

Financial statements for ASIC operations

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Independent audit report

for the year ended 30 June 1999

To the Treasurer

Scope

I have audited the financial statements of the Australian Securities and Investments Commission for the year ended 30 June 1999. The financial statements comprise:

- Statement by the Commissioners
- Operating statement
- Statement of assets and liabilities
- Statement of cash flows
- Schedule of commitments
- Schedule of contingencies, and
- Notes to and forming part of the financial statements.

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

The audit has been conducted in accordance with 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 materials respects, the financial statements are presented fairly in accordance with Australian Accounting Standards, other mandatory professional reporting requirements and statutory requirements so as to present a view of the entity, the result of which is consistent with my understanding of its financial position, its operations and its cash flows.

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

Audit opinion

In my opinion,

- (i) the financial statements have been prepared in accordance with Schedule 2 of the Finance Minister's Orders; and
- (ii) the financial statements give a true and fair view, in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and Schedule 2 of the Finance Minister's Orders, of the financial position of the Australian Securities and Investments Commission as at 30 June 1999 and the results of its operations and its cash flows for the year then ended.

Australian National Audit Office



Paul Hinchey

Senior Director

Delegate of the Auditor-General

Sydney

7 September 1999

Statement by the Commissioners

In our opinion, the attached financial statements give a true and fair view of the matters required by Schedule 2 of the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*.



A. J. Cameron, AM
Chairman
7 September 1999



J. S. Segal
Commissioner
7 September 1999

Operating statement

for the year ended 30 June 1999

	Notes	1999 \$'000	1998 \$'000
Net cost of services			
Operating Expenses (before abnormal items)			
Employees	5a	77,271	66,534
Suppliers	5b	57,832	51,278
Depreciation and amortisation	5c	8,258	8,517
Write-down of assets	5d	1,696	-
Net losses from sale of assets	5e	90	346
Interest	6	386	520
Total operating expenses (before abnormal items)		145,533	127,195
Revenues from independent sources (before abnormal items)			
Sale of goods and services	7a	2,567	2,942
Interest	7b	1,992	1,753
Net gains from sale of assets	7c	24	98
Other	7d	4,649	2,750
Total revenues from independent sources (before abnormal items)		9,232	7,543
Net cost of services (before abnormal items)		136,301	119,652
Abnormal items	4	300	7,431
Net Cost of Services		136,601	127,083
Revenues from government			
Parliamentary appropriations received	8a	137,028	122,711
Resources received free of charge	8b	458	548
Total revenues from government		137,486	123,259
Surplus/(deficit) of revenues from government over net cost of services		885	(3,824)
Accumulated surpluses/(deficits) at beginning of reporting period		443	4,267
Accumulated surpluses/(deficits) at end of reporting period		1,328	443

The accompanying notes form part of these financial statements.

Statement of assets and liabilities

as at 30 June 1999

	Notes	1999 \$'000	1998 \$'000
Debt			
Loans	9a	4,822	6,500
Other	9b	7,690	6,480
Total debt		12,512	12,980
Provisions and payables			
Employees	10a	21,402	20,336
Suppliers	10b	1,259	1,352
Interest payable	10c	386	520
Prepayments received	10d	430	-
Total provisions and payables		23,477	22,208
Total liabilities		35,989	35,188
Equity			
Reserves	11	325	314
Accumulated surplus	11	1,328	443
Total equity		1,653	757
Total liabilities and equity		37,642	35,945
Financial assets			
Cash	12a	8,802	7,835
Receivables	12b	1,552	540
Investments	12c	-	660
Total financial assets		10,354	9,035
Non-financial assets			
Land and buildings	13a	7,335	6,456
Infrastructure, plant and equipment	13b	14,851	16,225
Intangibles	13e	3,375	2,893
Other	13f	1,727	1,336
Total non-financial assets		27,288	26,910
Total assets		37,642	35,945
Current liabilities		17,128	15,608
Non-current liabilities		18,861	19,580
Current assets		12,081	10,371
Non-current assets		25,561	25,574

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 1999

	Notes	1999 \$'000	1998 \$'000
Operating activities			
Cash received			
Appropriations		137,028	122,711
Interest		2,016	1,729
Sales of goods and services		2,601	1,252
Other		4,498	4,579
Total cash received		146,143	130,271
Cash used			
Employees		(76,314)	(72,808)
Suppliers		(57,161)	(53,293)
Interest and other financing costs		(520)	-
Total cash used		(133,995)	(126,101)
Net cash used in operating activities	14	12,148	4,170
Investing activities			
Cash received			
Proceeds from redemption of internal treasury bills		660	-
Proceeds from sale of property, plant and equipment		49	93
Total cash received		709	93
Cash used			
Purchase of property, plant and equipment		(10,212)	(9,827)
Purchase of internal treasury bills		-	(660)
Total cash used		(10,212)	(10,487)
Net cash from investing activities		(9,503)	(10,394)
Financing activities			
Cash received			
Proceeds from debt		-	6,500
Cash used			
Repayments of debt		(1,678)	(4,000)
Net cash from financing activities		(1,678)	2,500
Net increase (decrease) in cash held		967	(3,724)
Cash at 1 July		7,835	11,559
Cash at 30 June	12 (a)	8,802	7,835

The accompanying notes form part of these financial statements.

Schedule of commitments

as at 30 June 1999

	1999 \$'000	1998 \$'000
By type		
Other commitments		
Operating leases (a)	158,803	74,263
Other commitments (interest on loan)	222	616
Total other commitments	159,025	74,879
Total commitments payable	159,025	74,879
Commitments receivable	(4,590)	(5,402)
Net commitments	154,435	69,477
By maturity		
All net commitments		
One year or less	18,300	16,988
From one to two years	20,271	15,924
From two to five years	43,021	19,193
Over five years	72,843	17,372
Net commitments	154,435	69,477
Operating lease commitments		
One year or less	19,567	17,738
From one to two years	21,718	17,203
From two to five years	44,675	21,950
Over five years	72,843	17,372
Operating lease commitments	158,803	74,263

(a) Operating leases are non-cancellable leases for office accommodation

Schedule of contingencies

as at 30 June 1999

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

There are five current claims against ASIC where proceedings have been instituted. An additional two claims were finally settled in the reporting period. There are four claims which were threatened during the reporting period, where proceedings have not commenced. In each case, it is not expected that such proceedings will be commenced. However, with respect to each of these matters, based on legal advice received and save for having to pay legal fees and other out of pocket expenses, ASIC:

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

The accompanying notes form part of these financial statements.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

Note description

1. Summary of significant accounting policies
2. Segment reporting
3. Economic dependency
4. Abnormal items
5. Goods and services expenses
6. Interest expense
7. Revenue from independent sources
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19. Superannuation
20. Auditors remuneration
21. Assets vesting in ASIC
22. Financial instruments

1. Summary of significant accounting policies

(a) Basis of accounting

The financial statements are a general purpose financial report.

They have been prepared in accordance with Schedule 2 to Orders issued by the Finance Minister under the *Commonwealth Authorities and Companies Act 1997*.

The financial statements have been prepared

- in accordance with Australian Accounting Standards, other authoritative pronouncements of the Accounting Standards Boards (Accounting Guidance Releases) and the Consensus Views of the Urgent Issues Group; and
- having regard to Statements of Accounting Concepts.

The financial statements 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 on the financial position.

(b) Cash

For the purpose of the Statement of cash flows, cash includes deposits held at call with a bank.

(c) Taxation

ASIC is exempt from all forms of taxation with the exception of sales tax, debits tax and fringe benefits tax.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

(d) Property, plant and equipment

Purchases of property, plant and equipment are recognised initially at cost in the Statement of assets and liabilities, 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.

Property, plant and equipment acquired free or for a nominal charge are recognised initially at fair value.

Schedule 2 requires that property, plant and equipment be progressively revalued in accordance with the “deprival” method of valuation by no later than 1 July 1999 and thereafter be revalued progressively on that basis every three years.

ASIC has implemented its progressive revaluations to 1 July 1999 as follows:

- freehold land and buildings were revalued during the 1996/97 financial year;
- leasehold improvements were revalued in full during the 1997/98 financial year; and
- plant and equipment assets have been revalued in full during the 1998/99 financial year.

Assets in each class acquired after the commencement of the revaluation cycle are reported at cost for the duration of the progressive revaluation then in progress.

The application of the deprival method values land at its current market buying price and other assets at their depreciated replacement cost. Any assets which would not be replaced or are surplus to requirements are valued at net realisable value.

All valuations are independent.

The carrying amounts of non-current assets of ASIC have been reviewed to determine whether they are in excess of their recoverable amounts. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

(e) Depreciation and amortisation

Depreciable property, plant and equipment assets are written off 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 as follows:

	1999	1998
Buildings on freehold land	40 years	40 years
Leasehold improvements	Lease term	Lease term
Plant and equipment	5 to 10 yrs	5 to 10 yrs

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

(f) Intangible assets

Intangible assets are reported at the lower of cost or recoverable amount and are amortised on a straight line basis over their anticipated useful lives.

Useful lives are:

	1999	1998
Purchased computer software	5 years	5 years

Notes to and forming part of the financial statements

for the year ended 30 June 1999

(g) Leases

No finance leases existed during the financial year. All leased assets have been classified as operating leases as substantially all the risks and benefits incidental to the ownership of the leased assets remain with the lessor. Operating lease payments are 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.

(h) Employee entitlements

The liability for employee entitlements encompasses provisions for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken by employees is less than the annual entitlement for sick leave.

The provision for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 1999 and is recognised at its nominal value.

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 1999. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

(i) Superannuation

The majority of ASIC employees are covered under the Commonwealth and Public Sector Superannuation Schemes. There are also a small number of employees covered under state government and private superannuation schemes. The majority of these employees were employed by the various state governments and were transferred to ASIC at its inception in 1989. Contributions made to these schemes by ASIC are included in employee expenses in the Operating statement each year. Details of superannuation schemes to which ASIC contributes are disclosed in Note 19. Contributions to the schemes are at rates calculated to cover existing and emerging obligations.

(j) Revenue

Revenue collected by ASIC under the Corporations Law is disclosed in separate financial statements as required by the *Financial Management and Accountability Act 1997*.

ASIC is substantially funded by Parliamentary Appropriations which enable it to carry out its functions under the Corporations Law. Appropriation revenue is recognised at the time ASIC becomes entitled to receive the revenue.

Operating revenue from independent sources is mainly comprised of bank interest, business names receipts, recoveries of legal costs and prosecution disbursements.

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

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

(k) Lease incentives

Cash lease incentives are recognised as a liability and are reduced by allocating lease payments between rental expense in the operating statement 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.

(l) Receivables

Receivables comprise amounts expected to be received from operating revenue. A provision for doubtful debts is not considered necessary.

(m) Resources received free of charge

Resources received free of charge are recognised as revenues in the Operating statement when received and their fair value can be reliably measured. Use of the resources is recognised as an expense or an asset, according to whether there is a long term benefit.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

(n) Rounding

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

- remuneration of Commissioners;
- remuneration of Executive Officers; and
- remuneration of auditors.

(o) Comparative figures

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

(p) Financial instruments

Accounting policies in relation to financial instruments are disclosed in Note 22.

(q) ASIC's new functions

The 1998/99 financial statements reflect the wider functions given ASIC on 1 July 1998. ASIC's responsibilities are now broadly based. In addition to its Corporations Law function, new roles have been added including a new managed investments regime and responsibility for disclosure and market integrity as well as consumer protection functions for investors in financial products such as superannuation, insurance and deposit taking institutions.

2. Segment reporting

ASIC's aim is to protect the interests of companies and investors by providing information about companies, helping businesses to interpret the law, and taking action against offenders. ASIC operates in a single activity and has offices in each state and territory in Australia.

3. Economic dependency

ASIC is controlled by the Government of the Commonwealth of Australia.

ASIC is dependent on appropriations from Parliament of the Commonwealth for its continued existence and ability to carry out its normal activities and functions under the Corporations Law.

4. Abnormal items

	1999 \$'000	1998 \$'000
Lease surrender payments	-	283
Leased space sub-lease expense	-	2,408
Surplus leased space expense	300	851
Leasehold improvements – write-off on lease assignment	-	1,718
Lease incentive credits on lease assignment	-	(1,314)
Net cost of rationalising leases	300	3,946
Redundancy expenses	-	1,992
Superannuation pension expense – Southern State Superannuation Scheme (SA)	-	1,493
Total	300	7,431

Further rationalisation of ASIC's leases in 1998/99 will result in considerable reduction in cash outlays for leases in future years. The Commission reviews from time to time its property leases to ensure maximum efficiency.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

5. Goods and services expenses

	1999 \$'000	1998 \$'000
(a) Employee expenses		
Basic remuneration for services provided	75,321	66,534
Redundancy expenses	1,950	-
Total employee expenses	77,271	66,534

Redundancy expenses are calculated on the basis of two weeks pay for every year of service by employees made redundant.

Details of superannuation schemes and payments are disclosed in Note 19.

The increase in employee expenses was largely due to the wider functions given to ASIC on 1 July 1998 (Note 1(q)).

(b) Suppliers expenses

Supply of goods and services	40,726	35,954
Operating lease rentals	17,106	15,324
Total suppliers expenses	57,832	51,278

(c) Depreciation and amortisation

Depreciation of property, plant and equipment	5,876	6,606
Amortisation of leasehold improvements	1,462	1,320
Amortisation of intangible assets	920	591
Total depreciation and amortisation	8,258	8,517

Depreciation expenses in 1998/99 are \$0.140 million lower than they would have been under the basis applied in 1997/98 because of the extension of the useful lives of the plant and equipment assets and the reassessment of residual values for assets which have been revalued (1997/98 nil).

The aggregate amounts of depreciation and amortisation allocated during the reporting period, as expense for each class of depreciable asset are as follows:

Building on freehold land	3	3
Leasehold improvements	1,459	1,320
Plant and equipment	5,876	6,603
Intangibles	920	591
Total allocated	8,258	8,517

(d) Write down of non-financial assets

Plant and equipment - write-off	1,696	-
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(e) Losses from the sale of non-financial assets

Plant and equipment	90	346
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Gains from the sale of assets are disclosed in Note 7c.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

6. Interest expense

	1999 \$'000	1998 \$'000
Interest on loan from future parliamentary appropriations.	386	520

7. Revenue from independent sources

(a) Sale of goods and services	2,567	2,942
(b) Bank interest	1,992	1,753
(c) Net gains from sale of plant and equipment	24	98
(d) Other revenue		
Cost recoveries (i)	2,268	1,148
Other (ii)	<u>2,381</u>	<u>1,602</u>
Total other revenue	4,649	2,750
(i) ASIC has been a litigant in courts. The amounts paid by ASIC for court costs, investigations, professional fees, legal costs and prosecution disbursements are recovered where possible.		
(ii) Comprised of:		
Rent	928	732
Contribution from the interest accumulated in the Companies		
Unclaimed Money Account	830	-
Other	623	870
	<u>2,381</u>	<u>1,602</u>

8. Revenues from Government

(a) Parliamentary appropriations

Appropriation Act No 1	137,028	116,898
Appropriation Act No 2	-	5,778
Appropriation Act No 3	-	35
Total	<u>137,028</u>	<u>122,711</u>

(b) Resources received free of charge

During the year ASIC received services at no cost from the following organisations:

Australian Federal Police (based on the estimated salary benefit received by ASIC)	369	541
Department of Finance and Administration - payroll processing fee	-	7
Insurance and Superannuation Commission (based on estimated value of computer equipment received by ASIC)	89	-
Total	<u>458</u>	<u>548</u>

Notes to and forming part of the financial statements

for the year ended 30 June 1999

9. Debt

	1999 \$'000	1998 \$'000
(a) Loans		
Loan from future parliamentary appropriations	4,822	6,500
Loans are payable as follows:		
within one year	1,828	1,678
within one to two years	2,994	2,012
within two to five years	-	2,810
Total loans	4,822	6,500
(b) Other		
Property lease incentives (i)	4,982	4,072
The property lease incentive liability is repayable as follows:		
within one year	1,635	1,637
within one to two years	871	1,513
within two to five years	1,021	922
more than five years	1,455	-
	4,982	4,072
Property sub-lease (surplus space) (ii)	2,708	2,408
The net liability in respect of future payments for surplus space on non-cancellable leases is as follows:		
within one year	1,170	813
within one to two years	989	731
within two to five years	549	864
	2,708	2,408
Total leases	7,690	6,480

- (i) Total property lease incentives represent deferred rental expenditure accrued as at 30 June 1999. The payment 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 (refer Note 4).

Notes to and forming part of the financial statements

for the year ended 30 June 1999

10. Provisions and payables

	1999 \$'000	1998 \$'000
(a) Liabilities to employees		
Salaries and wages	1,335	905
Annual leave	7,365	6,856
Long service leave	11,341	11,082
Superannuation pensions	1,361	1,493
Aggregate employee entitlement liability	21,402	20,336
(b) Suppliers		
Trade creditors	1,259	1,352
(c) Interest payable		
Interest payable on loan from future parliamentary appropriations	386	520
(d) Prepayments received		
Document imaging services revenue - received in advance	430	-

11. Equity

Item	Accumulated results		Asset revaluation reserve		Total equity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Balance 1 July	443	4,267	314	-	757	4,267
Surplus/(Deficit)	885	(3,824)	-	-	885	(3,824)
Net revaluation increases/(decreases) (a)	-	-	11	314	11	314
Balance 30 June	1,328	443	325	314	1,653	757

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

• revaluation increment - leasehold improvements	-	314
• revaluation increment - plant and equipment	11	-
	11	314

Notes to and forming part of the financial statements

for the year ended 30 June 1999

12. Financial assets

	1999 \$'000	1998 \$'000
(a) Cash		
Cash at bank and on hand	8,802	3,446
Deposits at call	-	4,389
	8,802	7,835
Balance of cash as at 30 June shown in the Statement of Cash Flows	8,802	7,835
(b) Receivables		
Goods and services	987	441
Other debtors	565	99
	1,552	540
Receivables includes receivables overdue by:		
• 30 to 60 days	568	239
• more than 60 days	60	100
	628	339
(c) Investments		
Internal Treasury Bills	-	660
	-	660

The investment activity in 1997/98 was undertaken by the Minister for Finance and Administration.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

13. Non-financial assets

	1999 \$'000	1998 \$'000
(a) Land and buildings		
Freehold land at May 1997 valuation (i)	30	30
Building on freehold land at May 1997 valuation	125	125
Accumulated depreciation	(6)	(3)
	119	122
Leasehold improvements - at valuation (1997/98) (ii)	6,304	6,304
Accumulated amortisation	(1,311)	-
	4,993	6,304
Leasehold improvements - at cost	2,341	-
Accumulated amortisation	(148)	-
	2,193	-
Total land and buildings	7,335	6,456

- (i) The revaluation of the freehold land and building was performed on 20 May 1997 in accordance with the progressive revaluation policy stated at Note 1(d) by an independent valuer T.J. Shaw B.Bus (Prop) A.V.L.E. (Val). The valuation obtained confirmed the carrying value of the land and building.
- (ii) The revaluation of the leasehold improvements was performed on 30 June 1998 in accordance with the progressive revaluation policy stated at Note 1(d) by an independent valuer from the Australian Valuation Office.

(b) Plant and equipment

Plant and equipment - at cost	10,799	47,686
Less accumulated depreciation	(1,726)	(31,461)
	9,073	16,225
Plant and equipment - at valuation 1998/99 (i)	23,936	-
Less accumulated depreciation	(18,158)	-
	5,778	-
Total plant and equipment	14,851	16,225

- (i) The revaluation of plant and equipment as at 1 July 1998 in accordance with the revaluation policy stated at Note 1(d) was completed by an independent valuer from the Australian Valuation Office. A valuation increment of \$0.011 million was transferred to the asset revaluation reserve.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

(c) Movement summary 1998/99 for all assets irrespective of valuation basis

Item			Total land and buildings	Other infrastructure, plant and equipment	Total property, plant and equipment	Intangibles \$'000	Total \$'000
	Land \$'000	Buildings \$'000	\$'000	\$'000	\$'000		
Gross value as at 1 July 1998	30	6,429	6,459	51,588	58,047	-	58,047
Additions	-	2,341	2,341	6,289	8,630	1,402	10,032
Revaluations	-	-	-	(13,709)	(13,709)	-	(13,709)
Reclassifications	-	-	-	(3,902)	(3,902)	3,902	-
Disposals	-	-	-	(523)	(523)	-	(523)
Write-offs	-	-	-	(5,008)	(5,008)	-	(5,008)
Gross value as at 30 June 1999	30	8,770	8,800	34,735	43,535	5,304	48,839
Accumulated depreciation/amortisation as at 1 July 1998	-	3	3	32,470	32,473	-	32,473
Depreciation/amortisation charge for assets held 1 July 1998	-	1,314	1,314	5,386	6,700	780	7480
Depreciation/amortisation charge for additions	-	148	148	490	638	140	778
Adjustment for revaluations	-	-	-	(13,721)	(13,721)	-	(13,721)
Adjustment for reclassifications	-	-	-	(1,009)	(1,009)	1,009	-
Adjustment for disposals	-	-	-	(420)	(420)	-	(420)
Adjustment for write-offs	-	-	-	(3,312)	(3,312)	-	(3,312)
Accumulated depreciation/amortisation as at 30 June 1999	-	1,465	1,465	19,884	21,349	1,929	23,278
Net book value as at 30 June 1999	30	7,305	7,335	14,851	22,186	3,375	25,561
Net book value as at 1 July 1998	30	6,426	6,456	16,225	25,574	2,893	25,574

Notes to and forming part of the financial statements

for the year ended 30 June 1999

(d) Summary of balances of assets at valuation as at 30 June 1999

Item			Total land and buildings	Other infrastructure plant and equipment	Total property plant and equipment	Intangibles \$'000	Total \$'000
	Land \$'000	Buildings \$'000	\$'000	\$'000	\$'000		
As at 30 June 1999							
Gross value	30	6,429	6,459	23,936	30,395	-	-
Accumulated depreciation/amortisation	-	1,317	1,317	18,158	19,475	-	19,475
Net book value							
As at 30 June 1998	30	5,112	5,142	5,778	10,920	-	10,920
Gross value	30	6,429	6,459	-	6,459	-	6,459
Accumulated depreciation/amortisation	-	3	3	-	3	-	3
Net book value	30	6,426	6,456	-	6,456	-	6,456

(e) Intangible assets

	1999 \$'000	1998 \$'000
Purchased computer software	5,304	3,902
Accumulated amortisation	(1,929)	(1,009)
	3,375	2,893
Total intangibles	3,375	2,893

(f) Other non-financial assets

Prepaid property rentals	1,268	914
Other prepayments	459	422
Total other non-financial assets	1,727	1,336

Notes to and forming part of the financial statements

for the year ended 30 June 1999

14. Cash flow reconciliation

	1999 S'000	1998 S'000
Reconciliation of net cash flows from operating activities to net cost of services		
Net cost of services	(136,601)	(127,083)
Revenues from government	137,486	123,259
 Operating surplus/(deficit)	 885	 (3,824)
 Depreciation and amortisation of property, plant and equipment	 8,258	 8,517
Increase/(decrease) in employee liabilities	1,066	(2,702)
(Increase) in other assets	(391)	(310)
(Increase)/decrease in receivables	(1,012)	342
Increase/(decrease) in liability to suppliers	(84)	(327)
Increase/(decrease) in other payables	1,210	(140)
Increase/(decrease) in prepayments received	430	(140)
Abnormal property expenses	-	2,408
Loss on disposal of property, plant and equipment	90	346
Write down of assets	1,696	-
Net cash provided/(used) by operating activities	12,148	4,170

15. Related parties

The members of the Commission during the year were:

A. J. Cameron, AM (Chairman)

J. S. Segal (Commissioner from 1 July 1998 to 30 March 1999, Deputy Chairman from 31 March 1999 to 4 July 1999)

S. F. Tregillis (acting Commissioner from 31 March 1999 to 4 July 1999)

W. P. Day (resigned 29 January 1999)

D. W. Knott was appointed as Deputy Chairman on 5 July 1999.

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.

There were no transactions with other related parties during the reporting period.

The aggregate remuneration of Commissioners is disclosed in Note 16(a).

Notes to and forming part of the financial statements

for the year ended 30 June 1999

16. Remuneration of Commissioners and Executive Officers

(a) Remuneration of Commissioner

	1999 \$	1998 \$
Aggregate amount of superannuation payments in connection with the retirement of Commissioners	66,548	57,494
Other remuneration received or due and receivable by Commissioners	686,704	708,072
Total remuneration received or due and receivable by Commissioners	753,252	765,566

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

	1999 Members	1998 Members
\$40,001 - \$50,000	1	-
\$60,001 - \$70,000	-	2
\$150,001 - \$160,000	-	1
\$160,001 - \$170,000	1	-
\$170,001 - \$180,000	-	1
\$210,001 - \$220,000	1	-
\$250,001 - \$260,000	1	1
	4	5

(b) Remuneration of Executive Officers

Income received or due and receivable by Executive Officers	1999 \$4,806,432	1998 \$5,084,985
---	---------------------	---------------------

The number of Executive Officers included in these figures are shown below in the relevant income bands

	Executives	Executives
\$100,001 - \$110,000	1	3
\$110,001 - \$120,000	3	3
\$120,001 - \$130,000	5	3
\$130,001 - \$140,000	8	8*
\$140,001 - \$150,000	4	6*
\$150,001 - \$160,000	2	2*
\$160,001 - \$170,000	1	-
\$170,001 - \$180,000	1	1
\$180,001 - \$190,000	2	2
\$210,001 - \$220,000	-	1*
\$220,001 - \$230,000	-	1*
\$230,001 - \$240,000	1*	-
\$240,001 - \$250,000	1*	1*
\$250,001 - \$260,000	-	1*
\$290,001 - \$300,000	2*	-
\$310,001 - \$320,000	-	1*
* includes redundancy/retirement payment	31	33

The executive remuneration includes all Executive Officers concerned with or taking part in the management of ASIC during 1998/99 except for the Commissioners. Details in relation to Commission members have been incorporated into Note 16(a) - Remuneration of Commissioners.

Performance pay has been excluded from the calculation of executive remuneration. The aggregate amount of performance pay received or due and receivable for the period commencing 1 January 1998 by officers was \$219,500 on an assessment period of 18 months (For the period ended 31 December 1997 the payment was \$60,192).

Notes to and forming part of the financial statements

for the year ended 30 June 1999

17. Trust monies

ASIC has established a number of trust accounts. Monies received are placed in special bank accounts and expended in accordance with the Corporations Law and the *Life Insurance Act 1995*. These monies are not available for other ASIC purposes and are not recognised in the financial statements.

	1999 S'000	1998 S'000
Section 462 Companies Code receipts (represented by cash at bank)		
Opening balance	163	422
Receipts	151	249
Interest received	4	8
Disbursements	(124)	(516)
Closing balance	194	163
Security deposits under s786(2)(d) (Dealers and investment advisers)		
Cash (at bank)	60	240
Interest bearing deposits (at bank)	1,405	1,425
Inscribed stock	-	260
Insurance bonds	2,435	2,725
Bank guarantees	33,547	31,980
Total	37,447	36,630
Security deposits under s1284(1) (Liquidators)		
Inscribed stock	-	61
Insurance bonds (a)	10,100	15,025
Bank guarantees	250	350
Total	10,350	15,436
Companies Unclaimed Money Account (Part 9.7) (represented by cash at bank)		
Opening balance	22,809	18,756
Receipts	3,543	4,066
Interest received	1,070	986
Disbursements	(945)	(592)
Bank charges	(3)	-
Special purpose	(830)	-
Management costs recovered by ASIC	(259)	(332)
Consolidated revenue transfer	(57)	(75)
Closing balance	25,328	22,809
Life Insurance Unclaimed Monies Account s216 <i>Life Insurance Act 1995</i>		
Opening balance	-	-
Appropriation	2,700	-
Interest	21	-
Disbursements	(2,304)	-
Bank charges	(3)	-
Closing balance	414	-
Total funds transferred to consolidated revenue in accordance with s216(3)	3,263	-

This function was previously managed and reported by the Insurance and Superannuation Commission.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

	1999 \$'000	1998 \$'000
Trust monies held under s1323 of the Corporations Law		
Opening balance	-	-
Receipts	6,449	-
Interest received	195	-
Disbursements	-	-
Closing balance	6,644	-
Settlements monies (represented by cash at bank)		
Opening balance	428	393
Receipts	2,170	65
Interest received	17	15
Disbursements	(110)	(45)
Closing balance	2,505	428

- (a) As a result of changes made to ASIC Policy Statement 33 in July 1994, ASIC has approved an alternate arrangement for security deposits for Liquidators under section 1284(1) of the Corporations Law. ASIC will accept an undertaking from all registered Liquidators who hold practising certificates from either the Institute of Chartered Accountants in Australia (ICAA) or the Australian Society of Certified Practising Accountants (ASCPA) to maintain professional indemnity insurance in accordance with the requirements of the ICAA or ASCPA. The acceptable terms of the professional indemnity insurance will be a minimum of \$250,000 on each and every claim. There is no impact on the financial statements of ASIC.

18. Expenditure relating to Boards, Panel and Tribunal

Pursuant to sections 171, 202 and 224 of the ASIC Ac., ASIC is required to support boards and a panel to promote activities which enable ASIC to attain its aims.

Corporations and Securities Panel (CSP)	93	254
Companies Auditors and Liquidators Disciplinary Board (CALDB)	329	378
Australian Accounting Standards Board (AASB)	1,482	1,470
Superannuation Complaints Tribunal	1,551	-

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

Employee and administrative expenditure incurred on behalf of these boards, panel and tribunal are included in the operating statement of ASIC.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

19. Superannuation

	1999 S'000	1998 S'000
ASIC contributes to the superannuation schemes listed below which provide retirement, death and disability benefits to employees. Contributions to the schemes are at rates calculated to cover existing and emerging obligations (refer also Note 1(i)).		
Commonwealth schemes		
Public Sector Superannuation Scheme (PSS)	4,583	4,110
Commonwealth Superannuation Scheme (CSS)	1,436	1,360
Total	6,019	5,470
State schemes		
	Number of staff	
South Australia	9	91
New South Wales	35	444
Queensland	32	199
Western Australia	5	15
Victoria	15	109
Total	858	909
Private schemes		
Superannuation productivity benefit	1,632	1,301
Superannuation administration fee and charges	31	115
	8,582	7,813

Commonwealth schemes

Public Sector Superannuation Scheme (PSS)

Fund type:	Defined benefit plan
Principal type of benefit:	Lump sum/pension
Basis of contributions:	Contribution rates during 1998-99 are 11.8% of salary (1997-98 11.8%)
Date of last actuarial review:	30 June 1995 (next review to commence shortly)
Name of actuary:	Mr K. E. Deeves, F.I.A.A.

Commonwealth Super Scheme (CSS)

Fund type:	Split benefit plan
Principal type of benefit:	Lump sum/pension
Basis of contributions:	Contribution rates during 1998-99 are 21.3% of salary (1997-98 21.3%)
Date of last actuarial review:	30 June 1995 (next review to commence shortly)
Name of actuary:	Mr K. E. Deeves, F.I.A.A.

State schemes

Southern State Superannuation Scheme (Triple S) (SA)

Fund type:	Defined benefit plan
Principal type of benefit:	Lump sum/pension
Basis of contributions:	Fixed percentages of employee's gross salary
Date of last actuarial review:	30 June 1998
Name of actuary:	Mr P. Crump, F.I.A.A.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

State Authorities Superannuation Board (NSW)

Fund type:	Split benefit plan
Principal type of benefit:	Lump sum/pension
Basis of contributions:	Fixed percentages of employee's gross salary
Date of last actuarial review:	30 June 1997
Name of actuary:	Mr M. A. Stevenson, BSc, F.I.A. , F.I.A.A.

Queensland Government Superannuation Programme (Q Super)

Fund type:	Split benefit plan
Principal type of benefit:	Lump sum/pension
Basis of contributions:	Fixed percentages of employee's gross salary
Date of last actuarial review:	30 June 1995 (currently under review)
Name of actuary:	Mr C. A. Harrison, F.I.A., F.I.A.A.

Government Employees Superannuation Board (WA)

Fund type:	Defined benefit plan
Principal type of benefit:	Lump sum
Basis of contributions:	Fixed percentage of employee's gross salary
Date of last actuarial review:	30 June 1998
Name of actuary:	Mr A. C. Miller, F.I.A.A.

Victorian Superannuation Board

Fund type:	Defined benefit plan
Principal type of benefit:	Lump sum/pension
Basis of contributions:	Fixed percentage of employee's gross salary
Date of last actuarial review:	30 June 1997
Name of actuary:	Mr S. J. Schubert, F.I.A.A.

Australian Government Employees Superannuation Trust

Fund Type:	Defined contribution plan
Principal type of benefit:	Lump sum
Basis of contributions:	Fixed percentage of employee's gross salary
Unfunded liability:	Nil

20. Auditors remuneration

	1999 \$	1998 \$
Remuneration to the Auditor-General for auditing the financial statements in respect of the reporting period	119,788	130,000
Amounts paid or payable for services provided by other auditors	215,960	155,748

Notes to and forming part of the financial statements

for the year ended 30 June 1999

21. Assets vesting in ASIC

On the deregistration of a company, section 601AD of the Corporations Law provides that all the company's property vests in ASIC. ASIC adopts a passive approach to administering vested property and accounts for those assets as if it were a trustee. It generally only deals with vested property once an application is made to ASIC by a third party under section 601AE of the Corporations Law. ASIC therefore does not consider it to be appropriate that the value of any identified property vesting in ASIC be recorded, or disclosed, in these financial statements.

ASIC has a broad discretionary power to deal with vested property pursuant to section 601AE of the Corporations Law which states "ASIC may dispose of or deal with the property as it sees fit". ASIC is confident that the operation of section 246 of the ASIC Act and section 601AE(4) of the Corporations Law effectively limits its liability in relation to vested property to the value of the specific property vested in ASIC.

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 and conditions affecting the amount, timing and certainty of cash flows)
Financial assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Deposits at call	12 (a)	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	Temporarily 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 at the prevailing daily rate for money on call and is paid at month end.
Receivables (goods and services)	12 (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 (1997/98: 14 days).
Other debtors	12 (b)	As for receivables (goods and services)	As for receivables (goods and services)

Notes to and forming part of the financial statements

for the year ended 30 June 1999

Financial liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Non-bank loans	9 (a)	The loan is carried at the balance yet to be repaid. Interest is expensed as it accrues.	The loan is repayable in annual instalments. Interest is calculated on the reducing balance of the loan. The effective interest rate is 8.0%. The last instalment is due to be paid in 2000-01. The loan is unsecured.
Lease incentives	9 (b)	The lease incentive is recognised as a liability on receipt of the incentive. The amount of the liability is reduced on a straight-line over the life of the lease by allocating lease payments between rental expense and reduction of the liability.	
Trade creditors	10 (b)	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.	

(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 to 5 years			> 5 years						
		1999	1998	1999	1998	1999	1998	1999	1998		1999	1998	1999	1998			
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%			
Financial assets (recognised)																	
Cash at bank	12a	8,713	3,329	-	-	-	-	-	-	-	-	-	8,713	3,329	3.9	4.2	
Cash in hand	12a	-	-	-	-	-	-	-	-	-	89	117	89	117	n/a	n/a	
Deposits at call	12a	-	4,389	-	-	-	-	-	-	-	-	-	-	4,389	-	5.0	
Receivables for goods and services	12b	-	-	-	-	-	-	-	-	-	1,552	540	1,552	540	n/a	n/a	
Investments	12c	-	-	-	660	-	-	-	-	-	-	-	-	660	-	1	
Other debtors	13f	-	-	-	-	-	-	-	-	-	1,727	1,336	1,727	1,336	n/a	n/a	
Total financial assets (recognised)		8,713	7,718	-	660	-	-	-	-	-	3,368	1,993	12,081	10,371			
Total assets		37,642	35,945														
Financial liabilities (recognised)																	
Non-bank loans	9a	-	-	1,828	1,678	2,994	2,012	-	2,810	-	-	-	-	4,822	6,500	8.0	8.0
Leases	9b	-	-	-	-	-	-	-	-	-	7,690	6,480	7,690	6,480	n/a	n/a	
Trade creditors	10b	-	-	-	-	-	-	-	-	-	1,259	1,352	1,259	1,352	n/a	n/a	
Other creditors	10c,d	-	-	-	-	-	-	-	-	-	816	520	816	520	n/a	n/a	
Total financial liabilities (recognised)		-	-	1,828	1,678	2,994	2,012	-	2,810	-	9,765	8,352	14,587	14,852			
Total liabilities		-	-	35,989	35,188												

Notes to and forming part of the financial statements

for the year ended 30 June 1999

(c) Net fair values of financial assets and liabilities

	1999		1998	
	Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
Financial Assets				
Cash at bank	8,713	8,713	3,329	3,329
Cash on hand	89	89	117	117
Deposits at call	-	-	4,389	4,389
Receivables for goods and services	1,552	1,552	540	540
Investments	-	-	660	660
Other debtors	1,727	1,727	1,336	1,336
	12,081	12,081	10,371	10,371
Financial liabilities				
Non-bank loans	4,822	4,822	6,500	6,500
Leases	7,690	7,690	6,480	6,480
Trade creditors	1,259	1,259	1,352	1,352
Other creditors	816	816	520	520
	14,587	14,587	14,852	14,852

Financial assets

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

Financial liabilities

The net fair values of non-bank loans are approximated by their carrying amounts.

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

The net fair values for trade and other creditors, all of which are short-term in nature, are approximated by 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 indicated in the Statement of Assets and Liabilities.

The economic entity has no significant exposures to any concentrations of credit risk.

Financial statements for the revenue collected under the Corporations Law

11

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Independent audit report

for the year ended 30 June 1999

To the Treasurer

Scope

I have audited the financial statements of the Australian Securities and Investments Commission for Revenue Collected under the Corporations Law for the year ended 30 June 1999. The financial statements comprise:

- Statement by the Chairman
- Statement of administered revenues and expenses
- Statement of administered assets and liabilities
- Statement of administered cash flows
- Schedule of administered commitments
- Schedule of administered contingencies, and
- Notes to and forming part of the financial statements.

The Chairman of the Commission is 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 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 materials respects, the financial statements are presented fairly in accordance with Australian Accounting Standards, other mandatory professional reporting requirements and statutory requirements so as to present a view of the Commission's Corporations Law Revenue Collection which is consistent with my understanding of its financial position, its operations and its cash flows.

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

Audit opinion

In my opinion,

- (i) the financial statements have been prepared in accordance with Schedule 2 of the Finance Minister's Orders; and
- (ii) the financial statements give a true and fair view, in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and Schedule 2 of the Finance Minister's Orders, of the financial position of the Australian Securities and Investments Commission's Corporations Law Revenue Collection as at 30 June 1999 and the results of its operations and its cash flows for the year then ended.

Australian National Audit Office



Paul Hinchey
Senior Director

Delegate of the Auditor-General
Sydney
7 September 1999

Statement by the Chairman

In my opinion, the attached financial statements give a true and fair view of the matters required by Schedule 2 to the Finance Minister's Orders made under section 63 of the *Financial Management and Accountability Act 1997*.

A handwritten signature in black ink, appearing to read 'A. J. Cameron', followed by a long horizontal line extending to the right.

A. J. Cameron, AM

Chairman

7 September 1999

Statement of administered revenues and expenses

for the year ended 30 June 1999

	Notes	1999 \$'000	1998 \$'000
Revenues			
Non taxation			
Corporations Law fees and charges	4	338,966	341,603
Other	2g, 10	22	21
Total non taxation		338,988	341,624
Total revenues		338,988	341,624
Expenses			
Net write-down of administered assets	3	7,751	6,165
Other	2g, 10	22	21
Total expenses		7,773	6,186
Net contribution to government		331,215	335,438
Transfers			
Cash to Official Commonwealth Public Account	9	(331,778)	(326,090)
Net change in administered assets before extraordinary items	9	(563)	9,348
Net revenues from extraordinary items			
- restructuring	5	-	18,112
Net change in administered assets	7	(563)	27,460
Accumulated results at 1 July		27,460	-
Accumulated results at 30 June	7	26,897	27,460

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

Statement of administered assets and liabilities

for the year ended 30 June 1999

	Notes	1999 \$'000	1998 \$'000
Provisions and payables			
Other	6	1,420	1,051
Total provisions and payables		1,420	1,051
Equity			
Accumulated results	7	26,897	27,460
Total equity		26,897	27,460
Total liabilities and equity		28,317	28,511
Financial assets			
Cash	8a	8,041	3,768
Receivables	8b	12,134	10,616
Accrued revenues	8c	8,142	14,127
Total financial assets		28,317	28,511
Total assets		28,317	28,511
Current liabilities		1,420	1,051
Current assets		28,317	28,511

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

Statement of administered cash flows

for the year ended 30 June 1999

	Notes	1999 \$'000	1998 \$'000
Operating activities			
Cash received			
Non taxation			
Corporations Law fees and charges		336,051	323,616
Total non taxation		336,051	323,616
Total cash received		336,051	323,616
Cash used			
Cash to official Commonwealth Public Account	9	331,778	326,090
Total cash used		331,778	326,090
Net cash from operating activities	9	4,273	(2,474)
Net increase (decrease) in cash held		4,273	(2,474)
Add cash at 1 July		3,768	6,242
Cash at 30 June	8a	8,041	3,768

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

Schedule of administered commitments

as at 30 June 1999

	Notes	1999 \$'000	1998 \$'000
By type			
Capital commitments		nil	nil
Other commitments		nil	nil

Schedule of administered contingencies

as at 30 June 1999

	Notes	1999 \$'000	1998 \$'000
Contingent losses		nil	nil
Contingent gains		nil	nil

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

Notes to and forming part of the financial statements (Commonwealth revenue)

for the year ended 30 June 1999

Note description

1. Objectives of the Australian Securities and Investments Commission
2. Summary of significant accounting policies
3. Administered expenses
4. Administered revenues
5. Net revenues from extraordinary items - restructuring
6. Administered provisions and payables
7. Administered equity
8. Administered financial assets
9. Cash flow reconciliation
10. Services provided by the Auditor-General
11. Administered financial instruments

1. Objectives of the Australian Securities and Investments Commission

The Australian Securities and Investments Commission (ASIC) is an independent Commonwealth government body set up by the ASIC Act to administer the Corporations Law throughout Australia.

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

ASIC collects and administers revenue under the *Corporations Act 1989* and prescribed fees set by the *Corporations (Fees) Regulations*.

2. Summary of significant accounting policies

(a) Basis of accounting

In addition to preparing a set of financial statements in compliance with the *Commonwealth Authorities and Companies Act 1997*, ASIC is required to prepare a set of financial statements for the revenue it administers under the Corporations Law. This set of financial statements is prepared in compliance with section 49 of the *Financial Management and Accountability Act 1997* (FMA Act) and comprise a general purpose financial report.

The statements have been prepared in accordance with Schedule 2 to the Financial Management and Accountability (FMA) Orders made by the Minister for Finance and Administration. Schedule 2 requires that the financial statements are prepared:

- in compliance with Australian Accounting Standards, Accounting Guidance Releases and Urgent Issues Group consensus views; and
- having regard to Statements of Accounting Concepts.

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

Notes to and forming part of the financial statements (Commonwealth revenue)

for the year ended 30 June 1999

The continued existence of ASIC in its present form, and with its present programs, is dependent on continuing Government policy and on continuing appropriations by Parliament for ASIC's administration and programs.

(b) Changes in accounting policy

Schedule 2 requires disclosure when a change in accounting policies has a material impact on the financial statements. Changes in accounting policy have been identified in this note under the appropriate headings.

(c) Administered items

Administered items are those items which are controlled by the government and managed or overseen by ASIC on behalf of the government.

Schedule 2 requires that administered transactions are accounted for on a double entry basis. The effect of this requirement is that transfers of cash to the official Commonwealth Public Account (CPA) will be reported on the face of the statement of administered revenues and expenses where operating transactions are involved, and that, where transactions involving financial assets and liabilities not arising from operations are involved, receivables from and payables to the CPA will be recognised in the statement of administered assets and liabilities.

(d) Cash

For the purpose of the statement of cash flows, cash includes cash on hand and deposits held at call with a bank.

(e) Taxation

Administered items are exempt from all forms of taxation.

(f) Bad and doubtful debts

Debts deemed uncollectable are written off against a provision for doubtful debts. Provisions are made when collection of the debt is judged to be less rather than more likely.

(g) Resources received free of charge

Resources received free of charge are recognised in the statement of revenues and expenses as revenue when and only when a fair value can be reliably determined and measured. Use of those resources is recognised in the net contribution to government.

(h) Rounding

Amounts have been rounded to the nearest \$1,000 except in relation to the following note disclosures:

- fee write off and waivers;
- remuneration of auditors; and
- acts of grace payments.

(i) Administered revenue recognition

(i) Definition of revenue

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.

Notes to and forming part of the financial statements (Commonwealth Revenue)

for the year ended 30 June 1999

(ii) Recognition of revenue

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 Law is collected and deposited in the CPA on behalf of the Commonwealth.

Statutory revenue comprises fees for the lodgment 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.

(j) Comparative figures

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

(k) Financial instruments

Accounting policies in relation to financial instruments are disclosed in Note 11.

(l) Change in classification of revenue

The revenue reporting requirements for FMA agencies have been revised in accordance with the *Financial Management and Accountability Orders (Amendment) 1998*. Corporations Law fees are now disclosed as "other non-taxation revenues" rather than "other taxation revenues".

3. Administered expenses

Write-down of administered assets

	Note	1999 \$'000	1998 \$'000
Write-off of fees and charges	a	3,975	3,724
Waiver of fees and charges owing	b	2,574	1,532
Other	c	1,202	909
Total write-down of assets		7,751	6,165

- a. The number, and aggregate amount, of Commonwealth monies, written off during the financial year pursuant to section 47 of the FMA Act is as follows: 18,572 items totalling \$3,975,449 (1998: 16,896 items totalling \$3,724,471).

Notes to and forming part of the financial statements (Commonwealth revenue)

for the year ended 30 June 1999

- b. The number, and aggregate amount, of amounts owing to the Commonwealth, the recovery of which was waived during the financial year pursuant to subsection 34(1) of the FMA Act is as follows: 18,102 items totalling \$2,574,450. (1998: 9,039 items totalling \$1,531,894). The number of waivers granted in 1998/99 is higher than usual due to the introduction of tighter timeframes for lodgment introduced under the Corporations Law with effect from 1 July 1998 and the need to provide transitional relief. The five day discretionary period for which mail lodgments could be overdue was also abolished to allow equal treatment of both methods of lodgment. Waivers are expected to return to normal levels in 1999/2000.
- c. A provision for doubtful debts has been calculated equivalent to 17.8% of debts over 90 days (1998: 14.5%), totalling \$1,202,226 (1998: \$908,731).
- d. There were five (1998: five) Act of Grace payments totalling \$8,110 (1998: \$9,205) made during the reporting period.

4. Administered revenues

Corporations Law fees and charges	Note	1999	1999	1999	1998	1998	1998
		Fines \$'000	Fees \$'000	Total \$'000	Fines \$'000	Fees \$'000	Total \$'000
Mandatory collections	a	27,731	287,087	314,818	29,739	290,601	320,340
Information broker fees	b	-	20,850	20,850	-	16,875	16,875
Court recoveries	b	313	-	313	423	-	423
Voluntary enquiries	c	-	2,985	2,985	-	3,965	3,965
Total Corporations Law fees and charges		28,044	310,922	338,966	30,162	311,441	341,603

- a. Fees and charges arising from acts which are mandatory under the Corporations Law. Examples include lodgment of annual returns and other fees prescribed in Fees Regulations.
- b. Fees and charges arising from other acts under the Corporations Law. Examples include information brokers fees and court recoveries relating to the summary prosecutions program.
- c. Fees and charges arising from voluntary enquiries from clients. Examples include requests for extracts, microfiche records, certificates and document images.

Notes to and forming part of the financial statements (Commonwealth revenue)

for the year ended 30 June 1999

5. Net revenues from extraordinary items - restructuring

	1999 \$'000	1998 \$'000
Provisions and payables		
Refunds	-	(1,468)
		(1,468)
Financial assets		
Bank	-	6,242
Receivables	-	13,338
		19,580
Equity		
Opening balance	-	18,112

The adoption of accrual accounting from 1 July 1997 resulted in the establishment of an opening equity balance.

6. Administered provisions and payables

Other provisions		
Refunds	1,099	1,033
Other trust monies	321	18
	1,420	1,051

7. Administered equity

Accumulated results		
Balance 1 July	27,460	-
Net change in administered assets	(563)	27,460
Balance 30 June	26,897	27,460

8. Administered financial assets

(a) Cash

Mandatory charges and fees provided for services	6,942	2,735
Refund monies	1,099	1,033
Total	8,041	3,768
Balance of cash as at 30 June shown in the statement of cash flows	8,041	3,768

Notes to and forming part of the financial statements (Commonwealth revenue)

for the year ended 30 June 1999

(b) Receivables

	1999 \$'000	1998 \$'000
Corporations Law fees and charges	11,008	9,640
Information brokers fees	2,328	1,885
Gross receivables	13,336	11,525
Less provision for doubtful debts	(1,202)	(909)
	12,134	10,616

The total of uncollected Commonwealth revenue classified by age analysis which are overdue is as follows:

less than 30 days	5,162	3,929
30 to 60 days	1,074	832
61 to 90 days	334	504
More than 90 days	6,766	6,260
Total owing	13,336	11,525

(c) Accrued revenues

Annual returns not yet lodged	6,107	9,004
Late fees attributable to annual returns	2,035	5,123
	8,142	14,127

9. Cash flow reconciliation

Reconciliation of net contribution to Government to net cash provided by operating activities

Net contribution to government	331,215	335,438
Cash to Commonwealth Public Account	(331,778)	(326,090)
Net increase in administered assets from operations	(563)	9,348
Increase in provisions for doubtful debts	293	909
Increase (decrease) in other payables	369	(417)
(Increase) decrease in receivables	(1,811)	1,814
(Increase) decrease in accrued revenue	5,985	(14,128)
Net Cash from Operating Activities	4,273	(2,474)

10. Services provided by the Auditor-General

Financial statement audit services are provided free of charge to ASIC in relation to the audit of Corporations Law revenue items. The fair value of audit services provided is \$22,000 (1998: \$21,500).

No other services were provided by the Auditor-General.

Notes to and forming part of the financial statements (Commonwealth revenue)

for the year ended 30 June 1999

11. Administered financial instruments

(a) Terms, conditions and accounting policies

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Deposits at call		Deposits are recognised at their nominal amounts.	Monies awaiting payment to the CPA are held at call with ASIC's banker.
Receivables – Corporations Law fees outstanding	8b	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 30 days (1998: 30 days).
Accrued revenues	8c	As for Receivables – Corporations Law fees outstanding.	As for Receivables – Corporations Law fees outstanding.
Financial liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Refunds	6	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.
Payable to the CPA		Monies held awaiting payment to the CPA for Corporations Law fees and charges. Payables to the CPA are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.	Monies awaiting payment to the CPA are held at call with ASIC's banker.

Notes to and forming part of the financial statements (Commonwealth revenue)

for the year ended 30 June 1999

(b) Interest rate risk: administered

Financial Instrument S'000	Note	Floating Interest Rate		Fixed Interest Rate			Non Interest Bearing		Total		Weighted Average Effective Interest Rate	
		1999	1998	1 yr	>1	>1	1999	1998	1999	1998	1999	1998
				or less	year or less	year						
		S'000	S'000	S'000	S'000	S'000	S'000	S'000	S'000	S'000	S'000	S'000
Financial assets (recognised)												
Cash at bank	8(a)	-	-	-	-	-	8,041	3,768	8,041	3,768	n/a	n/a
Receivables	8(b)	-	-	-	-	-	12,134	10,616	12,134	10,616	n/a	n/a
Accrued revenue	8(c)	--	-	-	-	-	8,142	14,127	8,142	14,127	n/a	n/a
Total financial assets (recognised)		-	-	-	-	-	28,317	28,511	28,317	28,511	-	-
Total assets		-	-	-	-	-			28,317	28,511	-	-
Financial liabilities (recognised)												
Refunds	6	-	-	-	-	-	1,099	1,033	1,099	1,033	n/a	n/a
Other Trust monies	6	-	-	-	-	-	321	18	321	18	n/a	n/a
Total financial liabilities (recognised)		-	-	-	-	-	1,420	1,051	1,420	1,051	--	--
Total liabilities		-	-	-	-	-			1,420	1,051	-	-

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

		1999		1998	
		Total carrying amount S'000	Aggregate net fair value S'000	Total carrying amount S'000	Aggregate net fair value S'000
Cash at bank and on hand	8(a)	8,041	8,041	3,768	3,768
Fees receivable	8(b)	12,134	12,134	10,616	10,616
Accrued revenue	8(c)	8,142	8,142	14,127	14,127
Total financial assets		28,317	28,317	28,511	
Financial liabilities (recognised)					
Refunds	6	1,099	1,099	1,033	1,033
Other	6	321	321	18	18
Total financial liabilities (recognised)		1,420	1,420	1,051	1,051

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.

Notes to and forming part of the financial statements (Commonwealth revenue)

for the year ended 30 June 1999

Financial liabilities

Refunds are carried at their nominal value.

(d) 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 indicated in the statement of administered assets and liabilities, for the administered accounts.

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

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