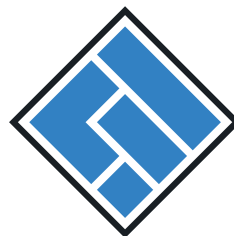


fighting fraud and misconduct

'enforcement is an essential part of effective regulation'

David Knott, ASIC Chairman

annualreport
2002-03



ASIC

**Australian Securities &
Investments Commission**

ASIC's profile

The Australian Securities and Investments Commission enforces and regulates company and financial services laws to protect consumers, investors and creditors.

An independent Commonwealth government body, ASIC has regulated financial markets, securities, futures and corporations since January 1991. From 1998, we became responsible for consumer protection in superannuation, insurance, deposit taking and, from 2002, credit. ASIC works with other financial and law enforcement agencies in Australia and internationally.

For our statutory aims and where we fit in the regulatory picture, see page 12.

In 2002–03, ASIC:

- employed 1,396 full time equivalent staff around Australia, see page 58
- outputs cost \$173 million and we collected \$405 million in fees for the Commonwealth, see page 10
- operated under full time Commissioners appointed by the Governor-General on the nomination of the Treasurer, see page 16.

fighting fraud and misconduct

- Achieved record enforcement outcomes, including 29 criminals jailed for fraud, criminal breach of duties and insider trading, page 25.
- \$506 million in funds protected, compensation orders or assets frozen for the public and creditors, page 27.
- Launched new initiatives targeting insolvency, financial reporting and disclosure, and secured additional budget funding to develop them, page 51.
- More consumers turned to ASIC. Visits to our consumer website up 79%, reports of misconduct up 19%, database searches up 20%, pages 42, 52.
- More than 1,400 approvals to facilitate commercial transactions and reduce business costs, page 5.

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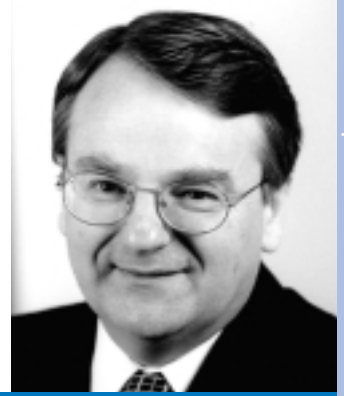
About this report

This report was produced under the *Commonwealth Authorities and Companies Act 1997*. The members of the Commission are responsible under section 9 of that Act for the preparation and content of the report of operations in accordance with the Finance Minister's orders.

To meet high standards of disclosure, we used feedback from Parliamentarians and the public. Last year's report won ASIC's fourth Gold Award from the Australasian Reporting Awards Inc.

Chairman's report

'Enforcement is an essential part of effective regulation.'



In this section:

- enforcement
- combining strategies
- consumer education
- financial services reform
- facilitating commerce
- effectiveness measures
- the Commission
- ASIC staff

Enforcement

Enforcement is an essential part of effective regulation.

In the current domestic and international environment, the fight against fraud and misconduct has pervaded much of our work. ASIC has responded strongly to Australia's corporate failures and market abuses, including insider trading, as outlined in this report. These measures have been critical to the restoration of investor confidence and to the good reputation of the Australian equities market.

Enforcement is demanding and challenging work, and the results to date reflect credit on ASIC's enforcement officers. That work now includes the 53 referrals to ASIC from the HIH Royal Commission, in addition to the criminal and civil actions ASIC had already taken.

Successfully combining strategies

We have also combined enforcement with wider regulatory strategies, for example, in action we have taken on insolvency and market disclosure.

There has been a substantial increase in complaints about corporate insolvencies since 2000. Last year, ASIC responded to this increase by:

- helping liquidators to obtain books and records
- requiring companies to properly maintain such records
- visiting companies that appeared to be at risk of failure, and
- pursuing legal proceedings where appropriate, including insolvent trading proceedings against directors.

Encouraged by the positive feedback from the insolvency profession, we sought and obtained additional, dedicated funding in this year's budget to extend our pilot project into a continuing regulatory program.

Similarly, in financial reporting and market disclosure, we combined more assertive intervention with other measures designed to raise standards. Our audit of Australia's listed companies for 'Enron' style reporting abuses suggested that there is no reason to believe that the type of accounting abuses identified in the United States pose a material risk in Australia, but it raised awareness of other issues and resulted in some financial restatements.

We also used a combination of strategies to promote a stronger culture of market disclosure among companies, including:

- regulatory intervention that led in many cases to the release of additional information to the market
- closer cooperation with the Australian Stock Exchange Ltd (ASX), and
- extensive industry consultation.

The Government recognised the importance of these disclosure and financial reporting initiatives by including an additional budget appropriation to expand them over the next 3 years. The Government's CLERP 9 legislative package, expected later this year, will further support these regulatory and enforcement programs.

Consumer education

Consumer education and protection plays a less direct, but equally important, role in fighting fraud and misconduct.

Many of the worst abuses we encountered were financial frauds targeting unsophisticated consumers. Realistically, enforcement actions will only ever catch a relatively small number of offenders, often after the horse has bolted. In the long term, the best policy for protecting consumers is to raise their own knowledge of the issues and their skill in dealing with them.

ASIC has recently sought to place financial literacy firmly on the national education agenda. This has attracted strong cross-sectoral support and, hopefully, will lead to the adoption of a coordinated and cohesive approach to this issue in our schools.

Financial services reform

Consumers of financial products and services are entitled to expect a regulatory framework that includes systemic safeguards and accessible redress against misconduct.

The *Financial Services Reform Act 2001* is central to these objectives. After a somewhat slow start, industry licensing is gaining momentum and will reach a peak by the end of this calendar year. The Treasurer's recent statements that the Government will not extend the transition period, which expires in March 2004, have provided a further incentive for financial services businesses to lodge their licence applications.

On behalf of the Commission, I wish expressly to acknowledge the outstanding work of ASIC officers on this project.

While this report accurately describes our progress, it cannot adequately reflect the complexity and challenge that this reform has posed for ASIC's management and staff. They have made a huge commitment to consulting industry on policy and implementation, a commitment that has been both appreciated and reciprocated by industry.

ASIC's collateral initiatives to protect and inform investors have also won public attention and support, including our work to enhance the quality and credibility of investment advice and our proposals to improve fee disclosure. The 79% increase in visits to our consumer website indicates too that we are reaching more consumers and providing them with valuable assistance.

Facilitating commerce

In the past financial year, we approved more than 1,400 applications for waivers of or modifications to the law that reduced business costs. In some 90 cases, we considered and approved innovative and complex transactions that might otherwise never have proceeded.

Although that is not high profile work, it is important to the competitiveness of Australian enterprise and the long term interests of Australian investors. It forms part of our statutory mandate to help improve the performance of Australia's financial system.

We also prepared to implement the Government's CLERP 7 reforms, which will further reduce the compliance costs associated with lodging annual returns for approximately 1.3 million registered companies.

Finally, we contributed substantially to international efforts to facilitate cross-border capital and business flows, particularly through the International Organization of Securities Commissions (IOSCO).

New effectiveness measures

For the first time this year, we have sought to measure explicitly our regulatory effectiveness, against both our statutory mandate and our 2003–2005 strategic plan, see pages 7–9. This stands in addition to a full account of our activities and our stewardship of public moneys.

Measuring regulatory effectiveness is challenging. Statistics or 'heads on sticks' portray activity levels, but do not fully reflect the effectiveness of that activity. For example, how do you prove that successful results against fraud and misconduct deterred other would be offenders? Yet without overstating the significance of specific measures included in this report, we strongly believe these new measures will contribute to a better assessment of our performance. We will develop these measures in future reports.

The Commission

In February 2003, Mr Jeffrey Lucy, AM, was appointed Deputy Chairman for a 3 year term. Mr Lucy brings significant experience in accountancy and expertise in financial reporting to the Commission, and has taken up residence in Sydney.

Pending Mr Lucy's appointment, Mr Ian Johnston (Executive Director, Financial Services Regulation) acted for extended periods as a Commission member. His support and assistance were much appreciated.

This will be my last annual report, as I intend to retire from ASIC at the end of 2003. My decision has been made in the knowledge that ASIC is well prepared and structured to deal with its outstanding enforcement and regulatory issues.

During my term at ASIC, the Treasurer has been a strong supporter of effective and well resourced corporate and securities regulation. The considerable achievements of the agency over that time could not have been delivered without his support.

I also express my appreciation to the Commission members and ASIC staff for their professionalism and hard work in ensuring that the agency is so well placed to carry out its mandate, and to the Parliamentary Secretary to the Treasurer, Senator the Hon Ian Campbell, for his ongoing support.

Our staff

This year workloads have risen right across the organisation as a result of major law reforms, numerous large and complex investigations and increased public demand for our assistance. Our staff have risen to the occasion and coped admirably with these pressures and demands.

The Commission is also pleased with the progress that has been made in implementing new staff training programs and improved systems for capturing and sharing information across the agency. These key components of our 2003–2005 strategic plan were foreshadowed in last year's report, and remain critical to ASIC's continuing development as a nationally focused, knowledge based agency. We took a further step towards their achievement by including information sharing strategies as performance requirements for staff in our recently negotiated Certified Agreement.

My report, and the rest of this annual report except for the financial statements, constitutes ASIC's report of operations in accordance with a resolution of Commissioners made on 12 August 2003.



David Knott
Chairman

ASIC effectiveness: 3 year perspective

Statutory aims (from the ASIC Act, see page 12)	2002–03	2001–02	2000–01
Upholding the law effectively and quickly			
• Criminals jailed	29	19	25
• Civil orders against people or companies	151	140	n/a
• Successful litigation (target 70%)	94%	92%	71%*
• Additional disclosures achieved through ASIC intervention	311	n/a	n/a
Promoting confident and informed consumers			
• \$ millions protected, frozen or compensation orders	\$506m	\$401m	\$530m
• Public complaints about misconduct finalised	9,292	7,827	6,646
• Use of our consumer website FIDO	875,000	488,000	241,000
• Callers assisted through our Infoline	142,284†	161,000	123,000
Making company information available quickly and efficiently			
• Total use of our databases (free and paid)	10,997,500	9,095,600	7,260,700
• Company data lodged on time	93%	93%	93%
• Availability of database	99.9%	99.9%	99.9%
Improving the performance of the financial system and the entities within it			
• Approvals of commercial transactions or products that reduced costs	1,360	n/a	n/a
• Approvals of innovative transactions or innovative financial products	90	204‡	80
• Australian financial services licences issued	604	35	n/a

* Success rate understated.

† Calls fell because company document lodgement enquiries were re-routed, see page 53.

‡ Financial services reform triggered an unusually high number of special applications.

Staff, expenses and revenue	2002–03	2001–02	2000–01
Staff (full time equivalents) increased for enforcement and financial services reform			
No of staff	1,396	1,284	1,221
Annual change	9%	5%	–1%
Operating expenses rose to pay for extra workload			
\$ millions	\$173m	\$160m	\$143m
Annual change	8%	12%	nil
Revenue collected for the Commonwealth up			
\$ millions	\$405m	\$379m	\$363m
Annual change	7%	4%	1%

Objectives, plans and results

'We have sought explicitly to measure effectiveness against our 2003–05 strategic plan.'

Objectives and context

3 year plan for 2002–05

Results in 2002–03

Fight fraud and misconduct.

The public rates enforcement as our highest priority and has acknowledged that ASIC is more credible and more visible.

We plan to:

- produce results that will justify this shift in opinion
- seek support for more flexible enforcement remedies
- act against misleading and deceptive conduct affecting consumers, and
- promote awareness about scams and fraud.

This year, ASIC:

- tackled crucial issues and succeeded in 94% of litigation, page 24
- sought power to fine for breaches of market disclosure rules
- acted against 43 illegal schemes, and obtained 311 corrective disclosures, pages 7, 24, and
- increased publication and distribution of warnings, page 42.

Raise standards in financial services and further build our expertise.

Parliament has given us a major task to implement its financial services reforms smoothly.

We plan to:

- raise standards in the industry
- become more active and more skilled in superannuation and insurance, and
- enhance confidence in Australian financial markets.

This year, ASIC:

- licensed 604 businesses, assessed quality of advice and ran targeted campaigns, pages 33–34, 42
- boosted compliance checks, and set up staff superannuation and insurance communities of practice, pages 34, 55, and
- inspected market operators and clearing houses and reported to the Minister, page 39.

Make a greater impact in the boardroom and improve the financial system.

The market needs effective disclosure, but some company boards and company auditors have not delivered.

We plan to:

- encourage a culture of disclosure and compliance by directors and others with financial reporting and audit obligations
- encourage improved corporate governance and greater compliance with the Corporations Act, and
- assist Australian market operators and maintain Australia's relevance as a capital market.

This year, ASIC:

- reviewed accounts of all listed companies to check for accounting abuses, page 37.
- targeted directors' duties and won extra funding to focus on insolvent trading, pages 24, 26, 51, and
- represented Australian interests internationally and assisted cross-border businesses, pages 47, 39–40.

Objectives and context 3 year plan for 2002–05 Results in 2002–03

Detect and act on early warning signs.

We have responded well to events but in the past some important issues have jumped out unexpectedly.

We plan to:

- build systems that capture and synthesise data, and
- upgrade significantly our skills in managing and applying knowledge.

This year, ASIC

- established a national framework to analyse and report on key risks, page 43, and
- launched a new intranet and sponsored cross-disciplinary teams to share information, page 55.

Maintain optimal funding, relevance and efficiency.

Our responsibilities and workload have increased over the past few years.

To achieve our other objectives, we plan to:

- assist Government decisions about our funding and our responsibilities, and
- press on with greater efficiencies in our operations, infrastructure and decision making.

This year, ASIC:

- secured additional funding for work on HIH, corporate disclosure and insolvency, and
- reviewed and cut administrative costs, and boosted efficiency of staff accommodation, pages 55, 57.

Strengthen the skills of our staff.

Our increased workload and responsibilities mean we must strengthen the skills within the organisation.

We plan to:

- maximise our performance
- retain knowledge and skills, manage costs of retraining and recruitment, and minimise the risk of losing key skills, and
- develop, support and recruit staff in a demanding and competitive market.

This year, ASIC:

- maintained our performance management system, page 61
- negotiated a new Certified Agreement emphasising information sharing, page 56, and
- extended our leadership training, and recruited 18 new graduates, page 61.

In 2002–03, ASIC received an appropriation of \$162.8 million. This included an increase of \$16.8 million, provided principally to implement the Financial Services Reform Act and to supplement our general enforcement capability.

Some \$10.6 million of our appropriation was collected by the Government as a levy on various deposit taking, superannuation, retirement savings and insurance organisations. The levy was used for ASIC's consumer protection, regulatory and enforcement activities relating to the products and services these organisations offer, and for the Superannuation Complaints Tribunal. ASIC spent approximately \$9.8 million on these activities, and the Superannuation Complaints Tribunal spent \$3.1 million, bringing the total amount expended against the levy to \$12.9 million. See also page 65.

We also generated more than \$9 million from external sources including \$2 million in recoveries for court and investigation costs. Our combined revenue funded our regulatory, enforcement and consumer protection activities.

We incurred a small operating deficit of \$0.112 million, an improvement on last year's deficit of \$5.599 million. Benchmarking our infrastructure services against public and private sectors continued to demonstrate that we managed resources efficiently.

Total fees and charges collected for the Commonwealth amounted to \$405 million.

Our financial statements begin on page 67.

Cost of outputs

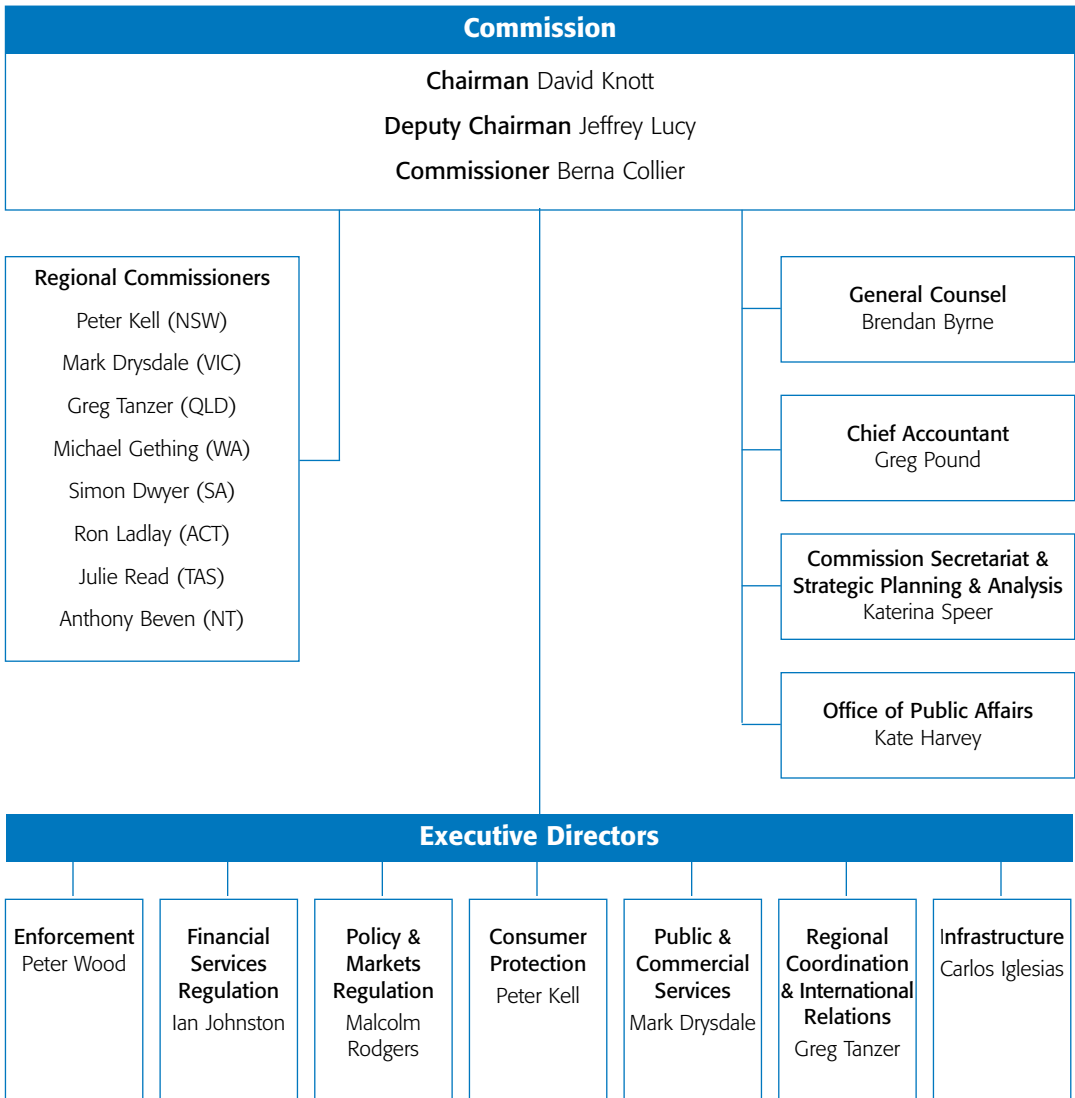
ASIC's outputs in 2002–03 cost \$172.6 million, up from \$159.9 million. The increase reflected the cost of new financial services reform and enforcement activities.

Output*	Cost
1 Policy and guidance about laws administered by ASIC	\$9.7m
2 Comprehensive and accurate information on companies and corporate activity	\$46.1m
3 Compliance monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity	\$47.7m
4 Enforcement activity to give effect to the laws administered by ASIC	\$69.0m
Total	\$172.6m

*Infrastructure costs are apportioned to these outputs

Employee expenses, our major outlay, increased 14% to \$96.9 million. Some 112 additional full time equivalent staff were engaged to meet our financial services reform and enforcement responsibilities. These extra staff also contributed to increased supplier expenses, excluding property costs, of \$43.6 million. Expenditure on enforcement matters and litigation also increased. Property expenses of \$18.9 million fell by \$0.9 million, a cost we continued to manage tightly by accommodating all additional staff within existing premises.

Organisation chart



Where ASIC fits in the regulatory picture

'ASIC regulates companies and financial services, and promotes investor, creditor and consumer protection.'

In this section:

- ASIC's legislation
- who we protect
- other financial regulators

ASIC's legislation

ASIC regulates companies and financial services, and promotes investor, creditor and consumer protection under the *Australian Securities and Investments Commission Act 2001*; *Corporations Act 2001*; *Insurance Act 1973*; *Insurance (Agents and Brokers) Act 1984*; *Insurance Contracts Act 1984*; *Superannuation (Resolution of Complaints) Act 1993*; *Life Insurance Act 1995*; *Retirement Savings Accounts Act 1997*; and the *Superannuation Industry (Supervision) Act 1993*.

In brief, section 1(2) of the ASIC Act requires us to:

- uphold the law uniformly, effectively, and quickly
- promote confident and informed participation by investors and consumers in the financial system
- make information about companies and other bodies available to the public, and
- improve the performance of the financial system and entities within it.

Who does ASIC regulation protect?

We protect consumers, investors and creditors of corporations, including an estimated*:

- 15.4 million people with a deposit account

- 9.9 million investing through superannuation or annuities
- 9.5 million with credit or charge cards including debit only
- 6.1 million with a home, personal or investment loan
- 4.3 million directly owning shares
- 2.3 million having invested through a financial adviser, and
- 1.4 million investing in managed funds.

*Roy Morgan Research, 12 months to March 2003 people aged 14+

Other financial regulators

These government bodies also regulate Australia's financial system and financial services:

- Australian Prudential Regulation Authority (APRA) regulates prudential standards for deposit taking institutions, insurance companies, and larger superannuation funds designed to ensure, under all reasonable circumstances, that they meet their financial promises
- State and Territory fair trading or consumer affairs agencies regulate consumer credit under the Uniform Consumer Credit Code, and
- Reserve Bank of Australia (RBA) regulates monetary policy and the stability of the financial system.

ASIC cooperated with these bodies through consultation at senior level and regular contact by operational and policy staff.

Who we regulate

How we regulate them

<p>1.3 million companies.</p>	<p>Register each company with a unique number, and record the number, name, directors and other information on a public register.</p> <p>Investigate and act against misconduct by company directors and officers.</p> <p>Grant or refuse requests for relief from the law.</p> <p>Receive prospectuses before money is raised.</p> <p>Uphold the law on financial reporting and company mergers and acquisitions.</p>
<p>7,025 company auditors, 832 registered liquidators and 363 official liquidators.</p>	<p>Register them before they start operating.</p> <p>Investigate and act against misconduct.</p>
<p>5 financial markets authorised by the Minister, including:</p> <ul style="list-style-type: none"> • Australian Stock Exchange Ltd (ASX) • Sydney Futures Exchange Ltd. 	<p>Investigate and act against misconduct by listed companies, brokers and traders.</p> <p>Assess and report to the Minister on market supervisory arrangements.</p> <p>Advise the Minister about rule changes and whether to approve new markets.</p> <p>Monitor what ASX does as a listed company, and trading in its shares.</p>
<p>3,899 financial services businesses regulated by ASIC, including:</p> <ul style="list-style-type: none"> • fund managers • stockbrokers • financial advisers • insurance brokers. 	<p>License or register them before they start operating.</p> <p>Set standards for education, training and operations.</p> <p>Investigate and act against misconduct.</p> <p>Record their details and their authorised representatives on a public register.</p>
<p>3,487 managed investment schemes, registered by ASIC.</p>	<p>Register them before they start operating.</p> <p>Investigate and act against misconduct.</p> <p>Record their details on a public register.</p>
<p>APRA regulated financial services businesses, including:</p> <ul style="list-style-type: none"> • banks and deposit taking institutions • superannuation funds • life and general insurance companies. 	<p>Report on how they comply with codes of practice.</p> <p>Approve consumer complaint resolution schemes.</p> <p>Investigate and act against misconduct affecting consumers or misconduct as corporations.</p> <p>Cooperate with APRA.</p>
<p>Credit providers operating under State and Territory laws.</p>	<p>Investigate and act against misleading and deceptive conduct affecting consumers.</p> <p>Cooperate with State and Territory regulators.</p>

Description of ASIC directorates

	Enforcement	Financial services regulation	Markets regulation & policy
Staff†	336 staff	178 staff	125 staff
Role	Investigate and act against misconduct.	Regulate financial advice and retail financial products.	Regulate markets, fundraising, takeovers and financial reporting; develop policy.
Key events	HHH Royal Commission referred matters to ASIC for possible prosecution.	Industry transition to financial services reform started slowly.	Government foreshadowed stricter rules for company directors and new ASIC powers.
Results	<p>29 people gaoled for 84 years; 16 directors banned; 39 banned from financial services.</p> <p>Successful proceedings on insolvent trading, directors' duties, insider trading.</p> <p>Acted against 43 illegal schemes involving more than \$200 million.</p>	<p>Issued 604 financial services licences.</p> <p>Boosted compliance checks, producing corrective action.</p> <p>Worked to rationalise presentation of fees and charges in offer documents.</p>	<p>Reviewed 1,225 listed company accounts to combat accounting abuses.</p> <p>Inspected market operators and clearing houses and reported to the Minister.</p> <p>Guided industry on financial services reform, and cross border regulation.</p>
Targets for next 2 years	<p>Manage high profile cases and achieve successful outcomes.</p> <p>Seek more flexible enforcement remedies.</p> <p>Act against misleading conduct affecting consumers.</p>	<p>Manage a challenging transition for financial services reform.</p> <p>Achieve consistent industry regulation and consumer protection.</p> <p>Use licensing and surveillance to raise industry standards.</p>	<p>Encourage a culture of disclosure and strengthen corporate governance.</p> <p>Increase transparency and accountability in our markets.</p> <p>Participate in and influence international standard setting.</p>

* The work of these directorates received substantial support from other directorates.

† Full time equivalents, not including 34 staff supporting the Commission, General Counsel, Chief Accountant, and 35 staff supporting the Superannuation Complaints Tribunal and other statutory bodies.

‡ Includes 21 full time graduates working for other directorates.

Consumer protection*	International relations & regional coordination*	Public & commercial services	Infrastructure
25 staff	12 staff	366 staff	285 staff [†]
Identify and act on consumer issues, approve complaints schemes, review codes of practice.	Coordinate international matters, State and Territory offices.	Maintain company data, assess complaints, answer inquiries, sell imaging services.	IT and knowledge management, HR, finance, management services.
Expert assessment of consumers' financial plans issued a wake up call to the industry.	World financial regulators sought more consistent global standards.	Parliament simplified requirements for updating company information.	Government approved additional special purpose funding.
875,000 visits to our consumer website, up 79%. 270,000 consumer publications distributed.	Assisted HIH and One.Tel investigations and promoted faster cross border exchange of information.	Implemented easier ways for small companies to update information and pay fees.	Obtained increased Government funding for special projects.
Mortgage brokers report began reform process to protect consumers.	Contributed to international principles for disclosure, audit and auditor independence.	Total use of our databases jumped 20% to 11 million searches.	Reunited more people with their unclaimed money through new search engine.
ASIC called for a financial literacy organisation to boost financial education in schools.	Maintained service levels in all States and Territories.	9,292 public complaints about misconduct, up 19%. Resolved 66%.	Initiated program to share information, supported by a new Certified Agreement.
Promote public awareness of domestic and international scams and fraud.	Work on international standards of disclosure, audit, clearing and settlement.	Implement law reform affecting small companies.	Develop and implement knowledge management strategies.
Help consumers make more informed decisions about superannuation.	Improve international enforcement capacity.	Implement campaign to reduce insolvent trading.	Implement strategies to manage staff retention and development.
Establish an independent, cross sector financial literacy organisation.	Maintain service levels in all States and Territories.	Further improve access to Australia's corporate database.	Increase internal efficiencies and accountability for costs.



David Knott
LLB

ASIC Chairman from November 2000 for a 5 year term. (In August 2003, he announced his intention to retire at the end of 2003).

David Knott is a lawyer and Fellow of the Australian Institute of Company Directors. In 2002, he was elected Chairman of the Technical Committee of the International Organisation of Securities Commissions. Member: Companies and Markets Advisory Committee, Council of Financial Regulators, Australian Crime Commission. Previously ASIC Deputy Chairman from July 1999.

His career covers 13 years in private legal practice, specialising in company and commercial law, 10 years in senior roles in investment banking, and 9 years in the public sector. He has been a partner at Arthur Robinson and Co, Senior Executive Director Capel Court, Executive Director of the Australian Financial Institutions Commission, Chief Executive of Commonwealth Funds Management and Chief Operating Officer of APRA.



Jeffrey Lucy, AM
FCA

ASIC Deputy Chairman from February 2003 for a 3 year term.

Jeffrey Lucy is a Chartered Accountant and a Fellow of the Institute of Chartered Accountants in Australia, the National Institute of Accountants, and the Australian Institute of Company Directors. He was most recently the Chairman of the Financial Reporting Council and head of Lucy Consulting.

He is a former member of the Business Regulation Advisory Group, a former National President of the Institute of Chartered Accountants in Australia, and a former Managing Partner of PricewaterhouseCoopers, Adelaide. He was made a Member of the Order of Australia for his contribution to the accounting profession and to the business sector as an adviser on corporate and taxation reform.



Berna Collier

BA, LLB (Hons)(Qld), LLM (Melb)

ASIC Commissioner from November 2001 for a 3 year term.

Professor Berna Collier is a lawyer and a member of the Insolvency, the Company Law and the Banking and Finance Committees of the Law Council of Australia. She serves on the Advisory Board of Axiss Australia, and was ASIC's nominee on the APRA board until 30 June 2003.

She has worked in and written extensively about commercial and insolvency law for 15 years. Professor Collier was most recently Professor of Commercial Law at the Queensland University of Technology and an educational consultant with CPA Australia. She previously practised law in Melbourne and Brisbane. During 1999 and 2000, Professor Collier chaired the Commonwealth Government's Taskforce on Industry Self-Regulation.



Ian Johnston

Acting Commissioner from July 2002 until February 2003.

Ian Johnston is a lawyer and ASIC's Executive Director, Financial Services Regulation. He previously served in other senior ASIC roles, and has been a company director in the financial services sector and CEO of a major trustee company. The Treasurer appointed him to serve as Acting Commissioner until the appointment of Deputy Chairman Jeffrey Lucy.

ASIC governance, ethics and audit

'All ASIC staff must comply with the Australian Public Service Code of Conduct.'

In this section:

- governance and the role of Ministers
- ethics
- audit

Governance

Three full time Commissioners directed ASIC's affairs. Full time membership:

- enabled Commissioners to monitor and direct ASIC's complex and wide ranging activities, and
- avoided conflicts of interest that might otherwise affect part time Commissioners still active in business, law or accounting.

The Commission held 17 formal meetings to consider and set goals and strategy, including ASIC's strategic plan (page 8) and directorate business plans. Meetings also reviewed operational, financial and Audit Committee reports, and discussed key issues affecting human resources, governance and delegations.

Commissioner	Eligible to attend	Attended
David Knott	17	17
Jeffrey Lucy	6	6
Berna Collier	17	15
Ian Johnston (acting)	10	10

Independent legal and accounting experts advised on specific matters. Where necessary, an individual Commissioner may obtain independent legal advice at ASIC expense.

ASIC's Executive Committee, the senior management forum of Commissioners and Executive Directors of our 7 operating Directorates, met monthly to discuss current and emerging issues, to plan and make policy across the organisation, and to maintain high level communications.

Commissioners' appointment and remuneration

The Governor-General, on the nomination of the Treasurer, appointed Chairman David Knott in November 2000, Deputy Chairman Jeffrey Lucy in February 2003 and Professor Berna Collier in November 2001 on fixed terms that may be terminated earlier only for reasons set out in section 111 of the ASIC Act.

The Treasurer may nominate as Commissioners only people who are qualified by knowledge or experience in business, administration of companies, financial markets, financial products and financial services, law, economics or accounting.

The Remuneration Tribunal set Commissioners' remuneration; see also page 99.

Reporting to Parliament

ASIC reported to Parliament through its annual report, replies to Parliamentary questions and inquiries on behalf of constituents, and 12 appearances before 5 Commonwealth Parliamentary Committees: Joint Committee on Corporations & Financial Services (5); Joint Committee of Public Accounts & Audit (1); Senate Committee on Economics (4); Senate Select Committee on Superannuation (1); House of Representatives Committee on Environment & Heritage (1).

Role of the responsible Minister

The Ministers responsible for ASIC are the Treasurer, the Hon Peter Costello MP and, in matters determined by him, the Parliamentary Secretary to the Treasurer, Senator the Hon Ian Campbell.

Under the ASIC Act, the Minister nominates Commission members for appointment by the Governor-General. Commissioners reported formally to the Minister through their annual report of operations, briefings, submissions and meetings with the Treasurer or Parliamentary Secretary. ASIC also briefed the Treasury about current issues and proposed changes to the law.

ASIC's legislation permits the Minister formally to direct ASIC in specific circumstances. Consistent with Ministerial practice across most statutory authorities, such powers have been exercised rarely.

Under section 12 of the ASIC Act, the responsible Minister may direct ASIC about policies and priorities in using our powers or performing our functions, but may not direct us about a particular case. Only one such general direction has been given, in September 1992, about collaboration and consultation between ASIC and the Director of Public Prosecutions in the investigation and prosecution of serious corporate wrongdoing.

Under section 137, the Minister must approve contracts exceeding \$1 million (recently raised from \$250,000) and leases of land exceeding 10 years.

Under section 28 of the Commonwealth Authorities and Companies Act, the Minister may also notify Commissioners in writing of general policies of the Commonwealth

Government that will apply to ASIC. No such notifications have been received. However, as with other agencies, Commonwealth Ministers and Departmental Secretaries from time to time asked ASIC to conform to Government policies affecting our general administration, for example, staff employment practices.

Relationship with the States

The Commonwealth assumed responsibility for corporate regulation from the States in 1991. The relationship between the Commonwealth, States and Northern Territory in corporate regulation is governed by the Corporations Agreement 2002.

Under that agreement, the Commonwealth consults the Ministerial Council for Corporations (MINCO), comprising Commonwealth, State and Northern Territory Ministers in appointing ASIC Commissioners, and ASIC must:

- consult the relevant State or Northern Territory Minister in appointing Regional Commissioners
- maintain certain minimum service levels in each State and the Northern Territory
- maintain offices in each State capital and Darwin, and
- maintain regional liaison committees in each State and the Northern Territory to consult the local business community, and use our best endeavours to have a Commission member present at every meeting, see page 22.

ASIC attended MINCO as an observer and to answer questions about the administration of the corporations legislation.

Ethics

All ASIC staff must uphold the Australian Public Service Values and comply with the Australian Public Service Code of Conduct as set out in the *Public Service Act 1999*. The values and code require impartiality, honesty, diligence and service.

In addition, formal procedures require disclosure of any real or apparent conflict of interest. Commissioners and staff are required to take no part in decisions where real or apparent conflicts of interest may arise. We set up special reporting and decision making procedures to maintain the integrity of our decisions.

The Chairman and Commissioners disclosed to the Minister all direct or indirect pecuniary interests in businesses, companies, or financial products regulated by ASIC.

Staff were required to keep registers of interests that supervisors may inspect at any time. Commissioners appointed senior disclosure officers to advise managers and staff on how to handle possible conflicts.

Investigating complaints about staff

As our staff have significant public responsibilities, we have maintained internal procedures for investigating complaints about how they carry out those responsibilities.

During this financial year, ASIC completed inquiries into 8 substantive complaints. Four inquiries remain on foot. In one of the 8 completed inquiries, the complaint was found to be substantiated. That complaint related to the standard of service provided to a member of the public.

Complaints about the way in which ASIC administers its powers may also be made to, and investigated by, the Commonwealth Ombudsman.

Disclosure

To operate transparently, while protecting confidential information, ASIC:

- observed the requirements of the *Freedom of Information Act 1982*, see page 63.
- met high standards of disclosure through our annual report, see page 2
- published up to date information on our websites, and through the *ASIC Digest* and other publications, see page 63, and
- issued media releases, subject to written guidelines, about enforcement and regulatory issues, while respecting the rights of people subject to investigation or administrative action.

Fraud control

ASIC reviewed its fraud risks and implemented the strategies outlined in its 2001–03 fraud control plan. The plan outlines strategies and processes to avoid, detect, investigate and minimise the effects of fraud. We maintained reporting and data collection mechanisms that met our needs and complied with Commonwealth Fraud Control Guidelines.

Indemnity and insurance policies

Consistent with the Commonwealth Authorities and Companies Act, ASIC:

- paid a premium of \$47,025 for directors and officers' insurance (including employment practices insurance), which

covered all current and former Commission members and ASIC staff members for liabilities, including legal costs, incurred by them in the performance of their duties, and

- provided indemnities to Commission members for liabilities, including legal costs, incurred by them in the course of their duties.

Audit

The Commonwealth Auditor-General audited ASIC's financial statements, see page 68.

The Commission's Audit Committee examined internal and external audit matters and risk assessment, see page 62. The majority of members are independent of ASIC, including the Chair, Ms Merran Kelsall, who is a senior chartered accountant and company director in private practice. The Committee's charter conforms with Australian National Audit Office and Australian Institute of Company Directors guidelines.

Community involvement

'Senior ASIC staff gave more than 300 presentations to an estimated 21,000 people.'

Presenting ASIC to the community

Senior ASIC staff gave more than 300 presentations to an estimated 21,000 people from the markets, financial services industry, companies, government agencies and consumer groups about how to comply with the law and how the law protects users of financial markets, products and advice.

Consulting regions and business

To ensure that we understood specific needs in all the States and Territories, we convened liaison committees representing the business community in each State and Territory. Each committee met about 4 times, received information on our performance and service, and offered ideas. A Commissioner usually attended these meetings.

To build support for compliance and good practice, we met regularly with some 18 peak industry and professional associations, and consulted other organisations, companies and professionals on proposed policies. We helped thousands of company office holders and professionals over the phone.

Supporting a consumer voice

We funded a 10 member Consumer Advisory Panel, including consumer and

investor advocates experienced in financial services and an independent Chair. It recommended research, alerted us to issues and commented on policy affecting investors and consumers. Read the Panel's report on page 44. We also consulted other investor and consumer organisations.

Building relationships

ASIC's ninth Summer School brought together 24 speakers and 77 participants from overseas and Australia selected from industry, the professions, government, regulators and our own staff. The theme, 'Borderless boards – a changing global paradigm in ethics and governance', focused on recent Australian and international developments.

Supporting professional standards

To encourage professional education in the financial industry, we sponsored prizes for two Securities Institute courses: Financial Markets Law, Regulation and Compliance, and Financial Advising Essentials. We also sponsored the Australian Securities and Investments Commission Prize for Proficiency in Corporate Law at the University of Sydney, and the ASIC prize in Corporate Law at the University of Wollongong.



Peter Wood, Executive Director, appointed 2001, previously Victorian Solicitor for Public Prosecutions and Jan Redfern, Deputy Executive Director, appointed 2001, previously ASIC's NSW Regional Counsel.

In this section:

- overview
- criminal matters
- civil action and compensation
- banning and disciplinary proceedings
- outlook

Overview

336 enforcement staff investigated suspected breaches of the law and:

- had 29 criminals jailed as part of 43 people convicted from briefs prosecuted by the Commonwealth Director of Public Prosecutions
- took 67 civil proceedings, resulting in orders against 151 people or companies, \$121 million in recoveries and compensation orders and \$2 million frozen
- fined or banned 16 people from directing companies, and 39 people from offering financial services, and
- disciplined 8 company auditors and liquidators for misconduct.

Key results

Issue	Result
Investment frauds	10 investment fraudsters jailed. Acted against 43 illegal schemes involving more than \$200 million.
Insider trading	Stockbroker and adviser Rene Rivkin* and former investment banker Simon Hannes jailed.
Insolvent trading	Waterwheel Chairman William Harrison, CEO Bernard Plymin*, and director John Elliott* banned as directors for letting the company trade while insolvent.
Directors duties	One.Tel Ltd's director Bradley Keeling banned for 10 years for failing to apprise himself of its true financial position.
Continuous disclosure	AMP settled proceedings by paying \$100,000 for training in corporate governance. We commenced civil action against Southcorp Ltd for alleged breach of the continuous disclosure provisions.

*subject to appeal

ASIC enforcement staff set their sights on fighting fraud and misconduct, making an impact on standards of corporate governance and ensuring the integrity of Australia's financial markets. We also assisted the HIH Royal Commission extensively.

We conducted numerous criminal, civil and administrative proceedings where ASIC judged that a meaningful impact could be achieved.

Main activities	This year	Last year	% change
Litigation concluded	222	205	8%
General investigations commenced	302	n/a	–
Complex investigations commenced	40	n/a	–
General investigations completed within 12 months	236	205	15%
Complex investigations completed within 12 months	27	included above	–
% general investigations completed within 12 months	85%	83%	–
% complex investigations completed within 12 months	42%	included above	–

Criminal matters

We had 29 criminals jailed as part of 43 people convicted from briefs prosecuted by the Director of Public Prosecutions (DPP). Staff investigated and obtained evidence for the DPP, which then decided and prosecuted all indictable matters. We involved DPP officers in considering evidence on potentially serious criminal investigations at an early stage.

29 criminals jailed

What they did	Names and details of crime	Sentence
Investment fraudsters	Director Anthony Eustace Senese stole \$5.4 million and falsely accounted for money from a company managing superannuation funds.	7 years, with a minimum of 5
	Director James Gordon Kearns defrauded investors in Nambucca Investments.	6 years, with a minimum of 4 years 6 months
Financial advisers who cheated their clients	Michael Frank Simich promoted a Ponzi style fraud involving \$31 million.	6 years, with a minimum of 4
	John Melville McKenney, CEO of an investment company, for dishonesty involving more than \$5 million.	4 years 6 months, with a minimum of 3 years
	John Lloyd Caust, employee of an investment company, made improper and dishonest use of his position.	2 years 6 months, with a minimum of 18 months
	Director Graeme Geoffrey Milner for dishonesty and illegal fundraising.	2 years, with a minimum of 6 months
	Director Terrence John Hunter for dishonesty and illegal fundraising.	2 years, with a minimum of 6 months
	Paul Grant Stuart defrauded 2 investors of \$35,500 promising shares in return for their investment – they received nothing.	1 year
	Stephen John Taylor took \$535,000 from an investor for property projects without a prospectus.	1 year, with a minimum of 6 months
	Hans Jakob Jost for contempt of a Court order restraining him from contacting investors.	1 month
	Joachim Prehn, financial and insurance adviser, misappropriated \$1.7 million from clients.	6 years, with a minimum of 4
	Douglas Gordon Johnston, accountant, misappropriated or intended to misappropriate \$1.1 million from clients.	4 years 9 months with a minimum of 3 years 6 months
	Daryl John McGuire fraudulently induced dealings in securities worth \$200,000.	3 years, with a minimum of 1 year

What they did	Names and details of crime	Sentence
	Laurence John Tobin, investment adviser, defrauded clients of \$314,000.	2 years 6 months, with a minimum of 12 months
	David Paul Mudge withdrew almost \$200,000 from an elderly client's account for himself.	2 years 3 months, with a minimum of 1 year
	Joseph Francis McNeany for theft of \$78,260 in insurance premiums.	3 years, with a minimum of 1
	John Charles Freeman, financial adviser, used \$174,000 of client funds for himself.	2 years, with a minimum of 9 months
	Peter Robert Neilson, insurance broker, received but failed to pass on clients' premiums.	15 months, with a minimum of 10
Dishonest company directors and officers	Hiroimi (Henry) Kawada, company officer, misappropriated funds involving \$27 million.	10 years, with a minimum of 3 years and 4 months
	Harunobu Fukusato, company officer, forged documents with intent to deceive a creditor.	4 years, with a minimum of 1
	Philip James Davies for giving false information to a creditor about debts of \$2.86 million.	2 years 6 months, with a minimum of 12 months
	Sebastian Mark Tomarchio, company director, created false invoices worth \$1.3 million.	2 years 6 months, with a minimum of 8 months
<small>Editor's note: This text has been edited in accordance with the spent convictions scheme.</small>		
	John Phillip Gorcilov, company director, for false pretences in relation to \$144,000.	2 years, with a minimum of 15 months
	Michael Roussi (Misagh Roussi), company officer, defrauded the company of \$991,000.	3 months periodic detention
	Damien Parkes misused \$150,000 of investors money placed in a merchant bank.	1 year
	Brian Patrick Khan, company director, dishonestly obtained \$282,000 without authorisation.	12 months, with a minimum of 6
Insider trading	Simon Gautier Hannes, merchant banker, for insider trading and related offences	2 years 6 months, with a minimum of 10 months
	Rene Rivkin for insider trading in Qantas Ltd shares	9 months periodic detention

Referrals to the DPP

When we conclude a criminal investigation, the briefs of evidence are referred to the DPP.

Months between resourcing investigation and requesting handover

Months	0–3	3–6	6–9	9–12	12+	Total
Number of briefs	5	18	10	7	19	59

Briefs concerned 73 potential defendants. The DPP accepted handover of a brief for prosecution once it decided that the evidence was sufficient to support a conviction and warranted prosecution. In many cases, charges were laid within 3 months of handover being accepted by the DPP.

Civil action and compensation

We took 67 civil proceedings resulting in orders against 151 people or companies. Courts ordered \$121 million in compensation and froze \$2 million for investors and creditors, and wound up illegal schemes. We also took proceedings for civil penalties against directors, company officers and others who failed in their duties.

Major matters are listed below.

Respondents	Results	Amount
Bradley Keeling	Liable for compensation to One.Tel Ltd creditors.	\$92 million
Karl and Vivian Suleman	Compensation to a company for the benefit of creditors.	\$20 million
John McKenney and John Caust	Compensation for investors in the Lifestyle group of companies.	\$5 million
Coogi group of companies	Employee entitlements to be paid.	\$2.5 million

We saved investors from potentially losing at least another \$390 million by stopping investment offers that inadequately disclosed material information and unlawful investment schemes.

Bannings, fines and disciplinary proceedings

To protect the public, we banned, or obtained Court orders banning, 16 people from directing companies, 39 people from offering financial services, and disciplined or deregistered 8 company auditors and liquidators for misconduct through the Courts, administratively, or through enforceable undertakings.

16 company directors and officers banned

Name	What they did	Period of banning
Ian Francis Cole	Operated an unregistered managed investment scheme.	Permanently
James Stanley Phillips	Operated an unregistered managed investment scheme.	Permanently
Charles Edward Platcher	Growthcorp. Found to be not competent, with serious and recurrent breaches.	25 years
Vivian Suleman	Operated an unregistered managed investment scheme, while unlicensed.	25 years
Allan Endresz	CTC Resources NL. Breached his duties through various payments and loan approvals.	16 years
Bernard Plymin	Waterwheel Holdings Ltd CEO let company trade while insolvent.	10 years, fined and to pay compensation
Bradley Keeling	One.Tel Ltd. Failed to take reasonable steps to apprise himself of its true financial position.	10 years
Josef Endresz	CTC Resources NL. Breached his duties through various payments and loan approvals.	8 years
Dawn Endresz	CTC Resources NL. Breached her duties through various payments and loan approvals.	8 years
William Forge	CTC Resources NL. Breached his duties through various payments and loan approvals.	8 years
William Harrison	Waterwheel Holdings Ltd Chairman let company trade while insolvent.	7 years and to pay compensation
John Elliott	Waterwheel Holdings Ltd director let company trade while insolvent.	4 years, fined and to pay compensation
Gerald Leonard Parker	Failed to exercise care and diligence as director of superannuation trustee company.	4 years
Alan David Doyle	Chile Minera NL. Improperly used his position.	2 years, stayed awaiting appeal
Derek William Satterthwaite	Chile Minera NL. Failed to act with care and diligence.	2 years, stayed awaiting appeal
Peter Rocky Errichetti	Cabcar and Swan River Timber Co director.	1 year

In addition, a further 40 people were automatically disqualified from managing corporations for 5 years from the date of conviction (or release from prison) as a result of convictions ASIC obtained.

39 banned from financial advice

To protect the public, 20 people were permanently banned, and another 19 advisers were banned or undertook to stay out of the industry for shorter periods of time.

Permanently banned	What they did
Michael Andrew Smith	Lost \$400,000 of client money. Failed to fully disclose commission.
Timothy Myles Austin, undertook never to advise or deal	Transferred \$1 million of clients' money without authority. Issued incorrect client statements.
[Deleted text.]	[Deleted text. This text has been deleted in accordance with the spent convictions scheme in Part VIIC of the Crimes Act.]
Ian Thomas Campbell Westcott	Jailed director of Lateral Trading Ltd, misused \$1.5 million.
James Bernard McDonnell	Jailed director of Lateral Trading Ltd, misused \$1.5 million.
Arif Fareed, undertook never to advise or deal	Made unauthorised recommendations, failed to disclose fees and commissions.
Danh Van	Misappropriated \$885,000 of clients' money.
Janice Lee Lewinski	Received clients' insurance premiums but failed to pass them on to insurers.
Leslie Reginald Nelson	Misled and deceived investors in a unit trust.
Kevin Alan Trezona	Misled and deceived clients by failing to disclose benefits to himself and making recommendations without a reasonable basis.
Stefan Capo	Unauthorised trading and breached ASX Business Rules.
Michelle Louise Eggmolesse	Put client money into her own account for her own benefit.
Robert Huston Reynolds	Convicted and jailed for serious fraud.
Robert Andrew Street, undertook never to advise or deal	Lost \$700,000 of clients' money, including to entities overseas suspected of running a 'Nigerian letter' scam.
John Michael Higgins	Misappropriated \$2 million from clients.
Robert Keith Ridley, undertook never to advise	Operated an unregistered general insurance brokerage.
David Paul Mudge	Also jailed, see page 26.
Robert Thomas Lister	Stole money from employer for gambling. (Jailed in July 2003.)
Vittorio Ziegelaar	Failed to pass on insurance premiums and superannuation payments.

8 company auditors and liquidators disciplined or surrendered registration

Name	What they did	Orders made
Ian Melville West, liquidator	Deficiencies in his liquidation of 8 companies.	Cancelled by consent
John Greer, auditor and liquidator	Failed to carry out his duties properly.	Suspended for 4 years
Paul Mervyn Meldrum, auditor	Failed to carry out his duties properly in relation to Clifford Corporation Ltd.	Suspended for 4 years
Linden John Gulson, auditor	Failed to qualify Holyman Ltd half year accounts concerning shares issued and overstated profit.	Suspended for 60 days
John William Bye, auditor	Owed more than \$5,000 to company he audited.	Reprimanded
Dennis Ronald Beed, auditor	Failed to meet audit standards and other requirements.	Voluntarily surrendered registration
Michael John Sanders	ASIC expressed concern over conduct of audits.	Voluntarily surrendered registration
John Desmond Taubman, auditor	Failed to qualify financial statements.	Voluntarily surrendered registration

6 financial services licences revoked

Company	Reason
ARG Finance Group Ltd	Placed in liquidation following concerns as to solvency.
Entitle Ltd	Failed to exercise care and diligence as manager of investment schemes.
Landmark Property Securities Ltd, voluntarily surrendered	Material omissions and false and misleading statements in a prospectus.
Landy DFK Securities Ltd, voluntarily surrendered	Mismanaged and operated unregistered managed investment schemes.
NKH Securities Ltd	Failed to comply with obligations as manager of investment schemes.
Worldstocks.Com	Breached licence condition and ceased business.

4 insurance brokers deregistered or restrained

Name	What they did	Result
Colin Fisher & Associates Pty Ltd	Failed to exercise reasonable care in running the business.	Refused renewal of registration.
Blundell & Associates Pty Ltd	Carried on business without required insurance.	Permanently restrained from conducting business in contravention of the law.
Hedley Goodridge Insurance Agencies Pty Ltd	May have continued operating without registration.	Permanent undertaking not to carry on business, or apply for a licence.
AC Insurance Brokers (SA) Pty Ltd	Significant deficiency in insurance broking account.	Liquidator appointed. Refused renewal of registration.

Three insurance agents were prosecuted under the Insurance (Agents and Brokers) Act: 2 were convicted, and one is still before the courts.

31 Court enforceable undertakings

ASIC accepted 31 enforceable undertakings to obtain more wide ranging remedies, and often on behalf of more people, than can usually be obtained in Court proceedings. For example, Retireinvest Pty Ltd undertook to improve compliance standards and give redress to clients who had been affected by the company's poor compliance standards.

Outlook

The HIH Royal Commission referred various matters arising from its inquiries for possible enforcement action. Our special taskforce will face a challenging task to deal with these matters swiftly and effectively.

Several high profile matters in which we have succeeded are now subject to appeal. We will also face challenges in enforcing laws relating to corporate reporting and disclosure.

Our broader objectives are to:

- manage our high profile investigations to achieve timely and successful results
- seek Government and Parliamentary support for more flexible enforcement powers and remedies
- act against misleading and deceptive conduct affecting consumers, and
- promote public awareness about scams and fraud as part of our consumer education strategy.

'We devoted significant resources to guide the industry.'

In this section:

- overview
- licensing and financial services reform
- regulatory operations
- legal and technical
- outlook

Overview

178 financial services regulation staff:

- licensed 604 financial services advisers and product issuers
- conducted 803 compliance checks of financial advisers and financial product issuers to test compliance with legal requirements, and obtained significant corrective or enforcement action
- approved 514 applications for relief from the law concerning licensing, disclosure, managed investments and related provisions
- achieved additional disclosure in 143 financial product disclosure statements and prospectuses, and
- registered 497 managed investment schemes.



Ian Johnston, Executive Director, appointed 2000, previously served in senior roles within ASIC and the financial services industry.

Key results

Issue	Result
Implementing financial services reform	Significant resources devoted to guiding industry. 604 new licences issued.
Raising industry standards	Increased compliance checks resulting in significant corrective action. Targeted action on tax driven and wealth creation schemes.
Fees and charges	Worked with industry to rationalise presentation of fees and charges in offer documents.

Main activities	This year	Last year	% change
Australian financial services licences issued*	604	35	*
Compliance reviews	803	570†	40%†
Corrective disclosure achieved in prospectuses and product disclosure statements	139	130	10%
Managed investment schemes registered	497	600	-17%
Commercial relief applications approved	514	380	35%

* First issued from 11 March 2002, subject to a 2 year transition period.

† Estimated, because legal nature of some activities changed.

Transition to financial services reform

The financial services industry made limited progress in changing over to new financial services licences, with 604 new licences issued.

To licence or re-l licence an expected 7,000 applicants by 10 March 2004, we also devoted significant resources to guide and encourage the industry. We:

- met more than 100 times with industry associations, gave 170 presentations to industry conferences, and conducted a national seminar series attended by 1,732 people
- answered more than 9,000 specific questions and 36 frequently asked questions, placed 20 articles in industry magazines, and issued regular FSR updates to 4,570 subscribers
- wrote specialised industry guides ranging from financial advisers and superannuation trustees, to insurance multi-agents, as well as licensing brochures and a mail out to existing licensees, insurance brokers and superannuation trustees
- registered approved training courses, and
- upgraded the online licence application and licensing kit.

Raising standards

We completed 803 compliance checks on market participants. In most cases, these checks resulted in significant corrective action. For example, we asked 79 insurance brokers to detail their professional indemnity arrangements and took enforcement action against those that breached legal requirements. To check how investment banks managed conflicts of interest and maintained the integrity of their research analysts, we reviewed the practices of 8 investment banks and have recommended relevant law reform.

Staff also registered managed investment schemes, auditors and liquidators; maintained insurance broker registrations; and granted variations to licences still held under old law. Four insolvencies by insurance intermediaries came to ASIC's notice: AC Insurance Brokers, Blundell & Associates, Investment Taxation Specialists Limited and Stockford Financial Services Ltd.

Agricultural schemes

We examined the correlation between high commissions for financial advisers and the provision of inappropriate or misleading advice to encourage investors to invest in such schemes. We found that there was often poor disclosure of commissions and poor advice given to enter the scheme. We have investigated a number of suspected breaches of the law and taken enforcement action as appropriate.

'Wealth creation' seminars examined

We conducted surveillances of 8 promoters of wealth creation seminars to check if they were complying with laws for which ASIC is

responsible. As a result, ASIC began proceedings alleging misleading and deceptive conduct against Henry Kaye and Alan Meagher, National Investment Institute Pty Ltd and Novasource Consulting Pty Ltd. (In July 2003, these entities agreed to an enforceable undertaking requiring significant changes to their seminars.) Others matters are under consideration. Schemes that specialise in real estate lay mostly outside ASIC's jurisdiction.

Financial product offer documents

We intervened to obtain corrective disclosure in 88 matters involving managed funds prospectuses, and in 51 matters involving product disclosure statements. Corrective disclosure resulted in supplementary and replacement offer documents or a final stop order preventing the offer from being made. Unlike equity prospectuses, managed funds and other financial products usually set no particular amount of capital to be raised, because they are open-ended offers. For that reason, it has not been possible to quantify the funds at risk from poor disclosure.

Fees, charges and good disclosure

To help consumers understand fees and charges for investment related products, we worked with industry to rationalise and improve the presentation of fees and charges in offer documents, aiming for a common format using standard terminology. (A template and best practice discussion paper were released in July 2003.) We also assisted industry associations to develop a model product disclosure statement for managed funds, and best practice disclosure guidelines for superannuation.

Policy work to protect investors

The more significant policy initiatives to maintain investor protection included:

- regulation of mutual risk providers
- approval of excesses on professional indemnity insurance, pending release of FSR compensation arrangements
- differential fees
- protection of land underlying primary production managed investment schemes
- rights offerings in managed investment schemes, and
- law reform proposals for managed investments and financial services reform regulations.

Relief granted

We considered 679 applications for relief, and approved 514 to facilitate commercial activities and transactions that would otherwise not have been possible due to the application of certain provisions of the law. The diversity and complexity of relief applications presented unique challenges, which have been partly addressed by the creation of specialist teams.

ASIC made one instrument under Part 29 of the Superannuation Industry Supervision Act and no instruments under Part 15 of the Retirement Savings Accounts Act.

Outlook

With most of the financial services industry still to apply for licences under the financial services legislation before the announced cut off date of March 2004, the task of smooth transition may prove very challenging. We nonetheless remain committed to raising standards in the industry. We will increase our presence in superannuation and insurance, where consumers have a weak understanding of the system.

Our main objectives are to:

- provide as much assistance as possible to industry to transition to the Financial Services Reform Act in the most efficient manner
- raise financial services industry standards through regulatory operations, and
- enhance our capacity in superannuation and insurance to increase consumer confidence and participation in these markets.

Markets regulation and policy

'To check accounting abuses, we reviewed annual financial statements of listed companies.'

In this section:

- overview
- corporate finance
- authorised financial markets
- policy development
- outlook

Overview

125 staff in markets, corporate finance and policy:

- regulated corporate finance, covering 888 equity fundraisings, 55 takeovers, 45 schemes of arrangement, financial reporting and market disclosure
- achieved 51 additional disclosures to the market from listed companies
- obtained 121 additional disclosures in prospectuses
- regulated Australia's 5 authorised financial markets, and
- issued 25 guidance documents (13 new or updated policies, 5 guidance and 7 consultation papers) to regulate or guide industry and professionals.



Malcolm Rodgers, Executive Director, appointed 2001, previously ASIC Director, Regulatory Policy.

Key results

Issue	Result
Potential accounting abuses	1,225 company financial statements reviewed showing no reason to believe Australia faced a material risk.
Market supervision	Inspected 5 authorised markets and 3 clearing houses, and reported to the Minister.
Guidance to industry	Financial services reform, cross border regulation, and updates on corporate finance.

Main activities	This year	Last year	% change
Additional disclosures to the market obtained	51	n/a	n/a
Corrective disclosure achieved in prospectuses	121	n/a	n/a
Authorised financial markets regulated	5	5	Nil
Equity prospectuses lodged	888	941	-6%
Takeovers received	55	67	-18%
Schemes of arrangement	45	32	41%
Commercial relief applications approved	936	1198	-22%
New regulatory policies issued	13	9	33%

Potential accounting abuses checked

To check if accounting abuses like those emerging overseas posed a material risk in Australia, we reviewed 1,225 annual financial statements of listed companies with balance dates between 30 June 2002 and 29 June 2003. The review focused on capitalised and deferred expenses, recognition of revenue, and recognition of controlled entities and assets.

We found no reason to believe Australia faced a material risk. However, we did find particular accounting issues of concern that we followed up with companies involved

and their auditors. Seven companies changed accounting policies, and enquiries are continuing with another 15 companies. We sought a supplementary prospectus from Flight Centre Ltd to deal with our concerns about how the company recognised revenue.

Late lodgement of listed company accounts

We also followed up non-lodgement of accounts by listed companies. Some 221 late lodging companies lodged their accounts, most following ASIC inquiries. ASIC made 91 orders prohibiting companies from raising capital by short form prospectus because they had not lodged their accounts on time.

Continuous disclosure to the market

We also took action, in cooperation with ASX, to obtain 51 additional disclosures from listed companies. More prominent examples included Tower Ltd, Federation Group Ltd, Powerlan Ltd, Redflex Ltd and Ainsworth Game Technology Ltd.

Corporate governance in Coles Myer Ltd

We monitored the proxy battle for the election of directors to this company in late 2002. ASIC urged shareholders to participate in the election and encouraged the parties involved to provide shareholders with as much information as possible. To assist Coles Myer process proxies at the AGM in an orderly way, ASIC requested and Solomon Lew agreed to provide the algorithm underlying the barcodes to his proxy forms.

Facilitating corporate transactions

Promina Ltd was reported as the largest float in the world for the first few months of 2003. To assist, we gave a no action letter for potential market stabilisation following the float and relief for pre-lodgement advertising and secondary trading. We also facilitated major schemes of arrangement including CSR Ltd, Mayne Group Ltd, MIM Holdings Ltd and BRL Hardy Limited.

Prospectuses reviewed

Of 888 prospectuses lodged for company securities, we reviewed 175 and obtained additional disclosure in 121 cases, primarily through the use of our stop order powers. During the year, we issued 72 interim and 17 final stop orders on 80 prospectuses.

The value of funds protected was at least \$383 million, exceeding last year's figure despite an overall drop in funds being sought. A higher proportion of prospectuses were issued by smaller companies, and those prospectuses tended to be of lower average quality. Significant matters included:

Company	Action we took
AMP Ltd	Additional information released to the market about the company's exposure to regulatory capital issues in the UK.
TelEurope Ltd	Stop orders by consent on a debenture prospectus that insufficiently disclosed the value of TelEurope's main asset.
Child Care Centres Australia Ltd	Following a significant profit downgrade, granted relief to allow investors to withdraw funds subscribed under a recent prospectus.

Takeovers

There were 55 takeovers, an 18% drop in market and off-market bids from last year.

Company	Action we took
Online Advantage Ltd	Successfully applied to Takeovers Panel to have a matter heard where the original applicant had withdrawn its request for a declaration of unacceptable circumstances.
Cobra Resources Ltd	Successfully applied to Takeovers Panel to prevent substantial disclosure and procedural breaches in a purported bid for the company.

In the cases of Anaconda Nickel Ltd and Flinders Diamonds Ltd, we were authorised to conduct sales of shares vested in ASIC by the Takeovers Panel and the South Australian Supreme Court respectively.

Markets supervision assessed

Under the Financial Services Reform Act, ASIC must inspect and report to the Minister each year on supervisory arrangements, including arrangements for handling conflicts of interest, for all licensed markets and licensed clearing and settlement facilities.

ASIC inspected 5 market operators and 3 clearing and settlement facilities, including reviews of ASX, ASX Futures, Sydney Futures Exchange, Bendigo Stock Exchange and Newcastle Stock Exchange. On the basis of those assessments, we believe that Australia's major exchanges do have appropriate supervision structures and procedures in place. There can be a high degree of confidence in their ability to operate their markets in a fair, orderly and transparent manner.

ASX clearing and settlement

ASIC worked closely with ASX, Treasury and the Reserve Bank on the first stage of regulatory approvals needed for ASX to restructure its clearing and settlement arrangements and to provide a single central counterparty for clearing across all ASX markets. These changes are expected to ultimately improve ASX's international competitiveness and enhance the management of systemic risk across ASX's market.

ASX share trading and compliance

ASX shares trade on its own market. To avoid conflicts of interest, ASIC directly monitored daily trading and compliance by ASX with its listing rules in much the same way as ASX oversees other listed entities. No trading halts were required this year.

Guidance on financial services reform

Most of our policy work focused on financial services reform, concentrating on 3 areas:

- consulting on and finalising new guidance, for example, guidance on advisers' conduct and disclosure obligations
- updates to take into account financial services reform regulations, and
- assisting Treasury to develop regulations and proposed legislative amendments to clarify the law.

New policies for cross border regulation

We released new policy and new proposals to recognise cross border regulation. Our 'Principles for cross border regulation' set out the broad framework for recognising regulation of financial services offered across international borders. We also released policy proposals on cross border matters dealing with:

- foreign financial services providers,
- foreign collective investment schemes, and
- Australian market licenses: overseas operators.

Corporate finance policies updated

These publications included 'truth in takeovers'; disclosure and secondary sales of securities; and compliance with financial reporting and annual general meeting obligations (including by companies in external administration). We also updated our policies on share purchase plans and employee share schemes.

Outlook

Following public concern over corporate collapses and shortcomings in disclosure, the Government announced important changes to boost continuous disclosure, and rebuild market and public confidence in financial reporting, audit, corporate governance, and disclosure. We will need to implement many of these reforms, if enacted.

Our broader objectives are to:

- make a greater impact, especially on the directors and auditors of Australia's listed public companies
- maintain the relevance and credibility of Australia's markets in a global context, and
- develop our role in regulating and reporting on how market operators have fulfilled their licence obligations.

Consumer protection

Peter Kell, Executive Director, also NSW Regional Commissioner; and Delia Rickard, Deputy Executive Director appointed 2001, previously co-directors of ASIC's Office of Consumer Protection.



In this section:

- what we did
- compliance and campaigns
- policy and education
- research and analysis
- outlook
- Consumer Advisory Panel report

Overview

25 consumer protection staff:

- identified compliance issues affecting consumers and worked with enforcement and regulatory staff
- carried out consumer policy and education projects, and
- researched and analysed consumer issues and risks.

Key results

Issue	Result
Survey of financial planners	Expert assessment of consumers' financial plans issued a wake up call to the industry.
Mortgage brokers	Our report on the industry triggered action to better protect consumers.
Consumer education	875,000 visits to our consumer website FIDO, up 79%. 270,000 consumer publications distributed. Higher media profile.

Financial planning survey challenges the industry

ASIC and the Australian Consumers' Association had genuine consumers obtain 124 financial plans from licensed advisers, and then had industry experts assess the plans against legal and good practice standards. One quarter of the plans failed, another quarter was borderline. The results demonstrated to the industry the need to improve standards and address conflicts of interest.

To rectify weaknesses and reinforce legal standards, ASIC met all licensees who had a plan score of 'very poor', and required some to certify their compliance with relevant legal obligations. We have targeted problem areas in the industry, and begun work with the Financial Planning Association to raise standards.

Mortgage broking report triggers action

Mortgage brokers now source around one third of all home loans. A report we commissioned from the Consumer Credit Legal Centre (NSW) found no clear minimum competency or training standards. Other problems included inconsistent documentation, inadequate disclosure of fees and commissions, poor advice, and a small number of fraudulent activities. The report also helped ASIC identify matters for possible enforcement action.

Following the report, State governments, who primarily regulate credit, began discussing possible reforms. The Mortgage Industry Association of Australasia announced it would seek ASIC approval for its external dispute resolution scheme.

New investment advertising guidelines

Past performance has been used to advertise many investments, especially when recent returns looked good. However, academic research that ASIC commissioned indicated that past performance is a weak and unreliable predictor of future performance over the medium to long term.

To improve information for retail investors, we developed new guidelines about advertising past performance (released in July 2003). Most importantly, advertisements should include a 5 year return figure, and balance information about returns with information about risks. The guidelines also promote more consistent and transparent use of performance information.

Protecting retail shareholders

Unlicensed and licensed companies under the name 'National Exchange' mailed offers to purchase shares at prices well below market value. Targeting companies with numerous small shareholders, these offers appeared to take advantage of vulnerable people.

ASIC issued warnings in the media and helped companies communicate with shareholders. We assisted Treasury to prepare regulations that require unlicensed entities to disclose the market value at the date of an offer, and we imposed similar conditions on the licensed National Exchange Corporation Pty Ltd.

More effective consumer education

ASIC markedly increased the distribution of its consumer information. Visits to FIDO, ASIC's consumer website, jumped 79% to

875,000. New material included online searching for unclaimed money, a new managed fund fee calculator, and information about credit and money management. *FIDO News*, our free electronic newsletter, reached 8,350 members, up from 5,500.

We increased our profile on consumer issues through media releases, interviews and articles contributed to newspapers, and distributed 270,000 consumer publications including:

- 127,000 *Super decisions: understanding and making superannuation choices*, in English, Chinese, Vietnamese and Arabic
- 112,000 *Don't kiss your money goodbye*, and
- 30,000 *You can complain*, in English, Chinese, Vietnamese and Arabic.

Raising financial literacy

ASIC released a major discussion paper, 'Financial literacy in schools', that examined existing financial literacy teaching in Australian secondary schools and presented options for improvement. The paper proposed establishing a financial literacy organisation, representing the financial services industry, government, and the education and community sectors, to strengthen and embed financial literacy education in our secondary schools.

The discussion paper followed Australia's first research study, commissioned by ANZ Bank and assisted by ASIC, into financial literacy in Australia.

Credit card surcharging

To promote good disclosure to consumers where merchants decide to impose a

surcharge on credit card transactions, ASIC worked with industry and the Australian Competition and Consumer Commission to:

- distribute some 400,000 brochures directly to retailers
- alert consumers to good practice, and
- assist banks and credit card providers.

Detecting early warning signs

ASIC further developed its capacity to detect and act on early warning signs of misconduct. Research staff established a framework to identify, assess and report key issues to ASIC's Executive Committee, which endorsed most issues as high priorities, either for further analysis or operational response.

Specific research projects included financial planners, hedge funds, managed discretionary accounts, mortgage brokers and external issues affecting ASIC's strategic plan. ASIC increased staff analytical skills and awareness through a training program with the University of New South Wales, seminars and internal publications.

Consumer complaint resolution schemes

We approved the Insurance Brokers Disputes scheme covering general and life insurance brokers, and 2 schemes in the credit union sector, one of which also covers some building societies. As part of the approval process, all 3 schemes were required to make significant changes to ensure independence, accessibility and effectiveness. We received applications for approval from schemes covering the mortgage industry, as well as timeshare operators, which we are processing.

Codes of practice monitored

ASIC reported that compliance with the payments system codes of practice and the EFT Code of Conduct remained high during 2001–02. The overall incidence of complaints remained low, with some decline in complaints about unauthorised EFT transactions, but an increase in complaints about system malfunctions.

Consumer Advisory Panel

See next column for the Panel's report and page 22 for its role.

Outlook

Uncertainty and poor returns continue to affect most investment markets and hence consumer confidence in corporations, financial advisers and financial institutions. Many consumers lack the funds to access professional financial advice, and consumer financial literacy is increasingly important. We plan to increase assistance to consumers and work with industry to improve standards.

Our main objectives are to:

- establish and support an independent, cross sector financial literacy organisation
- increase our emphasis on combating scams and alerting consumers to financial fraud
- target misleading or deceptive advertising of loans and credit, and
- work with industry to improve standards.

Consumer Advisory Panel report

This is my first report as Chair, since joining the Panel in July 2002. To allow a range of consumer organisations to participate, ASIC changed the Panel's membership significantly, with 7 new members and 3 continuing members. The Panel met 4 times.

The Panel recommended ASIC funding for projects, including:

- a research report on mortgage brokers that stimulated public debate about this rapidly growing industry, see page 42
- translation of ASIC's *Super decisions* brochure into Arabic, Chinese and Vietnamese, after requests from ethnic communities for this information, and
- items for radio in Arabic about financial services, supported by an evaluation report and 'how to' kit for community groups.

The Panel enabled consumer representatives to discuss grass roots financial problems, in particular those affecting disadvantaged consumers, with ASIC and each other. This prompted ASIC action, for example, in the area of unsolicited offers for shares, debt collection and unfair contracts. To increase understanding, we heard presentations on ASIC's activities during working lunches.

I am very grateful for the constructive contribution from all members and for the tremendous support from ASIC staff.

John Wood,
Chair, Consumer Advisory Panel



Standing left to right: David Jackson, Catherine Wolthuizen, Anna Stewart, Carolyn Bond, Bob Andrew; seated: David Tennant, Jan Pentland, John Wood (Chair), Chris Connolly, Su Mahalingham.

Members

John Wood, (Chair) former Deputy Commonwealth Ombudsman 1994–2000, head of the Federal Bureau of Consumer Affairs 1987–1994, President Society of Consumer Affairs Officials in Business (SOCAP) 1999–2000

Bob Andrew, Australian Investors' Association

Carolyn Bond, Consumer Credit Legal Service Victoria

Chris Connolly, Financial Services Consumer Policy Centre

David Jackson, Australian Shareholders' Association

Su Mahalingham, lawyer and consumer advocate

Jan Pentland, financial counsellor

Anna Stewart, Consumer Law Centre, Victoria

David Tennant, consumer advocate and lawyer, current Chair of the Consumers' Federation of Australia

Catherine Wolthuizen, Australian Consumers Association

International relations and regional coordination

'Our relationships with regulators abroad supported important investigations.'

In this section:

- overview
- international law enforcement
- international regulation
- regional coordination
- outlook

Overview

12 international and regional coordination staff:

- managed 333 requests for assistance
- led ASIC's contribution to international regulation
- managed 938 applications about property of deregistered companies, and
- coordinated ASIC's 8 Regional Commissioners to maintain service levels.

Key results

Issue	Result
Global law enforcement	International relationships assisted important investigations into HIH and One.Tel. We signed international agreements on exchanging law enforcement information.
Financial stability	Contributed to global principles to strengthen company disclosure and audit.

Main activities	This year	Last year	% change
ASIC requested overseas assistance	102	95	7%
Other regulators requested our assistance	231	209	11%
Visits to ASIC from foreign regulators	46	42	10%



Greg Tanzer, Executive Director, appointed 2000, also Queensland Regional Commissioner, experienced in corporate law and regulation.

Global enforcement

Our relationships with fellow regulators abroad supported important investigations. For ASIC's inquiries into HIH Insurance, the UK Financial Services Authority and the US Securities and Exchange Commission obtained testimony in their countries. The latter testimony also assisted the HIH Royal Commission. The UK Department of Trade and Industry helped obtain statements for ASIC's investigation into One.Tel Ltd. National and international agencies helped extradite Gold Coast fugitive, Lakhmi Daswani, from Hawaii.

To improve enforcement cooperation, ASIC was among the first 9 signatories to a multilateral memorandum of understanding initiated through IOSCO.

Australian cold caller convicted

To protect New Zealand investors, ASIC successfully had Alan Goldman of Mauer-Swisse Securities Ltd convicted on 4 counts of providing a financial service in Australia while unlicensed. Goldman was cold calling New Zealanders offering securities. The New Zealand Securities Commission and New Zealand Companies Office provided information leading to Goldman's conviction. ASIC maintained its public black list of organisations involved in unlawful cold calling to warn investors on our FIDO website.

Global disclosure and audit strengthened

To strengthen regulatory measures against unexpected major corporate collapses, the Financial Stability Forum (comprising national financial authorities, international financial institutions and regulators) accepted

principles drafted by IOSCO's Technical Committee, chaired by ASIC Chairman David Knott. The principles covered:

- ongoing disclosure by listed entities
- auditor independence, and
- auditor oversight.

The Forum urged their speedy implementation by national authorities.

International accounting standards

The Commonwealth Government has committed Australia to adopting international accounting standards by 1 January 2005. ASIC has also been active in promoting universal adoption of these standards and in ensuring the content of the proposed standards is suitable, through its involvement in IOSCO and other international forums.

Indonesian regulators trained

ASIC hosted several training programs for representatives of Indonesian securities and futures regulators as part of the APEC Government Sector Linkages Program, funded by AusAid. Training covered accounting and auditing standards, enforcement practices and markets regulation. As part of this program, 2 representatives of each regulator also attended the 2003 ASIC Summer School.

Hong Kong and ASIC assist regulated managed funds

Australian and Hong Kong took an important step towards regulatory reciprocity, which is expected to open new marketing opportunities for Australian fund managers without the need to meet licensing requirements in Hong Kong.

ASIC and the Hong Kong Securities and Futures Commission (SFC) signed a Declaration on Cooperation and Supervision of Cross-Border Investment Management Activity. This lays the groundwork for the SFC to recognise Australia as an Acceptable Inspection Regime (AIR) under its Code on Unit Trusts and Mutual Funds.

ASIC and the SFC agreed to exchange information and to assist each other concerning the activities of fund managers licensed in one jurisdiction that operate in the other jurisdiction. This regulatory cooperation will help ASIC supervise and inspect fund managers licensed by the SFC that also operate managed investment schemes in Australia.

Regional coordination maintained service levels

Service levels were maintained in each State and Territory. Regional Liaison Committees representing the business community met about 4 times each year, received information on our performance and service, and offered ideas.

ASIC's Regional Commissioners all played national roles as part of our new structure, see page 61. They represented the organisation and reported on ASIC's activities and performance to State and Territory Ministers.

Outlook

The key issues ahead are to:

- coordinate increasing requests for international investigative assistance and legal advice
- contribute to coordinated action and regulatory cooperation especially within the Asia–Pacific region
- contribute to international work on audit, financial disclosure, clearing and settlement, risk assessment of managed fund operators, and simplified prospectuses for collective investment schemes, and
- maintain service levels in all States and Territories.



Standing left to right: Michael Gething, Mark Drysdale, Ron Ladlay, Simon Dwyer and Greg Tanzer; seated: Anthony Beven, Peter Kell and Julie Read.

Public and commercial services

Mark Drysdale, Executive Director, appointed 2000, and Victorian Regional Commissioner, with experience in corporate management and regulation.



In this section:

- overview
- company database
- complaints and reports of misconduct
- telephone inquiry services
- electronic services
- commercial services
- outlook

Overview

366 public and commercial services staff:

- maintained Australia's public database of 1.3 million companies and prosecuted 4,217 charges of failing to lodge company annual returns
- assessed 9,292 complaints from the public about misconduct, and resolved 66% of them through information and assistance
- targeted company insolvency, assisted company administrators, and prosecuted 392 people for insolvency related breaches
- answered 672,000 telephone inquiries
- developed new electronic services for the public and people we regulate, and
- sold high volume document imaging services on commercial terms.

Key results

Issue	Result
Company law reform	Implemented law reform (commenced on 1 July 2003) creating an easier way for companies to lodge information and pay fees.
New initiatives targeting insolvency	Extra funding to intervene in troubled companies, and 392 prosecutions for obstructing creditors and liquidators.
Company information	A record 11 million searches of our databases, up 20%.
Rising public complaints about corporate misconduct	Resolved 66% of public complaints, up from 50% last year.

Main activities	This year	Last year	% change
Fees collected for the Government	\$405 million	\$379 million	7%
Company data lodged on time	93%	93%	nil
New companies incorporated	107,917	90,175	18%
% public availability of our databases	99.9%	99.9%	nil
% documents lodged electronically	66%	63%	4%
% paid searches done online	97.5%	97.1%	nil
Public complaints about misconduct	9,292	7,827	19%
Telephone inquiries	672,000	710,000	-7%

Easier, more secure lodging and payment

A major project is underway to implement legislative reforms that reduced the compliance burden on companies.

From July 2003, companies simply review their company details against information ASIC sends to them. If there are no changes to this information, companies no longer have to lodge an annual return. If there are changes, companies lodge a newly designed online or paper form that replaces a number of existing company forms.

Our new online lodgement systems also deliver improved security of company records, through ASIC's 'Corporate Key', which offers greater security in authenticating and verifying companies and individual company office holders.

A company annual review fee replaced the annual return fee, and ASIC has introduced more payment options, including payment over the counter at Australia Post offices, BPAY, as well as Electronic Funds Transfer (EFT).

New initiatives targeted insolvency

In a pilot program to intervene early where companies are suspected of being in financial difficulty, we targeted 219 companies, ranging from small proprietary companies to listed entities.

We aimed to avoid insolvent trading by making company directors aware of their company's financial position, address problems, seek advice from professionals and, where necessary, appoint voluntary administrators or liquidators. The Government has approved extra funding to develop this initiative across Australia.

Linked to this initiative, we also prosecuted people who breached the law to avoid claims by employees, other creditors and liquidators. For example, some people have claimed to operate a company when they did not, thus denying creditors a real entity against which they could pursue legal claims. When companies failed, some directors obstructed liquidators by unlawfully failing to assist them.

ASIC has first warned each non-complying person, achieving compliance in 57% of cases. We prosecuted 392 people who still failed to comply, resulting in some \$400,000 in fines and costs awarded against them.

Rising use of database

People conducted a total 10,997,500 million free and paid searches of our databases. There were 7.6 million free internet searches of company names, numbers and document lists, up 25%, making this the most popular service offered through ASIC's website. The total number of information broker searches rose 10% to 3.1 million, with 98% of full company searches occurring online, the

highest number ever. Over the counter searches in our Service Centres continued their downward trend.

More new companies formed

The total number of companies registered in Australia increased 3.8% to 1,299,985. The number of new companies increased by almost 20%. Electronic company registration now accounts for 71% of new companies formed.

Data lodgement

About 93% of companies lodged their information with us on time, the same as last year. Some 8% of documents lodged with us required us to requisition further details before being entered. More companies updated and lodged data with us electronically, which helped make this information available quickly and reduced errors on our database. Some 67% of annual returns were lodged electronically, up 1%.

Action to require compliance

ASIC warned, and where necessary, prosecuted people who lodged false information, or who failed to lodge important company and financial information. For example, we issued 72,466 warning letters to companies, and successfully prosecuted 4,127 company directors for failing to lodge their annual return. We also issued 6,029 warning letters and began legal proceedings against 70 companies for not lodging their financial accounts.

Greater assistance to liquidators

We extended the number of documents liquidators can lodge electronically, saving time and creditors' money. About 45% of 2,292 documents were lodged electronically.

Complaints and reports of misconduct

Staff analysed and assessed:

- 9,292 complaints from the public about breaches of the law, up 19%, and
- 5,268 reports from company liquidators, administrators and receivers, up 30%.

We resolved 66% of public complaints, up from 50% last year. We:

- gave 6,781 people information about how to resolve their problem
- issued 1,368 warning letters, and

- made 275 visits to, or contacts with, alleged offenders.

This encouraged compliance and resolved problems, particularly among small to medium sized entities.

Most complaints came from company external administrators, then from investors or shareholders. The most common complaints concerned company officers failing to assist external administrators and acting fraudulently or negligently.

Complaints statistics

	2002–03	2001–02
Public complaints		
Total public complaints	9,292	7,827
Complaints outside ASIC's jurisdiction	584	673
Net public complaints	8,708	7,154
Action taken on public complaints		
Investigation	2%	2%
Surveillance	3%	5%
Resolved by information provided/negotiation	66%	52%
Analysed, assessed and recorded	29%	41%
Statutory reports from external administrators		
Total reports received	6,176	4,070
No offences reported	925	128
Net statutory reports	5,251	3,942
Action taken on statutory reports		
Investigation	0.5%	0.3%
Resolved by information provided/negotiation	6.9%	6.3%
Analysed, assessed and recorded	93%	93%

Telephone inquiry services

ASIC's Client Contact Centre handled more than 672,000 calls from the public:

- 530,000 calls on routine company housekeeping matters and company searches, and
- 142,000 calls to Infoline on our regulatory and enforcement activities.

Routine company administration calls fell again this year, continuing the trend from previous years of increased use of online facilities and speedier processing of documents and cheques.

Infoline calls also fell this year as technology improvements reduced double handling and rework. Infoline staff assisted 96% of callers on the spot. Where another staff member had to ring the caller back, we averaged 67% of call backs within 24 hours, down from 76%.

Commercial services

Our commercial activities complied with competitive neutrality principles. Within that framework, we specialised in:

- high volume scanning services for organisations that wish to 'back capture' data, and

- document management services in litigation and public inquiries.

Customers included a range of government and private sector organisations.

Outlook

From 1 July 2003, the Government's CLERP 7 law reforms have significantly changed how companies update their information, since they no longer lodge a company annual return. Public use of our electronic and internet services is expected to grow. In receiving complaints from the public about breaches of the law, we must strengthen our ability to detect and act on emerging issues and risks.

Our objectives are to:

- implement new company reporting reforms
- extend our work on corporate insolvency
- expand analysis and reporting about public complaints
- extend our electronic interfaces, and improve the maintenance and security of Australia's corporate database, and
- streamline ASIC back office processes.

Infrastructure

'We reviewed our operating costs and identified a number of savings.'

In this section:

- overview
- information technology and knowledge management
- human resources (for general staff issues, see page 58)
- finance
- business management
- outlook

Overview

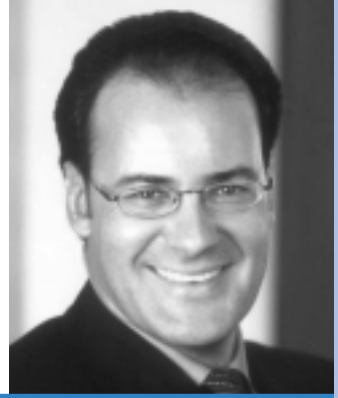
285* infrastructure staff delivered services covering:

- information technology and knowledge management
- human resources
- finance, and
- business management.

* Includes 21 full time graduates working for other directorates

Key results

Issue	Result
ASIC funding	Government agreed to \$24.6 million extra over next 4 years in special purpose funding. Operational costs reviewed.
Unclaimed money	A new online search facility reunited more people with money from dormant or lost accounts.
Sharing information	Launched a major internal program to boost sharing of information, supported by a new Certified Agreement with staff.



Carlos Iglesias, Executive Director, appointed 2001, previously ASIC Director, Information Technology and Knowledge Management.

Operational costs reviewed

To ensure that our operations are conducted efficiently, we reviewed our overall operating costs. We found that ASIC's support processes and activities are generally very efficient by comparison with a range of national and international public sector standards. Nevertheless, a number of operational savings were identified and will be realised in the 2003–04 financial year.

Unclaimed monies reclaimed

With support from specialist staff from across the organisation, ASIC finance staff developed a new search engine that allows the public to search for unclaimed money that ASIC administers from bank accounts, life insurance policies and company share sales.

Launched through the media in September 2002, when some \$200 million was unclaimed, the searches proved a resounding public success. On several days, more than 75,000 searches were conducted. More than 7,000 people were reunited with \$16 million, a 48% increase in successful claims on the previous year. At 30 June, the total payout of monies had reached \$23 million.

Faster access to company documents

For many years, ASIC has stored images of documents that companies lodged with us on Docimage, a system based on what had become outdated optical disk technology. This year, IT staff converted Docimage to current technology DVD media. This resulted in significant cost savings, and enhanced the responsiveness and reliability of the system for both internal and external users. Response times are now one fifth of what they were under the old system.

Key new IT applications

User group	What the application delivered
Public	Fees calculator — allowed members of the public to calculate fees for managed investments online.
Insolvency administrators	Enhancements to allow insolvency practitioners and external administrators to lodge their reports with ASIC electronically.
Management	A recruitment database to better manage and record the recruitment process from beginning to end.
Staff	Enhancements to complaints management system to help staff undertake and manage summary prosecutions.

Sharing information at work

To build a framework, system and culture of sharing information, upon which ASIC depends, we launched the first stages of an internal change program called 'Infoshare'.

Five 'communities of practice' have been set up, bringing together staff with expertise and interest across the organisation on issues such as insurance and superannuation. These communities will foster strategic learning, problem solving, knowledge transfer and creation, mentoring/upskilling, developing leading practice and helping to minimise risk. A new staff intranet was developed and launched that allows staff to share information using standard appearance, navigation and operating environment.

New Certified Agreement negotiated

ASIC negotiated a new Certified Agreement with union and staff representatives. Staff began voting on the new agreement in late June 2003. (A majority of staff accepted it in early July). The agreement offered salary increases in return for a commitment from all staff to contribute through performance agreements to our Infoshare program, and a range of other matters that will make the organisation more effective and efficient.

Strengthening leadership and skills

Our human resources staff coordinated a range of programs to further develop staff, especially those who may have the potential to step into leadership roles. We recruited 18 new graduates at the start of 2003. We commenced the third intake of staff for the Graduate Certificate component of the ASIC Leadership and Management Program at Mt Eliza. In 2003, 38 staff completed the Graduate Certificate, and we have supported those who progressed to study for the Graduate Diploma.

Recruitment database developed

A recruitment database has been developed to manage the recruitment process. It also provides the facility for online applications through the ASIC intranet and internet sites, enhancing efficiency and security.

Environment: reducing our impact

To reduce our impact on the environment, we have targeted energy consumption, procurement and accreditation of our environmental management systems.

Energy consumption per person fell again this year, and we have met the 2003 target set by the Government for all Commonwealth agencies for 'office tenant light and power' consumption.

Year	MJ per person
2002-03	9,134
2001-02	10,431
2000-01	10,974

At our Traralgon site, we completed an energy audit, and subsequently installed metering and equipment to reduce energy use.

Our contracts and procurement policy required staff making purchases to consider the environmental impact of all goods, services and suppliers. For example, we changed our vehicle fleet policy to better the target set by the Australian Greenhouse Office. All our offices recycled waste paper.

ASIC joined the Australian Greenhouse Challenge, and began work to have our Sydney site accredited to international standards for environmental management systems by 31 December 2003, and 2 other large sites by 31 December 2004. ASIC operations have no implications for ecologically sustainable development.

Efficient accommodation and services

Staff numbers in enforcement and financial services regulation increased. However, we have fitted out additional workspaces within our existing accommodation, thus increasing floor space efficiency by some 10%. More flexible leasing arrangements have also been successfully negotiated in 5 locations, saving costs.

We have implemented national contracts to improve service and achieve cost efficiencies, for example, with travel and stationery supplies.

Financial policies

We updated ASIC's financial and procurement policies, and published them as web friendly documents for staff access, to ensure that we obtain best value for money and meet Government and audit guidelines.

Outlook

ASIC requires a framework, system and culture of sharing information. We also must strengthen the skills of our staff and develop the next generation of leaders and senior managers. Finally, we must use our funding wisely and increase internal efficiencies and accountability for costs.

Our key objectives are to:

- promote ASIC's information sharing initiatives throughout the organisation
- develop IT systems for corporate law reforms, if enacted, and develop other critical applications
- implement our human resources capability framework and succession planning to better target the development of future managers and leaders
- improve our understanding of core and non-core cost drivers and give operational directorates greater control over their infrastructure costs, and
- manage and monitor our operational risks.

'To ensure staff have the right skills, ASIC doubled funding for staff development.'

In this section:

- staff and basis of employment (for human resources operations, see page 56)
- work environment
- senior management
- outlook

We employed 1,396 full time equivalent staff over the year, comprising:

- investigators, lawyers, accountants, and analysts
- information processing and customer service staff, and
- infrastructure staff, and information technology, human resources, financial, and communication specialists.

Location and profile of staff

The location and profile of staff remained largely unchanged, except for a fall in the number of contractors, agency staff and consultants.

We employed 605 staff in Victoria, 487 in New South Wales, 119 in Queensland, 90 in Western Australia, 51 in South Australia, 20 in the Australian Capital Territory, 16 in Tasmania and 8 in the Northern Territory (calculated as average full time equivalents). Major offices are located in State and Territory capitals and in Traralgon in Victoria. Smaller service centres are located in Geelong, Gold Coast, Townsville and Newcastle.

Staff (average full time equivalents)	This year	Last year
Operational and support (ASIC 1–4)	810	766
Senior operational staff (EL1 and EL2)	455	369
Senior executive service	31	31
Others (contractors, agency staff, consultants)	97	115
Commissioners	3	3
Total	1,396	1,284

Merit and equal opportunity

ASIC policy required that all staff be appointed strictly on merit. We refined recruitment, induction and exit interview processes to ensure that recruitment was conducted on merit and to increase the consistency of good quality recruitment outcomes.

ASIC is an equal opportunity employer. At 30 June 2003, women made up 58% of our workforce. Women made up 41% of our executives and senior executives.

A national Women's Network was established to support women in the workplace and to enhance the profile of women staff in ASIC. We also participated in the Commonwealth strategy to ensure access to recruitment, training and grievance procedures for people with disabilities, see page 64.

More staff for special projects

The Government granted us additional specific purpose funding for a limited period, primarily to implement the transitional phase of financial services reform. Non-ongoing staff helped us meet this extra transitional workload, as well as seasonal peak workloads in document processing.

Basis of employment	This year	Last year
Public Service Act, ongoing	952	976
Public Service Act, temporary, most often for peak company annual return processing	322	195
ASIC Act consultants, for essential specialist services including investigatory, legal, corporate regulatory and accounting functions	54	47
Contractors, mainly in information technology	65	63
Commissioners	3	3
Total (average FTE over the year)	1,396	1,284

Funding doubled for staff development

To ensure staff have the skills to meet future needs, ASIC doubled funding for staff development to more than \$1.5 million, focusing on leadership development as well as technical skills. We have developed a capability framework to target these funds to the requirements of our work.

We have also identified as one of our key needs the task of developing the next generation of ASIC leaders. Through Mt Eliza Business School, we offered managers a Graduate Certificate in Business Administration (Executive) and progress to a Graduate Diploma. Four staff members undertook secondments to private sector organisations or international regulators, and several staff members from other organisations have joined ASIC on secondment. We also operated a program that recruited 18 new graduates.

Performance management

All staff participated in a formal performance management process that assessed performance and provided a framework for rewarding high performing staff and managing underperformance. Based on performance assessment, staff and managers completed development planners to meet agreed development needs in the coming year. Formal processes have been developed to identify the capabilities ASIC requires to undertake our work.

Staff remuneration

Most staff received remuneration under our Certified Agreement, and at 30 June 2003, 452 senior staff under individual Australian Workplace Agreements. ASIC contributed to

superannuation through Commonwealth Government schemes, State Government schemes for staff who transferred to ASIC in 1991, and private sector schemes for consultants or contractors. See also the financial statements on page 90.

Occupational health and safety (OHS)

ASIC required every manager to take responsibility for ensuring a safe workplace for their staff and the public. Specialist OHS staff and national and local OHS Committees assisted management.

Some 27 workplace injuries occurred, mainly 'sprains/strains' and 'falls at the same level', although workplace related stress and anxiety illness also emerged as an issue. The average time incapacitated per injury was 1.27 weeks, lower than the 2.24 weeks average for all Commonwealth Government agencies.

To improve safety, we have, among other things, carried out:

- changes to our OHS and workers' compensation management system to better measure and investigate incidents and manage risks
- quarterly OHS risk assessments at all sites, and 17 OHS training sessions attended by 485 staff, and
- ergonomic assessments, 180 screen based eye tests, and other protective measures.

Industrial and workplace relations

Staff may be represented either through their union or staff representatives. ASIC permitted staff reasonable time in working

hours to participate in industrial representation, and maintained a National Consultative Committee that met regularly about workplace issues.

ASIC also maintained formal procedures for staff to raise grievances. Only one formal application for review of management actions under the *Public Service Act 1999* was received. The formal review enabled the issue to be resolved satisfactorily.

Senior management

Our Commissioners are full time executives, see pages 16 and 18. Executive Directors lead 7 national directorates; see directorate sections.

Regional Commissioners represented ASIC in each State and Territory and also undertook national roles. They bring a range of qualifications including law and accounting and experience in regulation, government and consumer affairs.

Chief Accountant is Gregory Pound, previously Assistant Auditor-General, Accounting and Auditing Policy in the Victorian Auditor-General's office. General Counsel is Brendan Byrne.

Outlook

The key staffing need that we plan to deal with over the next 3 years is to increase the skills and training of our staff to deal with the diverse range of financial markets and services we regulate. We will also develop succession plans and develop the next generation of leaders and managers.

We will need to harness staff and management support to share information effectively right across the organisation, a task that underpins our knowledge management strategy.

Regional Commissioner	State or Territory	National role	Term
Anthony Beven	Northern Territory	Consumer Protection Adviser	September 2005
Mark Drysdale	Victoria	Executive Director	December 2004
Simon Dwyer	South Australia	Enforcement Adviser	July 2005
Michael Gething	Western Australia	Markets and Policy Adviser	June 2004
Peter Kell	New South Wales	Executive Director	July 2004
Ron Ladlay	Australian Capital Territory	Enforcement Adviser	March 2006
Julie Read	Tasmania	Enforcement Adviser	September 2005
Greg Tanzer	Queensland	Executive Director	March 2005

ASIC Audit Committee and audit services

The ASIC Audit Committee assisted the Commissioners with financial reporting and overseeing the effectiveness and integrity of internal controls and ASIC's audit processes.

The Committee examined ASIC's 2001–02 financial statements, issues concerning the future preparation of 2002–03 financial statements, and internal and external audit matters, risk assessment, and fraud control planning.

Internal audits conducted during the year included reviews of: IT Security Arrangements, Corporate Card Compliance, Litigation Support System, Security Deposits of Securities Advisers and Investment Advisers, Network Operating System, CLERP 7 Implementation, Project Management, Accounts Payable, Payroll Processing, Contract Administration, Corporations Act Revenue Collection & Debt Management and Petty Cash.

Of the Audit Committee's 5 members, 3 (including the Chair and Deputy Chair) are suitably qualified persons appointed from outside ASIC. Chair Merran Kelsall, BCom (Hons), FCA, MBA, is a Chartered Accountant, Consultant and Company Director. Deputy Chair Robert Savage, BCom, FCA, is a Chartered Accountant and Company Director. The other independent

member is Bob Lynn, FCA and Chartered Accountant. The internal appointments comprise one Commissioner and one Regional Commissioner.

The Committee met 5 times during the year.

Members	Meetings attended
Merran Kelsall (Chair, appointed 29 January 1998)	5
Robert Savage (Deputy Chair, appointed 1 March 2000)	5
Bob Lynn (appointed 1 March 2002)	5
Berna Collier (appointed 1 March 2002) ASIC Commissioner	5
Simon Dwyer (appointed 5 April 2001) SA Regional Commissioner	5

The financial statement sub-committee met twice during the year.

The Australian National Audit Office provided external audit services, Chartered Accountants Ernst & Young and KPMG provided internal audit services, and Brendan Dwyer held the position of National Manager, Audit. Both external and internal audit representatives attended Audit Committee meetings.

**Merran Kelsall,
Chair, ASIC Audit Committee, July 2003**

In this section:

- publications
- freedom of information
- Electoral Act disclosure

Publications

We published the following free publications:

- electronic newsletters: *FIDO News* (financial tips and safety checks), *Financial Services News* (financial services reform)
- printed newsletters: *ASIC News* (regulation and enforcement), *InFocus* (company information)
- brochures: *Don't kiss your money goodbye*, *Super decisions*, *You can complain* (last two also in Arabic, Chinese and Vietnamese), and
- annual report, occasional reports, papers and information sheets on a wide range of topics accessible through our website or Infoline.

We published for sale: *ASIC Digest*, *ASIC Working Guide for Accountants*, *ASIC Working Guide for Company Secretaries*, *ASIC Financial Services Policy Handbook*, *ASIC Forms on CD-ROM*, *ASIC Managed Investments Handbook*, *ASIC Policy Alert*.

Freedom of Information Act

You have a right to apply to ASIC for access to documents in ASIC's possession under the *Freedom of Information Act 1982* (Cth) (FOI Act). You must apply in writing, stating which documents you want to obtain. Requests should be directed to the

Administrative Law Coordinator in your State or Territory or to the Manager, Administrative Law, in Sydney. (For further information on how to apply go to www.asic.gov.au).

Categories of documents in ASIC's possession relate to matters including:

- operational matters such as:
 - licence and professional registration applications
 - applications from businesses, correspondence, internal working papers, policy proposals and submissions, and
 - administrative, civil and criminal enforcement matters, including documents obtained under ASIC's compulsory powers
- law reform, including submissions and proposal papers
- correspondence with members of the public, government entities, Parliamentary committees, business entities and other bodies
- administration, including accommodation, accounts, expenditure, invoices, audit, human resources, recruitment and staff management, delegation and authorisation
- reference materials, including those contained in the library, handbooks, guidelines, manuals, policy statements, practice notes, media releases, information releases, pamphlets and annual reports, and
- other documents held as public database information (ASCOT).

As required by section 9 of this Act, you may inspect and purchase by subscription documents from the Centre for Professional

Development, telephone 03 9205 0600, including the *ASIC Digest*, which contains, among other things, policy statements, practice notes, information brochures, media releases, information releases, summaries of most ASIC instruments, class orders, and pro-formas for various types of standard relief.

Documents available to the public through ASIC's website (www.asic.gov.au), ASCOT or the *ASIC Digest*, and library material maintained for reference purposes are not available under this Act.

Commonwealth Disability Strategy Report

As a regulator, ASIC published all its publicly available information on regulations, quasi-regulations and compliance reporting in formats accessible for people with disabilities. This occurred through our website on the day materials were released, and in hard copy through our commercial publisher and on request from our Infoline. A disability expert has reviewed our website and found that our regulatory and compliance materials were accessible. Some suggested improvements were implemented, and others are still being attended to.

As an employer, ASIC incorporated the requirements of the *Disability Discrimination Act 1992* when developing and reviewing employment policies, procedures and guidelines:

- recruitment information was released in accessible electronic format on our website, by email or posted out in hard copy on request within 24 hours. A new

recruitment database was developed that allows electronic applications to be lodged via the ASIC internet and intranet sites. No requests were received for recruitment information in other formats

- human resources staff advised managers and recruiters on reasonable adjustments required for job applicants and staff with disabilities (including staff access to training), and
- information on disability issues was included in training programs as appropriate.

ASIC also has internal and external grievances procedures, including review of actions under the Public Service Act and appeals to the Australian Public Service Commission. Staff also had access to an Employee Assistance Program. We received no complaints regarding disability issues during 2002–03.

Disclosure under Commonwealth Electoral Act

Section 311A of this Act requires us to report on the financial year payments made by us or on our behalf to:

- polling organisations, advertising agencies and media advertising organisations: Starcom Worldwide Australia Pty Ltd \$116,924
- market research organisations: Chant Link & Associates \$47,487, DeXX&R \$7,780, and
- direct mail organisations: City Mail Room \$41,628 and Security Mailing Services \$57,146.

Financial comparisons: Corporations Act and financial services functions

The Ministerial Council for Corporations asked ASIC to disclose a comparison of costs and revenue attributable to the financial services functions for deposit taking, superannuation, life and general insurance that we received on 1 July 1998, compared with our previous Corporations Act functions.

	Operating revenue 2002–03 \$m	Operating expenses 2002–03 \$m	Operating revenue 2001–02 \$m	Operating expenses 2001–02 \$m
National corporations scheme	161.9	159.7	143.7	148.3
Financial services functions	10.6	12.9	10.6	11.6
Total	172.5	172.6	154.3	159.9

The breakdown in the cost of discharging our responsibilities for the financial services functions is as follows:

Activity	\$m
Consumer protection and policy formulation	4.3
Investigation and enforcement	5.5
ASIC sub-total	9.8
Superannuation Complaints Tribunal	3.1
Grand total	12.9

See page 41 for our consumer protection activities and page 23 for our enforcement activities.

Six year summary

	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98
Business data						
Companies (total)	1,299,985	1,251,237	1,224,207	1,195,851	1,149,297	1,088,192
New companies incorporated	107,917	90,175	76,103	105,472	98,038	97,031
Australian financial services licensees*	626	35	n/a	n/a	n/a	n/a
Securities dealers*	1880	2302	2,250	2,081	1833	1547
Investment advisers*	194	223	224	224	231	227
Futures brokers*	95	119	121	120	108	99
Futures advisers*	63	74	70	65	64	40
General insurance brokers*	800	977	975	1,043	n/a	N/a
Life insurance brokers*	228	293	263	225	n/a	n/a
Foreign insurance agents*	13	17	14	12	n/a	n/a
Registered managed investment schemes	3,487	3,265	2,778	2,512	428	n/a
Prospectuses lodged†	1,658	2,089	2,744	1,033	707	683
Product disclosure 'in use' notices‡	579	n/a	n/a	n/a	n/a	n/a
Takeovers lodged	55	67	81	81	73	76
ASIC performance data						
Criminals jailed	29	19	25	25	22	26
\$ millions protected, frozen, and compensation orders	506	401	530	n/a	n/a	n/a
% successful litigation††	94%	92%	71%	75%	89%	90%
Litigation concluded	222	205	150	173	154	199
Total searches of ASIC databases	10,997,500	9,095,600	7,260,700	5,702,200	4,057,000	3,094,000
% company data lodged on time	93%	93%	93%	94%	93%	94%
Financial summary (\$m)						
<i>Operations</i>						
Total operating expenses	172.6	159.9	143.3	143.0	145.2	134.6
Total operating revenue	172.5	154.3	144.2	140.2	146.7	130.8
Revenue transferred to Commonwealth Consolidated Revenue Fund	405	383	348	361	332	326
<i>Financial position</i>						
Current assets	15.6	20.5	15.1	12.2	12.1	10.4
Non-current assets	33.2	27.1	22.1	24.9	25.6	25.6
Current liabilities	29.0	27.3	18.6	21.7	17.1	15.6
Non-current liabilities	20.9	21.2	16.4	16.6	18.9	19.6
Total equity	(1.0)	(0.9)	2.2	(1.1)	1.7	0.8

* From 11 March 2002, AFS licences began replacing all other asterisked licences and registrations, which ceased being issued after that date.

† From 11 March 2002, product disclosure statements began replacing prospectuses for managed funds. After 11 March 2004, prospectuses will be used only for company securities.

‡ Financial product issuers notify ASIC about the product disclosure statement issued for each financial product.

†† 1999-2000 and 1998-99 may understate success rate.

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Independent Audit Report

To the Treasurer

Scope

I have audited the financial statements of the Australian Securities and Investments Commission for the year ended 30 June 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

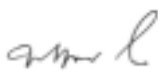
Statement by Commissioners

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
REVENUE			
Revenues from ordinary activities			
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
Revenues from ordinary activities		172,495	154,338
EXPENSE			
Expenses from ordinary activities (excluding borrowing costs expense)			
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
Expenses from ordinary activities (excluding borrowing costs expense)		172,048	159,758
Borrowing costs expense	6	559	179
Total expenses from ordinary activities		172,607	159,937
Operating surplus (deficit) from ordinary activities	12, 13	(112)	(5,599)
Revaluation increment taken to asset revaluation reserve	12	-	2,495
Total revenues, expenses and valuation adjustments recognised directly in equity		-	2,495
Total changes in equity other than those resulting from transactions with owners as owners		(112)	(3,104)

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

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
OPERATING ACTIVITIES			
Cash received			
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
Total cash received		176,283	163,340
Cash used			
Employees		(96,208)	(84,478)
Suppliers		(68,905)	(67,759)
Borrowing costs	6	(559)	(179)
Total cash used		(165,672)	(152,416)
NET CASH FROM OPERATING ACTIVITIES	13(a)	10,611	10,924
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of property, plant & equipment	4(c)	69	230
Total cash received		69	230
Cash used			
Purchase of property, plant & equipment		(11,066)	(8,415)
Total cash used		(11,066)	(8,415)
NET CASH USED BY INVESTING ACTIVITIES		(10,997)	(8,185)
FINANCING ACTIVITIES			
Cash received			
Proceeds of sale and lease back of assets under finance lease		-	3,555
Total cash received		-	3,555
Cash used			
Repayment of finance lease principal		(4,972)	(2,025)
Total cash used		(4,972)	(2,025)
NET CASH FROM (USED BY) FINANCING ACTIVITIES		(4,972)	1,530
Net increase (decrease) in cash held		(5,358)	4,269
Cash at the beginning of the reporting period		16,546	12,277
CASH AT THE END OF THE REPORTING PERIOD	7(a)	11,188	16,546

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
By type			
Capital commitments			
Intangibles	(a)	–	53
Plant and equipment	(b)	102	–
		<u>102</u>	<u>53</u>
Other commitments			
Operating leases	(c)	119,941	140,816
Other commitments (goods & services)		179	–
		<u>120,120</u>	<u>140,816</u>
Total commitments payable		<u>120,222</u>	<u>140,869</u>
Commitments receivable	(d)	<u>(8,185)</u>	<u>(10,082)</u>
Net commitments		<u>112,037</u>	<u>130,787</u>
By maturity			
Capital commitments			
One year or less		<u>102</u>	<u>53</u>
Operating lease and other commitments			
One year or less		20,941	20,299
From one to five years		73,833	81,346
Over five years		25,448	39,171
Operating lease and other commitments		<u>120,222</u>	<u>140,816</u>
Net commitments by maturity			
One year or less		19,555	18,604
From one to five years		69,164	76,251
Over five years		23,318	35,932
Net commitments		<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
Revenues Administered on Behalf of Government			
<i>for the year ended 30 June 2003</i>			
Non-taxation			
Non-taxation revenues	23(a)	431,162	413,216
Interest	23(c)	150	133
Other revenue	23(d)	25	25
Total Revenues Administered on Behalf of Government		431,337	413,374
Expenses Administered on Behalf of Government			
<i>for the year ended 30 June 2003</i>			
Write-down of assets			
Other expenses	24(a)	19,326	14,454
Write-down and impairment of administered assets	24(b)	7,538	10,610
Total Expenses Administered on Behalf of Government		26,864	25,064

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
Assets Administered on Behalf of Government			
<i>as at 30 June 2003</i>			
Financial assets			
Cash	25(a)	5,378	3,453
Receivables	25(b)	11,061	11,743
Accrued revenues	25(c)	7,591	11,127
Total Assets Administered on Behalf of Government		24,030	26,323
Liabilities Administered on Behalf of Government			
<i>as at 30 June 2003</i>			
Payables			
Other	26	8,170	6,528
Total Liabilities Administered on Behalf of Government		8,170	6,528
Net Assets Administered on Behalf of Government	27	15,860	19,795
Current assets		24,030	26,323
Non-current assets		–	–
Current liabilities		8,170	6,528
Non-current liabilities		–	–
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
Administered Cash Flows			
<i>for the year ended 30 June 2003</i>			
Operating Activities			
Cash received			
– 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
Total cash received		431,333	415,452
Cash used			
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
Total cash used		429,408	416,843
Net cash from/(used by) operating activities		1,925	(1,391)
Net increase (decrease) in cash held		1,925	(1,391)
Cash at the beginning of the reporting period		3,453	4,844
Cash at the end of the reporting period	25(a)	5,378	3,453
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

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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	Lease term	Lease term
Plant and equipment	2 to 10 years	2 to 10 years
Plant and equipment under finance lease (i)	1 to 5 years	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	3 to 5 years	3 to 5 years

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

(r) Receivables

ASIC's receivables comprise amounts expected to be received from operating revenue. A provision for doubtful debts is raised in accordance with a policy that reflects actual collection experience.

Administered debts deemed uncollectable are written off against a provision for doubtful debts. 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
Total	(i),37(b)	<u>162,832</u>	<u>146,090</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>16,862</u>

4. Revenue from independent sources

	<i>Note</i>	<u>2003</u> <u>\$'000</u>	<u>2002</u> <u>\$'000</u>
(a) Sale of services			
Services were sold to:			
Commonwealth Government entities		1,214	1,758
External entities		1,568	951
Total sale of services		<u>2,782</u>	<u>2,709</u>
(b) Bank interest		<u>2,094</u>	<u>2,185</u>
(c) Revenue from sale of assets			
Plant & equipment	5(e)	<u>69</u>	<u>230</u>
(d) Other revenue			
Cost recoveries	(i)	3,292	938
Other	(ii)	1,426	2,186
Total other revenue		<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
(a) Employees expenses			
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
Total employees benefits expenses		96,459	84,898
Workers compensation premiums		460	293
Total employees expenses		96,919	85,191

(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
Total suppliers expenses		62,557	61,475

	Note	<u>2003</u> \$'000	<u>2002</u> \$'000
(c) Depreciation and amortisation			
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
Total depreciation and amortisation	8(d)	<u>12,317</u>	<u>11,697</u>
(d) Write-down of assets			
Bad and doubtful debts expense		–	84
Plant & equipment – write-off on disposal	5(e)	185	312
Total write-down of assets		<u>185</u>	<u>396</u>
(e) Disposal of non-financial assets			
Plant & equipment:			
Revenue (proceeds from sale)	4(c)	(69)	(230)
Expense (written down value of assets disposed)		70	999
Loss on sale of plant & equipment	13	<u>1</u>	<u>769</u>
Less: Plant & equipment written off on disposal	5(d)	185	312
Net loss on disposal of plant & equipment		<u>186</u>	<u>1,081</u>
6. Borrowing costs expense			
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
(a) Cash			
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) Receivables			
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
Total receivables (gross)		<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)
Total provision for doubtful debts		<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>
(a) Leasehold improvements			
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>
Total leasehold improvements		<u>12,133</u>	<u>10,553</u>
(b) Plant and equipment			
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>
Total plant and equipment		<u>12,930</u>	<u>11,972</u>
(c) Intangibles			
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>
Total intangibles		<u>8,200</u>	<u>5,242</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 & Equipment</i>	<i>Intangibles – Computer software</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Gross value as at 1 July 2002	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)	–	–
Gross value as at 30 June 2003	26,945	28,968	19,584	75,497
Accumulated depreciation/amortisation as at 1 July 2002	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)	–	–
Accumulated depreciation/amortisation as at 30 June 2003	14,812	16,038	11,384	42,234
Net book value as at 30 June 2003	12,133	12,930	8,200	33,263
Net book value as at 30 June 2002	10,553	11,972	5,242	27,767

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

(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>
As at 30 June 2003		
Gross value	102	102
Accumulated depreciation/amortisation	–	–
Net book value (Note 8(c))	102	102
As at 30 June 2002		
Gross value	414	414
Accumulated depreciation/amortisation	–	–
Net book value (Note 8(c))	414	414

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

(h) Other non-financial assets

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

9. Interest bearing liabilities

	<i>Note</i>	<i>2003</i> <i>\$'000</i>	<i>2002</i> <i>\$'000</i>
(a) Leases			
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		11,364	9,334
Lease liability is represented by:			
– Current		5,041	4,063
– Non-current		6,323	5,271
Total interest bearing liabilities		11,364	9,334
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.			
Non-interest bearing liabilities			
(b) Unearned revenue			
Government Appropriation	3, 37	–	2,851
Other unearned revenue		30	59
		30	2,910
(c) Other debt			
Property lease incentives			
The property lease incentive liability is repayable as follows:			
– Current		571	679
– Non-current		2,229	2,800
	(i)	2,800	3,479
Property sub-lease (surplus space)			
The net liability in respect of future payments for surplus space on non-cancellable leases is as follows:			
– Current		–	7
– Non-current		–	–
	(ii)	–	7
Insurance recoveries	(iii)	1,296	668
		4,096	4,154
Total non-interest bearing liabilities		4,126	7,064

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

11. Supplier payables

Trade creditors	6,767	5,859
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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
Balance 30 June 2003	5,254	5,254	(6,286)	(6,174)	(1,032)	(920)

(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)
Non cash items			
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
Changes in assets and liabilities			
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
Net cash from operating activities		10,611	10,924

(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	–
	4	4
	<i>2003</i> \$	<i>2002</i> \$
Aggregate amount of superannuation payments in connection with the retirement of Commissioners	50,987	47,153
Other remuneration received or due and receivable by Commissioners	962,286	982,129
Total remuneration received or due and receivable by Commissioners	1,013,273	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	–
	34	33

	<i>2003</i> <i>\$</i>	<i>2002</i> <i>\$</i>
The aggregate amount of total remuneration of officers shown above is	5,756,017	5,222,182
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
COMCARE Trust Account (SRC Act 1988)		
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>			
		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash at bank	7(a)	Deposits are recognised at their nominal amounts. Interest is accrued as it is earned.	Interest is earned on the daily balance.
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>			
		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Finance lease liabilities	9(a)	Liabilities are recognised at the present value of the minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rates implicit in the leases.	At reporting date, ASIC had finance leases with terms 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		
Financial assets (recognised)																	
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		
Total		11,121	16,482	-	-	-	-	-	-	3,442	2,878	14,563	19,360				
Total assets												48,862	48,263				
Financial liabilities (recognised)																	
Finance lease liabilities ⁽¹⁾	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		
Total		-	-	5,041	4,063	4,521	2,948	1,802	2,323	10,893	12,923	22,257	22,257				
Total liabilities												49,894	49,183				

⁽¹⁾ 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>
Financial assets				
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
	14,563	14,563	19,360	19,360
Financial liabilities				
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
	22,257	22,257	22,257	22,257

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
(a) Non-taxation revenues			
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
		431,162	413,216

(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		40,816	364,637	405,453	33,524	345,827	379,351

(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
		150	133

(d) Other revenue

Administered services received free of charge	(i)	25	25
		25	25

(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>
(a) Other expenses			
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
Total other expenses		19,326	14,454
(b) Write Down of Administered Assets – Corporations Act			
Write off of fees and charges	(i)	4,358	4,910
Increase/(decrease) in provision for doubtful debts	(ii)	(1,491)	2,219
		2,867	7,129
Waiver of fees and charges owing	(iii)	4,671	3,481
Total write down of assets		7,538	10,610

(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
(a) Cash		
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
	<u>5,378</u>	<u>3,453</u>
Balance of cash as at 30 June shown in the Schedule of Administered Cash Flows	<u>5,378</u>	<u>3,453</u>
(b) Receivables		
<i>Corporations Act</i>		
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)
	<u>11,061</u>	<u>11,743</u>
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
Total owing	<u>15,189</u>	<u>17,362</u>
The provision for doubtful debts is aged as follows:		
Overdue by:		
– more than 90 days	(4,128)	(5,619)
Total owing	<u>(4,128)</u>	<u>(5,619)</u>
(c) Accrued revenues – Corporations Act		
Annual returns not yet lodged	5,693	8,345
Late fees attributable to annual returns	1,898	2,782
Total Accrued revenue	<u>7,591</u>	<u>11,127</u>

26. Liabilities administered on behalf of Government

	2003 \$'000	2002 \$'000
Payables		
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
Total payables	8,170	6,528

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)
<i>Closing administered assets less administered liabilities</i>	15,860	19,795	15,860	19,795
(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)
Total			425,473	401,010

28. Administered cash flow reconciliation

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

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)	25,000	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
Companies Unclaimed Monies Account <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	(3,292)	(892)
Special purpose disbursement	(400)	–
Bank charges	–	(1)
Management costs recovered by ASIC	(506)	(302)
Transfer to Official Public Account	(5,079)	(4,503)
Closing balance	47,620	33,818

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
Security Deposits under <i>Corporations Regulations 2001</i> regulation 10.2.45 (Dealers & investment advisers)		
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
Total	41,846	43,071
Security Deposits under <i>Corporations Act 2001</i> s1284(1) (Liquidators)		
Insurance bonds	5,550	5,550
Bank guarantees	500	500
Total	6,050	6,050

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)
Closing balance	–	47

(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)	–
Closing balance	16	–

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)
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	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.
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	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 %
Financial assets (recognised)											
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
Total		2,156	1,807	-	-	21,874	24,516	24,030	26,323		
Total assets											
Financial liabilities (recognised)											
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
Total		-	-	-	-	8,170	6,528	8,170	6,528		
Total liabilities											

(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
Administered financial assets				
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
Total financial assets	24,030	24,030	26,323	26,323
Financial liabilities (recognised)				
Refunds	4,556	4,556	1,458	1,458
Other monies	3,614	3,614	5,070	5,070
Total financial liabilities (recognised)	8,170	8,170	6,528	6,528

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.

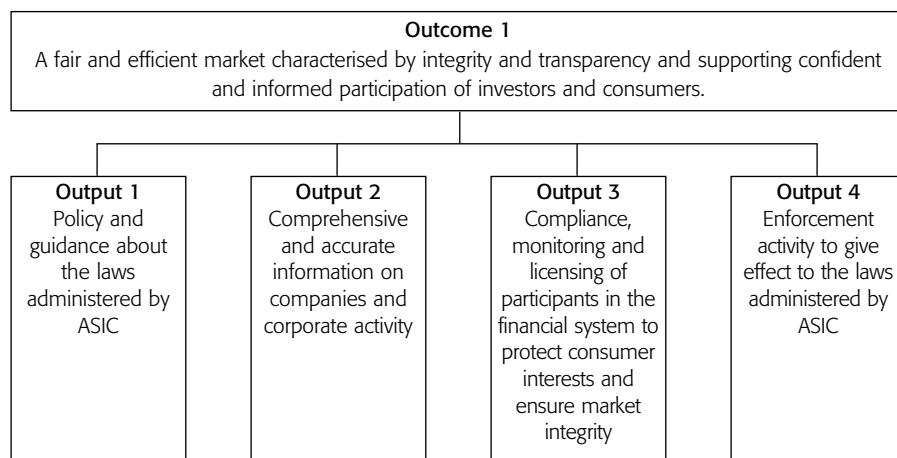


Table A: Net cost of outcome delivery

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

(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
Operating expenses										
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
Total operating expenses	9,736	9,024	46,142	42,746	47,689	44,182	69,040	63,985	172,607	159,937
Funded by:										
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
Total operating revenues	9,311	8,374	46,910	42,392	45,609	41,015	70,665	62,557	172,495	154,338

Table C: Administered revenues and expenses by outcome

	<i>Outcome 1</i>	
	2003 \$'000	2002 \$'000
Operating expenses		
Write-down of assets	7,538	10,610
Other	19,326	14,454
Total operating expenses	26,864	25,064
Operating revenues		
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
Total operating revenues	431,337	413,374

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>
Year ended 30 June 2003		
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)	–
Appropriation available to ASIC	159,981	148,821
Balance carried forward to next year	–	–
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)	–
Total revenues from Government (Note 3 refers)	162,832	145,970

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