

# Appendices

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# The role of Commissioners

The Commission is responsible for ASIC’s strategic direction and its priorities. The Commission meets regularly, usually monthly, to:

- ♦ make decisions on matters, within ASIC’s regulatory functions and powers, that have strategic significance
- ♦ oversee the management and operations of ASIC as a Commonwealth agency.

The Commission appoints and evaluates the performance of senior executive leaders, and approves budgets and business plans for each team.

Individual Commissioners also have executive responsibility for particular stakeholder and deterrence teams. See pages 8–9 for ASIC’s internal structure.

The Commission held 15 meetings in 2010–11.

## Commission meetings

Member	Eligible to attend	Attended
Tony D’Aloisio <sup>1</sup>	12	12
Belinda Gibson	14	14
Peter Boxall	15	15
Michael Dwyer	14	13
Greg Medcraft	15	14
Shane Tregillis	15	14

<sup>1</sup> Term complete, 12 May 2011.

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

Commissioners are appointed on fixed terms that may be terminated only for reasons set out in s111 of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). The Remuneration Tribunal sets Commissioners’ remuneration, which is not linked to their performance.

The ASIC Act requires Commission members to disclose to the Minister direct or indirect pecuniary interests in corporations carrying on business in Australia, businesses in Australia, or interests regulated by ASIC, or arrangements or agreements for future business relationships.

Michael Kingston, the chief legal officer, is the primary source of legal advice to the Commission, providing legal counsel to the Chairman on major regulatory and enforcement matters. Other independent legal and accounting experts also advise on specific matters.

The Commission delegates various powers and functions to senior executive leaders, regional commissioners, and staff reporting to them, to ensure that ASIC’s business is carried out efficiently and effectively. Delegations are reviewed regularly and the Commission requires its delegates to act in accordance with policies and procedures approved by the Commission.

ASIC operates under the *Financial Management and Accountability Act 1997*, which governs, primarily, its use of Commonwealth resources and expenditure of public money.

# ASIC's role as a regulator

## The *Australian Securities and Investments Commission Act 2001* (ASIC Act) requires ASIC to strive to:

- ♦ maintain, facilitate and improve the performance of the financial system and entities within it in the interests of commercial certainty, reducing business costs and increasing the efficiency and development of the economy
- ♦ promote confident and informed participation by investors and consumers in the financial system
- ♦ administer the law effectively and with a minimum of procedural requirements
- ♦ receive, process and store – efficiently and quickly – information that it is given
- ♦ make information about companies and other bodies available to the public as soon as practicable
- ♦ take whatever action it can take, and is necessary, to enforce and give effect to the law.

## ASIC regulates companies and financial services, and promotes investor, creditor and consumer protection under the:

- ♦ ASIC Act
- ♦ Corporations Act
- ♦ *First Home Saver Accounts Act 2008*
- ♦ *Insurance Contracts Act 1984*
- ♦ *Life Insurance Act 1995*
- ♦ *Medical Indemnity (Prudential Supervision and Product Standards) Act 2003*
- ♦ *National Consumer Credit Protection Act 2009* (National Credit Act)
- ♦ *National Consumer Credit Protection (Transitional and Consequential Provisions) Act 2009*
- ♦ *Retirement Savings Accounts Act 1997*
- ♦ *Superannuation (Resolution of Complaints) Act 1993*
- ♦ *Superannuation Industry (Supervision) Act 1993*.

## Other regulators

ASIC is a member of the Council of Financial Regulators, the coordinating body for Australia's main financial regulatory agencies. Other members are the Australian Prudential Regulation Authority (APRA), Treasury and the Reserve Bank of Australia (RBA). ASIC maintains an operational and policy relationship with the Australian Competition and Consumer Commission (ACCC). ASIC is also a member of IOSCO.

During 2010–11, the Chairman of ASIC, Tony D'Aloisio, continued to chair the international Joint Forum of financial supervisors drawn from 13 countries. The Joint Forum undertakes analytical and standard-setting projects on cross-sectoral issues for the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors and IOSCO.

## Responsible Ministers

At 30 June 2011, the Ministers responsible for ASIC are the Deputy Prime Minister and Treasurer, the Hon Wayne Swan MP, and the Assistant Treasurer and Minister for Financial Services and Superannuation, the Hon Bill Shorten MP. The Hon David Bradbury MP is the Parliamentary Secretary to the Treasurer.

## Parliamentary oversight

The Parliamentary Joint Committee on Corporations and Financial Services provides parliamentary oversight of ASIC. ASIC also appears before the Senate Standing Committee on Economics. ASIC appears before other parliamentary committees and inquiries as required.

## Relationship with states and territories

ASIC is a member of the Legislative and Governance Forum for Corporations, which provides oversight for Council of Australian Governments (COAG) ministers on legislation, inter-governmental agreements and treaties.

# Audit Committee and audit, assurance and compliance services

The Audit Committee operates independently of management and plays a key role in assisting the Chairman to discharge his or her responsibilities relating to the efficient, effective and ethical use of Commonwealth resources. The committee does this by providing independent oversight of, and reporting to the Chairman, governance and internal control frameworks, financial reporting and compliance with relevant legislation.

The committee reviewed ASIC's 2010–11 financial statements and provided advice to the Chairman and Commissioners on the preparation and review of financial statements before the Chairman signed the statements. The committee met four times during the year, supplemented by two special meetings to review ASIC's draft financial statements and the annual *Financial Management and Accountability Act 1997* compliance certificate.

## Audit Committee meetings

Members	No. of meetings	
	Eligible to attend	Attended
<b>Rob Savage</b>		
Appointed as independent member March 2000.	2 main meetings	2
Appointed Chairman January 2005; retired 29 January 2011.	2 special meetings	2
<b>Byram Johnston</b>		
Appointed as independent member January 2005.	4 main meetings	4
Reappointed January 2010; appointed Chairman 30 January 2011.	2 special meetings	2
<b>Geoffrey Applebee</b>		
Appointed independent member February 2010.	4 main meetings	4
Appointed Deputy Chairman 15 December 2010.	2 special meetings	2
<b>David Prothero</b>		
Appointed independent member March 2011.	2 main meetings	1
<b>Michael Dwyer</b>		
ASIC Commissioner. Appointed committee member December 2009.	4 main meetings	4
	2 special meetings	2
<b>Maree Blake</b>		
ASIC Queensland regional commissioner. Appointed committee member 1 September 2008. Resigned from committee September 2010.	1 main meeting	0
	1 special meeting	1
<b>Dr Pamela Hanrahan</b>		
ASIC Queensland regional commissioner.		
Appointed committee member November 2010.	3 main meetings	3

The previous chairman of the Audit Committee, Robert Savage, was succeeded by Byram Johnston at the expiration of Mr Savage's term. David Prothero was also appointed as an independent member. All three independent members are chartered accountants and company directors with significant financial, business and community experience. The internal appointees are Michael Dwyer, representing the Commission, and Queensland regional commissioner Dr Pamela Hanrahan (replacing Maree Blake).

A senior executive specialist, audit, assurance and compliance, was appointed in April 2011 to lead the internal audit function and report to the committee. The internal audit function is provided by ASIC's audit, assurance and compliance business unit, supported by Deloitte Touche Tohmatsu in a co-sourced arrangement. The Australian National Audit Office provides external audit services. Senior external and internal audit representatives attend committee meetings.

## Byram Johnston Chairman

Audit Committee  
July 2011

# External committees and panels

## Australian Government Financial Literacy Board

The Australian Government Financial Literacy Board works to improve financial literacy in Australia. Members are:

- ♦ Paul Clitheroe AM, ipac securities (chairman)
- ♦ Group Captain Robert Brown, Australian Defence Force Financial Services Consumer Council
- ♦ Hamish Douglass, Magellan Financial Group Limited
- ♦ Craig Dunn, AMP
- ♦ Linda Elkins, Colonial First State
- ♦ Fiona Guthrie, Australian Financial Counselling and Credit Reform Association (AFCCRA)
- ♦ Elaine Henry OAM, company director
- ♦ Peter Kell, Australian Competition and Consumer Commission
- ♦ Anthony Mackay, Centre for Strategic Education
- ♦ Ian Silk, AustralianSuper
- ♦ Michael Smith OBE, ANZ Banking Group
- ♦ Robert Thomas, Gardner Smith (Holdings) Pty Limited.

## Real Economy Business Advisory Committee

The Business Advisory Committee provides ASIC with strategic advice and feedback on the initiatives and operations of its Real Economy team, and the impact on business, particularly small companies, of proposed changes in those operations.

The committee includes a broad range of members drawn from the business community, industry and professional organisations. Members are:

- ♦ Dr Peter Boxall AO, Commissioner, ASIC (chairman)
- ♦ Paula Allen, member, Institute of Chartered Accountants Australia
- ♦ Christine Christian, Dun & Bradstreet

- ♦ Judith Fox, Chartered Secretaries Australia Sydney
- ♦ Simon Flowers, CPA Australia
- ♦ Steve Karro, BGL Corporate Solutions
- ♦ Andrew Madry, Australian Institute of Company Directors
- ♦ Geoffrey Nicoll, Law Council of Australia
- ♦ Tom Ravlic, Institute of Public Accountants
- ♦ Peter Strong, Council of Small Business Organisations of Australia
- ♦ Claire Wivell Plater, Gold Seal Risk Management Services
- ♦ Myron Zlotnick, Reckon Espreon.

Robert Zitek, Corporate Express IT Solutions, and Craig Stevens, Company Compliance & Advisory Service Australia, retired from the committee in October 2010.

## Consumer Advisory Panel

The Consumer Advisory Panel advises ASIC on current consumer protection issues and gives feedback on ASIC policies and activities. Members are:

- ♦ Jenni Mack, CHOICE (independent chairman)
- ♦ Karen Cox, Consumer Credit Legal Centre (CCLC) NSW Inc
- ♦ Jenni Eason, Australian Investors' Association (AIA)
- ♦ Vas Kolesnikoff, Australian Shareholders' Association (ASA)
- ♦ Jon O'Mally, Indigenous Consumer Assistance Network (ICAN)
- ♦ David McMillan, Legal Aid NSW
- ♦ Pam Mutton, Australian Financial Counselling and Credit Reform Association (AFCCRA)
- ♦ Michael O'Neill, National Seniors Australia (NSA)
- ♦ Wendy Schilg, National Information Centre on Retirement Investments (NICRI)
- ♦ Ian Yates, Council on the Ageing (COTA) Seniors Voice.

Stuart Wilson, ASA, stood down during the year and was replaced by Vas Kolesnikoff.

## External committees and panels continued

### External Advisory Panel

The External Advisory Panel comprises senior-level representatives from the financial services industry. The panel assists ASIC to gain a deeper understanding of developments and systemic risks within the industry. Members are from a range of sectors, ensuring ASIC is provided with advice and views on a broad range of issues. Members sit in a personal capacity; they do not represent organisations. Members are:

- ♦ John Stuckey (chairman)
- ♦ Alec Brennan
- ♦ Peter Hemming
- ♦ Peter Hunt AM
- ♦ Belinda Hutchinson AM
- ♦ Mark Johnson AO
- ♦ Catriona Lowe
- ♦ Charles Macek
- ♦ Allan Moss AO
- ♦ Bill Moss AM
- ♦ Mervyn Peacock
- ♦ Professor Ian Ramsay
- ♦ Jenny Seabrook
- ♦ Les Taylor AM
- ♦ John Thorn
- ♦ Garry Weaven.

### Markets Disciplinary Panel

The Markets Disciplinary Panel is the main forum for disciplinary action when market integrity rules are breached. The panel is a peer review body, consisting of part-time members with relevant market or professional experience. The current members of the panel have senior roles in broking firms and investment banks.

ASIC established the panel to make decisions about whether to issue infringement notices or accept enforceable undertakings for alleged breaches of market integrity rules. ASIC decides which matters are referred to the panel. Members are:

- ♦ Lisa Gay, Goldman Sachs (chairman)
- ♦ Richard Brasher, RBS Equities
- ♦ Ian Chambers, Morgan Stanley Australia
- ♦ Leigh Conder, Commonwealth Bank
- ♦ Geoffrey Louw, Bell Potter Securities (Bell Financial Group)
- ♦ Simon Gray, Shaw Stockbroking
- ♦ Michael Manford, Patersons Securities
- ♦ Russell McKimm, Patersons Securities.



In March former Chartwell Enterprises (in liquidation) director Graeme Hoy was sentenced to 13 years and nine months imprisonment following an ASIC investigation into the collapse of the Geelong-based company. Mr Hoy pleaded guilty to 44 deception charges regarding almost \$22 million, and three charges under the Corporations Act. The Age newspaper's colour magazine published a feature article about ASIC's probe, which included the photo above of the ASIC team who worked on the investigation. Pictured (L-R) are George Apostolos (senior forensic accountant), Warren Day (Regional Commissioner – Victoria), Greg Adams (senior investigator) and Joe Zubcic (senior manager). Photo: James Geer.

## Market Supervision Advisory Panel

The Market Supervision Advisory Panel was appointed to advise ASIC on its approach to its responsibilities in day-to-day supervision of the ASX. Members are from the financial services industry with experience in the legal, compliance, retail and institutional aspects of broking. Members are:

- ◆ Belinda Gibson, Deputy Chairman, ASIC (chairman)
- ◆ Stewart Adams, Morgan Stanley Smith Barney Australia
- ◆ David Dixon, Colonial First State Global Asset Management
- ◆ Ross Freeman, Minter Ellison
- ◆ Alix Gallo, Treasury
- ◆ Lisa Gay, Goldman Sachs
- ◆ April Mountfort, Macquarie Securities
- ◆ Grahame Pratt, RBS Equities
- ◆ Scott Webster, UBS AG Australia
- ◆ Brad Usasz, Wilson HTM Investment Group.

ASIC representatives include Mark Adams, senior executive leader; Greg Yanco, senior executive leader; Calissa Aldridge; Aidan O'Shaughnessy; and Tania Mayrhofer.

Ross Freeman, Lisa Gay and Grahame Pratt stood down from the panel after 30 June 2011. Dean Surkitt, Bell Potter Securities (Bell Financial Group), and Luke Randell, Citibank, have joined the panel.

Former Commissioner Shane Tregillis was also a member of this panel.



Canberra staff gather to celebrate ASIC's 20th anniversary.

# Outcomes: Portfolio Budget Statements

ASIC’s outcomes for 2010–11 are reported below against the Government’s Portfolio Budget Statements (PBS) where applicable to ASIC.

## Outcome 1: Improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks

### Program 1.1: Research, policy, compliance, education and information initiatives

**Program 1.1 Objective:** Program 1.1 contributes to Outcome 1 by improving industry behaviour where market integrity and consumer confidence are most at risk, and by helping consumers and retail investors make well-informed decisions in the financial economy.

Program 1.1 deliverables	Key performance indicators	2010–11 achievements
Improving industry behaviour		
<p>Financial economy programs for each major group of market participants designed to:</p> <ul style="list-style-type: none"> <li>monitor market developments and identify and prioritise factors and behaviours most likely to result in threats to market integrity and the fair treatment of consumers</li> <li>devise and implement information, guidance and regulatory initiatives most likely to reduce the threat of misconduct or mistreatment of consumers and retail investors</li> <li>target misconduct or mistreatment through tailored deterrence activity.</li> </ul>	<p>Improved confidence in market integrity.</p> <p>Improvements in quality and availability of financial advice.</p> <p>Improvements in conduct of market participants and corporates.</p>	<p>ASIC worked to improve behaviour across the financial industry through a range of compliance activities, as illustrated by the following:</p> <ul style="list-style-type: none"> <li>licensed 6,081 consumer credit providers under the National Credit Act; reviewed more than 5,000 advertisements to ensure firms were registered to engage in credit activities, as part of surveillance into consumer credit</li> <li>developed risk indicators to prioritise regulatory and policy issues in the financial advice sector</li> <li>reviewed 743 pieces of financial advice and caused a further 1,102 pieces of advice to be reviewed by licensees or independent experts</li> <li>reviewed 500 financial reports of listed entities and some larger unlisted entities</li> <li>inspected firms that audit entities of significant public interest</li> <li>conducted risk-based surveillance of investment banks and hedge funds to identify issues that pose significant regulatory risks</li> <li>reviewed the business models of three major trustees in superannuation, leading to improved compliance and disclosure.</li> </ul> <p>ASIC issued guidance on:</p> <ul style="list-style-type: none"> <li>related party transactions and expert reports, with the aim of improving quality information for investors</li> <li>disclosure of substantial holdings in listed entities arising from securities lending and prime broking activities</li> <li>directors’ duties in preventing insolvent trading.</li> </ul> <p>ASIC worked to improve confidence in the integrity of markets through a successful transition to a competitive environment for exchange market services. ASIC assumed responsibility for day-to-day, real-time market supervision and published new market integrity rules.</p>

Program 1.1 deliverables	Key performance indicators	2010–11 achievements
<b>Helping retail investors and consumers</b>		
<p>Retail investor and consumer programs designed to:</p> <ul style="list-style-type: none"> <li>♦ give consumers and retail investors access to clear, useful information about financial economy products and services</li> <li>♦ make financial advice more accessible and reliable</li> <li>♦ enhance community-wide financial literacy</li> <li>♦ enable consumers and retail investors to better assess the benefits and risks of decisions about financial products and services.</li> </ul>	<p>Improvements in retail investor and consumer perception of information received about products and services.</p> <p>Improvements in overall financial literacy levels.</p>	<p>ASIC worked to promote confident and informed participation by consumers in the financial system. This included:</p> <ul style="list-style-type: none"> <li>♦ launching the National Financial Literacy Strategy, which included the new MoneySmart website</li> <li>♦ contributing to financial literacy resources for teachers as part of the planned new national curriculum</li> <li>♦ piloting a new financial literacy program aimed at Indigenous Australians, including launching the Milba Djunga (Smart Money) website.</li> </ul> <p>ASIC worked to improve consumers' understanding of investments and complex products, and to ensure compliance by financial services businesses through reports, consultation papers and regulatory guides on CFDs, infrastructure funds, hedge funds, superannuation product disclosure, unlisted mortgage schemes and retail derivatives.</p>

### Program 1.2: Enforcement/deterrence

**Program 1.2 Objective:** Program 1.2 contributes to Outcome 1 by enforcing the law to maximise the deterrent effect and improve behaviour by entities subject to the laws that ASIC administers.

Program 1.2 deliverables	Key performance indicators	2010–11 achievements
<p>Deterrence programs designed to:</p> <ul style="list-style-type: none"> <li>♦ investigate suspicious conduct and take appropriate and timely criminal, civil or administrative action, especially where market integrity and consumers and retail investors are most at risk</li> <li>♦ create community confidence that the law is being effectively enforced</li> <li>♦ communicate clearly about ASIC's enforcement approach and outcomes to improve industry understanding and drive behavioural change in key risk areas</li> <li>♦ encourage industry participation in enhanced standards of behaviour (alleviating the need for additional regulation).</li> </ul>	<p>Clear alignment between ASIC enforcement actions and key risk areas.</p> <p>Improved stakeholder perceptions of how ASIC deals with people who don't comply with the law.</p>	<p>Achievements include:</p> <ul style="list-style-type: none"> <li>♦ 26 criminal proceedings completed</li> <li>♦ 34 civil proceedings completed</li> <li>♦ 14 enforceable undertakings</li> <li>♦ 24 negotiated outcomes.</li> </ul> <p><i>Corporate governance</i> Civil proceedings in directors' duties cases: Centro Properties Group and Fortescue Metals Group.</p> <p><i>Market integrity</i> Six people were sentenced on insider trading or market manipulation charges.</p> <p><i>Protecting consumers and investors</i> Concluded criminal prosecutions, including Chartwell Enterprises (in liquidation), Fincorp (in liquidation), Trio Capital (in liquidation) and Westpoint (in liquidation).</p>

# Outcomes: Portfolio Budget Statements continued

Program 1.2 deliverables	Key performance indicators	2010–11 achievements
ASIC finances preliminary investigations and reports by liquidators into the failure of companies with little or no assets, where it appears that enforcement action may result from the investigation and report. A particular focus of the Assetless Administration Fund is to curb fraudulent phoenix activity.		<p><i>Insolvency</i></p> <p>One registered liquidator committed to stand trial on fraud charges. One registered liquidator voluntarily resigned his appointments, and ASIC obtained orders by consent appointing new liquidators or deed administrators to 80 companies which he formerly administered.</p> <p>Visited 20 insolvency firms, carrying out 215 detailed external administration reviews.</p> <p>Conducted reviews of matters notified by the public or other sources regarding insolvency practitioner conduct in specific external administrations. ASIC undertook 96 transaction reviews.</p> <p>Reviewed 107 external administrations involving 163 registered liquidators (approximately 25% of the population).</p>

## Outcome 2: Streamlined and cost-effective interaction and access to information for business and the public through registry, licensing and business facilitation services

### Program 2.1: Legal infrastructure for companies and financial service providers

**Program 2.1 Objective:** Program 2.1 contributes to Outcome 2 by improving ASIC’s registry and stakeholder services, by developing initiatives for business and consumer stakeholders to:

- ♦ simplify their interactions with ASIC
- ♦ reduce the cost of those interactions.

Program 2.1 deliverables	Key performance indicators	2010–11 achievements
Modernising registry services		
<p>Programs designed to:</p> <ul style="list-style-type: none"> <li>♦ provide stakeholders with modern, efficient, accurate and cost-effective corporate register and licensing systems</li> <li>♦ improve public access to information about registered and licensed entities.</li> </ul>	Improved effectiveness and efficiency of registry and licensing services.	<p>Licensed 6,081 consumer credit providers.</p> <p>The credit licensing process was almost fully online and provides a model of lower-cost systems that ASIC can deploy for businesses.</p> <p>Extensive regulatory guidance was provided for consumer credit businesses.</p> <p>In 2010–11, 72.7% of the \$2.13 million forms lodged with ASIC were submitted online. This was up from 69.9% in 2009–10.</p> <p>Successfully laid the groundwork for the National Business Names register, which will provide a new single national business names source, reducing transaction costs for business.</p> <p>Progressed a technology transformation project to support further online services.</p>

Program 2.1 deliverables	Key performance indicators	2010–11 achievements
<b>Improving stakeholder services</b>		
<p>Programs designed to:</p> <ul style="list-style-type: none"> <li>♦ improve service delivery to better meet stakeholder needs</li> <li>♦ take prompt and appropriate regulatory action on reports of misconduct</li> <li>♦ provide accurate information and assistance to the public</li> <li>♦ provide accurate and useful information to industry stakeholders about the regulatory system and ASIC's administration of it.</li> </ul>	<p>Improved stakeholder satisfaction with ASIC's corporate register and other stakeholder services.</p>	<p>Achievements included:</p> <ul style="list-style-type: none"> <li>♦ 98% of company registrations completed within one business day</li> <li>♦ 98% of key documents lodged within 48 hours of receipt</li> <li>♦ 96% of emails responded to within 2 business days</li> <li>♦ 1,198 people reunited with a total of \$3.4 million of unclaimed money</li> <li>♦ 78% of reports about misconduct by a company or individual finalised within 28 days (12,207 of 15,634 reports)</li> </ul>
<b>Facilitating business</b>		
<p>Initiatives designed to:</p> <ul style="list-style-type: none"> <li>♦ reduce costs and red tape for business by making it easier to transact with ASIC</li> <li>♦ improve consultation with regulated entities and other stakeholders</li> <li>♦ administer the law to enhance commercial certainty and reduce business costs</li> <li>♦ facilitate inward and outward investment in Australian capital markets.</li> </ul>	<p>ASIC's regulatory system not seen as a major barrier to inward and outward capital flows.</p>	<p>To facilitate business, ASIC considers exemptions (waivers) from certain provisions in the law, as shown by the provision of in-principle decisions for 1,958 out of 2,623 applications for relief within 21 days.</p> <p>Major contributions to the international policy work of IOSCO; also chairing the international Joint Forum of financial supervisors.</p> <p>2011 Summer School – entitled <i>The new regulatory landscape</i> – attended by 314 delegates and 46 external speakers and panellists.</p> <p>Reported publicly the results of a comprehensive stakeholder survey to obtain a broad measure of perceptions of ASIC's performance.</p>

## Program 2.2: Banking Act 1959 and Life Insurance Act 1995 unclaimed money and special accounts

**Program 2.2:** ASIC is responsible for the administration of unclaimed money from banking and deposit-taking institutions, and life insurance institutions.

Program 2.2 deliverables	Key performance indicators	2010–11 achievements
<p>Provide an accurate register of unclaimed money and special accounts administered by ASIC.</p>	<p>Ensure refunds of unclaimed money are paid to successful claimants promptly.</p> <p>Ensure payments of money from special accounts are paid out promptly in accordance with the specified purposes or appropriate legislation.</p>	<p>Received \$90.8 million in unclaimed money. Approximately \$62 million paid out in claims.</p> <p>Continued program of actively reuniting owners of company unclaimed money with their funds. Returned approximately \$3.4 million to 1,198 claimants.</p>

# Outcomes: Portfolio Budget Statements continued

## Agency resource statement 2010–11

		Actual available appropriation for 2010–11 (\$'000s)	Cash payments made 2010–11 (\$'000s) <sup>1</sup>	Balance remaining 2010–11 (\$'000s)
Ordinary annual services <sup>2</sup>				
Departmental				
Departmental appropriation <sup>3</sup>		434,911	384,083	50,828
Administered expenses				
Outcome 1 – Assetless Administration Fund		3,450	2,279	NA
Total ordinary annual services	A	438,361	386,362	50,828
Other services				
Departmental non-operating				
Equity injections <sup>4</sup>		34,141	22,318	11,823
Total other services	B	34,141	22,318	11,823
Total annual appropriations (A+B)		472,502	408,680	62,651
Special appropriations limited by criteria/amount				
<i>Banking Act 1959</i>		NA	34,001	NA
<i>Life Insurance Act 1995</i>		NA	3,114	NA
Total special appropriations	C	NA	37,115	NA
Total appropriations excluding special accounts (A+B+C)		472,502	445,795	62,651
Special account <sup>5</sup>				
Opening balance		6,508	NA	NA
Appropriation receipts		30,000	NA	NA
Payments made		NA	32,014	NA
Total special account		NA	NA	4,494
		472,502	445,795	NA
Less appropriation drawn from annual appropriations above and credited to special accounts		(30,000)	–	NA
Total net resourcing for ASIC		442,502	445,795	NA

<sup>1</sup> Does not include goods and services tax (GST).

<sup>2</sup> Appropriation Bill (No. 1) 2010–11, Appropriation Bill (No. 3) 2010–11, prior year departmental appropriation and s31 relevant agency receipts. Excludes supplementary funding to be received in 2011–12 for work undertaken in 2010–11.

<sup>3</sup> Includes \$22.8 million for the Departmental Capital Budget. For accounting purposes this amount has been designated as 'contributions by owners'.

<sup>4</sup> Appropriation Bill (No. 2) 2010–11.

<sup>5</sup> Does not include Special Public Money.

## Expenses by outcome

	Budget <sup>1</sup> 2010–11 (1) (\$'000s)	Actual expenses 2010–11 (2) (\$'000s)	Variance: column (1) minus column (2) (\$'000s)
<b>Outcome 1:</b> Improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks			
<b>A</b> Administered expenses funded by administered appropriations	3,450	2,349	1,101
<b>B</b> Departmental expenses funded by departmental appropriations and own-source revenue	293,785	296,798	(3,013)
<b>Total for Outcome 1 (A+B)</b>	<b>297,235</b>	<b>299,147</b>	<b>(1,912)</b>
<b>Average FTE<sup>2</sup></b>	<b>1,421</b>	<b>1,458</b>	<b>(37)</b>
<b>Outcome 2:</b> Streamlined and cost effective interaction and access to information for business and the public through registry, licensing and business facilitation services			
<b>A</b> Administered expenses funded by administered appropriations	68,372	70,194	(1,822)
<b>B</b> Departmental expenses funded by departmental appropriations and own-source revenue	107,547	88,653	18,894
<b>Total for Outcome 2 (A+B)</b>	<b>175,919</b>	<b>158,847</b>	<b>17,072</b>
<b>Average FTE<sup>2</sup></b>	<b>526</b>	<b>435</b>	<b>91</b>

<sup>1</sup> Based on the 2010–11 forecast as set out in ASIC's 2011–12 Portfolio Budget Statements.

<sup>2</sup> 2011–12 Portfolio Budget Statements quoted the average staffing level, which is different from full-time equivalent (FTE). The average staffing level includes employees working on capital projects, while the FTE excludes employees working on capital projects.



ASIC Hobart executives celebrate ASIC's 20th anniversary. Pictured (L–R) are Jan Ludford, Alison Sully and Dianne Ratcliffe.

# Six-year summary of key stakeholder data

## Summary of key stakeholder data, 2005–11

Business data	2010–11	2009–10	2008–09	2007–08	2006–07	2005–06
Companies (total)	1,839,772	1,768,526	1,700,891	1,645,805	1,572,954	1,480,684
New companies registered	163,276 <sup>1</sup>	157,667	137,410	149,403	156,424	121,298
Australian financial services (AFS) licensees	4,883	4,874	4,803	4,768	4,625	4,415
Authorised financial markets	17	16	16	17	17	15
Licensed clearing and settlement facilities	5	5	5	5	5	5
Registered company auditors	5,114	5,207	5,345	5,495	5,658	5,848
Registered liquidators	669	664	660	674	689	747
Registered managed investment schemes (MISs)	4,270	4,339	4,651	5,108	4,680	4,310
Credit licences	6,081	n/a	n/a	n/a	n/a	n/a
Fundraising documents lodged	957	880	776	1,011	960	808
Product disclosure 'in use' notices	4,593	4,698	6,390	9,708	10,066	12,480
Takeovers	72	73	47	113	65	60
Criminals jailed	16	12	19	23	21	17
Fundraising where ASIC required additional disclosure	\$3.4bn	\$6bn	\$4bn	\$3bn	\$17bn	\$10bn
Recoveries, costs, compensation, fines or assets frozen	\$113m	\$302m	\$28m	\$146m	\$140m	\$215m
% successful litigation	90%	91%	90%	94%	97%	94%
Litigation concluded	202	156	186	280	430	386
Reports of crime or misconduct	15,634	13,372	13,633	11,436	10,682	12,075
Total searches of ASIC databases	68.5m	61m	60m	51m	55m	45m
% company data lodged on time	95%	95%	95%	95%	95%	94%
Fees and charges collected for the Commonwealth	\$622m	\$582m	\$552m	\$545m	\$519m	\$543m
Staff (average FTEs)	1,893	1,932	1,698	1,669	1,610	1,471

<sup>1</sup> Successful and completed applications.

# Reports required under statute and other requirements

## **Australian Securities and Investments Commission Act 2001**

As required by s136(2)(e), ASIC reports that in 2010–11 it did not exercise its powers under Part 15 of the *Retirement Savings Account Act 1997* or under Part 29 of the *Superannuation Industry (Supervision) Act 1993*. No relevant applications were received.

As required under s136(2)(g), ASIC reports that during the year it conducted inspections of four Australian audit firms jointly with the United States Public Company Accounting Oversight Board (PCAOB) pursuant to a statement of protocol between the two organisations. In connection with these joint inspections, ASIC shares certain information with the PCAOB under s11(14) of the ASIC Act. The inspections focus on audit quality, and include reviews of firms' quality control systems relating to audit, auditor independence systems and working papers for selected audit engagements.

## **Commonwealth fraud control guidelines**

In 2010–11, ASIC prepared a fraud risk assessment and updated its fraud control policy and plan for 2010–12. ASIC has appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes in place to minimise the effects of fraud and to comply with the Commonwealth fraud control guidelines.

## **Compensation for detriment caused by defective administration scheme**

No payments were made under this scheme in 2010–11.

## **External scrutiny of agency**

Two major matters are reportable:

- ♦ A Senate committee inquiry into the role of liquidators and administrators reported its findings. The committee said it believed ASIC was slow in responding to complaints about liquidators and administrators, and that ASIC did not have sufficient resources to monitor insolvency practices. The committee recommended transferring ASIC's oversight of corporate insolvency to Insolvency and Trustee Service Australia. The Government has declined to take up that recommendation. However, in June the Government published a consultation paper outlining wide-ranging reforms of the framework for personal and corporate insolvency. Consultations on those proposals are continuing.
- ♦ The NSW Court of Appeal in the James Hardie case (reported as *Morley & Ors v Australian Securities and Investments Commission* [2010] NSWCA 331) found that ASIC's obligation of fairness in running civil litigation included an obligation to call all material witnesses. This was the first occasion on which a court had held that such an obligation existed. ASIC has been granted special leave to appeal the decision by the High Court of Australia. Pending the conclusion of that appeal, ASIC has reviewed its conduct of relevant litigation and now considers whether any witnesses, additional to those required to prove ASIC's case, should be called in fulfilment of this obligation.

# Reports required under statute and other requirements continued

## **Freedom of Information Act 1982**

Members of the public have a right to apply to ASIC for access to documents in ASIC's possession under the *Freedom of Information Act 1982* (FOI Act).

Applications must be in writing, stating the documents requested. Requests should be sent to:

Senior Manager  
Administrative Law Team  
GPO Box 9827  
Sydney NSW 2001

For further information on how to apply, visit [www.asic.gov.au](http://www.asic.gov.au).

Categories of documents in ASIC's possession include the following:

In relation to operational matters:

- ♦ licence and professional registration applications
- ♦ applications from businesses, correspondence, internal working papers, policy proposals and submissions
- ♦ administrative, civil and criminal enforcement matters, including documents obtained under ASIC's compulsory powers.

Other categories include:

- ♦ 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, regulatory documents, media releases, information releases, pamphlets and annual reports
- ♦ other documents held as public database information (ASCOT).

ASIC advises that members of the public may inspect and purchase *ASIC Digest*, which contains, among other things, regulatory documents, information brochures, media releases, advisories, summaries of most ASIC instruments, class orders and pro forma for various types of standard relief. *ASIC Digest* is available by subscription from Thomson Reuters, phone 1300 304 197.

Documents available to the public through ASIC's website, ASCOT or *ASIC Digest* and library material maintained for reference purposes are not available under the FOI Act.

From 1 May 2011, agencies subject to the FOI Act are required to publish information for the public as part of the information publication scheme (IPS). This requirement is in Part 2 of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. An agency plan showing what information is published in accordance with the IPS requirements is accessible from agency websites.

## **Grants programs**

The Assetless Administration Fund (AAF) is a grant scheme that funds liquidators of companies that have few or no assets to investigate potential breaches of the law. The funding allocation of \$3.4 million for 2010–11 was fully utilised. Significant matters funded included Great Southern (in liquidation) (receiver and manager appointed), Trio Capital (in liquidation) and Allco Finance Group (in liquidation) (receiver and manager appointed). Funded liquidator reports assisted in approximately 70% of director bannings in 2010–11.

# Consultancies and expenditure on advertising

## Commonwealth Electoral Act 1918

Section 311A of the *Commonwealth Electoral Act 1918* requires agencies to report on expenditure to advertising agencies, market research organisations, polling organisations and direct mail organisations. Sums less than \$11,500 are not required to be reported. All sums are GST inclusive, and are actual expenditure, for 2010–11.

Advertising agencies	Expenditure	Purpose
Universal McCann	\$184,284	National consumer credit – responsible borrowing and managing credit, advertorial, high-circulation women's magazines, 2011
I&G Pty Ltd	\$29,317	National consumer credit – book-up provider awareness, radio campaign, remote locations, 2010
AdCorp Australia	\$198,621	Total recruitment advertising

## Market and professional research, media advice

Market and professional research, media advice	Expenditure	Purpose
Allen Consulting Group	\$223,999	External stakeholder survey. External supplier recruited to bring independence and specialist abilities to the research, 2010. Results reported on ASIC website. Previous survey conducted 2008.
Colmar Brunton Social Research	\$74,800	Field research, financial advice.
Orima Research	\$77,501	Advised on and conducted research among ASIC staff on perceptions of working at ASIC. Results and analysis (including using APS benchmark), results reported to ASIC.
Susan Bell Research	\$65,000	Research commissioned by ASIC's Consumer Advisory Panel on the social impact of financial loss. Also, qualitative research to meet ASIC's objectives of understanding 'capital protected' or 'capital guaranteed' investors' perceptions, expectations and motivations.
Cox Inall Communications	\$23,821	Services and advice, launch of MoneySmart website, 2011.

# Consultancies and expenditure on advertising continued

## Managing procurement

The *Financial Management and Accountability Act 1997* primarily governs ASIC's use of Commonwealth resources and expenditure of public money. To assist ASIC in meeting its obligations under the Act, a central procurement team oversees major procurement activities, develops and maintains ASIC's procurement processes and systems, and provides procurement support and training to staff.

Responsibility for procurement lies with the appropriate financial delegates. To support them, the procurement team advises on risk management, probity, specification development and contract management.

The central procurement team also manages procurements of \$80,000 or more, and complex procurements below this amount that have been referred by delegates.

Qualified procurement officers manage complex procurements, ensuring ASIC follows the principles and policies of the *Commonwealth Procurement Guidelines* (CPG).

All major contracts entered into in 2010–11 contained provisions, as required, allowing the Auditor-General access to information held by contractors relating to contract performance.

ASIC is compliant in its purchasing with the CPG as supported by internal audit findings and the annual CEO certification process.

Exceptions to the CPG and the Act – where they occur – are reported to the responsible Minister and the Minister for Finance as required.

## Using AusTender

ASIC advertises all open tender opportunities through the AusTender website: [www.tenders.gov.au](http://www.tenders.gov.au).

Contracts of \$100,000 or more were reported on ASIC's website, in accordance with the Senate order on departmental and agency contracts.

Information on contracts and consultancies awarded by ASIC is also available on the AusTender website. ASIC's annual procurement plan was published on AusTender by 1 July 2010 and updated in January 2011.

During 2010–11, 51 new consultancy contracts were entered into involving total actual expenditure of \$1,976,285. In addition, 56 ongoing consultancy contracts were active during the year, involving total actual expenditure of \$2,282,550.

There were no contracts that were exempted from the contract reporting requirements.

### Consultancy trend data

	2010–11	2009–10	2008–09
Number of new consultancies	51	55	127
Expenditure on new consultancies (millions)	\$1.976	\$3.59	\$4.53
Number of ongoing consultancies	56	27	24
Expenditure on ongoing consultancies (millions)	\$2.282	\$5.60	\$0.28

Note: Sums are GST inclusive and include all consultancies valued over \$10,000 as indicated on AusTender. Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website: [www.tenders.gov.au](http://www.tenders.gov.au).

# Significant compulsory information-gathering powers

Beginning this year, ASIC reports the use of its significant compulsory information-gathering powers under statute. This appendix discloses data by number of instances in 2010–11. In future, data will be reported compared with information for the previous year.

## Significant compulsory information-gathering powers by number of instances

### Appear for examination

s19 ASIC Act	Requirement to appear for examination	616
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### Give reasonable assistance

s1317R Corporations Act	Power to require assistance in prosecutions	37
s253 National Credit Act	Requirement to provide reasonable assistance	11
s49(3) ASIC Act	Power to require reasonable assistance in a prosecution	42
s51 National Credit Act	Requirement to provide reasonable assistance	1
s601FF Corporations Act	Power to conduct surveillance/monitor managed investment scheme	33
s912E Corporations Act	Power to require assistance and disclosure of books and information from an AFS licensee	608

### Produce documents

s266 National Credit Act	Requirement to produce books (credit activities)	145
s267 National Credit Act	Requirement to produce books	80
s30 ASIC Act	Notice to produce books about affairs of body corporate or registered scheme	1,216
s31 ASIC Act	Notice to produce books about financial products	366
s32A ASIC Act	Notice to produce books about financial services	4
s33 ASIC Act	Notice to produce books in person's possession	2,044

### Provide information

s12GY(2) ASIC Act	ASIC to require claims to be substantiated	3
s49(1) National Credit Act	Requirement to provide information (statement)	69
s912C Corporations Act	Power to require information from an AFS licensee	305
Item 17 Schedule 2 National Credit Act	Power to require information (obtain statement or audit report)	57
s672A Corporations Act	Power to require disclosure of relevant interests	21
s672B Corporations Act	Power to require disclosure of relevant interests	21
s37(4) National Credit Act	Power to request information or audit report from licence applicant	2
s792D Corporations Act	Power to require reasonable assistance from a market licensee	4

### Provide information and books

s30A ASIC Act	Notice to auditors requiring information or books	29
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### Search warrants

sS3E Crimes Act (Cth)	Warrants to search premises/conveyance or person	6 <sup>1</sup>
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<sup>1</sup> In two individual investigations.

# Significant compulsory information-gathering powers continued

The table on page 85 lists the compulsory information-gathering powers used for the relevant period. Any powers available to ASIC that were not used are not listed. Although all instances of use of a power are recorded, the manual collection of this data may mean that some notices have not been captured in these figures. ASIC believes that this would not make a material difference to the overall total.

Challenges to the use of ASIC's information-gathering powers can be made via several avenues. There were two challenges via the courts in 2010–11:

- ♦ *ASIC v Sigalla* was a challenge to the admission of evidence on the basis that various notices were invalid. In final judgment, some of these challenges were upheld. In response to this decision, ASIC reviewed its processes and procedures and found that no changes needed to be made as this was an isolated incident.
- ♦ *Riotto v ASIC* was an application under the *Administrative Decisions (Judicial Review) Act 1977* challenging a notice to provide reasonable assistance. This matter was eventually settled on the basis that ASIC agreed to accept a different form of reasonable assistance that would satisfy the notice.

ASIC's professional standards unit reviews serious complaints from members of the public about misuse of ASIC's powers and makes recommendations where ASIC's policies or procedures need to be updated or additional training is required. In 2010–11 there were three complaints to the unit relating to use of powers. None of these complaints were substantiated following investigation.

Complaints about the use of compulsory information-gathering powers may be made to the Commonwealth Ombudsman. No such complaints were made this year.

Information on ASIC's compulsory information-gathering powers can be found in Information Sheet 145 *ASIC's compulsory information-gathering powers* at [www.asic.gov.au](http://www.asic.gov.au).



Commissioners taking part in a panel discussion at the 2011 ASIC Summer School. Pictured (L–R) former Commissioner Shane Tregillis, former Commissioner and current Chairman Greg Medcraft, Commissioners Michael Dwyer and Peter Boxall, Deputy Chairman Belinda Gibson and former Chairman Tony D'Aloisio.

# Major deterrence outcomes

Major deterrence outcomes by type of action are summarised in the following table.

## Major deterrence outcomes

Type of action	2010–11	2009–10
Litigation completed (total)	202	156
Litigation completed successfully	90%	91%
New litigation commenced	130	217
Investigations commenced	175	180
Investigations completed	184	133
Criminal proceedings completed	26	23
No. of people convicted	25	22
No. of people jailed	16	12
Non-custodial sentences/fines <sup>1</sup>	9	11
Civil proceedings completed	34	30
Illegal schemes shut down or other action taken	30	50
People removed from directing companies	72	90
People/companies banned from financial services or consumer credit	64	41
Action against auditors/liquidators	5	5
No. of enforceable undertakings	14	8
Negotiated outcomes	24	6

<sup>1</sup> Non-custodial sentences may include people who were sentenced to imprisonment, but were immediately released on recognisance orders, or similar orders.

# Financial statements

FOR THE YEAR ENDED 30 JUNE 2011

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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Parliamentary Secretary to the Treasurer**

I have audited the accompanying financial statements of the Australian Securities and Investments Commission (the Commission) for the year ended 30 June 2011, which comprise: a Statement by the Chief Executive and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Schedule of Asset Additions; Schedule of Administered Items and Notes to and forming part of the financial statements, including a Summary of significant accounting policies.

### ***Chairman's Responsibility for the Financial Statements***

The Commission's Chairman is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as the Chairman determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting

estimates made by the Commission's Chairman, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Independence***

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

### ***Opinion***

In my opinion, the financial statements of the Australian Securities and Investments Commission:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Australian Securities and Investments Commission's financial position as at 30 June 2011 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Carla Jago  
Executive Director  
Delegate of the Auditor General

Canberra

11 August 2011

## Statement by Chief Executive and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2011 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

This statement is made in accordance with a resolution of the Commission members.

A handwritten signature in black ink, appearing to read 'G. J. Medcraft', with a long horizontal stroke extending to the right.

**G. J. Medcraft**

Chairman  
11 August 2011

A handwritten signature in black ink, appearing to read 'M. M. Haerewa', with a stylized, cursive script.

**M. M. Haerewa**

Chief Financial Officer  
11 August 2011

# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

EXPENSES	Notes	2011 \$'000	2010 \$'000
Employee benefits	4A	221,497	208,232
Supplier expenses	4B	121,354	147,260
Depreciation and amortisation	4C	41,511	27,865
Finance costs	4D	487	488
Write-down and impairment of assets	4E	602	2,712
Losses from asset sales	4F	–	13
<b>Total expenses</b>	<b>31B</b>	<b>385,451</b>	<b>386,570</b>
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<b>Own-source revenue</b>			
Rendering of services	5A	4,412	3,734
Royalties	5B	203	250
Other revenues	5C	19,329	7,208
<b>Total own-source revenue</b>		<b>23,944</b>	<b>11,192</b>
<b>Gains</b>			
Other gains	5D	176	172
<b>Total own-source income</b>		<b>24,120</b>	<b>11,364</b>
<b>Net cost of services</b>		<b>361,331</b>	<b>375,206</b>
Revenues from Government <sup>1</sup>	5E	324,038	370,229
<b>(Deficit) attributable to the Australian Government</b>		<b>(37,293)</b>	<b>(4,977)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in asset revaluation reserve		–	973
<b>Total comprehensive (loss) attributable to the Australian Government<sup>1</sup></b>	<b>3A</b>	<b>(37,293)</b>	<b>(4,004)</b>

1 The reduction in Revenues from Government in 2010–11 is the result of the revised cash funding arrangements for Commonwealth agencies. Under the new arrangements, which were introduced by Federal Government from 1 July 2010, depreciation and amortisation funding ceased. From 1 July 2010 a new appropriation referred to as 'Departmental Capital Budget' (DCB) was introduced. The DCB is included as contributed equity in the 2010–11 Statement of Changes in Equity and is not shown as 'Revenue from Government' in the 2010–11 Statement of Comprehensive Income (see Note 3).

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# Balance Sheet

AS AT 30 JUNE 2011

	Notes	2011 \$'000	2010 \$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	6A	4,734	189
Trade and other receivables	6B	76,557	72,046
<i>Total financial assets</i>		<u>81,291</u>	<u>72,235</u>
<b>Non-financial assets</b>			
Leasehold improvements	7A	63,263	68,072
Plant and equipment	7B	25,870	23,893
Intangibles	7C	113,709	82,611
Other non-financial assets	7D	4,722	8,271
<i>Total non-financial assets</i>		<u>207,564</u>	<u>182,847</u>
<b>Total assets</b>		<u>288,855</u>	<u>255,082</u>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	8A	24,435	22,436
Other payables	8B	62,800	54,664
<i>Total payables</i>		<u>87,235</u>	<u>77,100</u>
<b>Provisions</b>			
Employee provisions	9A	53,838	50,071
Other provisions	9B	9,144	10,918
<i>Total provisions</i>		<u>62,982</u>	<u>60,989</u>
<b>Total liabilities</b>		<u>150,217</u>	<u>138,089</u>
<i>Net assets</i>		<u>138,638</u>	<u>116,993</u>
<b>EQUITY</b>			
Contributed equity		143,564	84,626
Reserves		6,473	6,473
Accumulated surplus/(deficit)		(11,399)	25,894
<i>Total equity</i>		<u>138,638</u>	<u>116,993</u>

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

# Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Accumulated surplus/(deficit)		Asset revaluation reserve		Contributed equity		Total equity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Opening balance		25,894	27,471	6,473	8,900	84,626	76,214	116,993	112,585
<b>Comprehensive income</b>									
Revaluation									
Leasehold improvements	7E	–	–	–	1,262	–	–	–	1,262
Restoration obligations	9B	–	–	–	(289)	–	–	–	(289)
(Deficit)	3A	(37,293)	(4,977)					(37,293)	(4,977)
<b>Total comprehensive (loss)/income attributable to the Australian Government</b>		(37,293)	(4,977)	–	973	–	–	(37,293)	(4,004)
Transfer from the asset revaluation reserve to retained earnings		–	3,400	–	(3,400)	–	–	–	–
<b>Transactions with owners</b>									
<b>Contributions by owners</b>									
Appropriations – contributed equity	3B	–	–	–	–	58,938	10,065	58,938	10,065
<b>Distribution to owners</b>									
Returns of capital:									
Finance Minister's determination									
No. 11 of 2009–10 Schedule 8		–	–	–	–	–	(1,653)	–	(1,653)
<b>Sub-total transactions with owners</b>		–	–	–	–	58,938	8,412	58,938	8,412
<b>Closing balance attributable to the Australian Government</b>		(11,399)	25,894	6,473	6,473	143,564	84,626	138,638	116,993

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$'000	2010 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		355,069	414,444
Services		9,059	3,475
Net GST received		19,085	20,067
Other cash received		19,533	7,459
<b>Total cash received</b>		<b>402,746</b>	<b>445,445</b>
<b>Cash used</b>			
Employees		217,135	199,310
Suppliers		139,382	170,078
Return to Government – ESA court costs recovered		–	815
Transfers to the Official Public Account		26,123	7,574
<b>Total cash used</b>		<b>(382,640)</b>	<b>(377,777)</b>
<b>Net cash from operating activities</b>	10	<b>20,106</b>	<b>67,668</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash used</b>			
Purchase of leasehold improvements, plant and equipment and intangibles		67,982	78,841
<b>Net cash (used) by investing activities</b>		<b>(67,982)</b>	<b>(78,841)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations – contributed equity		52,421	8,412
<b>Net cash from financing activities</b>		<b>52,421</b>	<b>8,412</b>
<b>Net increase/(decrease) in cash held</b>		<b>4,545</b>	<b>(2,761)</b>
Cash and cash equivalents at the beginning of the reporting period		189	2,950
<b>Cash and cash equivalents at the end of the reporting period</b>	6A	<b>4,734</b>	<b>189</b>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

# Schedule of Commitments

FOR THE YEAR ENDED 30 JUNE 2011

BY TYPE	2011 \$'000	2010 \$'000
Commitments payable		
Capital commitments		
Leasehold improvements <sup>1</sup>	–	1,013
Plant and equipment <sup>1</sup>	–	3,663
Intangibles <sup>1</sup>	1,700	8,337
<b>Total capital commitments</b>	<b>1,700</b>	<b>13,013</b>
Other commitments		
Operating leases <sup>2</sup>	263,100	289,787
Other commitments (goods and services)	79,280	64,619
<b>Total other commitments</b>	<b>342,380</b>	<b>354,406</b>
Less: commitments receivable		
GST recoverable on commitments	31,280	33,402
<b>Total commitments receivable</b>	<b>31,280</b>	<b>33,402</b>
<b>Net commitments by type</b>	<b>312,800</b>	<b>334,017</b>
BY MATURITY		
Commitments payable		
Capital commitments		
One year or less	1,700	13,013
<b>Total capital commitments</b>	<b>1,700</b>	<b>13,013</b>
Operating lease commitments		
One year or less	31,227	31,574
From one to five years	127,349	121,093
Over five years	104,524	137,120
<b>Total operating lease commitments</b>	<b>263,100</b>	<b>289,787</b>
Other commitments (goods and services)		
One year or less	54,286	20,122
From one to five years	24,994	44,497
<b>Total other commitments</b>	<b>79,280</b>	<b>64,619</b>
Less: commitments receivable		
GST recoverable on commitments		
One year or less	10,201	5,883
From one to five years	11,577	15,054
Over five years	9,502	12,465
<b>Total commitments receivable</b>	<b>31,280</b>	<b>33,402</b>
<b>Net commitments by maturity</b>	<b>312,800</b>	<b>334,017</b>

1 Outstanding contractual payments for purchases of leasehold improvements, plant and equipment and intangibles.

2 Operating leases included are effectively non-cancellable and comprise:

## Nature of lease

Leases for office accommodation  
Motor vehicles – senior executives  
Office equipment

## General description of leasing arrangement

Subject to fixed increases and annual or bi-annual rent reviews.  
No contingent rentals exist. There are no purchase options available to ASIC.  
No contingent rentals exist. There are no purchase options available to ASIC.

Commitments are GST inclusive where relevant.

The above Schedule of Commitments should be read in conjunction with Note 1 of the Financial Statements.

# Schedule of Contingencies

AS AT 30 JUNE 2011

	Notes	2011 \$'000	2010 \$'000
<b>CONTINGENT ASSETS</b>			
Contingent receivables		1,452	735
<b>Total contingent assets</b>	11	<b>1,452</b>	<b>735</b>
<b>CONTINGENT LIABILITIES</b>			
Contingent payables			
Contingent payables		480	50
<b>Total contingent liabilities</b>	11	<b>480</b>	<b>50</b>

Details of all contingent liabilities and assets, including those not included above because they cannot be quantified, are disclosed in Note 11: Contingent liabilities and assets.

The above Schedule of Contingencies should be read in conjunction with the accompanying notes.

# Schedule of Asset Additions

FOR THE YEAR ENDED 30 JUNE 2011

The following non-financial non-current assets were added in 2010–11

	Leasehold improvements \$'000	Plant & equipment \$'000	Intangibles \$'000	Total \$'000
Purchases:				
Funded by equity injections	–	3,900	18,418	22,318
Funded by departmental capital budget	1,198	5,086	32,249	38,533
Funded by section 31 receipts	3,823	1,787	3,769	9,379
<b>Total funded additions 2010–11</b>	<b>5,021</b>	<b>10,773</b>	<b>54,436</b>	<b>70,230</b>

The following non-financial non-current assets were added in 2009–10

	Leasehold improvements \$'000	Plant & equipment \$'000	Intangibles \$'000	Total \$'000
Purchases:				
Funded by equity injections	–	–	23,577	23,577
Funded by appropriation ordinary annual services	44,514	18,784	17,060	80,358
<b>Total funded additions in 2009–10</b>	<b>44,514</b>	<b>18,784</b>	<b>40,637</b>	<b>103,935</b>
Additions recognised in 2009–10 to be funded in future years				
Make-good	3,562	–	–	3,562
<b>Total additions</b>	<b>48,076</b>	<b>18,784</b>	<b>40,637</b>	<b>107,497</b>

# Schedule of Administered Items

FOR THE YEAR ENDED 30 JUNE 2011

<b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>	<b>Notes</b>	<b>2011 \$'000</b>	<b>2010 \$'000</b>
Revenue			
Non-taxation revenue			
<i>Corporations Act and National Consumer Credit Protection Act fees and fines</i> <sup>1</sup>	17A	622,105	581,509
<i>Banking Act unclaimed moneys</i> <sup>2</sup>	17A	57,291	53,740
<i>Life Insurance Act unclaimed moneys</i> <sup>3</sup>	17A	5,505	4,629
<i>Total income administered on behalf of Government</i>	21	684,901	639,878

## EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT

Grants <sup>4</sup>	18A	2,349	3,130
Write-down and impairment of assets	18B	33,079	33,137
Other expenses	18C	37,115	31,740
<i>Total expenses administered on behalf of Government</i>	21	72,543	68,007

ASIC's functions in administering revenues and expenses on behalf of the Government are described below:

- 1 ASIC collects and administers revenue under the *Corporations Act 2001* and prescribed fees set by the *Corporations (Fees) Act 2001* and *Corporations (Review Fees) Act 2003*. Since 1 July 2010, ASIC also collects and administers revenue under the *National Consumer Credit Protection Act 2009* and prescribed fees under the *National Consumer Credit Protection (Fees) Regulation 2010*. This revenue is not available to ASIC and is remitted to the Official Public Account (OPA).
- 2 ASIC has responsibility for the administration of unclaimed moneys received from banking and deposit-taking institutions. Moneys received from banking and deposit-taking institution accounts that remain inactive for seven years are transferred to the Commonwealth and are deposited into the OPA.
- 3 ASIC also administers moneys received from life insurance institutions and friendly societies. Moneys received 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.
- 4 On behalf of the Government, ASIC administers payments to registered insolvency practitioners. These payments are used to fund preliminary investigations of suspected breaches of directors' duties and fraudulent misconduct. The outcomes of the findings made by insolvency practitioners are reported to ASIC.

<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>	<b>Notes</b>	<b>2011 \$'000</b>	<b>2010 \$'000</b>
Financial assets			
Cash and cash equivalents	19A	3,167	3,017
Receivables	19B	97,738	86,946
<i>Total assets administered on behalf of Government</i>		100,905	89,963

## LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT

Payables			
Suppliers	20	10,608	7,826
<i>Administered assets less administered liabilities</i>	21	90,297	82,137

The above Schedule of Administered Items should be read in conjunction with the accompanying notes.

# Schedule of Administered Items continued

FOR THE YEAR ENDED 30 JUNE 2011

<b>ADMINISTERED CASH FLOWS</b>	<b>Notes</b>	<b>2011 \$'000</b>	<b>2010 \$'000</b>
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
<i>Corporations Act and National Consumer Credit Protection Act</i> fees and charges		580,938	549,181
<i>Banking Act</i> unclaimed moneys		57,291	53,740
<i>Life Insurance Act</i> unclaimed moneys		5,505	4,629
Net GST received		236	341
<b>Total cash received</b>		<b>643,970</b>	<b>607,891</b>
<b>Cash used</b>			
Refunds paid to:			
Deposit-taking institution account holders		34,001	28,024
Life insurance policy holders		3,114	3,716
Grants		2,507	3,493
<b>Total cash (used)</b>		<b>(39,622)</b>	<b>(35,233)</b>
<b>Net cash from operating activities</b>	22	<b>604,348</b>	<b>572,658</b>
<b>Net increase in cash held</b>		<b>604,348</b>	<b>572,658</b>
Cash and cash equivalents at the beginning of the reporting period		3,017	3,072
Cash from Official Public Account for:			
– Appropriations	21	46,272	40,854
		<b>49,289</b>	<b>43,926</b>
Less: Cash to Official Public Account for:			
– <i>Corporations Act and National Consumer Credit</i> <i>Protection Act</i> fees and charges		587,674	554,478
– <i>Banking Act</i> unclaimed moneys		57,291	53,740
– <i>Life Insurance Act</i> unclaimed moneys		5,505	4,629
– Return of previous year's unspent appropriation		–	347
– Section 30A GST refunded		–	341
– Previous years' interest revenue		–	32
	21	<b>(650,470)</b>	<b>(613,567)</b>
<b>Cash and cash equivalents at end of the reporting period</b>	19A	<b>3,167</b>	<b>3,017</b>

The above Schedule of Administered Items should be read in conjunction with the accompanying notes.

# Schedule of Administered Items continued

FOR THE YEAR ENDED 30 JUNE 2011

## ADMINISTERED COMMITMENTS

As at 30 June 2011 ASIC has \$0.257m administered commitments payable (2010: \$0.5m). The commitments payable at 30 June 2011 relate to services from registered insolvency practitioners to investigate suspected breaches of the directors' duties and fraudulent misconduct. The administered commitments payable at 30 June 2011 were due within 1 year.

As at 30 June 2011 ASIC has \$0.023m administered commitments receivable (2010: \$0.05m). The administered commitments receivable at 30 June 2011 relate to GST refundable.

## ADMINISTERED CONTINGENT ASSETS

There were no administered contingent assets as at 30 June 2011 (2010: nil).

ADMINISTERED CONTINGENT LIABILITIES	Notes	2011 \$'000	2010 \$'000
Payables – Refunds to claimants			
<i>Banking Act</i> administration	23	38,193	37,242
<i>Life Insurance Act</i> unclaimed moneys	23	5,157	5,216
		<u>43,350</u>	<u>42,458</u>

Details of each class of contingent liabilities in the above table are disclosed in Note 23.

The above Schedule of Administered Items should be read in conjunction with the accompanying notes.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

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## Note 1: Summary of significant accounting policies

### 1.1 Objectives of the Australian Securities and Investments Commission

The Australian Securities and Investments Commission (ASIC) is an independent Commonwealth Government body operating under the *Australian Securities and Investments Commission Act 2001* (ASIC Act) to administer the *Corporations Act 2001*, and other legislation, throughout Australia. ASIC's objectives as outlined in the section 1(2) of the ASIC Act include:

- the promotion of confident and informed participation of investors and consumers in the financial system;
- the maintenance, facilitation and improvement in the performance of the financial system and the entities within that system in the interests of commercial certainty, reducing business costs, and the efficiency and development of the economy; and
- to administer the laws that confer functions and powers on it effectively and with a minimum of procedural requirements.

ASIC collects and administers revenue under the *Corporations Act 2001* and the *National Consumer Credit Protection Act 2009* and prescribed fees set by the *Corporations (Fees) Act 2001*, the *Corporations (Review Fees) Act 2003* and the *National Consumer Credit Protection Act 2009*. This revenue is not available to ASIC and is remitted to the Official Public Account (OPA). Transactions and balances relating to these fees are reported as administered items. Administered items are distinguished by shading in these financial statements.

ASIC's financial results are reported in the context of the Government's outcomes (see Note 31). Any intra-government costs included in arriving at the amount shown as 'net cost/contribution of outcome' are eliminated in calculating the Federal budget outcome for the Government overall.

Government outcomes are the intended results, impacts or consequences of actions by the Australian Government on the Australian community. ASIC is structured to meet the following outcomes:

Outcome 1: Improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks.

Outcome 2: Streamlined and cost effective interaction and access to information for business and the public, through registry, licensing and business facilitation services.

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

ASIC is an agency prescribed under Schedule 1, Part 1 of the *Financial Management and Accountability Regulations 1997* (FMA Regulations).

### 1.2 Basis of preparation of the financial statements

The financial statements and notes are required by section 49 of the *Financial Management and Accountability Act 1997* (FMA Act) and are general purpose financial statements.

The financial statements and notes have been prepared in accordance with the:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2010; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 1: Summary of significant accounting policies continued

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to ASIC or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are not recognised are reported in the Schedule of Commitments or the Schedule of Contingencies (other than unquantifiable contingencies, which are reported at Note 11).

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets, liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for ASIC items, except where stated in Note 1.20.

### 1.3 Changes in accounting policy

There have been no changes in accounting policies during the year ended 30 June 2011.

### 1.4 Significant accounting judgements and estimates

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

### 1.5 New Australian Accounting Standards

#### Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. The following new accounting standards, amendments to standards and interpretations were issued by the Australian Accounting Standards

Board prior to the signing date are applicable to the current reporting period, but have not had a material financial impact on ASIC:

- ♦ AASB 7 *Financial Instruments: Disclosure* – June 2010 (Compilation)
- ♦ AASB 118 *Revenue* – May 2009 (Compilation)
- ♦ AASB 132 *Financial Instruments: Presentation* – June 2010 (Compilation)
- ♦ AASB 139 *Financial Instruments: Recognition and Measurement* – June 2009 (Compilation).

Other new standards or revised standards that were issued prior to the signing date and are applicable to the current reporting period did not have a financial impact, and are not expected to have a future financial impact on ASIC.

#### Future Australian Accounting Standard requirements

The following new standards and interpretations may have an impact on ASIC in future reporting periods but are not yet effective:

- ♦ AASB 9 *Financial Instruments* – December 2010 (Compilation)
- ♦ AASB 101 *Presentation of Financial Statements* – October 2010 (Compilation)
- ♦ AASB 107 *Statement of Cash Flows* – October 2010 (Compilation)
- ♦ AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* – December 2009 (Compilation)
- ♦ AASB 110 *Events after the Reporting Period* – December 2009 (Compilation)
- ♦ AASB 118 *Revenue* – October 2010 (Compilation)
- ♦ AASB 119 *Employee Benefits* – October 2010 (Compilation)
- ♦ AASB 132 *Financial Instruments: Presentation* – October 2010 (Compilation)
- ♦ AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* – October 2010 (Compilation)
- ♦ AASB 139 *Financial Instruments: Recognition and Measurement* – October 2010 (Compilation)
- ♦ AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 and 1038 and Interpretations 2, 5, 10, 12, 19 & 127]* – December 2010
- ♦ Interpretation 4 – *Determining whether an Arrangement contains a Lease* – December 2009 (Compilation)

## Note 1: Summary of significant accounting policies continued

- Interpretation 115 – *Operating Leases – Incentives* – October 2010 (Compilation)
- Interpretation 127 – *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* – October 2010 (Compilation)
- Interpretation 132 – *Intangible Assets – Web Site Costs* – October 2010 (Compilation).

Other new standards or revised standards that were issued prior to the signing date and are applicable to future reporting periods are not expected to have a financial impact on ASIC.

### 1.6 Revenue

#### Revenues from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when ASIC gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

#### Other types of revenue

Revenue from rendering of services is recognised by reference to the stage of completion of projects at the reporting date. Revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits associated with the transaction will flow to ASIC.

The stage of completion of projects at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for services rendered, which have 30-day terms, are recognised at the nominal amounts due less any impairment allowance. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

### Parental leave payments scheme

ASIC has offset amounts received under the Parental Leave Payments Scheme (for payment to employees) by amounts paid to employees under that scheme, because these transactions are only incidental to the main revenue-generating activities of ASIC. Amounts received by ASIC not yet paid to employees would be presented gross as cash and a liability (payable). The total amount received under this scheme is disclosed as a footnote to the Note 5E: Revenue from Government.

### 1.7 Gains

#### Resources received free of charge

Resources received free of charge are recognised as gains 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 recorded as either revenue or gains depending on their nature, i.e. whether they have been generated in the course of the ordinary activities of ASIC.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements.

#### Sale of assets

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

### 1.8 Transactions with the Government as owner

#### Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

#### Other distributions to owners

The FMOs require that distributions to owners be debited to contributed equity unless they are of the nature of a dividend.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 1: Summary of significant accounting policies continued

### 1.9 Employee benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

#### Leave

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

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time leave is taken, including ASIC's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2008. Actuarial reviews of long service leave are undertaken on a five-yearly basis. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

#### Separation and redundancy

Provision is made for separation and redundancy benefit payments. ASIC recognises a provision for termination when it has developed a detailed formal plan for the terminations.

#### Superannuation

The majority of employees of ASIC are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS Accumulation Plan (PSSap).

The CSS and PSS are defined-benefit schemes of the Australian Government. The PSSap is a defined-contribution scheme.

The liability for these defined-benefit schemes is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

There are a small number of employees covered under state government and private superannuation schemes. The majority of employees employed in the state government superannuation scheme were originally employed by the various state governments and were transferred to ASIC at its inception in 1989.

ASIC makes employer contributions to the Australian Government and the various state superannuation schemes at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of ASIC's employees. ASIC expenses contributions to defined-benefit and defined-contribution plans. The liability for superannuation recognised as at balance date represents the outstanding contributions payable as at 30 June.

### 1.10 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the leased property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are depreciated over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

### 1.11 Finance costs

All finance costs are expensed as incurred.

## Note 1: Summary of significant accounting policies continued

### 1.12 Cash

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

### 1.13 Financial assets

ASIC's financial assets are classified as 'loans and receivables' for the purposes of AASB 139 *Financial Instruments: Recognition and Measurement*.

Financial assets are recognised and derecognised at transaction date.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis.

#### Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

#### Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

*Financial assets held at amortised cost* – if there is objective evidence that an impairment loss has been incurred for 'loans and receivables' financial assets, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

### 1.14 Financial liabilities

Financial liabilities are classified as 'other financial liabilities' for the purposes of AASB 139 *Financial Instruments: Recognition and Measurement*.

Financial liabilities are recognised and derecognised at transaction date.

#### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

### 1.15 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which the amount cannot be reliably measured. Contingent assets are reported when the chance of settlement is probable but not virtually certain. Contingent liabilities are disclosed when the chance of settlement is greater than remote.

### 1.16 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. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 1: Summary of significant accounting policies continued

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

### Asset recognition threshold

Purchases of leasehold improvements, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located, if it is contractually required. 'Make-good' provisions in property leases are accounted for on this basis. These costs are included in the value of ASIC's leasehold improvements with a corresponding restoration provision recognised.

### 1.17 Leasehold improvements, plant and equipment

#### Revaluations

Fair values for each class of asset are determined as follows:

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

Following initial recognition at cost, leasehold improvements, plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/(deficit). Revaluation decrements for a class of assets are recognised directly in the surplus/(deficit) except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

### Depreciation

Depreciable leasehold improvements, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to ASIC. Computer equipment is depreciated using the declining balance method while all other plant and equipment and leasehold improvements are depreciated using the straight-line method.

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

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

	2011	2010
Leasehold improvements	Lease term	Lease term
Computer equipment	1 to 5 years	1 to 5 years
Plant and equipment (owned)	2 to 95 years	2 to 95 years

### Impairment

Leasehold improvements, plant and equipment are assessed for impairment at the end of each financial year. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

## Note 1: Summary of significant accounting policies continued

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if ASIC were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

### Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### 1.18 Intangibles

ASIC's intangibles primarily comprise internally developed software for internal use. As there is no active market for the majority of ASIC's software assets these assets are carried at cost less accumulated amortisation and impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of ASIC's software is 2 to 10 years (2010: 2 to 5 years).

All software assets are assessed for indications of impairment at the end of each financial year.

### 1.19 Taxation

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

Revenues, expenses, assets and liabilities are recognised net of GST except for receivables and payables and where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

## 1.20 Reporting of administered activities

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

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards and Interpretations.

### Administered cash transfers to and from the Official Public Account (OPA)

Revenue collected by ASIC for use by the Government rather than ASIC is administered revenue. Collections are transferred to the OPA maintained by the Department of Finance and Deregulation (DoFD). Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by ASIC on behalf of the Government and reported as such in the Statement of Cash Flows in the Schedule of Administered Items and in the administered reconciliation table in Note 21. Accordingly the Schedule of Administered Items largely reflects the Government's transactions, through ASIC, with parties outside the Government.

### Revenue

All administered revenues are revenues relating to the course of ordinary activities performed by ASIC on behalf of the Australian Government.

Administered revenue is generated from annual review fees, other fees and search products prescribed under the *Corporations (Fees) Act 2001*, *Corporations (Review Fees) Act 2003* and the *National Consumer Credit Protection (Fees) Regulation 2010*. Administered fee revenue is recognised on an accruals basis when:

- ♦ 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.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 1: Summary of significant accounting policies continued

### 1.20 Reporting of administered activities continued

Administered revenue is recognised at its nominal amount due and an expense is recognised for impaired debts. Collectability of debts is reviewed at balance date. Impairment allowances are recognised when collection of the debt is no longer probable.

#### Receivables

Administered revenue is recognised at its nominal value less an impairment allowance. The Finance Minister has determined that statutory receivables are not financial instruments, and accordingly ASIC has assessed administered receivables for impairment under AASB 136 *Impairment of Assets* (FMO 31.1).

The impairment allowance is raised against receivables for any doubtful debts and any probable credit amendments, and is based on a review of outstanding debts at balance date. This includes an examination of individual large debts and disputed amounts with reference to historic collection patterns.

The impairment allowance expense is the result of estimation techniques to determine an estimate of current Corporations Act debts which are unlikely to be collected in future. Large debt amounts are individually reviewed, while the impairment allowance of the remaining debts is estimated using sampling methodologies.

Administered receivables that are irrecoverable at law or are uneconomic to pursue are written off under section 34 of the FMA Act.

#### Unclaimed moneys – administered items

##### Banking Act administration

ASIC is responsible for the administration of unclaimed moneys from banking and deposit-taking institutions.

In accordance with the *Banking Act 1959* moneys from bank and deposit taking institution accounts that are inactive for seven or more years are transferred to the Commonwealth and are deposited into the OPA. Refunds are paid to successful claimants from the OPA.

##### Life Insurance Act administration

ASIC is responsible for the administration of unclaimed moneys from life insurance institutions.

In accordance with the *Life Insurance Act 1995* moneys in respect of matured life insurance policies that have not been claimed within seven years are transferred to the Commonwealth from life insurance companies and friendly societies, and are deposited into the OPA. Refunds are paid to successful claimants from the OPA.

### 1.21 Expenditure of boards and tribunal

Pursuant to Parts 11 and 12 of the *Australian Securities and Investments Commission Act 2001* and the *Superannuation (Resolution of Complaints) Act 1993*, ASIC is required to support the Companies Auditors and Liquidators Disciplinary Board and the Superannuation Complaints Tribunal. Employee and administrative expenditure incurred on behalf of this board and the tribunal are included in the Statement of Comprehensive Income of ASIC (see Note 27).

### 1.22 Comparative figures

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

### 1.23 Rounding

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

- ♦ remuneration of senior executive officers;
- ♦ remuneration of auditors; and
- ♦ administered fee write-offs and waivers.

### 1.24 Insurance

ASIC has insured for risks through Comcover, the Government's insurable-risk managed fund. Workers compensation is insured through Comcare Australia.

## Note 2: Events after the balance sheet date

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

## Note 3: Change in funding arrangements

From 1 July 2010 the Federal Government introduced changes to the cash funding arrangements for Commonwealth agencies. ASIC's 2010–11 Statement of Comprehensive Income and Statement of Changes in Equity should be considered within the context of the changes outlined below.

In 2009–10 and previous years, ASIC's budgeted depreciation, amortisation and make-good<sup>1</sup> expenses were funded through a departmental appropriation included and reported in total 'Revenue from Government' in the Statement of Comprehensive Income.

From 1 July 2010 this arrangement ceased and a new arrangement was introduced whereby ASIC's replacement of business as usual assets (i.e. individual assets with a value of less than \$10m) are funded

through an annual appropriation referred to as a 'Departmental Capital Budget'. This appropriation is recognised as 'contributed equity' and not revenue.

There is no direct correlation between the amount of funding forgone for depreciation and amortisation expenses and the new DCB funding as depreciation expense is incurred on assets, including large project assets, while the Departmental Capital Budget funding replaces business as usual assets.

The Departmental Capital Budget is calculated based on ASIC's forward replacement program adjusted each year for changes in price indexes and efficiency dividends.

### Note 3A: Changes in Statement of Comprehensive Income

The table below is included to comply with the Finance Minister's Orders for Financial Reporting and to assist with the comparison of ASIC's 2010–11 and 2009–10 Statement of Comprehensive Income results. It shows the comprehensive income that would have been attributable to ASIC had the depreciation and amortisation expenses still been funded by an appropriation recognised as revenue in the Statement of Comprehensive Income for 2010–11 and equivalent to the expense.

	2011 \$'000	2010 \$'000
<b>Total comprehensive income/(loss) attributable to ASIC</b>		
Total comprehensive income/(loss) attributable to the Australian Government as shown in the Statement of Comprehensive Income	(37,293)	(4,004)
Plus: non-appropriated expenses		
Depreciation and amortisation expense	41,511	–
<b>Total comprehensive income/(loss) attributable to ASIC</b>	<b>4,218</b>	<b>(4,004)</b>

1 Contractual obligation to restore leased premises to the original state after the expiration of the lease (refer to Note 1.16).

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 3: Change in funding arrangements continued

### Note 3B: Changes in Statement of Changes in Equity

The table below shows the different components of ASIC's contributed equity.

(a) **Departmental Capital Budget** – From 1 July 2010 funding for ASIC's business as usual asset replacements (i.e. assets below \$10m), payout of make-good provisions and completion of the information technology program. The level of funding is determined with reference to ASIC's business as usual asset replacement program as included in the forward estimates.

(b) **Equity Injection** – From 1 July 2010 replacement of major project assets (ie assets over \$10m) and new assets approved through the Commonwealth budget process will be funded by equity injection (note \$34.141m in 2010–11 relates only to new assets). In 2009–10 and previous years these funds were provided only for new assets.

(c) **Supplementary equity funding** – Additional funds approved after the 2010–11 budget round were provided for work ASIC was directed by the Government to undertake during 2010–11 for the implementation of Stronger Super Initiatives and Competition for Market Services.

	2011 \$'000	2010 \$'000
(a) Departmental capital budget	22,800	–
(b) Equity injection	34,141	10,065
(c) Supplementary equity funding	1,997	–
	<b>58,938</b>	<b>10,065</b>

## Note 4: Expenses

	2011 \$'000	2010 \$'000
<b>Note 4A: Employee benefits</b>		
Wages and salaries	170,808	162,595
Superannuation <sup>1</sup>		
Defined-benefit schemes	12,630	13,666
Defined-contribution schemes	13,515	11,819
Leave and other entitlements	13,773	18,199
Separation and redundancies <sup>2</sup>	10,771	1,953
<b>Total employee benefits</b>	<b>221,497</b>	<b>208,232</b>

1 Contributions to superannuation schemes are at rates calculated to cover existing and emerging obligations. The employer contribution rate for the Commonwealth Superannuation Scheme was 17.7% (2010: 18.5%); the Public Sector Superannuation Scheme was 12.9% (2010: 13.3%); the PSS Accumulation Scheme was 15.4% (2010: 15.4%); and the superannuation productivity benefit was approximately 2.0% to 3.0% (2010: 2.0% to 3.0%).

2 The majority of separation and redundancies are calculated on the basis of two weeks pay for every year of service for each employee with a minimum of four weeks and a maximum of 48 weeks.

## Note 4: Expenses continued

	Note	2011 \$'000	2010 \$'000
<b>Note 4B: Suppliers</b>			
<b>Goods and services</b>			
Legal and forensic costs		25,152	52,220
Office, computer and software expenses		19,167	18,154
Property-related outgoings		8,413	9,106
Consultants		7,320	8,577
Travel		4,210	7,035
Communications		5,507	6,049
Recruitment		1,244	4,878
Information costs		7,929	4,481
Learning and development		4,166	4,212
Security		3,002	2,977
Postage and freight		2,062	2,085
Other goods and services		5,472	2,914
<b>Total goods and services</b>		<b>93,644</b>	<b>122,688</b>
Goods and services are made up of:			
Provision of goods – related entities		13	26
Provision of goods – external parties		3,912	4,137
Rendering of services – related entities		3,764	8,085
Rendering of services – external parties		85,955	110,440
<b>Total goods and services</b>		<b>93,644</b>	<b>122,688</b>
<b>Other supplier expenses</b>			
Operating lease rentals from external entities:			
Minimum lease payments		25,081	21,520
Sublease payments		680	981
Workers compensation premiums		1,651	1,742
Fringe benefits tax		298	329
<b>Total other supplier expenses</b>		<b>27,710</b>	<b>24,572</b>
<b>Total supplier expenses</b>		<b>121,354</b>	<b>147,260</b>
<b>Note 4C: Depreciation and amortisation</b>			
Depreciation:			
Leasehold improvements		9,784	8,041
Plant and equipment		8,727	7,696
<b>Total depreciation</b>		<b>18,511</b>	<b>15,737</b>
Amortisation:			
Intangibles – computer software		23,000	12,128
<b>Total amortisation</b>		<b>23,000</b>	<b>12,128</b>
<b>Total depreciation and amortisation</b>		<b>41,511</b>	<b>27,865</b>
<b>Note 4D: Finance costs</b>			
Unwinding of restoration provision discount	9B	487	488
<b>Total finance costs</b>		<b>487</b>	<b>488</b>

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 4: Expenses continued

	Note	2011 \$'000	2010 \$'000
<b>Note 4E: Write-down and impairment of assets</b>			
Bad and doubtful debts expense		149	(26)
Write-off of leasehold improvements, plant and equipment and intangibles		453	2,738
<b>Total write-down and impairment of assets</b>		<b>602</b>	<b>2,712</b>
<b>Note 4F: Losses from asset sales</b>			
Plant and equipment			
Carrying value of assets sold	7E	–	13
<b>Total losses from asset sales</b>		<b>–</b>	<b>13</b>

## Note 5: Income

	2011 \$'000	2010 \$'000
<b>Revenue</b>		
<b>Note 5A: Rendering of services</b>		
Rendering of services – related entities	817	1,950
Rendering of services – external parties	3,595	1,784
<b>Total rendering of services</b>	<b>4,412</b>	<b>3,734</b>
<b>Note 5B: Royalties</b>		
ASIC publications	203	250
<b>Total royalties</b>	<b>203</b>	<b>250</b>
<b>Note 5C: Other revenues</b>		
Cost recoveries <sup>1</sup>	656	1,627
Receipt from the Companies and Unclaimed Moneys Special Account <sup>2</sup>	18,012	4,191
Professional and witness fees	114	275
Recovery of property rental and outgoings relating to prior year	237	9
AusAID revenue <sup>3</sup>	83	248
Receipt from the Department of Treasury <sup>4</sup>	82	588
Miscellaneous	145	270
<b>Total other revenue</b>	<b>19,329</b>	<b>7,208</b>

1 Amounts recovered by ASIC for court costs, investigations, professional fees, legal costs and prosecution disbursements.

2 Project costs recovered from the Companies and Unclaimed Moneys Special Account on approval of the Minister.

3 Amount received by ASIC in respect of its participation in AusAID projects.

4 Amount received by ASIC in respect of its participation in the Financial Services Working Group.

## Note 5: Income continued

Gains	Notes	2011 \$'000	2010 \$'000
<b>Note 5D: Other gains</b>			
Resources received free of charge	15	176	172
<b>Total other gains</b>		<b>176</b>	<b>172</b>

As a prescribed agency ASIC receives audit services from the Australian National Audit Office free of charge. The fair value of that service is \$176,000 (2010: \$172,360) for the reporting period.

### Note 5E: Revenues from Government<sup>1</sup>

Appropriations:

Departmental outputs <sup>2</sup>		296,198	316,156
Departmental Special Account <sup>3</sup>	30A	27,840	54,073
<b>Total revenues from Government</b>		<b>324,038</b>	<b>370,229</b>

1 During the year ended 30 June 2011 ASIC received \$250,808 (2010: \$nil) under the Paid Parental Leave Scheme. Amounts received under this scheme are offset against the amounts paid to employees in the Statement of Comprehensive Income.

2 The decrease in revenue for departmental outputs primarily relates to the Government's revised Net Cash funding arrangements, whereby asset replacement is now funded through a capital appropriation rather than the departmental operating appropriation. This has been partially offset by an increase in funding for the regulation of consumer credit and the introduction of competition for market services.

3 The decrease in Departmental Special Account relates to the reduction in reserves available to draw down from the Enforcement Special Account.

## Note 6: Financial assets

	Note	2011 \$'000	2010 \$'000
<b>Note 6A: Cash and cash equivalents</b>			
Cash on hand or on deposit		4,734	189
<b>Total cash and cash equivalents</b>	16A	<b>4,734</b>	<b>189</b>
<b>Note 6B: Trade and other receivables</b>			
Goods and Services:			
Goods and services – related entities		637	179
Goods and services – external parties		12,453	2,141
<b>Total receivables for goods and services</b>		<b>13,090</b>	<b>2,320</b>
Appropriations receivable:			
Appropriations receivable <sup>1</sup>		60,404	65,563
<b>Total appropriations receivable</b>		<b>60,404</b>	<b>65,563</b>

1 During 2010–11 ASIC returned \$5m of unspent appropriation to the OPA. The savings relate to funding received by ASIC in 2005–06 to investigate matters arising from the collapse of the HIH Insurance Group.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 6: Financial assets continued

	2011 \$'000	2010 \$'000
Other receivables:		
GST receivable from the Australian Taxation Office	3,513	4,499
<b>Total other receivables</b>	<b>3,513</b>	<b>4,499</b>
<b>Total trade and other receivables (gross)</b>	<b>77,007</b>	<b>72,382</b>
Less impairment allowance account:		
Goods and services	450	336
<b>Total impairment allowance account</b>	<b>450</b>	<b>336</b>
<b>Total trade and other receivables (net)</b>	<b>76,557</b>	<b>72,046</b>
Receivables are expected to be recovered in:		
No more than 12 months	76,557	72,046
<b>Total trade and other receivables (net)</b>	<b>76,557</b>	<b>72,046</b>
Receivables are aged as follows:		
Not overdue	74,581	71,937
Overdue by:		
Less than 30 days	32	18
30 to 60 days	1,871	3
More than 90 days	523	424
<b>Total receivables (gross)</b>	<b>77,007</b>	<b>72,382</b>
The impairment allowance account is aged as follows:		
Overdue by:		
More than 90 days	450	336
<b>Total impairment allowance account</b>	<b>450</b>	<b>336</b>
<b>Reconciliation of the movement in the impairment allowance account</b>		
Opening balance 1 July	336	369
Amounts written off	–	(7)
Amounts recovered and reversed	(335)	(47)
Increase in allowance for doubtful debts recognised in net surplus	449	21
<b>Closing balance</b>	<b>450</b>	<b>336</b>

## Note 7: Non-financial assets

	2011 \$'000	2010 \$'000
<b>Note 7A: Leasehold improvements</b>		
Leasehold improvements		
Work in progress	6,214	5,029
Fair value	82,771	81,444
Accumulated depreciation	(25,722)	(18,401)
<b>Total leasehold improvements</b>	<b>63,263</b>	<b>68,072</b>

All revaluations are conducted in accordance with the revaluation policy stated at Note 1.17.

The carrying value of leasehold improvements were reviewed at 30 June 2011. No indicators of impairment were found for leasehold improvements at 30 June 2011.

### Note 7B: Plant and equipment

Fair value	52,751	44,769
Accumulated depreciation	(26,881)	(20,876)
<b>Total plant and equipment</b>	<b>25,870</b>	<b>23,893</b>

A desktop valuation was undertaken by the Australian Valuation Office as at 30 June 2011. The valuation confirmed there was no material difference between the fair value and the carrying value of plant and equipment assets.

The carrying value of plant and equipment assets were reviewed at 30 June 2011. No indicators of impairment were found for plant and equipment at 30 June 2011.

### Note 7C: Intangibles – computer software

Internally developed		
– work in progress	15,377	16,385
– in use	103,026	48,129
– accumulated amortisation	(36,415)	(20,304)
	<b>81,988</b>	<b>44,210</b>
Purchased		
– work in progress	14,758	21,847
– in use	30,572	24,041
– accumulated amortisation	(13,609)	(7,487)
	<b>31,721</b>	<b>38,401</b>
<b>Total intangibles</b>	<b>113,709</b>	<b>82,611</b>

The carrying value of intangible assets was reviewed at 30 June 2011. No indicators of impairment were found for intangibles at 30 June 2011.

### Note 7D: Other non-financial assets

Prepayments	4,722	8,271
<b>Total other non-financial assets</b>	<b>4,722</b>	<b>8,271</b>
Total other non-financial assets are expected to be recovered in:		
No more than 12 months	4,136	8,116
More than 12 months	586	155
	<b>4,722</b>	<b>8,271</b>

No indicators of impairment were found for other non-financial assets.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 7: Non-financial assets continued

### Note 7E: Analysis of leasehold improvements, plant and equipment and intangibles

TABLE A: Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles (2010–11)

	Leasehold improvements \$'000	Plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
<b>As at 1 July 2010</b>					
Gross book value	86,473	44,769	64,514	45,888	241,644
Accumulated depreciation/ amortisation and impairment	(18,401)	(20,876)	(20,304)	(7,487)	(67,068)
<b>Net book value 1 July 2010</b>	<b>68,072</b>	<b>23,893</b>	<b>44,210</b>	<b>38,401</b>	<b>174,576</b>
<b>Additions:</b>					
by purchase	5,021	10,773	–	4,190	19,984
internally developed	–	–	50,246	–	50,246
<b>Total additions</b>	<b>5,021</b>	<b>10,773</b>	<b>50,246</b>	<b>4,190</b>	<b>70,230</b>
Reclassification	–	–	5,057	(5,057)	–
Depreciation expense	(9,784)	(8,727)	(17,187)	(5,813)	(41,511)
Write-offs	(46)	(69)	(338)	–	(453)
<b>Net book value 30 June 2011</b>	<b>63,263</b>	<b>25,870</b>	<b>81,988</b>	<b>31,721</b>	<b>202,842</b>
<b>Net book value as of 30 June 2011 represented by:</b>					
Gross book value	88,985	52,751	118,403	45,330	305,469
Accumulated depreciation/ amortisation	(25,722)	(26,881)	(36,415)	(13,609)	(102,627)
	<b>63,263</b>	<b>25,870</b>	<b>81,988</b>	<b>31,721</b>	<b>202,842</b>

## Note 7: Non-financial assets continued

### Note 7E: Analysis of leasehold improvements, plant and equipment and intangibles

**TABLE B: Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles (2009–10)**

	Leasehold improvements \$'000	Plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
Gross book value	41,760	32,131	41,980	28,585	144,456
Accumulated depreciation/ amortisation	(14,717)	(14,890)	(14,222)	(4,194)	(48,023)
<b>Net book value 1 July 2009</b>	<b>27,043</b>	<b>17,241</b>	<b>27,758</b>	<b>24,391</b>	<b>96,433</b>
Additions:					
by purchase	48,076	18,784	–	15,827	82,687
internally developed	–	–	24,810	–	24,810
Total additions	48,076	18,784	24,810	15,827	107,497
Revaluations and impairments recognised in other comprehensive income	1,262	–	–	–	1,262
Reclassification	–	(4,143)	–	4,143	–
Depreciation/amortisation expense	(8,041)	(7,696)	(6,168)	(5,960)	(27,865)
Write-offs	(268)	(280)	(2,190)	–	(2,738)
Disposals	–	(13)	–	–	(13)
<b>Net book value 30 June 2010</b>	<b>68,072</b>	<b>23,893</b>	<b>44,210</b>	<b>38,401</b>	<b>174,576</b>
<b>Net book value as of 30 June 2010 represented by:</b>					
Gross book value	86,473	44,769	64,514	45,888	241,644
Accumulated depreciation/ amortisation	(18,401)	(20,876)	(20,304)	(7,487)	(67,068)
	68,072	23,893	44,210	38,401	174,576

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 8: Payables

	Note	2011 \$'000	2010 \$'000
<b>Note 8A: Suppliers</b>			
Trade creditors and accruals	16A	24,435	22,436
<b>Total supplier payables</b>		<b>24,435</b>	<b>22,436</b>
Supplier payables expected to be settled within 12 months:			
Related entities		120	299
External parties		24,315	22,137
<b>Total supplier payables</b>		<b>24,435</b>	<b>22,436</b>
<b>Note 8B: Other payables</b>			
Unearned revenue – Government appropriations <sup>1</sup>		4,183	10,950
Operating lease rent payable		7,143	4,739
Other unearned revenue <sup>2</sup>		10,028	367
Property lease incentives <sup>3</sup>		30,373	28,101
Salaries and bonuses		10,522	10,022
Superannuation		551	485
<b>Total other payables</b>		<b>62,800</b>	<b>54,664</b>
Total other payables are expected to be settled in:			
No more than 12 months		31,516	27,482
More than 12 months		31,284	27,182
<b>Total other payables</b>		<b>62,800</b>	<b>54,664</b>

1 Unearned revenue – Government appropriations represent appropriations for specific Government initiatives that have not been spent where the appropriation is conditional on any unspent balance being returned to Government. The reduction to unearned appropriation in 2010–11 primarily relates to savings ASIC realised from funding received to investigate matters arising from the collapse of the HIH Insurance Group. As a result of the savings ASIC returned \$5m to Government in 2010–11.

2 The unearned revenue relates to projects that have been approved for funding from the Companies Unclaimed Moneys Special Account.

3 Total property lease incentives are disclosed as deferred rental expenditure at 30 June 2011. The amortisation of these amounts will be made over the life of the lease.

## Note 9: Provisions

	2011 \$'000	2010 \$'000
<b>Note 9A: Employee provisions</b>		
Annual leave entitlement	16,143	15,997
Long service leave entitlement <sup>1</sup>	27,853	31,182
Separations and redundancies	9,842	2,892
<b>Total employee provisions</b>	<b>53,838</b>	<b>50,071</b>
Employee provisions are expected to be settled in:		
No more than 12 months	24,313	15,147
More than 12 months	29,525	34,924
<b>Total employee provisions</b>	<b>53,838</b>	<b>50,071</b>

1 The liability for long service leave has been determined in accordance with the methodology developed by an independent actuary, refer to Note 1.9.

### Note 9B: Other provisions

Provision for restoration obligations – leased premises	9,144	10,918
<b>Total other provisions</b>	<b>9,144</b>	<b>10,918</b>
Other provisions are expected to be settled in:		
No more than 12 months	532	2,261
More than 12 months	8,612	8,657
<b>Total other provisions</b>	<b>9,144</b>	<b>10,918</b>

### Reconciliation of the opening and closing balance of restoration provision

Carrying amount 1 July	10,918	6,696
Additional provisions made	–	3,562
Amounts revalued	–	289
Amounts used	(2,023)	(47)
Amounts reversed	(238)	(70)
Unwinding of discount or change in discount rate	487	488
<b>Closing balance 30 June</b>	<b>9,144</b>	<b>10,918</b>

ASIC currently has 13 agreements (2010: 17) for the leasing of premises which have provisions requiring ASIC to restore the premises to their original condition at the conclusion of the lease. ASIC has made a provision to reflect the present value of the 'make-good' obligations.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 10: Cash flow reconciliation

Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement

	2011 \$'000	2010 \$'000
<b>Cash and cash equivalents as per:</b>		
Cash Flow Statement	4,734	189
Balance Sheet	4,734	189
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	361,331	375,206
Add revenue from Government	324,038	370,229
<b>(Deficit) attributable to the Australian Government</b>	<b>(37,293)</b>	<b>(4,977)</b>
<b>Adjustments for non-cash items</b>		
Depreciation/amortisation	41,511	27,865
Net write-down of non-financial assets	453	2,738
Loss on disposal of assets	–	13
<b>Changes in assets/liabilities</b>		
(Increase)/decrease in net receivables	2,006	36,320
(Increase)/decrease in prepayments	3,549	(4,024)
Increase in employee provisions	3,767	6,739
Increase in supplier payables	1,999	6,253
Increase/(decrease) in other provisions and payables	4,114	(3,259)
<b>Net cash from operating activities</b>	<b>20,106</b>	<b>67,668</b>

## Note 11: Contingent liabilities and assets

	2011 \$'000	2010 \$'000
<b>Contingent receivables</b>		
Balance from previous period	735	1,168
<i>Adjustments to prior period contingent receivables:</i>		
Assets recognised	(188)	(202)
Estimates not realisable	(195)	(956)
Revisions to estimates	353	90
New contingent receivables	747	635
<b>Total contingent assets</b>	<b>1,452</b>	<b>735</b>
<b>Contingent payables</b>		
Balance from previous period	50	120
<i>Adjustments to prior period contingent payables:</i>		
Estimates not payable	(50)	(120)
New contingent payables	480	50
<b>Total contingent liabilities</b>	<b>480</b>	<b>50</b>

## Note 11: Contingent liabilities and assets continued

### Quantifiable contingencies (ASIC departmental)

As at the date of this report, there are 15 matters (2010: 8 matters) for which ASIC has received an award of costs in its favour, and agreement with respect to the amount payable to ASIC has not been reached. ASIC has estimated these matters represent a combined receivable of \$1.452m (2010: \$0.735m), which is disclosed as a contingent asset because realisation of this debt is not virtually certain.

As at the date of this report, there are two matters (2010: one matter) in respect of which ASIC reasonably expects to have an award of costs against it. ASIC has estimated the potential liability for costs in relation to these matters is \$0.48m (2010: \$0.05m).

### Quantifiable contingencies (assets held in trust)

#### Companies Unclaimed Moneys

Unclaimed moneys held by ASIC, pursuant to Part 9.7 of the *Corporations Act 2001*, that have not been claimed within six years are transferred to the Commonwealth and deposited into the Official Public Account. A contingent liability estimated to be \$4,659,000 (2010: \$912,000) represents an estimate of future claims for repayment from the Official Public Account. The estimate of future claims for repayment at 30 June 2011 was calculated by an independent actuary (Russell Investment Group).

### Unquantifiable contingencies (ASIC departmental)

ASIC is party to many civil litigation matters arising from its statutory duty to administer and enforce laws for which it is responsible. As at the date of this report there is one matter (2010: one matter) where costs have been awarded against ASIC but where it is not possible to reliably estimate the liability at this time. The quantum of costs payable has not been negotiated with the other party and the case concerned has been appealed by ASIC. The outcome of the appeal is likely to have a material impact on the amount of costs payable.

In addition, like any corporate body, ASIC may from time to time be the subject of legal proceedings for damages brought against it, or may receive notice indicating that such proceedings may be brought. In either case ASIC, like any other party to civil litigation, may be required to pay the other party's costs if ASIC is unsuccessful.

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

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

- (a) successfully defend the action instituted; and
- (b) not be required to pay any damages.

Conversely, ASIC, like any other party to civil litigation may be entitled to recover costs arising out of such litigation if it is successful.

There is one matter at the date of this report where ASIC has received an award of costs in its favour; however, the case is subject to an appeal and the outcome of the appeal is likely to have a material impact on the amount of costs recoverable.

In addition to the matters specifically referred to in this Note, ASIC has legal action pending in a number of other matters. Due to the uncertainty over the outcome of outstanding and pending court cases, duration of court cases and the legal costs of the opposing party, ASIC is unable to reliably estimate either its potential payments to, or potential cost recoveries from opposing litigants. There may also be other matters where ASIC has received an award of costs in its favour; however, no contingent asset has been disclosed because recovery of the debt is not probable. There may also be other matters where no contingency has been quantified because the costs awarded for, or against ASIC are estimated to be less than \$20,000 each.

### Future compensation claims

The 'Scheme for Compensation for Detriment caused by Defective Administration' (the CDDA scheme) is a method for agencies to provide compensation to persons who have been adversely affected by the maladministration of agencies, but who have no legal means to seek redress, such as a legal claim. It is not possible to estimate the value of potential future CDDA claims.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 12: Related party disclosures

### The Commissioners of ASIC during the financial year were:

G. J. Medcraft (Commissioner to 12 May 2011, Chairman from 13 May 2011)

A. M. D'Aloisio (Chairman to 12 May 2011)

B. G. Gibson (Deputy Chairman)

P. J. Boxall (Commissioner)

M. J. Dwyer (Commissioner)

S. F. Tregillis (Commissioner)

### Loans to Commissioners and Commissioner-related entities

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

### Other transactions with Commissioner-related entities

There were no other transactions with Commissioner-related entities during the reporting period, other than the payment of fees levied under the *Corporations (Fees) Act 2001* and *Corporations (Review Fees) Act 2003*.

## Note 13: Remuneration of Commissioners

The Finance Minister's Orders for 2010–11 require separate disclosure of actual remuneration paid to Commissioners during the period (refer to Note 13A) and salary packages for Commissioners as at the reporting date (refer to Note 13B).

### Note 13A: Total remuneration expense recognised in relation to Commissioners

	2011 \$	2010 \$
Short-term employee benefits:		
Salary	2,564,322	1,981,007
Annual leave accrued	(46,861)	41,122
Car parking fringe benefits	88,731	63,586
Total short-term employee benefits	2,606,192	2,085,715
Post-employment benefits:		
Superannuation	276,786	231,799
Other long-term benefits:		
Long service leave accrued	(17,478)	20,381
<b>Total remuneration expense for Commissioners<sup>1</sup></b>	<b>2,865,500</b>	<b>2,337,895</b>

1 Excludes acting arrangements and part-year service where remuneration expensed was less than \$150,000. The number of Commissioners whose remuneration is disclosed above is six (2010: 5).

## Note 13: Remuneration of Commissioners continued

### Note 13B: Average annual remuneration packages for Commissioners as at 30 June

Fixed Elements <sup>1,2</sup>	2011			
	Commissioners No.	Fixed elements		Total \$
		Salary \$	Allowances \$	
Total remuneration (including part-time arrangements):				
\$360,000 to \$389,999	2	368,365	–	368,365
\$420,000 to \$449,999	2	438,092	–	438,092
\$480,000 to \$509,999	1	507,995	–	507,995
<b>Total</b>	<b>5</b>			

Fixed Elements <sup>1,2</sup>	2010			
	Commissioners No.	Fixed elements		Total \$
		Salary \$	Allowances \$	
Total remuneration (including part-time arrangements):				
\$330,000 to \$359,999	3	353,851	–	353,851
\$390,000 to \$419,999	2	410,329	–	410,329
\$510,000 to \$539,999	1	511,959	–	511,959
<b>Total</b>	<b>6</b>			

1 This table reports on Commissioners who are employed by ASIC as at the end of the reporting period. Fixed elements are in accordance with a determination of the Remuneration Tribunal for each individual (i.e. the 'Total' column).

2 Commissioners are remunerated in accordance with a determination of the Remuneration Tribunal. In addition to the salary component of remuneration, Commissioners also received superannuation benefits of between 9% and 15.4%. Commissioners are also entitled to car parking.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 14: Remuneration of senior executives

Note 14 discloses the remuneration of those senior executives who are either classified in Groups 9–11 of the Public Service Classification Rules 2000 or those who perform functions controlling operational activities that directly impact the economic function and viability of ASIC and whose employment conditions are equivalent to SES employment conditions of service.

The Finance Minister's Orders for 2010–11 require separate disclosure of actual remuneration paid to senior executives during the period (see Note 14A) and salary packages for senior executives as at the reporting date (see Note 14B).

Note 14A includes executives acting in a higher capacity where their senior executive remuneration during the period exceeds \$150,000. Note 14B discloses only those senior executives appointed to a senior executive role in a substantive capacity as at reporting date.

### Note 14A: Total expense recognised in relation to employment of senior executives

	2011 \$	2010 \$
Short-term employee benefits:		
Salary and performance bonuses	7,500,819	8,656,732
Annual leave accrued	45,415	(85,365)
Motor vehicle allowances and other short-term benefits	1,014,706	1,064,045
Total short-term employee benefits	8,560,940	9,635,412
Post-employment benefits:		
Superannuation	806,184	1,023,241
Other long-term benefits:		
Long service leave accrued	67,813	(17,430)
Termination benefits	–	64,800
<b>Total remuneration expense for senior executives<sup>1,2</sup></b>	<b>9,434,937</b>	<b>10,706,023</b>

1 Excludes acting arrangements and part-year service where remuneration expensed was less than \$150,000. The number of senior executives whose remuneration is disclosed above is 33 (2010: 41).

2 The remuneration expense for senior executives in 2009–10 is \$0.576m higher than the amount reported in the 2009–10 financial statements. The difference relates to the remuneration of two senior executives previously omitted.

## Note 14: Remuneration of senior executives continued

### Note 14B: Average annual remuneration packages and bonus paid for substantive<sup>1</sup> senior executives as at 30 June

Fixed Elements and Bonus Paid <sup>2</sup>	2011				Bonus paid <sup>3</sup> \$
	Senior Executives No.	Salary \$	Fixed elements Allowances \$	Total \$	
Total remuneration (including part-time arrangements):					
\$150,000 to \$179,999	1	147,505	20,550	168,055	-
\$180,000 to \$209,999	2	167,862	20,550	188,412	12,050
\$210,000 to \$239,999	12	203,720	20,550	224,270	15,636
\$240,000 to \$269,999	6	242,021	20,550	262,571	13,261
\$270,000 to \$299,999	4	258,403	20,550	278,953	27,756
\$300,000 to \$329,999	2	295,547	20,550	316,097	35,427
<b>Total</b>	<b>27</b>				

Fixed Elements and Bonus Paid <sup>2</sup>	2010				Bonus paid <sup>3</sup> \$
	Senior Executives No.	Salary \$	Fixed elements Allowances \$	Total \$	
Total remuneration (including part-time arrangements):					
\$150,000 to \$179,999	1	157,690	20,550	178,240	9,461
\$180,000 to \$209,999	6	176,423	20,550	196,973	8,235
\$210,000 to \$239,999	8	201,387	20,550	221,937	10,195
\$240,000 to \$269,999	10	240,380	20,550	260,930	14,424
\$270,000 to \$299,999	3	276,721	20,550	281,271	18,291
\$300,000 to \$329,999	1	296,966	20,550	317,516	17,053
<b>Total</b>	<b>29</b>				

1 Substantive refers to the employee's base salary grade classification.

2 This table reports on substantive senior executives who are employed by ASIC as at the end of the reporting period. Fixed elements are based on the employment agreement of each individual – each row represents an average annualised figure (based on headcount) for the individuals in that remuneration package band (i.e. the 'Total' column).

3 Represents average actual bonuses paid during the reporting period. The 'Bonus paid' is excluded from the 'Total' calculation (for the purpose of determining remuneration package bands). The 'Bonus paid' within a particular band may vary between financial years due to factors such as individuals commencing with or leaving ASIC during the financial year. The performance bonus applicable is between 0% and 15%.

Note: In addition to the fixed elements of remuneration disclosed above, senior executives are also entitled to superannuation paid to the super fund of their choice, car fringe benefits, car parking and other fringe benefits negotiated at time of employment.

### Note 14C: Other highly paid staff

During the reporting period, there were 42 (2010: 25) employees whose salary plus performance bonus was \$150,000 or more. These employees did not have a role as a senior executive and are therefore not disclosed as a senior executive in Note 14A.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 15: Remuneration of auditors

	2011 \$	2010 \$
Financial statement audit services were provided free of charge to ASIC. The fair value of that service during the reporting period is:	176,000	172,360

No other services were provided by the Auditor-General.

## Note 16: Financial instruments

	2011 \$'000	2010 \$'000
<b>Note 16A: Categories of financial instruments</b>		
<b>Financial assets</b>		
Loans and receivables:		
Cash and cash equivalents	4,734	189
Receivables for goods and services (net of allowance for doubtful debts)	12,640	1,984
<b>Carrying amount of financial assets</b>	<b>17,374</b>	<b>2,173</b>
<b>Financial liabilities</b>		
At amortised cost:		
Trade creditors	24,435	22,436
<b>Carrying amount of financial liabilities</b>	<b>24,435</b>	<b>22,436</b>

### Note 16B: Net income and (expense) from financial assets

Loans and receivables		
Impairment	(149)	26
<b>Net gain/(expense) from financial assets</b>	<b>(149)</b>	<b>26</b>

### Note 16C: Fair values of financial instruments

The fair values of financial liabilities at amortised cost approximate their fair value.

### Note 16D: Credit risk

ASIC is exposed to minimal credit risk as loans and receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables – 2011: \$13,089,617 (2010: \$2,319,998). ASIC has assessed the risk of the default on payment for each receivable and has allocated \$449,901 in 2011 (2010: \$335,502) to an allowance for doubtful debts account.

ASIC has policies and procedures that guide employees' debt recovery techniques that are to be applied where debts are past due.

ASIC holds no collateral to mitigate against credit risk.

The following table illustrates ASIC's gross exposure to credit risk, excluding any collateral or credit enhancements.

AASB 7 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. ASIC's Financial Instruments are classified as Class 1.

## Note 16: Financial instruments continued

### Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired 2011 \$'000	Not past due nor impaired 2010 \$'000	Past due or impaired 2011 \$'000	Past due or impaired 2010 \$'000
<b>Loans and receivables</b>				
Cash and cash equivalents	4,734	189	–	–
Receivables for goods and services (gross)	10,664	1,875	2,426	445
<b>Total</b>	<b>15,398</b>	<b>2,064</b>	<b>2,426</b>	<b>445</b>

### Ageing of financial assets that are past due but not impaired for 2011:

	Overdue by				
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
<b>Loans and receivables</b>					
Receivables for goods and services	32	1,871	–	73	1,976
<b>Total</b>	<b>32</b>	<b>1,871</b>	<b>–</b>	<b>73</b>	<b>1,976</b>

### Ageing of financial assets that are past due but not impaired for 2010:

	Overdue by				
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
<b>Loans and receivables</b>					
Receivables for goods and services	18	3	–	88	109
<b>Total</b>	<b>18</b>	<b>3</b>	<b>–</b>	<b>88</b>	<b>109</b>

### Note 16E: Liquidity risk

ASIC's financial liabilities are trade creditors. ASIC does not expect to have difficulty meeting its financial liabilities as and when they become due and payable.

ASIC receives appropriations from the Federal Government to deliver the outcomes defined in Note 1.1. ASIC is an FMA agency and is therefore required to comply with government policies, including the prompt payment of suppliers.

All ASIC's financial liabilities as at 30 June 2011 and 30 June 2010 were payable within 1 year.

As at 30 June 2011 ASIC has no financial liabilities payable on demand (2010: nil).

### Note 16F: Market risk

#### Currency risk

ASIC's exposure to 'Currency risk' is minimal as only a small number of contracts are in currencies other than Australian dollars.

#### Interest rate risk

ASIC's financial instruments are not exposed to interest rate risk.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 17: Income administered on behalf of Government

Revenue	2011 \$'000	2010 \$'000
<b>Note 17A: Non-taxation revenue</b>		
Corporations Act and National Consumer Credit Protection Act fees <sup>1</sup>	531,768	505,553
Corporations Act and National Consumer Credit Protection Act fines	90,337	75,956
<i>Corporations Act and National Consumer Credit Protection Act fees and fines</i>	<b>622,105</b>	<b>581,509</b>
Moneys received from banks and deposit taking institutions in respect of accounts inactive for seven or more years	57,291	53,740
Moneys received from life insurance institutions and friendly societies for policies not claimed within seven years	5,505	4,629
<b>Total non-taxation revenue</b>	<b>684,901</b>	<b>639,878</b>

### Corporations Act and National Consumer Credit Protection Act fees and fines

	2011 \$'000 Fees	2011 \$'000 Fines	2011 \$'000 Total	2010 \$'000 Fees	2010 \$'000 Fines	2010 \$'000 Total
Mandatory collections <sup>1</sup>	478,564	78,425	556,989	454,078	74,616	528,694
Information broker fees <sup>2</sup>	52,598	–	52,598	50,827	–	50,827
Other fees <sup>2</sup>	606	–	606	648	–	648
Court receivables <sup>3</sup>	–	11,912	11,912	–	1,340	1,340
	<b>531,768</b>	<b>90,337</b>	<b>622,105</b>	<b>505,553</b>	<b>75,956</b>	<b>581,509</b>

1 Fees and charges arise from actions which are mandatory under the *Corporations Act 2001* and the *National Consumer Credit Protection Act 2009*. Examples include fees prescribed in the *Corporations (Fees) Act 2001*, the *Corporations (Review Fees) Act 2003* and the *National Consumer Credit Protection (Fees) Regulations 2010*.

2 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.

3 Recovery of fines and penalties for contraventions of the *Corporations Act 2001* and the *National Consumer Credit Protection Act 2009*.

## Note 18: Expenses administered on behalf of Government

Expenses	Notes	2011 \$'000	2010 \$'000
<b>Note 18A: Grants</b>			
Private Sector:			
Insolvency practitioners <sup>1</sup>		2,349	3,130
<b>Total grants</b>		<b>2,349</b>	<b>3,130</b>

1 ASIC administers on behalf of the Government payments to registered insolvency practitioners to undertake preliminary investigations of suspected breaches of directors' duties and fraudulent conduct and to report the outcome of their findings to ASIC for further action as appropriate.

### Note 18B: Write-down and impairment of assets

Bad and doubtful debts expense		30,744	30,065
Waiver of fees and charges owing		2,335	3,072
<b>Total write-down and impairment of assets</b>	19B	<b>33,079</b>	<b>33,137</b>

### Note 18C: Other expenses

Refunds paid to bank and deposit-taking institution account holders	26C	34,001	28,024
Refunds paid to life insurance policy holders	26C	3,114	3,716
<b>Total other expenses</b>		<b>37,115</b>	<b>31,740</b>

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 19: Assets administered on behalf of Government

Financial assets	Note	2011 \$'000	2010 \$'000
<b>Note 19A: Cash and cash equivalents</b>			
Cash at bank and on hand – Corporations Act and the National Credit Protection Act		694	1,430
Cash at bank – Banking Act		456	456
Cash at bank – Life Insurance Act		5	5
Cash at bank – Insolvency law reform		2,012	1,126
<b>Total cash and cash equivalents</b>	25A	<b>3,167</b>	<b>3,017</b>
<b>Note 19B: Receivables</b>			
<b>Corporations Act:</b>			
Corporations Act fees and charges		126,719	114,344
Information brokers fees		6,100	5,209
<b>Other receivables:</b>			
GST receivable from ATO		173	152
<b>Total receivables (gross)</b>		<b>132,992</b>	<b>119,705</b>
Less: impairment allowance account:			
Corporations Act		35,254	32,759
<b>Total receivables (net)</b>		<b>97,738</b>	<b>86,946</b>
Receivables were aged as follows:			
Not overdue		64,769	59,812
Overdue by:			
Less than 30 days		20,287	14,348
30 to 60 days		6,814	8,089
61 to 90 days		4,121	3,607
More than 90 days		37,001	33,849
<b>Total receivables (gross)</b>		<b>132,992</b>	<b>119,705</b>
The impairment allowance account is aged as follows:			
Not overdue		488	384
Overdue by:			
Less than 30 days		400	810
30 to 60 days		1,230	1,198
61 to 90 days		1,021	983
More than 90 days		32,115	29,384
<b>Total impairment allowance account</b>		<b>35,254</b>	<b>32,759</b>
Receivables are due from entities that are not part of the Australian Government.			
<b>Reconciliation of the movement in the impairment allowance account</b>			
Opening balance 1 July		32,759	30,157
Amounts written off		(28,249)	(27,463)
Amounts waived		(2,335)	(3,072)
Increase in allowance for doubtful debts recognised as an expense		33,079	33,137
<b>Closing balance</b>		<b>35,254</b>	<b>32,759</b>

## Note 20: Liabilities administered on behalf of Government

Payables	Note	2011 \$'000	2010 \$'000
<b>Note 20: Suppliers</b>			
Corporations Act refunds <sup>1</sup>		6,226	4,410
Unallocated moneys – Corporations Act <sup>1</sup>		3,298	2,431
Grants payable <sup>2</sup>	25A	1,084	985
<b>Total suppliers</b>		<b>10,608</b>	<b>7,826</b>

All supplier payables are entities that are not part of the Australian Government.

1 All supplier payables are expected to be settled within 12 months. Settlement is usually made within 30 days.

2 Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance and eligibility.

## Note 21: Administered items reconciliation table

	2011 \$'000	2010 \$'000
<i>Opening administered assets less administered liabilities as at 1 July</i>	82,137	82,979
Plus: Administered revenues	684,901	639,878
Less: Administered expenses	(72,543)	(68,007)
Administered transfers (to)/from Australian Government:	–	–
Appropriation transfers from OPA:		
Special appropriations (unlimited)	46,272	40,854
Transfers to OPA	(650,470)	(613,567)
<i>Closing administered assets less administered liabilities as at 30 June</i>	<b>90,297</b>	<b>82,137</b>

## Note 22: Administered cash flow reconciliation

	2011 \$'000	2010 \$'000
<i>Reconciliation of net contribution to budget outcome to net cash provided by operating activities</i>		
Net contribution to budget outcome	612,358	571,871
Increase/(decrease) in allowance for doubtful debts	2,495	2,602
Increase in payables and provisions	2,782	1,412
(Increase)/decrease in receivables	(13,287)	(3,227)
	(8,010)	787
<b>Net cash provided by operating activities</b>	<b>604,348</b>	<b>572,658</b>

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 23: Administered contingent liabilities

### Quantifiable administered contingencies

Quantifiable administered contingencies that are not remote are disclosed in the Schedule of Administered Items.

#### *Banking Act administration*

Moneys from bank and deposit-taking institution accounts inactive for seven or more years are transferred to the Commonwealth and are deposited into the OPA. The contingent liability disclosed in Schedule of Administered Items represents an estimate of future claims for repayment, where the validity of the claim has been established by the relevant institution.

An actuarial assessment of the amount of claims that are likely to be lodged with ASIC in respect of Banking Act Unclaimed Moneys was conducted by the Russell Investment Group to calculate the contingent liability.

#### *Life Insurance Act administration*

Moneys from matured life insurance policies that have not been claimed within seven years are transferred to the Commonwealth from life insurance companies and friendly societies, and are deposited into the OPA. The contingent liability disclosed in the Schedule of Administered Items represents an estimate of the future claims for repayment where the validity of the claim has been established by the relevant institution.

An actuarial assessment of the amount of claims that are likely to be lodged with ASIC in respect of Life Insurance Act Unclaimed Moneys was conducted by the Russell Investment Group to calculate the contingent liability.

### Unquantifiable administered contingencies

There are no unquantifiable administered contingent liabilities.

## Note 24: Administered contingent assets

There are no administered contingent assets.

## Note 25: Administered financial instruments

	2011 \$'000	2010 \$'000
<b>Note 25A: Categories of financial instruments</b>		
<b>Financial assets</b>		
Cash and cash equivalents	3,167	3,017
<b>Financial liabilities</b>		
At amortised cost:		
Grants payable	1,084	985

### Note 25B: Fair values of financial instruments

The fair values of financial liabilities at amortised cost approximate their fair value.

### Note 25C: Credit risk

ASIC's administered receivables arise as a result of a statutory obligation not a contractual obligation and are therefore not classified as financial instruments.

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

### Note 25D: Liquidity risk

ASIC's administered financial liabilities are trade creditors. ASIC is able to meet its financial liabilities as and when they become due and payable.

All Administered financial liabilities as at 30 June 2011 and 30 June 2010 were payable within one year.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 26: Appropriations

Table A1: Annual appropriations ('recoverable GST exclusive')

	2011 Appropriations			Appropriations applied in 2011 (current and prior years) \$'000	Variance <sup>2,3</sup> \$'000
	Appropriation Act	Annual Appropriations reduced <sup>1</sup> \$'000	FMA Act Section 31 \$'000	Total appropriation \$'000	
<b>DEPARTMENTAL</b>					
Ordinary annual services	340,756	–	28,592	369,348	(14,735)
Other Services					
Equity	34,141	–		34,141	11,823
<b>Total departmental</b>	<b>374,897</b>	<b>–</b>	<b>28,592</b>	<b>403,489</b>	<b>(2,912)</b>
<b>ADMINISTERED</b>					
Ordinary annual services					
Administered items	3,450	(1,101)		2,349	70
<b>Total administered</b>	<b>3,450</b>	<b>(1,101)</b>		<b>2,349</b>	<b>70</b>

1 Departmental appropriations do not lapse at financial year end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. No reduction has been made by the Finance Minister in respect of ASIC's 2010–11 appropriation.

2 The variance for departmental ordinary annual services primarily relates to activities funded by supplementary appropriation which will be received in 2011–12.

3 The underspend in departmental equity appropriations in 2010–11 primarily relates to the delay in implementation of the National Business Names initiative and capital expenditure savings in respect of supervision of financial markets funding.

## Note 26: Appropriations continued

Table A2: Annual appropriations ('recoverable GST exclusive')

	2010 Appropriations				Appropriations applied in 2010 (current and prior years) \$'000	Variance <sup>1,2</sup> \$'000
	Appropriation Act		FMA Act			
	Annual Appropriation \$'000	Appropriations reduced \$'000	Section 31 \$'000	Total appropriation \$'000		
<b>DEPARTMENTAL</b>						
Ordinary annual services	344,776	(247)	10,119	354,648	403,543	(48,895)
Other Services						
Equity	10,065	(1,653)		8,412	23,577	(15,165)
Total departmental	354,841	(1,900)	10,119	363,060	427,120	(64,060)
<b>ADMINISTERED</b>						
Ordinary annual services						
Administered Items	3,441	(310)		3,131	3,175	(44)
Total administered	3,441	(310)		3,131	3,175	(44)

<sup>1</sup> The variance in departmental ordinary annual services in 2009–10 can be attributed to an increase in capital expenditure funded from internal resources and an increase in deterrence activities satisfying the criteria for funding from the Enforcement Special Account.

<sup>2</sup> The variance in departmental equity appropriations in 2009–10 primarily relates to expenditure on a major IT project which was funded through an equity appropriation before 2009–10.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 26: Appropriations continued

Table B: Unspent departmental appropriations ('recoverable GST exclusive')

	2011 \$'000	2010 \$'000
<b>Authority</b>		
Appropriation Act (No.1) 2005–2006	267	5,267
Appropriation Act (No.1) 2006–2007	–	9,939
Appropriation Act (No.1) 2007–2008	–	15,952
Appropriation Act (No.1) 2008–2009	–	3,702
Appropriation Act (No.1) 2010–2011	30,136	–
Appropriation Act (No.2) 2007–2008	–	1,000
Appropriation Act (No.2) 2009–2010	–	7,362
Appropriation Act (No.2) 2010–2011	15,129	–
Appropriation Act (No.3) 2010–2011	1,514	–
Appropriation Act (No.3) 2008–2009	–	11,163
Appropriation Act (No.4) 2007–2008	–	141
Appropriation Act (No.4) 2008–2009	2,552	3,478
Appropriation Act (No.4) 2009–2010	–	1,050
Enforcement Special Account	2,334	6,508
<b>Total<sup>1</sup></b>	<b>51,932</b>	<b>65,562</b>

1 The total amount of unspent appropriations does not agree with the 'Appropriations receivable' shown in Note 6B. The difference of \$8.472m relates to supplementary funding ASIC received approval to spend in 2010–11 but will receive in 2011–12 Appropriation Act (No. 1) and 2011–12 Appropriation Act (No. 2). The supplementary funding relates to the competition for market services and implementation of Stronger Super initiatives.

## Note 26: Appropriations continued

Table C: Special appropriations ('recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2011 \$'000	2010 \$'000
s69 <i>Banking Act 1959</i> , Administered	Unlimited	ASIC has responsibility for the administration of unclaimed moneys from banking and deposit-taking institutions. Moneys from banking and deposit-taking institution accounts that remain inactive for seven or more years are transferred to the Commonwealth, and are deposited into the OPA. ASIC receives special appropriations from the OPA (section 69 <i>Banking Act 1959</i> ) to refund amounts to banking and deposit-taking institution account holders.	34,001	28,024
s216 <i>Life Insurance Act 1995</i> , Administered	Unlimited	ASIC has responsibility for the administration of unclaimed moneys from life insurance institutions and friendly societies. Moneys from matured life insurance policies that have not been claimed within seven years are transferred to the Commonwealth and are deposited into the OPA. ASIC receives special appropriations from the OPA (section 216 <i>Life Insurance Act 1995</i> ) to refund amounts to life insurance policy holders.	3,114	3,716
s28 FMA Act, <i>Corporations Act 2001</i> (Refunds of overpaid Corporations Act fees and charges), Administered	Unlimited	ASIC has responsibility for the administration and collection of Corporations Act fees and charges. All fees and charges are deposited into the CRF as received. Refunds of overpayments are appropriated under section 28 of the FMA Act.	6,937	5,756
s28 FMA Act, <i>Corporations Act 2001</i> (Companies and Unclaimed Moneys Special Account), Administered	Unlimited	ASIC has responsibility for the administration of unclaimed moneys from the Companies and Unclaimed Moneys Special Account. Moneys that are not claimed within six years are transferred to the Commonwealth (Part 9.7 of the <i>Corporations Act 2001</i> ), and are deposited into the OPA. Refunds are appropriated under section 28 of the FMA Act.	1,160	881
<b>Total</b>			<b>45,212</b>	<b>38,377</b>

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 26: Appropriations continued

Table D1: Reduction in administered items ('recoverable GST exclusive')

2011	Amount required <sup>1,2</sup> – by Appropriation Act	Spent	Retention	Total amount required <sup>1,2</sup>	Total amount appropriated <sup>3</sup>	Total reduction <sup>4</sup>
Ordinary Annual Services						
Outcome 1	2,349,315.86	1,364,283.36	985,032.50	2,349,315.86	3,450,000.00	1,100,684.14

1 Administered items for 2010–11 will be reduced to these amounts when these financial statements are tabled in the Parliament as part of ASIC's 2010–11 annual report. This reduction is effective in 2011–12 (i.e. the year the report is tabled) and the amounts in the Total Reduction column are reflected in Table A1 of these financial statements in the column 'Appropriations reduced (Appropriation Act sections 10, 11&12)'.

2 Amount required as per Appropriation Act (Act 1 s11; Act 2 s12).

3 Total amount appropriated in 2010–11.

4 Total reduction effective in 2011–12.

Table D2: Reduction in administered items ('recoverable GST exclusive')

2010	Amount required <sup>1,2</sup> – by Appropriation Act	Spent	Retention	Total amount required <sup>1,2</sup>	Total amount appropriated <sup>3</sup>	Total reduction <sup>4</sup>
Ordinary Annual Services						
Outcome 1	3,131,080.08	2,235,397.12	895,682.96	3,131,080.08	3,441,000.00	309,919.92

1 Administered items for 2009–10 were reduced to these amounts when the financial statements were tabled in the Parliament as part of ASIC's 2009–10 annual report. This reduction is effective in 2010–11 (i.e. the year the report is tabled) but the amounts in the Total Reduction column are reflected in Table A2 of these financial statements in the column 'Appropriations reduced (Appropriation Act sections 10, 11&12)'.

2 Amount required as per Appropriation Act (Act 1 s11; Act 2 s12).

3 Total amount appropriated in 2009–10.

4 Total reduction effective in 2010–11.

## Note 27: Expenditure relating to statutory boards and tribunal

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

The following expenditure incurred on behalf of these boards and tribunal are included in the Statement of Comprehensive Income of ASIC:

	2011 \$'000	2010 \$'000
Companies Auditors and Liquidators Disciplinary Board	483	645
Superannuation Complaints Tribunal	5,840	5,015

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.

## Note 28: 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. In 2010–11 ASIC began taking a proactive approach to administering vested property and accounts for any proceeds on realisation of those assets in accordance with its statutory duties.

ASIC generally deals only 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 does not consider it practical to value any identified property vesting and consequently such property is not recorded or disclosed in these financial statements.

## Note 29: Security deposits from dealers, investment advisers and liquidators

The *Corporations Act 2001* and the *Corporations Regulations 2001* requires applicants for a dealer's or investment adviser's licence, and applicants for registration as a liquidator, to lodge a security deposit with ASIC. These moneys and deposits, stock, bonds or guarantees are not available to ASIC and are not recognised in the financial statements.

	2011 \$'000	2010 \$'000
<b>Security deposits under <i>Corporations Regulations 2001</i> regulation 7.6.02AA (dealers and investment advisers)</b>		
Cash (at bank) <sup>1</sup>	63	63
Interest bearing deposits (at bank) <sup>1</sup>	240	320
Inscribed stock	20	20
Insurance bonds	20	20
Bank guarantees	16,890	22,550
<b>Closing balance</b>	<b>17,233</b>	<b>22,973</b>

1 Included in the balance of Security Deposits Special Account in Note 30D.

### Security deposits under *Corporations Act 2001* section 1284(1) (liquidators)

Insurance bonds	1,800	1,800
<b>Closing balance</b>	<b>1,800</b>	<b>1,800</b>

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 30: Special Accounts

### Note 30A: Enforcement Special Account (Departmental)

Legal authority – section 20 (1) *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Determination 2006/31 – Enforcement Special Account Establishment 2006*

Appropriation – section 20 *Financial Management and Accountability Act 1997*

Purpose – The Enforcement Special Account (ESA) is a departmental Special Account which was established by a determination of the Finance Minister on 13 September 2006 to fund the costs of ASIC arising from the investigation and litigation matters of significant public interest.

	2011 \$'000	2010 \$'000
Balance carried forward from previous year	6,508	32,912
Appropriation for the reporting period	30,000	30,000
Available for payments	36,508	62,912
Costs recovered	–	815
Cash payments from the Special Account <sup>1</sup>	(32,014)	(57,219)
Balance available to draw down next year	4,494	6,508
Represented by:		
Cash – held in the OPA	4,494	6,508

1 For the year ended 30 June 2011 ASIC recognised ESA revenue of \$27.84m (2010: \$54.073m), of which \$32.014m (2010: \$57.219m) was drawn down in cash during the year. Of the \$4.494m available to draw down in 2011–12, \$2.334m will be used to pay expenditure incurred in 2010–11.

### Note 30B: Companies and Unclaimed Moneys Special Account (Special Public Money)

Legal authority – section 21 *Financial Management and Accountability Act 1997* and section 133 of the *Australian Securities and Investments Commission Act 2001*

Appropriation – section 21 *Financial Management and Accountability Act 1997*

Purpose – The Companies and Unclaimed Moneys Special Account (CUMSA) was established on 1 July 2007 when ASIC became a prescribed agency under the *Financial Management and Accountability Act 1997*. The CUMSA was established to administer unclaimed moneys received by ASIC under section 1341 of the *Corporations Act 2001*.

Table A – Special Account	2011 \$'000	2010 \$'000
Balance carried forward from previous year	7,215	8,902
Appropriation for the reporting period	1,160	881
Receipts during the year	28,072	43,599
Interest amounts credited	554	611
Investments realised	344,184	18,000
Available for payments	381,185	71,993
Cash transferred to Consolidated Revenue	(8,019)	(9,974)
Investments made from the Special Account	(296,184)	(12,000)
Disbursements	(25,127)	(30,212)
Administration costs	(1,229)	(880)
Special purpose disbursement	(25,168)	(11,712)
Balance carried to next period (excluding investment balances) and represented by:	25,458	7,215
Cash – held by ASIC	25,458	7,215

## Note 30: Special Accounts continued

### Note 30B: Companies and Unclaimed Moneys Special Account (Special Public Money) (continued)

	2011 \$'000	2010 \$'000
<b>Table B – Special Account investment of Public Money</b>		
Special Appropriations under section 39 of the FMA Act		
Balance carried forward from previous year	264,621	261,692
Investments made from the Special Account	296,184	12,000
Investment income	12,116	8,929
Investments realised	(344,184)	(18,000)
Balance carried to next period	228,737	264,621

### Note 30C: Deregistered Companies Trust Moneys Special Account (Special Public Money)

Legal authority – section 20(1) *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Determination 2008/02 – ASIC Deregistered Companies Trust Moneys Special Account Establishment 2008*

Appropriation – section 20 *Financial Management and Accountability Act 1997*

Purpose – The Deregistered Companies Trust Moneys Special Account was established by the Finance Minister on 18 February 2008 to manage property vesting in the Commonwealth as a result of the deregistration provisions of the *Corporations Act 2001*.

	2011 \$'000	2010 \$'000
Balance carried forward from previous year	740	698
Receipts during the year	60	68
Interest received	34	32
Disbursements	(60)	(58)
<b>Closing balance</b>	<b>774</b>	<b>740</b>

### Note 30D: ASIC Security Deposits Special Account (Special Public Money)

Legal authority – section 20(1) *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Determination 2008/03 – ASIC Security Deposits Special Account Establishment 2008*

Appropriation – section 20 *Financial Management and Accountability Act 1997*

Purpose – The ASIC Security Deposits Special Account was established by a determination of the Finance Minister on 18 February 2008 to manage security deposits lodged with ASIC by registered liquidators, licensed securities dealers, licensed investment advisers and financial services licensees.

	2011 \$'000	2010 \$'000
Balance carried forward from previous year	383	383
Disbursements	(80)	–
<b>Closing balance</b>	<b>303</b>	<b>383</b>

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 30: Special Accounts continued

### Note 30E: ASIC Investigations, Legal Proceedings, Settlements and Court Orders Special Account (Special Public Money)

Legal authority – section 20(1) *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Determination 2008/04 – ASIC Investigations, Legal Proceedings, Settlements and Court Orders Special Account Establishment 2008*

Appropriation – section 20 *Financial Management and Accountability Act 1997*

Purpose – The ASIC Investigations, Legal Proceedings, Settlements and Court Orders Special Account was established by a determination of the Finance Minister on 18 February 2008 to manage money or other property temporarily held by ASIC for the benefit of a person other than the Commonwealth as a result of investigations conducted by ASIC, legal proceedings to which ASIC is a party, deeds of settlement to which ASIC is a party, enforceable undertakings accepted by ASIC and court orders referring to ASIC.

	2011 \$'000	2010 \$'000
Balance carried forward from previous year	13,721	87
Receipts during the year	68,661	22,005
Interest received	534	152
Disbursements	(14,216)	(8,523)
<b>Closing balance</b>	<b>68,700</b>	<b>13,721</b>

### Note 30F: Other Trust Moneys Special Account (Special Public Money)

	2011 \$'000	2010 \$'000
Balance carried forward from previous year	–	1
Receipts during the year	843	17
Disbursements	(843)	(18)
Balance carried to next period	–	–

### Note 30G: Services for Other Governments and Non-Agency Bodies Special Account (Administered)

This Special Account was established on 31 December 1997 by the Department of Finance and Deregulation in accordance with the terms of section 20 of the *FMA Act* ('Services for Other Governments and Non-Agency Bodies Account'). This account was closed on 11 September 2009.

## Note 31: Reporting of outcomes

Since 1 July 2009, ASIC's outcomes are:

Outcome 1: Improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks

Outcome 2: Streamlined and cost-effective interaction and access to information for business and the public, through registry, licensing and business facilitation services

### Note 31A: Net (cost)/contribution of outcome delivery

	Outcome 1		Outcome 2		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Expenses</b>						
Administered	2,349	3,130	70,194	64,877	72,543	68,007
Departmental	296,798	301,525	88,653	85,045	385,451	386,570
<b>Total expenses</b>	<b>299,147</b>	<b>304,655</b>	<b>158,847</b>	<b>149,922</b>	<b>457,994</b>	<b>454,577</b>
<b>Income from the non-government sector</b>						
Administered						
Non-taxation revenue	–	–	684,901	639,878	684,901	639,878
<b>Total administered</b>	<b>–</b>	<b>–</b>	<b>684,901</b>	<b>639,878</b>	<b>684,901</b>	<b>639,878</b>
Departmental						
Activities subject to cost recovery	656	1,627	–	–	656	1,627
Other	3,349	2,019	945	569	4,294	2,588
<b>Total departmental</b>	<b>4,005</b>	<b>3,646</b>	<b>945</b>	<b>569</b>	<b>4,950</b>	<b>4,215</b>
<b>Total income from the non-government sector</b>	<b>4,005</b>	<b>3,646</b>	<b>685,846</b>	<b>640,447</b>	<b>689,851</b>	<b>644,093</b>
<b>Net (cost)/contribution of outcome delivery</b>	<b>(295,142)</b>	<b>(301,009)</b>	<b>526,999</b>	<b>490,525</b>	<b>231,857</b>	<b>189,516</b>

The above table excludes intra-government transactions.

The table shows the net contribution to the Commonwealth Budget outcome by adding the departmental and administered expenses, less external departmental and administered revenues and costs recovered to produce a net contribution to the Budget outcome of \$231.857m (2010: \$189.516m). This derived amount is meaningful only when it is used to consider ASIC's contribution to the Budget outcome for the purposes of 'whole of Government' reporting. It is not intended to represent or portray an alternative operating result for ASIC to that which is disclosed in the Statement of Comprehensive Income.

Administered expenses represent revenue forgone 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 17 and 18 respectively.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 31: Reporting of outcomes continued

### Note 31B: Major classes of departmental expenses, income, assets and liabilities by outcomes

	Outcome 1		Outcome 2		Not attributed		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Departmental expenses</b>								
Employee benefits	170,553	162,421	50,944	45,811	–	–	221,497	208,232
Supplier expenses	93,443	114,863	27,911	32,397	–	–	121,354	147,260
Depreciation and amortisation	31,963	21,735	9,548	6,130	–	–	41,511	27,865
Finance costs	375	381	112	107	–	–	487	488
Write-down and impairment of assets	464	2,115	138	597	–	–	602	2,712
Losses from asset sales	–	10	–	3	–	–	–	13
<b>Total departmental expenses</b>	<b>296,798</b>	<b>301,525</b>	<b>88,653</b>	<b>85,045</b>	<b>–</b>	<b>–</b>	<b>385,451</b>	<b>386,570</b>
<b>Departmental income</b>								
Rendering of services	3,397	2,913	1,015	821	–	–	4,412	3,734
Royalties	156	195	47	55	–	–	203	250
Other revenue	14,883	5,622	4,446	1,586	–	–	19,329	7,208
Other gains	136	134	40	38	–	–	176	172
Revenues from Government	249,509	288,779	74,529	81,450	–	–	324,038	370,229
<b>Total departmental income</b>	<b>268,081</b>	<b>297,643</b>	<b>80,077</b>	<b>83,950</b>	<b>–</b>	<b>–</b>	<b>348,158</b>	<b>381,593</b>
<b>Departmental assets</b>								
Cash and cash equivalents	–	–	–	–	4,734	189	4,734	189
Trade and other receivables	58,949	56,196	17,608	15,850	–	–	76,557	72,046
Leasehold improvements	48,713	53,096	14,550	14,976	–	–	63,263	68,072
Plant and equipment	19,920	18,637	5,950	5,256	–	–	25,870	23,893
Intangibles	87,556	64,437	26,153	18,174	–	–	113,709	82,611
Other non-financial assets	3,636	6,451	1,086	1,820	–	–	4,722	8,271
<b>Total departmental assets</b>	<b>218,774</b>	<b>198,817</b>	<b>65,347</b>	<b>56,076</b>	<b>4,734</b>	<b>189</b>	<b>288,855</b>	<b>255,082</b>
<b>Departmental liabilities</b>								
Suppliers	18,815	17,500	5,620	4,936	–	–	24,435	22,436
Other payables	48,356	45,047	14,444	9,617	–	–	62,800	54,664
Employee provisions	41,455	39,055	12,383	11,016	–	–	53,838	50,071
Other provisions	7,041	8,516	2,103	2,402	–	–	9,144	10,918
<b>Total departmental liabilities</b>	<b>115,667</b>	<b>110,118</b>	<b>34,550</b>	<b>27,971</b>	<b>–</b>	<b>–</b>	<b>150,217</b>	<b>138,089</b>

The income and expense disclosed in this table include intra-government transactions that are eliminated in calculating the 'Net (cost)/contribution of outcome delivery' in Note 31A.

## Note 31: Reporting of outcomes continued

### Note 31C: Major classes of administered expenses, income, assets and liabilities by outcomes

	Outcome 1		Outcome 2		Not attributed		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Administered expenses</b>								
Grants	2,349	3,130	–	–	–	–	2,349	3,130
Write-down and impairment of assets	–	–	33,079	33,137	–	–	33,079	33,137
Other expenses	–	–	37,115	31,740	–	–	37,115	31,740
<b>Total administered expenses</b>	<b>2,349</b>	<b>3,130</b>	<b>70,194</b>	<b>64,877</b>	<b>–</b>	<b>–</b>	<b>72,543</b>	<b>68,007</b>
<b>Administered income</b>								
Non-taxation revenue	–	–	684,901	639,878	–	–	684,901	639,878
<b>Total administered income</b>	<b>–</b>	<b>–</b>	<b>684,901</b>	<b>639,878</b>	<b>–</b>	<b>–</b>	<b>684,901</b>	<b>639,878</b>
<b>Administered assets</b>								
Cash and cash equivalents	2,012	1,126	1,155	1,891	–	–	3,167	3,017
Receivables	–	–	97,738	86,946	–	–	97,738	86,946
<b>Total administered assets</b>	<b>2,012</b>	<b>1,126</b>	<b>98,893</b>	<b>88,837</b>	<b>–</b>	<b>–</b>	<b>100,905</b>	<b>89,963</b>
<b>Administered liabilities</b>								
Suppliers	1,084	985	9,524	6,841	–	–	10,608	7,826
<b>Total administered liabilities</b>	<b>1,084</b>	<b>985</b>	<b>9,524</b>	<b>6,841</b>	<b>–</b>	<b>–</b>	<b>10,608</b>	<b>7,826</b>

The income and expense disclosed in this table include intra-government transactions that are eliminated in calculating the 'Net (cost)/contribution of outcome delivery' in Note 31A.

# Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## Note 32: Compensation and debt relief

	2011 \$'000	2010 \$'000
<b>Departmental</b>		
No expenses were incurred in relation to matters dealt with under the 'Compensation for Detriment caused by Defective Administration Scheme' during the reporting period (2010: two matters)	–	2

### Administered

Included in the bad and doubtful debts expense in the Schedule of Administered Items are amounts written off under section 47 of the *FMA Act*. The number of items and aggregate amount of Commonwealth moneys written off during the financial year under this section is 160,165 items totalling \$28,249,165 (2010: 160,948 items totalling \$27,463,323).

The number of items 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* is 16,109 items totalling \$2,335,081 (2010: 17,099<sup>1</sup> items totalling \$3,071,808).

1 The published financial statements for 2009–10 incorrectly quoted this figure as 147,099.

End of financial statements

# Glossary

AFS licence	Australian financial services licence
APX	Asia Pacific Exchange Limited
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
ASX	ASX Limited
ASX 24	Operated by ASX Limited (formerly known as Sydney Futures Exchanges [SFE])
BSX	SIM Venture Securities Exchange Limited (formerly known as Bendigo Stock Exchange Limited)
CFD	Contract for difference
Corporations Act	<i>Corporations Act 2001</i>
CPSS	Committee on Payment and Settlement Systems
CRA	Credit rating agency
Dark pools or dark liquidity	A type of matching system characterised by the absence of pre-trade transparency, meaning that bids and offers are not made publicly available as is the case with, for example, the ASX's central order limit book
Derivatives	A financial instrument where the value is derived from an underlying asset, such as a share, commodity or index. Common derivatives include options and futures contracts
Flash crash	On 6 May 2010 major equity indices in both the US futures and securities markets fell 5–6% in minutes before rebounding. The Securities and Exchange Commission and Commodity Futures Trading Commission issued a report on causes
FoFA reforms	Future of Financial Advice reforms
GFC	Global financial crisis
High-frequency trading	The use of high-speed computer programs to generate, route and execute orders on markets
IMB	IMB Limited
IOSCO	International Organization of Securities Commissions
ITSA	Insolvency and Trustee Service Australia
MIS	Managed investment scheme
National Credit Act	<i>National Consumer Credit Protection Act 2009</i>
NSXA	National Stock Exchange of Australia (formerly known as Stock Exchange of Newcastle)
OTC	Over the counter
PDS	Product Disclosure Statement
Phoenix activity	Typically, phoenix activity involves transferring the assets of a company (the previous company) to a subsequent company in circumstances where the previous company was unable to pay its debts, and the transfer may have been conducted in a manner so as to deprive unsecured creditors equal access to its assets, and there is a connection between the management or shareholding of the previous company and the subsequent company

## Glossary continued

### Stronger Super reforms

The Stronger Super reforms are the Government's response to the review of Australia's superannuation system (Super System Review). The Stronger Super reforms were announced by the Assistant Treasurer and Minister for Financial Services and Superannuation, the Hon Bill Shorten MP, on 16 December 2010

### Trustee(s) for hire

Trustees with a business model conducive to promoters approaching trustees to hold trusteeship, while the promoter effectively operates marketing and investment management of the fund and, in some cases, fund administration and other outsourced functions



*The Brisbane floods in January were the city's biggest in nearly 40 years and left a trail of destruction and ruin. In response, ASIC's Brisbane team took time out to help with the clean-up effort. Pictured are (L-R) Deeya Boollell, Lesley Symons, Claire Clegg, Donna Henderson and Skye Growden who volunteered at the St Vincent de Paul depot at Sumner Park, Brisbane.*

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ASIC

# the first 20 years

- ♦ After High Court challenges and the Alice Springs Agreement, Australian Securities Commission (ASC) begins operations under the new Corporations Law in January
- ♦ Australian Company Number system established

- ♦ ASC's Information Processing Centre (IPC) opens in Traralgon
- ♦ ASX launches the CHESS system
- ♦ Corporate Law Simplification Program is established

- ♦ IPC becomes the first information management organisation in the world certified under ISO9001

- ♦ Reforms to the Corporations Law facilitate share buy-backs



Tony Hartnell  
Chairman 1991–1993



Alan Cameron  
Chairman 1993–2000

1991

1992

1993

1994

1995

1996

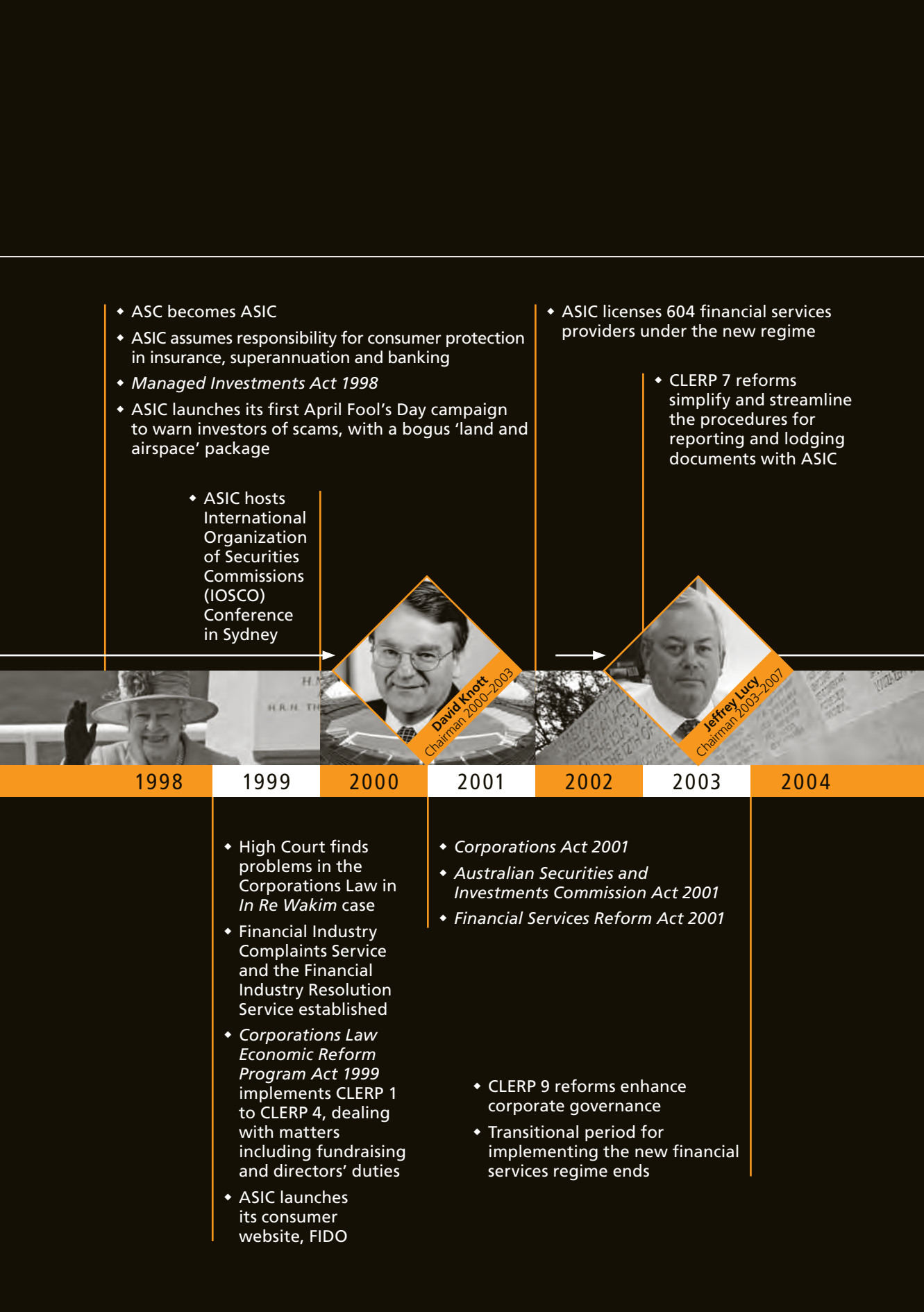
1997

- ♦ ASC releases first investor publication, *Don't Kiss Your Money Goodbye*
- ♦ *Corporate Law Reform Act 1992* introduces civil penalty provision regime

- ♦ Wallis Inquiry Report

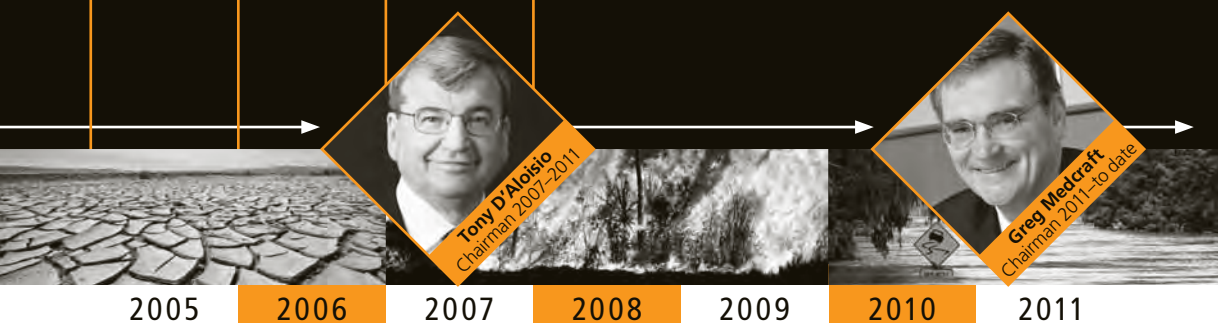
- ♦ ASC moves from Attorney-General's Department to Treasury portfolio

IMAGES, from left to right: 1992 – High Court ruling recognises Native Title in Australia; 1993 – Australian Government starts privatisation of Qantas; 1997 – Asian financial crisis sparks stockmarket crash; 1999 – Australians vote against becoming a republic; 2000 – Sydney Olympic Games; 2002 – Bali bombings bring terrorism close to Australians; 2006 – Drought changes the way Australians use water; 2009 – Black Saturday bushfires claim 173 lives in Victoria; 2010 – Queensland floods affect 70 towns and 200,000 people



# 1991–2011

- ♦ Superannuation choice of fund reforms introduced
- ♦ Cole Inquiry into UN Food-For-Oil program
- ♦ CAMAC inquires into corporate social responsibility
- ♦ Global financial crisis begins
- ♦ ASIC assumes responsibility for financial literacy
- ♦ ASIC bans short selling



2005

2006

2007

2008

2009

2010

2011

- ♦ Parliamentary Joint Committee Inquiry into Financial Products and Services in Australia
- ♦ ASIC begins licensing credit rating agencies
- ♦ Government announces the Future of Financial Advice reforms
- ♦ ASIC assumes responsibility for consumer credit and finance broking
- ♦ ASIC assumes responsibility from the ASX for the supervision of trading
- ♦ Cooper Review of Superannuation
- ♦ Senate inquiry into the insolvency industry
- ♦ Transition period for new credit licensing regime ends

# Contact details

## ASIC online

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

## For consumers and retail investors

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

## How to contact ASIC

Go to [www.asic.gov.au/question](http://www.asic.gov.au/question) or phone 1300 300 630:

- ♦ for information on consumer rights and ASIC policy and procedures
- ♦ for help with company annual statements, notification of changes to company or licence details, routine company or licence compliance, document lodgements, deregistration and reinstatements.

Go to [www.asic.gov.au/complain](http://www.asic.gov.au/complain) to report misconduct in:

- ♦ financial markets
- ♦ credit and financial services and products
- ♦ companies
- ♦ company directors
- ♦ auditors
- ♦ liquidators
- ♦ licensees
- ♦ company administration.

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**ASIC**

**PO Box 4000**

**Gippsland Mail Centre Vic 3841**

For street addresses, please see [www.asic.gov.au](http://www.asic.gov.au).

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