity Program monies – <i>Corporations Act</i> – payable to ASIC	303	137
Refunds – <i>Corporations Act</i>	4,556	1,458
Unallocated monies – <i>Corporations Act</i>	3,311	4,933
<b>Total payables</b>	<b>8,170</b>	<b>6,528</b>

## 27. Reconciliation table – equity administered on behalf of Government

Item	Accumulated results		Total Equity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<i>Opening administered assets less administered liabilities at 1 July 2002</i>	19,795	35,628	19,795	35,628
Plus net contribution to budget outcome (i)	425,473	401,010	425,473	401,010
Less Transfers to the Official Public Account	(429,408)	(416,843)	(429,408)	(416,843)
<b>Closing administered assets less administered liabilities</b>	<b>15,860</b>	<b>19,795</b>	<b>15,860</b>	<b>19,795</b>
(i) Net contribution to budget outcome is comprised of:				
Total revenue administered on behalf of Government			431,337	413,374
Appropriation provided by Government			21,000	12,700
Less: total expenses administered on behalf of Government			(26,864)	(25,064)
<b>Total</b>			<b>425,473</b>	<b>401,010</b>

## 28. Administered cash flow reconciliation

	2003 \$'000	2002 \$'000
<b>Reconciliation of net contribution to budget outcome to net cash provided by operating activities</b>		
Net contribution to budget outcome	425,473	401,010
Cash to Official Public Account	<b>(429,408)</b>	<b>(416,843)</b>
Net increase/(decrease) in administered assets from operations	<b>(3,935)</b>	<b>(15,833)</b>
Increase/(decrease) in provision for doubtful debts	<b>(1,491)</b>	2,219
Increase/(decrease) in payables	<b>1,642</b>	6,048
Decrease/(increase) in receivables	<b>2,173</b>	5,666
(Increase)/decrease in accrued revenue	<b>3,536</b>	509
	<b>5,860</b>	<b>14,442</b>
<b>Net cash provided/(used) by operating activities</b>	<b>1,925</b>	<b>(1,391)</b>

## 29. Auditors remuneration – administered items

	<i>Note</i>	2003 \$	2002 \$
Financial statement audit services by the Auditor-General are provided free of charge to ASIC in relation to the audit of <i>Corporations Act, Banking Act and Life Insurance Act</i> (administered) items	23(d)	<b>25,000</b>	25,000

## 30. Assets held in trust

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

	2003 \$'000	2002 \$'000
<b>Companies Unclaimed Monies Account</b> <i>(Part 9.7 – Corporations Act 2001)</i> (represented by cash at bank)		
Opening balance	33,818	25,930
Receipts	21,391	12,474
Interest received	1,688	1,112
Disbursements	<b>(3,292)</b>	<b>(892)</b>
Special purpose disbursement	<b>(400)</b>	–
Bank charges	–	<b>(1)</b>
Management costs recovered by ASIC	<b>(506)</b>	<b>(302)</b>
Transfer to Official Public Account	<b>(5,079)</b>	<b>(4,503)</b>
<b>Closing balance</b>	<b>47,620</b>	<b>33,818</b>

### 31. 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.

	2003 \$'000	2002 \$'000
<b>Security Deposits under <i>Corporations Regulations 2001</i> regulation 10.2.45 (Dealers &amp; investment advisers)</b>		
Cash (at bank)	311	367
Interest bearing deposits (at bank)	720	820
Inscribed stock	100	100
Insurance bonds	20	20
Bank guarantees	40,695	41,764
<b>Total</b>	<b>41,846</b>	<b>43,071</b>
<b>Security Deposits under <i>Corporations Act 2001</i> s1284(1) (Liquidators)</b>		
Insurance bonds	5,550	5,550
Bank guarantees	500	500
<b>Total</b>	<b>6,050</b>	<b>6,050</b>

### 32. Fiduciary monies (other than trust monies) section 462 Companies Code receipts and unclaimed monies holding account

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

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.

	2003 \$'000	2002 \$'000
Opening balance	47	154
Receipts	–	13
Interest received	–	8
Disbursements	(47)	(128)
<b>Closing balance</b>	<b>–</b>	<b>47</b>

#### (b) Unclaimed monies holding account

ASIC has established a special purpose bank account in terms of Part 9.7 of the *Corporations Act 2001*. 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.

Opening balance	–	–
Receipts	6,979	–
Interest received	1	–
Disbursements	(6,964)	–
<b>Closing balance</b>	<b>16</b>	<b>–</b>

### 33. Special accounts

Two special accounts were established by the Department of Finance and Administration in terms of section 20 of the FMA Act on 31 December 1997 (“Other Trust Monies Account” and “Services for Other Governments and Non-Agency Bodies Account”). The balance in each of these accounts is nil (2002: nil).

## 34. 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)
<b>Financial assets</b>		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	25(a)	Deposits are recognised at their nominal amounts.	Monies awaiting payment to the Official Public Account (OPA) are held at call with ASIC's banker.
Receivables – <i>Corporations Act 2001</i> fees outstanding	25(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 (2002: payable on lodgement of annual return).
Accrued revenues	25(c)	As for Receivables – <i>Corporations Act 2001</i> fees outstanding.	As for Receivables – <i>Corporations Act 2001</i> fees outstanding.
<b>Financial liabilities</b>		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	26	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>	26	Unallocated monies including overpaid accounts are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.	Monies unallocated awaiting refund are held at call with ASIC's banker

## 34. Administered Financial Instruments (continued)

### (b) Interest rate risk: administered

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate		Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 %	2002 %
<b>Financial assets (recognised)</b>											
Deposits at call	25(a)	2,156	1,807	-	-	3,222	1,646	5,378	3,453	3.6	3.6
Receivables	25(b)	-	-	-	-	11,061	11,743	11,061	11,743	n/a	n/a
Accrued revenue	25(c)	-	-	-	-	7,591	11,127	7,591	11,127	n/a	n/a
<b>Total</b>		<b>2,156</b>	<b>1,807</b>	<b>-</b>	<b>-</b>	<b>21,874</b>	<b>24,516</b>	<b>24,030</b>	<b>26,323</b>		
<b>Total assets</b>											
<b>Financial liabilities (recognised)</b>											
Refunds	26	-	-	-	-	4,556	1,458	4,556	1,458	n/a	n/a
Other monies	26	-	-	-	-	3,614	5,070	3,614	5,070	n/a	n/a
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,170</b>	<b>6,528</b>	<b>8,170</b>	<b>6,528</b>		
<b>Total liabilities</b>											

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

	2003 Total carrying amount \$'000	2003 Aggregate net fair value \$'000	2002 Total carrying amount \$'000	2002 Aggregate net fair value \$'000
<b>Administered financial assets</b>				
Cash at bank and on hand	5,378	5,378	3,453	3,453
Receivables	11,061	11,061	11,743	11,743
Accrued revenue	7,591	7,591	11,127	11,127
<b>Total financial assets</b>	<b>24,030</b>	<b>24,030</b>	<b>26,323</b>	<b>26,323</b>
<b>Financial liabilities (recognised)</b>				
Refunds	4,556	4,556	1,458	1,458
Other monies	3,614	3,614	5,070	5,070
<b>Total financial liabilities (recognised)</b>	<b>8,170</b>	<b>8,170</b>	<b>6,528</b>	<b>6,528</b>

#### 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.



## 34. Administered financial instruments (continued)

### (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 25, Administered financial assets.

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

## 35. Events occurring after reporting date

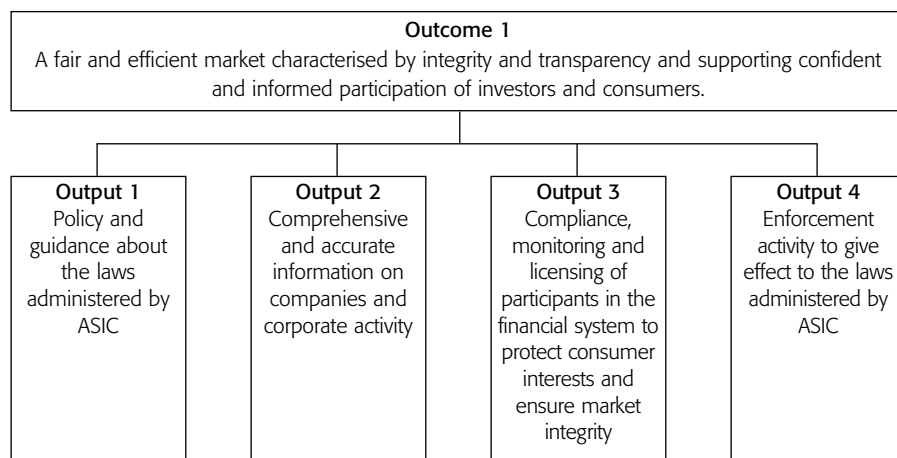
The financial effect of all material events occurring after balance date have been disclosed in the financial statements.

## 36. Reporting of outcomes (whole of Government reporting)

ASIC's outcomes and output framework for budgeting and reporting is that used by all Commonwealth Departments and Agencies.

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: Net cost of outcome delivery**

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

	<i>Outcome 1</i>	
	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
Administered expenses	26,864	25,064
Departmental expenses	172,607	159,937
<b>Total expenses</b>	<b>199,471</b>	<b>185,001</b>
<i>Costs recovered from provision of goods and services to the non-Commonwealth Government sector</i>		
Administered	–	–
Departmental	1,568	951
<b>Total costs recovered</b>	<b>1,568</b>	<b>951</b>
<i>Other external revenues</i>		
Departmental		
interest	2,094	2,185
revenue from sale of assets	69	230
other	4,313	2,497
<b>Total departmental</b>	<b>6,476</b>	<b>4,912</b>
<b>Total other external revenues</b>	<b>8,044</b>	<b>5,863</b>
<b>Net cost to Commonwealth Budget outcome (a)</b>	<b>191,427</b>	<b>179,138</b>

(a) Table A above shows the net cost to the Commonwealth Budget outcome by adding the departmental and administered expenses \$199.471m (2002: \$185.001m), less departmental and administered revenues \$8.044m (2002: \$5.863m) to produce a net cost to the Budget outcome of \$191.427m (2002: \$179.138m). This derived amount of \$191.427m (2002: \$179.138m) is meaningful only when it is used to consider ASIC's cost 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*. Administered revenues and administered expenses are detailed in Notes 23 and 24 respectively.

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

**Table B: Departmental revenues and expenses by outcome and outputs**

	<i>Outcome 1</i>									
	Output 1		Output 2		Output 3		Output 4		Total	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>Operating expenses</b>										
Employees	5,471	4,802	25,928	22,758	26,797	23,522	38,723	34,109	96,919	85,191
Suppliers	3,556	3,480	16,851	16,493	17,417	17,047	25,292	24,634	63,116	61,654
Depreciation & amortisation	695	660	3,295	3,129	3,405	3,234	4,922	4,674	12,317	11,697
Write-down of assets	10	22	50	106	51	109	74	159	185	396
Written down value of assets disposed	4	60	18	260	19	270	29	409	70	999
<b>Total operating expenses</b>	<b>9,736</b>	<b>9,024</b>	<b>46,142</b>	<b>42,746</b>	<b>47,689</b>	<b>44,182</b>	<b>69,040</b>	<b>63,985</b>	<b>172,607</b>	<b>159,937</b>
<b>Funded by:</b>										
Revenue from government	9,192	8,240	43,560	39,049	45,022	40,360	65,058	58,441	162,832	146,090
Sale of goods & services	-	-	2,782	2,709	-	-	-	-	2,782	2,709
Interest	115	120	550	574	568	593	861	898	2,094	2,185
Proceeds from sale of assets	4	14	18	60	19	62	28	94	69	230
Other	-	-	-	-	-	-	4,718	3,124	4,718	3,124
<b>Total operating revenues</b>	<b>9,311</b>	<b>8,374</b>	<b>46,910</b>	<b>42,392</b>	<b>45,609</b>	<b>41,015</b>	<b>70,665</b>	<b>62,557</b>	<b>172,495</b>	<b>154,338</b>

**Table C: Administered revenues and expenses by outcome**

	<i>Outcome 1</i>	
	2003 \$'000	2002 \$'000
<b>Operating expenses</b>		
Write-down of assets	7,538	10,610
Other	19,326	14,454
<b>Total operating expenses</b>	<b>26,864</b>	<b>25,064</b>
<b>Operating revenues</b>		
Other taxes, fees and fines	405,453	379,351
Monies from banks and deposit taking institutions	21,147	29,953
Monies from life insurance institutions	4,562	3,912
Interest	150	133
Services received free of charge	25	25
<b>Total operating revenues</b>	<b>431,337</b>	<b>413,374</b>

### 37. Appropriations

This table reports on appropriations made by the parliament of the Consolidated Revenue Fund (CRF) in respect of ASIC. When received by ASIC, the payments made are legally the money of ASIC and do not represent any balance remaining in the CRF.

#### (a) Cash basis acquittal of appropriations from Acts 1 and 3

<i>Particulars</i>	<i>Departmental outputs</i>	
	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
<b>Year ended 30 June 2003</b>		
Balance carried forward from previous year	–	–
Appropriation Acts 1 and 3	160,775	148,821
Available for payment of CRF	160,775	148,821
Payments made out of CRF	160,775	148,821
Appropriation returned to CRF (i), (ii)	(794)	–
<b>Appropriation available to ASIC</b>	<b>159,981</b>	<b>148,821</b>
<b>Balance carried forward to next year</b>	<b>–</b>	<b>–</b>
Represented by:		
Appropriations Receivable	–	–

(i) Unspent portion of specific purpose appropriation received from the Government to fund ASIC for its costs associated with the HIH Royal Commission received in 2001–02 and returned to the CRF (see (ii) below).

(ii) In 2001–02 \$148.821m was received as revenue from the CRF. Of this amount, \$145.970m was recognised as revenue (Note 3, 37(b) refers). The remaining \$2.851m represented the unspent portion of specific purpose appropriation received from the Government to fund ASIC for its costs associated with the HIH Royal Commission, and is disclosed as unearned revenue in the Statement of Financial Position (Note 9(b) refers).

#### (b) Reconciliation of appropriation reported on a cash basis (Note 37(a)) to the accruals basis as reported in the Statement of Financial Performance

<i>Particulars</i>	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
Payments from the CRF	160,775	148,821
Unearned appropriation reported in 2002	2,851	(2,851)
Appropriation returned to the CRF	(794)	–
<b>Total revenues from Government</b> <b>(Note 3 refers)</b>	<b>162,832</b>	<b>145,970</b>

## A

- accounting abuses, 4, 37
- accounting standards, international, 47
- agricultural schemes, 34
- AMP Ltd, 24, 38
- appropriations, 10
- assets frozen, 23, 27
- audit services (ASIC), 21, 62
- auditors
  - disciplined, 23, 30
  - regulation, 13
- Australian Prudential Regulation Authority (APRA), 12, 13
- Australian Stock Exchange Ltd (ASX Ltd)
  - additional disclosures, 38
  - clearing and settlement, 39
  - regulation, 13
  - share trading & compliance, 39

## B

- banning orders, 23, 28–29
- business consultation, 22
- business data (six year summary), 66

## C

- certified agreement, 6, 56
- Chairman's report, 3–6
- Chief Accountant, 11
- Child Care Centres Australia Ltd, 38
- civil action, 23, 24, 27
- Cobra Resources Ltd, 39
- codes of practice, 44
- cold calling, 47
- Coles Myer Ltd, 38
- commercial services, 53
- commercial transactions, facilitating, 1, 5
- Commissioners, 5–6, 16–17
  - appointment, 5, 18
  - governance, 18
  - organisation chart, 11
  - remuneration, 18
- community involvement, 22
- company database
  - effectiveness, 7
  - maintenance, 49
  - searches, 1, 50, 51
- company directors see directors
- company documents, access to, 55
- company registration, 51
- company regulation, 13
- compensation, 1, 23, 27
- complaints about ASIC staff, 20
- complaints to ASIC, 49, 50, 52
- complaints resolution schemes, 43

- compliance, 8
  - action to require, 51
  - checks, 33, 34
  - costs, 5
  - lodging & payment, 50
- Consumer Advisory Panel (CAP)
  - report, 44–45
  - role, 22
- consumer complaint resolution schemes, 43
- consumer education, 4, 41–43
- consumer protection, 1, 1–45
  - directorates, 15, 41
  - effectiveness, 7
  - key results, 41
  - outlook, 44
  - overview, 41
- continuous disclosure, 24, 38
- Coogi group, 27
- corporate finance
  - policies updated, 40
  - regulation, 36
- corporate governance, 24
  - Coles Myer Ltd, 38
- corporate transactions, facilitating, 38
- Corporations Act functions
  - costs & revenue, 65
- court enforceable undertakings, 31
- credit card surcharging, 43
- credit providers, 13
- criminal matters, 1, 23–27
- cross border regulation, 40

## D

- database searches see company databases
- Director of Public Prosecutions (DPP), 23, 25, 27
- directorates (ASIC), 14–15
- directors
  - banning orders, 24, 28
  - criminal matters, 26
  - disability strategy, 64
  - disciplinary proceedings, 23, 30–31
  - disclosure (ASIC), 20
  - disclosure (corporate), 1, 4, 8
    - additional, 36
    - continuous, 24, 38
    - fees and charges, 34

## E

- effectiveness
  - 3 year perspective, 7
  - new measures, 5
- objectives, plans & results, 8–9
  - Electoral Act disclosure, 64
- enforceable undertakings, 31

- enforcement, 3, 23–31
  - bannings, fines & disciplinary proceedings, 23, 28–31
  - civil action and compensation, 23, 24, 27
  - criminal matters, 1, 23–27
  - directorates, 14, 23
  - effectiveness, 7
  - key results, 24
  - outcomes, 1
  - outlook, 31
  - overview, 23
  - regulatory strategies combined, 3–4
- environmental impact, 56
- equal opportunity, 59
- ethics, 20–21
- Executive Directors, 11
- expenses, 7
- F**
- fees and charges, 33, 34
- financial advisers
  - banning orders, 29
  - compliance checks, 32
  - criminal matters, 25–26
- financial literacy, 43
- financial operations (six year summary), 66
- financial planning survey, 41, 42
- financial policies, 57
- financial position (six year summary), 66
- financial products
  - compliance checks, 32
  - offer documents, 32, 34
- financial regulation, 12
- financial report (ASIC), 10
- financial reporting, 1, 51
- financial services reform, 4–5, 8
  - guidance on, 39
  - staff, 7
  - transition to, 33
- financial services regulation, 13, 32–35
  - directorates, 14, 32
  - key results, 33
  - licences issued, 32, 33
  - licences revoked, 30
  - outlook, 35
  - overview, 32
  - policy work to protect investors, 35
  - raising standards, 34
  - relief granted, 32, 33, 35
  - revenue & expenses, 65
- financial statements (ASIC), 67
- financial system performance, 7
- fraud, fighting, 1, 4, 25
  - effectiveness, 8
  - key results, 24
- fraud control (ASIC), 20
- freedom of information, 63–64
- G**
- General Counsel, 11
- governance (ASIC), 18–19
- H**
- HHH, 3, 9, 14, 24, 31
- Hong Kong regulated managed funds, 47–48
- I**
- indemnity and insurance policies (ASIC), 20–21
- Indonesian regulators trained, 47
- industrial relations, 60–61
- information sharing, 6, 54, 55
- information technology (IT), 55
- infrastructure, 54–57
  - directorates, 15, 54–55
  - key results, 54
  - outlook, 57
  - overview, 54
- insider trading, 1, 24, 26
- insolvent trading, 1, 24, 49–51
- insurance (ASIC), 20–21
- insurance brokers & agents, 31
- International Organisation of Securities Commissions (IOSCO), 5
- international relations, 46–48
  - accounting standards, 47
  - cross border regulation policies, 40
  - directorates, 15, 46
  - global disclosure & audit, 47
  - global enforcement, 47
  - key results, 46
  - outlook, 48
  - overview, 46
  - investigations, 24
- investment advertising guidelines, 42
- L**
- legislation, 12
- liquidators
  - assistance to, 51
  - disciplined, 23, 30
  - regulation, 13
- litigation, 24
- lodgement of company data, 49–51
  - late, 37
- M**
- managed investment schemes
  - Hong Kong, 47–48
  - registration, 32, 33
  - regulation, 13
- markets regulation and policy, 13, 36–40
  - directorates, 14, 36–37
  - key results, 37
  - outlook, 40
  - overview, 36

markets supervision, 37, 39  
 Ministers responsible, 19  
 misconduct, fighting, 1  
   complaints, 1, 49, 50, 52  
   disciplinary action, 23  
   early warning signs, 43  
   effectiveness, 8  
   key results, 24  
 mortgage broking, 42

## O

objectives, 8–9  
 occupational health & safety, 60  
 One.Tel Ltd, 24, 27  
 Online Advantage Ltd, 39  
 operational costs, 55  
 organisation chart, 11  
 outputs, costs of, 10

## P

Parliament, reporting to, 18  
 past performance figures (investment advertising), 42  
 performance data (six year summary), 66  
 planning, 8–9  
 product disclosure statements, 33, 34  
 professional standards, 22  
 prospectuses  
   additional disclosure, 32, 33, 36  
   reviewed, 38  
 public and commercial services, 49–53  
   directorates, 15, 49  
   key results, 50  
   outlook, 53  
   overview, 49  
 publications, 41, 63

## R

Regional Commissioners, 11, 48, 61  
 regional coordination  
   consultation, 22  
   directorates, 15, 46  
   outlook, 48  
   overview, 46  
   service levels, 48  
   staff, 58  
 regulatory strategies, 12–13  
   enforcement combined with, 3–4  
 results, 8–9  
 revenue  
   collected for Commonwealth, 10  
   effectiveness, 7

## S

schemes of arrangement, 38  
 senior management, 61  
 shareholders, protecting, 42  
 Southcorp Ltd, 24  
 staff, 6, 58–61  
   accommodation, 10, 57  
   basis of employment, 59  
   certified agreement, 6, 56  
   complaints about, 20  
   costs, 10  
   development, 60  
   effectiveness, 7  
   equal opportunity, 59  
   ethics, 20  
   industrial & workplace relations, 60–61  
   information sharing, 6, 54, 55  
   leadership, 56  
   location, 58  
   merit, 59  
   occupational health & safety, 60  
   outlook, 61  
   performance management, 60  
   profile, 58  
   recruitment database, 56  
   remuneration, 60  
   senior management, 61  
   services, 57  
   skills, 9, 56  
   special projects, 59  
   training, 6  
   workloads, 6, 7, 9  
 States, relationship with, 19  
 statistics (six year summary), 66  
 statutory aims, 7, 12  
 Suleman, Karl and Vivian, 27  
 Summer School, 22  
 Sydney Futures Exchange Ltd, 13

## T

takeovers, 39  
 TelEurope Ltd, 38

## U

unclaimed money, 54, 55

## W

Waterwheel, 24  
 'wealth creation' seminars, 34  
 websites (ASIC), 1, 41–43



# ASIC

Australian Securities &  
Investments Commission

## How to find ASIC

[www.asic.gov.au](http://www.asic.gov.au)

## For consumers and investors

[www.fido.asic.gov.au](http://www.fido.asic.gov.au)

## Infoline

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

**1300 300 630**

## ASIC Offices

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