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FINANCIAL STATEMENTS

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

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INDEPENDENT AUDITOR 'S REPORT

To the Parliamentary Secretary to the Treasurer

Report on the Financial Statements

I have audited the accompanying financial statements of the Australian Securities and Investments Commission for the year ended 30 June 2013, which comprise: a Statement by the Chairman and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; Schedule of Administered Commitments and Contingencies; and Notes to and forming part of the financial statements comprising a Summary of significant accounting policies and other explanatory information.

Chairman's Responsibility for the Financial Statements

The Chairman of the Australian Securities and Investments Commission 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 is necessary to enable the preparation of the financial statements that give a true and fair view and 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 have 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 Australian Securities and Investments 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 Australian Securities and Investments 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 Chairman of the Australian Securities and Investments Commission, 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.

Independent Auditor's Report

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 2013 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

Note 35 *Compliance with statutory conditions for payments from Consolidated Revenue Fund* discloses information on the Australian Securities and Investments Commission's review of its exposure to risks of not complying with statutory conditions on payments from special appropriations and special accounts, and annual appropriations which fund statutory payments. Non-compliance with statutory conditions may lead to a contravention of section 83 of the Constitution, which requires that no money shall be drawn from the Treasury of the Commonwealth except under an appropriation made by law.

As disclosed in Note 35, 2012-13 payments in breach of section 83 of the Constitution totalling \$20,484.36 were made under the Remuneration Tribunal Act 1973 out of Appropriation Act No. 1 2012-13 (Departmental Item).

Australian National Audit Office



Carla Jago

Executive Director

Delegate of the Auditor-General

Canberra

15 August 2013

Statement by Chief Executive and Chief Financial Officer



In our opinion, the attached financial statements for the year 30 June 2013 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 flourish extending to the right.

G. J. Medcraft
Chairman

15 August 2013

A handwritten signature in black ink, appearing to read 'E. L. Hodgson', with a small dot at the end.

E. L. Hodgson
Chief Financial Officer

15 August 2013

Statement of Comprehensive Income


FOR THE YEAR ENDED 30 JUNE 2013

EXPENSES	Notes	2013 \$'000	2012 \$'000
Employee benefits	3A	231,579	217,848
Supplier expenses	3B	127,571	120,078
Depreciation and amortisation	3C,34	51,355	45,665
Finance costs	3D	285	514
Write-down and impairment of assets	3E	479	383
Total expenses (A)	32A	411,269	384,488
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Rendering of services	4A	2,679	3,559
Royalties	4B	190	185
Other revenue	4C	13,805	30,846
Total own-source revenue		16,674	34,590
Gains			
Other gains	4D	405	181
Total gains (B)		17,079	34,771
Net cost of services (A) – (B)		394,190	349,717
Revenues from Government	4E	350,030	304,259
(Deficit) attributable to the Australian Government		(44,160)	(45,458)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to profit or loss			
Changes in asset revaluation reserve		–	2,740
Total comprehensive (loss) attributable to the Australian Government	34	(44,160)	(42,718)

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

Balance Sheet

AS AT 30 JUNE 2013



	Notes	2013 \$'000	2012 \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	5A	1,062	8,777
Trade and other receivables	5B	107,963	89,481
<i>Total financial assets</i>		<u>109,025</u>	<u>98,258</u>
Non-financial assets			
Leasehold improvements	6A,6D	47,716	55,612
Plant and equipment	6B,6D	21,678	26,428
Intangibles	6C,6D	117,737	130,977
Other non-financial assets	6E	8,873	8,799
<i>Total non-financial assets</i>		<u>196,004</u>	<u>221,816</u>
Total assets		<u>305,029</u>	<u>320,074</u>
LIABILITIES			
Payables			
Suppliers	7A	33,080	39,159
Other payables	7B	56,642	60,552
<i>Total payables</i>		<u>89,722</u>	<u>99,711</u>
Provisions			
Employee provisions	8A	65,758	56,694
Other provisions	8B	9,204	8,888
<i>Total provisions</i>		<u>74,962</u>	<u>65,582</u>
Total liabilities		<u>164,684</u>	<u>165,293</u>
Net assets		<u>140,345</u>	<u>154,781</u>
EQUITY			
Contributed equity		232,149	202,425
Reserves		9,213	9,213
Accumulated (deficit)		(101,017)	(56,857)
<i>Total equity</i>		<u>140,345</u>	<u>154,781</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 2013

		Accumulated surplus/(deficit)		Asset revaluation reserve		Contributed equity		Total equity	
	Notes	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Opening balance		(56,857)	(11,399)	9,213	6,473	202,425	143,564	154,781	138,638
Comprehensive income									
Revaluation									
Leasehold improvements		–	–	–	809	–	–	–	809
Plant and equipment		–	–	–	1,931	–	–	–	1,931
(Deficit) for the period		(44,160)	(45,458)					(44,160)	(45,458)
Total comprehensive (loss) / income attributable to the Australian Government	34,6D	(44,160)	(45,458)	–	2,740	–	–	(44,160)	(42,718)
Transactions with owners									
Contributions by owners									
Equity injections – Appropriations		–	–	–	–	15,790	4,465	15,790	4,465
Departmental capital budget		–	–	–	–	13,934	58,646	13,934	58,646
Distribution to owners									
Returns of capital:									
Finance Minister's determination No. 1 of 2011–12 Schedule 1		–	–	–	–	–	(4,250)	–	(4,250)
Sub-total transactions with owners		–	–	–	–	29,724	58,861	29,724	58,861
Closing balance attributable to the Australian Government		(101,017)	(56,857)	9,213	9,213	232,149	202,425	140,345	154,781

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 2013

	Notes	2013 \$'000	2012 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		341,987	319,312
Services		5,522	8,895
Net GST received		13,788	19,221
Other cash received		7,885	31,032
<i>Total cash received</i>		<u>369,182</u>	<u>378,460</u>
Cash used			
Employees		221,001	211,883
Suppliers		143,359	129,007
Transfers to the Official Public Account		10,907	36,042
<i>Total cash used</i>		<u>(375,267)</u>	<u>(376,932)</u>
Net cash from / (used by) operating activities	9	<u>(6,085)</u>	<u>1,528</u>
INVESTING ACTIVITIES			
Cash used			
Purchase of leasehold improvements, plant and equipment and intangibles		31,354	56,346
Net cash (used) by investing activities		<u>(31,354)</u>	<u>(56,346)</u>
FINANCING ACTIVITIES			
Cash received			
Appropriations – contributed equity		29,724	58,861
Net cash from financing activities		<u>29,724</u>	<u>58,861</u>
<i>Net increase / (decrease) in cash held</i>		<u>(7,715)</u>	<u>4,043</u>
Cash and cash equivalents at the beginning of the reporting period		8,777	4,734
Cash and cash equivalents at the end of the reporting period	5A	<u>1,062</u>	<u>8,777</u>

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

Schedule of Commitments

AS AT 30 JUNE 2013

BY TYPE	2013 \$'000	2012 \$'000
Commitments payable		
Capital commitments		
Intangibles ¹	209	2,543
<i>Total capital commitments</i>	<u>209</u>	<u>2,543</u>
Other commitments		
Operating leases ²	193,746	225,767
Other commitments (goods and services)	42,900	46,337
<i>Total other commitments</i>	<u>236,646</u>	<u>272,104</u>
Less: commitments receivable		
GST recoverable on commitments	20,477	24,968
Sublease revenue receivable	969	–
<i>Total commitments receivable</i>	<u>21,446</u>	<u>24,968</u>
Net commitments by type	<u>215,409</u>	<u>249,679</u>
BY MATURITY		
Commitments payable		
Capital commitments		
One year or less	209	2,543
<i>Total capital commitments</i>	<u>209</u>	<u>2,543</u>
Operating lease commitments		
One year or less	31,530	30,556
From one to five years	116,139	121,885
Over five years	46,077	73,326
<i>Total operating lease commitments</i>	<u>193,746</u>	<u>225,767</u>
Other commitments (goods and services)		
One year or less	40,520	42,599
From one to five years	2,380	3,737
<i>Total other commitments</i>	<u>42,900</u>	<u>46,336</u>
Less: commitments receivable		
One year or less	6,534	6,650
From one to five years	10,723	11,651
Over five years	4,189	6,666
<i>Total commitments receivable</i>	<u>21,446</u>	<u>24,967</u>
Net commitments by maturity	<u>215,409</u>	<u>249,679</u>

1. Outstanding contractual payments for purchases of intangibles.

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

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

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 2013

	Notes	2013 \$'000	2012 \$'000
CONTINGENT ASSETS			
Claims for costs		757	709
Total contingent assets	10	757	709
CONTINGENT LIABILITIES			
Claims for costs		–	350
Total contingent liabilities	10	–	350

Details of all contingent liabilities and assets, including those not included above because they cannot be quantified, are disclosed in Note 10: Contingent liabilities and assets.

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

Administered Schedule of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2013

EXPENSES	Notes	2013 \$'000	2012 \$'000
Grants	17A	2,203	1,823
Write-down and impairment of assets	17B	43,401	43,040
Other expenses ^{1,2}	17C	501,873	103,144
<i>Total expenses administered on behalf of Government</i>		<i>547,477</i>	<i>148,007</i>
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Non-taxation revenue			
Corporations Act, National Consumer Credit Protection Act and Business Names Registration (Fees) Act fees and fines	18	717,415	663,610
Banking Act unclaimed monies ¹	18	520,442	61,227
Life Insurance Act unclaimed monies ¹	18	31,083	8,769
Corporations Act unclaimed monies ²	18	331,300	12,899
<i>Total own-source revenue administered on behalf of Government</i>		<i>1,600,240</i>	<i>746,505</i>
Net contribution to budget		1,052,763	598,498

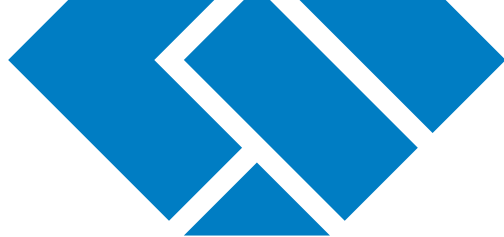
1 ASIC has responsibility for the administration of monies received from banking and deposit taking institutions as well as life insurance institutions and friendly societies. In 2012–13 the Government changed the definition of these unclaimed monies to include accounts or policies that have been inactive for more than three years (previously the inactive period was seven years). This has resulted in an abnormal increase in administered revenue and the provision for claims payable in 2012–13.

2 ASIC has responsibility for the administration of unclaimed monies under section 1341 of the *Corporations Act 2001*. In 2012–13 the Government changed the administrative arrangements for these unclaimed monies which are now transferred to the Official Public Account (OPA) on a daily basis (previously these funds remained in a trust fund maintained by ASIC for a period of six years, Note 30B refers). This has resulted in an abnormal increase in administered revenue and the provision for claims payable in 2012–13.

The above Schedules should be read in conjunction with the accompanying notes including reporting of administered activities in accounting policy Note 1.20.

Administered Schedule of Assets and Liabilities

AS AT 30 JUNE 2013



ASSETS	Notes	2013 \$'000	2012 \$'000
Financial assets			
Cash and cash equivalents	19A	3,560	1,373
Receivables	19B	107,869	104,716
<i>Total assets administered on behalf of Government</i>	25	111,429	106,089
LIABILITIES			
Payables			
Suppliers	20A	18,719	15,045
Provisions	20B	502,571	64,514
<i>Total liabilities administered on behalf of Government</i>		521,290	79,559
		(409,861)	26,530

Administered Reconciliation Schedule

AS AT 30 JUNE 2013

	2013 \$'000	2012 \$'000
Opening administered assets less administered liabilities	26,530	90,297
Surplus (deficit) items:		
Plus: Administered income	1,600,241	746,505
Less: Administered expenses	(547,477)	(148,007)
Administered transfers to/from Australian Government:		
Appropriation transfers from Official Public Account:		
Special (unlimited) and ordinary appropriations	72,497	42,405
Transfers to Official Public Account	(1,561,652)	(704,670)
Closing administered assets less administered liabilities	(409,861)	26,530

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

Administered Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2013

		2013 \$'000	2012 \$'000
OPERATING ACTIVITIES	Notes		
Cash received			
Corporations Act, National Consumer Credit Protection Act, Business Names Registration (Fees) Act and Superannuation Industry (Supervision) Act		674,580	618,270
Corporation Act unclaimed monies		331,300	12,899
Banking Act unclaimed monies		520,442	61,227
Life Insurance Act unclaimed monies		31,083	8,769
Net GST received		35	83
<i>Total cash received</i>		<i>1,557,440</i>	<i>701,248</i>
Cash used			
Refunds paid to:			
Company shareholders		18,871	1,259
Deposit taking institution account holders		40,479	32,769
Life insurance policy holders		4,466	4,602
Grants		2,282	2,147
<i>Total cash (used)</i>		<i>(66,098)</i>	<i>(40,777)</i>
Net cash from operating activities	21	1,491,342	660,471
<i>Net increase in cash held</i>		<i>1,491,342</i>	<i>660,471</i>
Cash and cash equivalents at the beginning of the reporting period		1,373	3,167
Cash from Official Public Account for:			
– Appropriations		72,497	42,405
		73,870	45,572
Less: Cash to Official Public Account for:			
– Corporations Act, National Consumer Credit Protection Act and Business Names Registration (Fees) Act fees and charges		678,686	621,775
– Corporations Act unclaimed monies		331,441	12,899
– Banking Act unclaimed monies		520,442	61,227
– Life Insurance Act unclaimed monies		31,083	8,769
		(1,561,652)	(704,670)
<i>Cash and cash equivalents at end of the reporting period</i>	19A	<i>3,560</i>	<i>1,373</i>

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

Administered Schedule of Commitments and Contingencies

AS AT 30 JUNE 2013



ADMINISTERED COMMITMENTS

As at 30 June 2013 ASIC has \$0.211m administered commitments payable (2012: \$0.171m). The commitments payable at 30 June 2013 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 2013 were due within 1 year.

As at 30 June 2013 ASIC has \$0.021m administered commitments receivable (2012: \$0.016m). The administered commitments receivable at 30 June 2013 relate to GST refundable.

ADMINISTERED CONTINGENT ASSETS

There were no administered contingent assets as at 30 June 2013 (2012: nil).

ADMINISTERED CONTINGENT LIABILITIES	Notes	2013 \$'000	2012 \$'000
Liabilities – Refunds to claimants			
Banking Act unclaimed monies	22	426,983	296,529
Life Insurance Act unclaimed monies	22	49,617	47,655
Corporations Act unclaimed monies	22	276,289	276,568
Total administered contingent liabilities		752,889	620,752

Details of each class of contingent liabilities in the above table are disclosed in Note 22.

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

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*, the *National Consumer Credit Protection Act 2009*, the *Business Names Registration (Fees) Regulations 2010* and *Superannuation Industry (Supervision) Act 1993*. 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 (Note 32 refers). 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 a single outcome:

Improved confidence in Australia's financial markets through promoting informed investors and financial consumers, facilitating fair and efficient markets and delivering efficient registry systems.

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).

Monitoring of constitutional and other legal requirements

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth* (2012) 288 ALR 410, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

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 Financial Reporting (incorporating policy and guidance) for reporting periods ending on or after 1 July 2011;
- ♦ Finance Minister's Amendment Orders (Financial Statements for reporting periods ending on or after 1 July 2012); 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



Note 1: Summary of significant accounting policies (continued)

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.

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 10).

Unless alternative treatment is specifically required by an accounting standard or the FMOs, 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

ASIC changed its accounting treatment in 2012–13 to recognise transfers between the Companies Unclaimed Monies Special Account (CUMSA) and the Official Public Account (OPA) in the Administered Schedule of Comprehensive Income. The change is retrospective and requires the restatement of the comparative information presented for the year ended 30 June 2012 (Note 17C and 18 refers). On 5 December 2012 the CUMSA was abolished.

ASIC has recognised a provision for claims payable for the Banking Act, Life Insurance

Act and Corporations Act in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The change in the accounting treatment for probable refunds that are to be paid to claimants is reflected in ASIC's Schedule of Administered Items. The change is retrospective and requires the restatement of the comparative information presented for the year ended 30 June 2012 (Note 20B refers).

1.4 Significant accounting judgements and estimates

ASIC has recognised a provision for likely future claims of unclaimed monies collected by ASIC up to the reporting date. The outstanding amount of unclaimed monies unlikely to be refunded is disclosed as a contingent liability. The provisions and contingent liabilities are both determined by the use of an actuary. The provision has been estimated assuming the historic claims pattern experienced since 2004 (when records became available on ASIC's website) will continue at the same rate despite the reforms to unclaimed monies in 2012–13 (Note 1.20 refers).

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 2011-9 *Presentation of Items of Other Comprehensive Income*
- ♦ AASB 2011-10 to *Australian Accounting Standards arising from AASB 119 (September 2011)*
- ♦ AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*
- ♦ AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2013

Note 1: Summary of significant accounting policies (continued)

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

New standards, amendments to standards or interpretations that have been issued by the Australian Accounting Standards Board and are effective for future reporting periods, are expected to have a material financial impact on ASIC.

- ♦ AASB 13 *Fair Value Measurement*
- ♦ AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- ♦ AASB 2011-10 *Amendments to AASB 119 Employee Benefits (September 2011)*
- ♦ AASB 9 *Financial Instruments*
- ♦ AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*
- ♦ AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- ♦ AASB 1055 *Budgeting Reporting*

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 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 are presented gross as cash and a liability (payable).

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

Departmental capital budget (DCB)

Introduced from 1 July 2010, the DCB funds ASIC's business-as-usual asset replacements (i.e. assets below \$10m) and payout of make-good provisions.



Note 1: Summary of significant accounting policies (continued)

Equity injections

Equity injections are used to fund the replacement of major project assets (i.e. assets over \$10 million) and new assets approved through the Commonwealth budget process.

Restructuring of administrative arrangements

Net assets received from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

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.

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 12 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 31 October 2012. 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 minority of employees who are members of either a state government or private superannuation schemes. All employees who are members of state government superannuation schemes were originally employed by the various state governments and were transferred to ASIC at its inception in 1989.

ASIC makes employer contributions to the defined-benefit Australian Government sponsored schemes 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.

Note 1: Summary of significant accounting policies (continued)

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.

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).



Note 1: Summary of significant accounting policies (continued)

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.

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 shown below:

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

All depreciable leasehold improvements, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives using the straight-line method of depreciations.

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.

Note 1: Summary of significant accounting policies (continued)

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

	2013	2012
Leasehold improvements	Lease term	Lease term
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.

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 (2012: 2 to 10 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.

Reforms to unclaimed monies in 2012–13

Banking Act and Life Insurance Act administration

ASIC is responsible for the administration of unclaimed monies from banking, deposit and life insurance taking institutions.

Prior to 31 December 2012, in accordance with the *Banking Act 1959* and *Life Insurance Act 1995* monies from accounts and matured life insurance policies that were inactive for seven or more years were transferred to the Commonwealth and deposited into the Official Public Account (OPA). Effective 31 December 2012 the Government's reforms of unclaimed monies have reduced the inactivity period from seven years to three years. Refunds are paid to successful claimants out of the OPA.

Corporations Act administration

ASIC is responsible for the administration of unclaimed monies under section 1341 of the *Corporations Act 2001*.

Prior to 5 December 2012, these unclaimed monies were held in ASIC's Companies and Unclaimed Monies Special Account (CUMSA) for six years before being transferred to the OPA. On 5 December 2012, the Government abolished the CUMSA and since then unclaimed company monies are transferred to the OPA on a daily basis. Refunds are paid to successful claimants out of the OPA.



Note 1: Summary of significant accounting policies (continued)

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 fees and fines under the *Corporations (Fees) Act 2001*, *Corporations (Review Fees) Act 2003*, *National Consumer Credit Protection (Fees) Regulation 2010*, *Business Names Registration (Fees) Regulation 2012* and *Superannuation Industry (Supervision) Act 1993*. 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.

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 debt is no longer probable.

ASIC also receives unclaimed monies under the *Banking Act 1959*, *Life Insurance Act 1995* and *Corporations Act 2001*. This revenue is not available to ASIC and is transferred to the OPA.

Expenses

Administered expenses for refunds of unclaimed monies under the *Banking Act 1959*, *Life Insurance Act 1995* and *Corporations Act 2001* are recognised by estimating the value of claims likely to be repaid in respect of unclaimed money collected by ASIC as at balance date. The methodology used to determine the value of probable claims is determined by an independent actuary. Successful claims are paid out of the provision account.

Administered cash transfers to and from the 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 the 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 Schedule of Administered Cash Flows and in the Administered Reconciliation Schedule. Accordingly the Schedule of Administered Items largely reflects the Government's transactions, through ASIC, with parties outside the Government.

Receivables

Administered receivables are recognised at their 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 receivables which are unlikely to be collected in future.

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

Provisions

The other provisions recognised in the Administered Schedule of Assets and Liabilities are for estimated claims payable from collections of unclaimed monies administered by ASIC as at balance date. The estimate of future claims for repayment was calculated using a methodology determined by an independent actuary. ASIC has recognised the provision for claims payable under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Contingent liabilities

The contingent liability disclosed in the Schedule of Administered Commitments and Contingencies represents an estimate of unclaimed monies that are unlikely to be refunded, but not considered remote.

Note 1: Summary of significant accounting policies (continued)

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 (Note 27 refers).

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
- ♦ compensation and debt relief.

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: Expenses

	2013 \$'000	2012 \$'000
Note 3A: Employee benefits		
Wages and salaries	175,378	167,173
Superannuation ¹		
Defined-benefit schemes	12,182	10,223
Defined-contribution schemes	16,128	14,157
Leave and other entitlements	26,505	25,167
Separation and redundancies ²	1,386	1,128
Total employee benefits	231,579	217,848

1. Contributions to defined benefit superannuation schemes are at rates calculated to cover existing and emerging obligations. The employer contribution rate for the Commonwealth Superannuation Scheme was 14.3% (2012: 15.9%), the Public Sector Superannuation Scheme was 14.1% (2012: 11.1%), the PSS Accumulation Scheme was 15.4% (2012: 15.4%), and the superannuation productivity benefit was approximately 2.0% to 3.0% (2012: 2.0% to 3.0%). The contribution is calculated based on the relevant salary for super at the time the contributions are made.

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 3: Expenses (continued)

	2013 \$'000	2012 \$'000
Note 3B: Suppliers		
Goods and services		
Legal and forensic costs	24,247	15,332
Office, computer and software expenses	20,703	23,305
Property-related outgoings	8,468	8,837
Consultants and specialist services	10,202	12,221
Travel	4,265	4,519
Communications	7,523	5,814
Recruitment	1,103	1,066
Information costs	8,553	6,818
Learning and development	3,890	4,998
Security	2,763	2,368
Postage and freight	2,577	1,892
Other goods and services	6,265	6,671
Total goods and services	100,559	93,841
Goods and services are made up of:		
Provision of goods – related entities	5	7
Provision of goods – external parties	2,917	2,818
Rendering of services – related entities	8,907	4,473
Rendering of services – external parties	88,730	86,543
Total goods and services	100,559	93,841
Other supplier expenses		
Operating lease rentals from external entities:		
Minimum lease payments	24,359	23,860
Sublease payments	553	757
Workers compensation premiums	1,845	1,373
Fringe benefits tax	255	247
Total other supplier expenses	27,012	26,237
Total supplier expenses	127,571	120,078
Note 3C: Depreciation and amortisation		
Depreciation:		
Leasehold improvements	8,340	9,373
Plant and equipment	6,614	5,494
Total depreciation	14,954	14,867
Amortisation:		
Intangibles – Computer software	36,401	30,798
Total amortisation	36,401	30,798
Total depreciation and amortisation	51,355	45,665

Note 3: Expenses (continued)

	Note	2013 \$'000	2012 \$'000
Note 3D: Finance costs			
Unwinding of restoration provision discount	8B	285	514
Total finance costs		285	514
Note 3E: Write-down and impairment of assets			
Impairment of financial instruments		71	46
Write-off of plant and equipment		408	287
Write-off of intangibles		–	50
Total write-down and impairment of assets		479	383

Note 4: Income

	2013 \$'000	2012 \$'000
Revenue		
Note 4A: Rendering of services		
Rendering of services – related entities	870	848
Rendering of services – external parties	1,809	2,711
Total rendering of services	2,679	3,559
Note 4B: Royalties		
ASIC publications	190	185
Total royalties	190	185
Note 4C: Other revenues		
Cost recoveries ¹	2,442	3,550
Receipts for special projects ²	9,515	26,129
Professional and witness fees	66	118
Sublease rent and property recoveries	879	143
AusAID revenue ³	–	25
Receipt from the Department of Treasury ⁴	–	81
Recovery of doubtful debts relating to prior year	5	308
Workers compensation refunds relating to prior year	129	316
Miscellaneous	769	176
Total other revenue	13,805	30,846

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 Monies 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 4: Income (continued)

Gains	Notes	2013 \$'000	2012 \$'000
Note 4D: Other gains			
Proceeds on sale of assets – plant and equipment		205	–
Resources received free of charge	14	200	181
Total other gains		405	181

As a prescribed agency ASIC receives audit services from the Australian National Audit Office free of charge. The fair value of that service is \$200,000 (2012: \$181,000) for the reporting period.

Revenues from Government

Note 4E: Revenues from Government

Appropriations:

Departmental outputs		324,833	292,184
Departmental Special Account	30A	25,197	12,075
Total revenues from Government		350,030	304,259

Note 5: Financial assets

	Notes	2013 \$'000	2012 \$'000
Note 5A: Cash and cash equivalents			
Cash on hand or on deposit		1,062	8,777
Total cash and cash equivalents	15A	1,062	8,777

The 2013 cash balance is within the cash limit set by Department of Finance and Deregulation.

Note 5B: Trade and other receivables

Goods and Services:

Goods and services – related entities		809	173
Goods and services – external parties		886	4,271
Total receivables for goods and services		1,695	4,444

Credit terms for goods and services were within 30 days. (2012: 30 days)

Appropriations receivable:

Appropriations receivable	16	102,003	80,999
Total appropriations receivable		102,003	80,999

Other receivables:

GST receivable from the Australian Taxation Office	16	4,481	4,226
Total other receivables		4,481	4,226
Total trade and other receivables (gross)		108,179	89,669

Less impairment allowance account:

Goods and services		216	188
Total impairment allowance account		216	188
Total trade and other receivables (net)		107,963	89,481

Receivables are expected to be recovered in:

No more than 12 months		107,963	89,481
Total trade and other receivables (net)		107,963	89,481

Note 5: Financial assets (continued)

	2013 \$'000	2012 \$'000
Receivables are aged as follows:		
Not overdue	107,574	88,948
Overdue by:		
Less than 30 days	341	185
30 to 60 days	24	37
More than 90 days	240	499
Total receivables (gross)	108,179	89,669
The impairment allowance account is aged as follows:		
Overdue by:		
More than 90 days	216	188
Total impairment allowance account	216	188
Reconciliation of the movement in the impairment allowance account		
Opening balance	188	450
Amounts recovered and reversed	(43)	(308)
Increase recognised in net surplus / (deficit)	71	46
Closing balance	216	188

Note 6: Non-financial assets

	2013 \$'000	2012 \$'000
Note 6A: Leasehold improvements		
Work in progress	5	55
Fair value	91,146	90,652
Accumulated depreciation	(43,435)	(35,095)
Total leasehold improvements	47,716	55,612

All revaluations are conducted in accordance with the revaluation policy stated at Note 1.17. An independent valuation was conducted in 2011–12 by Rodney Hyman Asset Services Pty Ltd as at 30 June 2012.

The carrying value of leasehold improvements was reviewed at 30 June 2013. No indicators of impairment were found for leasehold improvements at 30 June 2013.

Note 6B: Plant and equipment

Fair value	54,740	54,789
Accumulated depreciation	(33,062)	(28,361)
Total plant and equipment	21,678	26,428

All revaluations are conducted in accordance with the revaluation policy stated at Note 1.17. An independent valuation was conducted in 2011–12 by Rodney Hyman Asset Services Pty Ltd.

The carrying value of plant and equipment assets was reviewed at 30 June 2013. No indicators of impairment were found for plant and equipment at 30 June 2013.

Note 6: Non-financial assets (continued)

	2013 \$'000	2012 \$'000
Note 6C: Intangibles – computer software		
Internally developed		
– work in progress	13,987	16,661
– in use	164,118	144,366
– accumulated amortisation	(93,096)	(61,200)
	<u>85,009</u>	<u>99,827</u>
Purchased		
– work in progress	18,850	18,132
– in use	36,364	31,012
– accumulated amortisation	(22,486)	(17,994)
	<u>32,728</u>	<u>31,150</u>
Total intangibles	<u>117,737</u>	<u>130,977</u>

The carrying value of intangible assets was reviewed at 30 June 2013. No indicators of impairment were found for intangibles at 30 June 2013.

Note 6D: 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 (2012–13)

	Leasehold improvements \$'000	Plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2012					
Gross book value	90,707	54,789	161,027	49,144	355,667
Accumulated depreciation/ amortisation and impairment	(35,095)	(28,361)	(61,200)	(17,994)	(142,650)
Net book value 1 July 2012	<u>55,612</u>	<u>26,428</u>	<u>99,827</u>	<u>31,150</u>	<u>213,017</u>
Additions:					
by purchase	444	2,272	–	6,069	8,785
internally developed	–	–	17,092	–	17,092
Total additions	<u>444</u>	<u>2,272</u>	<u>17,092</u>	<u>6,069</u>	<u>25,877</u>
Depreciation/amortisation expense	(8,340)	(6,614)	(31,910)	(4,491)	(51,355)
Write-offs recognised in the operating result	–	(408)	–	–	(408)
Net book value 30 June 2013	<u>47,716</u>	<u>21,678</u>	<u>85,009</u>	<u>32,728</u>	<u>187,131</u>
Net book value as of 30 June 2013 represented by:					
Gross book value	91,151	54,740	178,105	55,214	379,210
Accumulated depreciation/ amortisation	(43,435)	(33,062)	(93,096)	(22,486)	(192,079)
	<u>47,716</u>	<u>21,678</u>	<u>85,009</u>	<u>32,728</u>	<u>187,131</u>

Note 6: Non-financial assets (continued)

Note 6D: 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 (2011–12)

	Leasehold improvements \$'000	Plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
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)
Net book value 1 July 2011	63,263	25,870	81,988	31,721	202,842
Additions:					
by purchase	913	4,408	–	4,301	9,622
internally developed	–	–	43,815	–	43,815
Total additions	913	4,408	43,815	4,301	53,437
Revaluations and impairments recognised in operating result	809	1,931	–	–	2,740
Depreciation/amortisation expense	(9,373)	(5,494)	(25,962)	(4,836)	(45,665)
Write-offs recognised in the operating result	–	(287)	(14)	(36)	(337)
Net book value 30 June 2012	55,612	26,428	99,827	31,150	213,017
Net book value as of 30 June 2012 represented by:					
Gross book value	90,707	54,789	161,027	49,144	355,667
Accumulated depreciation/ amortisation	(35,095)	(28,361)	(61,200)	(17,994)	(142,650)
	55,612	26,428	99,827	31,150	213,017
				2013 \$'000	2012 \$'000

Note 6E: Other non-financial assets

Prepayments	8,873	8,799
Total other non-financial assets	8,873	8,799
Total other non-financial assets are expected to be recovered in:		
No more than 12 months	7,429	7,528
More than 12 months	1,444	1,271
Total other non-financial assets	8,873	8,799

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



Note 7: Payables

	Note	2013 \$'000	2012 \$'000
Note 7A: Suppliers			
Trade creditors and accruals	15A	33,080	39,159
Total supplier payables		33,080	39,159
Supplier payables expected to be settled within 12 months:			
Related entities		931	680
External parties		32,149	38,479
Total supplier payables		33,080	39,159
Note 7B: Other payables			
Unearned revenue – Government appropriations		–	3,788
Operating lease rent payable		11,515	9,165
Refund to Government ¹		5,842	–
Other unearned revenue ²		174	6,491
Property lease incentives ³		23,377	26,876
Salaries and bonuses		14,972	13,563
Superannuation		762	669
Total other payables		56,642	60,552
Total other payables are expected to be settled in:			
No more than 12 months		26,406	29,375
More than 12 months		30,236	31,177
Total other payables		56,642	60,552

1. The savings realised in the funding for the Supervision of Australia's financial markets and competition for market services are to be returned to Government.
2. The other unearned revenue relates to projects that have been approved for funding from the Companies and Unclaimed Monies Special Account.
3. Total property lease incentives are disclosed as deferred rental expenditure at 30 June 2013. The amortisation of these amounts will be made over the life of the lease.

Note 8: Provisions

	2013 \$'000	2012 \$'000
Note 8A: Employee provisions		
Annual leave entitlement	19,824	17,814
Long service leave entitlement ¹	42,166	33,870
Separations and redundancies	3,768	5,010
Total employee provisions	65,758	56,694

Employee provisions are expected to be settled in:

No more than 12 months	19,669	18,255
More than 12 months	46,089	38,439
Total employee provisions	65,758	56,694

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 8B: Other provisions

Provision for restoration obligations – leased premises	9,204	8,888
Total other provisions	9,204	8,888

Other provisions are expected to be settled in:

No more than 12 months	56	40
More than 12 months	9,148	8,848
Total other provisions	9,204	8,888

Reconciliation of the opening and closing balance of restoration provision

Carrying amount 1 July	8,888	9,144
Amounts used	(40)	(627)
Amounts reversed and additions	71	(143)
Unwinding of discount or change in discount rate	285	514
Closing balance 30 June	9,204	8,888

ASIC currently has 10 agreements (2012: 11) 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.



Note 9: Cash flow reconciliation

	2013 \$'000	2012 \$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash Flow Statement	1,062	8,777
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(394,190)	(349,717)
Add revenue from Government	350,030	304,259
(Deficit) attributable to the Australian Government	(44,160)	(45,458)
Adjustments for non-cash items		
Depreciation / amortisation	51,355	45,665
Net write-down of non-financial assets	408	337
Changes in assets / liabilities		
(Increase) / decrease in net receivables	(18,482)	(12,924)
(Increase) / decrease in prepayments	(74)	(4,077)
Increase / (decrease) in employee provisions	9,064	2,856
Increase / (decrease) in supplier payables	(6,079)	14,724
Increase / (decrease) in other provisions and payables	1,883	405
Net cash from operating activities	(6,085)	1,528

Note 10: Contingent liabilities and assets

	2013 \$'000	2012 \$'000
Contingent assets		
<i>Claims for costs</i>		
Balance from previous period	709	1,452
<i>Adjustments to prior period contingent receivables:</i>		
Assets recognised	(103)	(210)
Estimates not realisable	–	(748)
Revisions to estimates	(81)	50
New contingent receivables	232	165
Total contingent assets	757	709
Contingent liabilities		
<i>Claims for costs</i>		
Balance from previous period	350	480
<i>Adjustments to prior period contingent payables:</i>		
Liabilities recognised	–	(230)
Estimates not payable	(350)	–
New contingent payables	–	100
Total contingent liabilities	–	350

Note 10: Contingent liabilities and assets (continued)

Quantifiable contingencies (ASIC departmental)

As at the date of this report, there are 9 matters (2012: 6 matters) for which ASIC has received an award of costs in its favour, and agreement with respect to the quantum payable to ASIC has not been reached. ASIC has estimated these matters represent a combined receivable of \$0.757m (2012: \$0.709m), which is disclosed as a contingent asset because realisation of this debt is not virtually certain.

Unquantifiable contingencies (ASIC departmental)

ASIC is party to many civil litigation matters arising out of its statutory duty to administer and enforce laws for which it is responsible.

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.

As at the date of this report there are civil matters that may result in an award of costs in favour or against ASIC.

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

There is, at the date of this report, one matter of this type where proceedings are current. In this matter, 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.

Since balance date there has been an award of costs against ASIC in this matter, however the amount that will be required to settle the claim cannot be reliably estimated at this stage.

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

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' (CDDA) 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.



Note 11: Related party disclosures

The Commissioners of ASIC during the financial year were:

- G. J. Medcraft (Chairman)
- B. G. Gibson (Deputy Chairman to 3 May 2013)
- P. R. Kell (Commissioner to 3 May 2013, Deputy Chairman from 6 May 2013)
- J. D. Price (Commissioner)
- G. M. Tanzer (Commissioner)
- C. A. Armour (Commissioner from 3 June 2013)

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 12: Remuneration of Commissioners

The FMOs for disclosure of Commissioners and senior executive remuneration in 2012–13 have changed. The 2011–12 comparatives have been restated to reflect the following changes in the FMOs:

- the reporting threshold has increased from \$150,000 to \$180,000; and
- changes to the definition of reportable salary and contributed superannuation.

Note 12A: Total remuneration expense recognised in relation to Commissioners	2013 \$	2012 \$
Short-term employee benefits:		
Salary	2,504,976	1,955,101
Annual leave accrued	(47,690)	7,460
Car parking fringe benefits	59,839	48,531
Total short-term employee benefits	2,517,125	2,011,092
Post-employment benefits:		
Superannuation	385,579	166,541
Other long-term benefits:		
Long service leave accrued	62,611	5,672
Total remuneration expense for Commissioners¹	2,965,315	2,183,305

1. Excludes acting arrangements and part-year service where the total remuneration expensed was less than \$180,000. The number of Commissioners whose remuneration is disclosed above is 5 (2012: 6).

Note 12: Remuneration of Commissioners (continued)

Note 12B: Average annual reportable remuneration paid to Commissioners during the reporting period

2013					
Average annual reportable remuneration ¹					
	Commissioners No.	Reportable salary ^{2,3} \$	Contributed superannuation ^{3,4} \$	Reportable allowances ⁵ \$	Total \$
Total remuneration (including part-time arrangements):					
Less than \$180,000	1	23,674	1,923	–	25,597
\$480,000 to \$509,999	1	486,006	23,349	–	509,355
\$510,000 to \$539,999	2	446,888	66,482	–	513,370
\$690,000 to \$719,999	2	568,745	125,981	–	694,726
Total	6				
2012					
Average annual reportable remuneration ¹					
	Commissioners No.	Reportable salary ^{2,3} \$	Contributed superannuation ^{3,4} \$	Reportable allowances ⁵ \$	Total \$
Total remuneration (including part-time arrangements):					
Less than \$180,000	3	115,512	15,626	–	131,138
\$240,00 to \$269,999	2	227,362	25,427	–	252,789
\$330,000 to \$359,999	1	277,093	36,764	154	314,011
\$540,000 to \$569,999	1	514,280	34,758	–	549,038
\$660,000 to \$689,000	1	637,341	45,170	–	682,511
Total	8				

1. This table reports on Commissioners who are employed by ASIC during the reporting period. Each row represents an average figure, based on headcount for the individuals in the band and in accordance with a determination of the Remuneration Tribunal for each individual.

2. 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
- c) exempt foreign employment income.

3. Various salary sacrifice arrangements were available to Commissioners, including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column.

4. The 'contributed superannuation' amount is the average reportable superannuation contributions paid for Commissioners in that reportable remuneration band during the reporting period.

5. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.



Note 13: Remuneration of senior executives

Note 13 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 Senior Executive Service (SES) employment conditions of service.

Note 13A includes executives acting in a higher capacity where their senior executive remuneration during the period exceeds \$180,000. Note 13B discloses only those senior executives appointed to a senior executive role in a substantive capacity during the reporting period. Note 13A is prepared on an accruals basis, therefore the performance bonus expense in Note 13A may differ from the cash 'Bonus paid' in Note 13B.

Note 13A: Total expense recognised in relation to employment of senior executives	2013	2012
	\$	\$
Short-term employee benefits:		
Salary and performance bonuses	8,223,283	8,179,643
Annual leave accrued	20,352	40,532
Motor vehicle allowances and other short-term benefits	1,069,114	1,125,116
Total short-term employee benefits	<u>9,312,749</u>	<u>9,345,291</u>
Post-employment benefits:		
Superannuation	876,085	880,566
Other long-term benefits:		
Long service leave accrued	210,628	(89,521)
Termination benefits	–	200,436
<i>Total remuneration expense for senior executives¹</i>	<u>10,399,462</u>	<u>10,336,772</u>

1. Excludes acting arrangements and part-year service where remuneration expensed was less than \$180,000.
The number of senior executives whose remuneration is disclosed above is 35 (2012: 36).

Note 13: Remuneration of senior executives (continued)

Note 13B: Average annual reportable remuneration paid to substantive senior executives during the reporting period¹

Average annual reportable remuneration ²	2013					
	Senior Executives No.	Reportable salary ^{3,4} \$	Contributed superannuation ^{4,5} \$	Reportable allowances ⁶ \$	Bonus paid ⁷ \$	Total \$
Total remuneration (including part-time arrangements):						
Less than \$180,000	1	92,701	12,541	–	–	105,242
\$180,000 to \$209,999	1	178,125	22,234	–	7,394	207,753
\$210,000 to \$239,999	1	202,362	15,687	–	12,441	230,490
\$240,000 to \$269,999	3	232,999	21,068	–	10,297	264,364
\$270,000 to \$299,999	5	237,593	28,326	71	16,502	282,492
\$300,000 to \$329,999	7	284,948	19,957	–	16,356	321,261
\$330,000 to \$359,999	4	294,196	35,983	–	13,461	343,640
\$360,000 to \$389,999	1	347,350	25,148	–	15,907	388,405
Total	23					

1. This table reports on substantive senior executives who are employed by ASIC during the reporting period.

2. Each row represents an averaged figure, based on headcount for the individuals in the band.

3. 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
- c) exempt foreign employment income.

4. Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

5. The 'contributed superannuation' amount is the average actual superannuation contributions paid for senior executives in that reportable remuneration band during the reporting period, including any salary sacrificed amounts as per the individuals' payslips.

6. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

7. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving ASIC during the financial year.



Note 13: Remuneration of senior executives (continued)

Note 13B: Average annual reportable remuneration paid to substantive senior executives during the reporting period¹ (continued)

Average annual reportable remuneration ²	2012					
	Senior Executives No.	Reportable salary ^{3,4} \$	Contributed superannuation ^{4,5} \$	Reportable allowances ⁶ \$	Bonus paid ⁷ \$	Total \$
Total remuneration (including part-time arrangements):						
Less than \$180,000	4	77,300	4,985	–	6,903	89,188
\$180,000 to \$209,999	1	167,518	21,945	397	–	189,860
\$210,000 to \$239,999	1	196,668	15,234	–	17,212	229,114
\$240,000 to \$269,999	5	441,486	20,191	45	15,625	477,347
\$270,000 to \$299,999	7	230,167	29,367	–	23,606	283,140
\$300,000 to \$329,999	4	260,569	23,314	–	22,156	306,039
\$330,000 to \$359,999	4	281,296	32,568	–	22,676	336,540
\$360,000 to \$389,999	2	290,177	44,460	–	33,122	367,759
\$390,000 to \$419,999	1	335,859	24,407	–	36,972	397,238
Total	29					

1. This table reports on substantive senior executives who are employed by ASIC during the reporting period.

2. Each row represents an averaged figure, based on headcount for the individuals in the band.

3. 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
- c) exempt foreign employment income.

4. Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column.

5. The 'contributed superannuation' amount is the average reportable superannuation contributions paid for senior executives in that reportable remuneration band during the reporting period.

6. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

7. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving ASIC during the financial year.

Note 13: Remuneration of senior executives (continued)

Note 13C: Other highly paid staff

Average annual reportable remuneration ¹	2013					
	No. of staff	Reportable salary ^{2,3} \$	Contributed superannuation ^{3,4} \$	Reportable allowances ⁵ \$	Bonus paid ⁶ \$	Total \$
	Total remuneration (including part-time arrangements):					
\$180,000 to \$209,999	38	154,428	24,142	–	12,003	190,573
\$210,000 to \$239,999	9	190,689	22,873	–	11,440	225,002
\$240,000 to \$269,999	9	206,212	30,386	31	12,252	248,881
\$270,000 to \$299,999	4	240,955	32,657	36	11,251	284,899
\$300,000 to \$329,999	2	243,784	35,772	–	35,748	315,304
\$330,000 to \$359,999	1	288,900	34,847	–	21,123	344,870
Total	63					

Average annual reportable remuneration ¹	2012					
	No. of staff	Reportable salary ^{2,3}	Contributed superannuation ^{3,4}	Reportable allowances ⁵	Bonus paid ⁶	Total
		\$	\$	\$	\$	\$
Total remuneration (including part-time arrangements):						
\$180,000 to \$209,999	22	157,704	22,492	5	12,057	192,258
\$210,000 to \$239,999	16	182,918	23,838	7	14,367	221,130
\$240,000 to \$269,999	5	221,944	28,271	72	17,159	267,446
\$270,000 to \$299,999	1	227,651	28,952	–	24,408	281,011
\$300,000 to \$329,999	1	241,933	30,451	–	32,115	304,499
Total	45					

1. This table reports staff:

- a) who were employed by ASIC during the reporting period;
- b) whose reportable remuneration was \$180,000 or more for the reporting period; and
- c) were not required to be disclosed in Note 12B or Note 13B

2. 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
- c) exempt foreign employment income.

3. Various salary sacrifice arrangements were available to these employees including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column.

4. The 'contributed superannuation' amount is the average reportable superannuation contributions paid to the employees in that reportable remuneration band during the reporting period.

5. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

6. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving ASIC during the financial year.



Note 14: Remuneration of auditors

	2013 \$	2012 \$
Financial statement audit services were provided free of charge to ASIC. The fair value of that service during the reporting period is:	200,000	181,000

No other services were provided by the Auditor-General.

Note 15: Financial instruments

Note 15A: Categories of financial instruments	Note	2013 \$'000	2012 \$'000
Financial assets			
Loans and receivables:			
Cash and cash equivalents		1,062	8,777
Receivables for goods and services (net of impairment allowance)		1,479	4,256
Carrying amount of financial assets	16	2,541	13,033
Financial liabilities			
At amortised cost:			
Trade creditors		33,080	39,159
Carrying amount of financial liabilities		33,080	39,159
Note 15B: Net income and (expense) from financial assets			
Loans and receivables			
Impairment		(71)	(46)
Net gain/(expense) from financial assets		(71)	(46)

Note 15C: Fair values of financial instruments

The fair values of financial liabilities at amortised cost approximate their fair value. The market value of the financial instruments are all Level 3: Fair Value, derived from inputs that are not based on observable market data.

Note 15D: 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, 2013: \$1,695,338 (2012: \$4,444,063). ASIC has assessed the risk of the default on payment for each receivable and has allocated \$216,054 in 2013 (2012: \$188,476) to the impairment allowance account.

ASIC has policies and procedures that guide debt recovery techniques that are to be applied by ASIC employees 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 15: Financial instruments (continued)

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

	Not past due nor impaired 2013 \$'000	Not past due nor impaired 2012 \$'000	Past due or impaired 2013 \$'000	Past due or impaired 2012 \$'000
Loans and receivables				
Cash and cash equivalents	1,062	8,777	–	–
Receivables for goods and services (gross)	1,090	3,723	605	721
Total	2,152	12,500	605	721

Ageing of financial assets that are past due but not impaired for 2013:

	Overdue by				
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
Loans and receivables					
Receivables for goods and services	341	24	4	20	389
Total	341	24	4	20	389

Ageing of financial assets that are past due but not impaired for 2012:

	Overdue by				
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
Loans and receivables					
Receivables for goods and services	185	37	–	311	533
Total	185	37	–	311	533

Note 15E: 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 Financial Management and Accountability (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 2013 and 30 June 2012 were payable within one year.

As at 30 June 2013 ASIC has no financial liabilities payable on demand (2012: nil).

Note 15F: 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.



Note 16: Financial assets reconciliation

	2013 \$'000	2012 \$'000
Note 16: Financial assets		
Total financial assets as per balance sheet	109,025	98,258
Less: non-financial instrument components:		
Appropriations receivable	102,003	80,999
GST receivable included in financial assets	4,481	4,226
Total non-financial instrument components	106,484	85,225
Total financial assets as per financial instruments note	2,541	13,033

Note 17: Administered – Expenses

EXPENSES	Notes	2013 \$'000	2012 \$'000
Note 17A: Grants			
Private Sector:			
Insolvency practitioners ¹		2,203	1,823
Total grants		2,203	1,823
Note 17B: Write-down and impairment of assets			
Bad and doubtful debts expense		40,467	39,921
Waiver of fees and charges owing		2,934	3,119
Total write-down and impairment of assets	19B	43,401	43,040
Note 17C: Other expenses			
Claims – Bank and deposit taking institution account holders ¹		389,990	71,868
Claims – Life Insurance policy holders ¹		29,121	10,417
Claims – Corporations Act 2001 ¹		82,762	20,859
Total other expenses^{2,3}		501,873	103,144

1. ASIC administers 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.
1. Administered expenses for refunds of unclaimed money are recognised by estimating the value of claims likely to be paid in respect of unclaimed money collected by ASIC.
2. The total claims expense for 2011–12 is \$65.773m higher than the amount reported in the 2011–12 financial statements. The increase relates to the recognition for claims payable in 2011–12 (\$64.514m) and payments from the OPA of Corporations Act unclaimed monies in 2011–12 (\$1.259m).
3. The expense for 2012–13 includes an abnormal increase as a result of the reforms to unclaimed monies. ASIC estimates the abnormal increase to be \$81.412m for Corporations Act, \$324.310m for Banking Act and \$21.984m for Life Insurance Act unclaimed monies.

Note 18: Administered – Income

	2013 \$'000	2012 \$'000
OWN-SOURCE INCOME		
Non-taxation revenue		
Note 18: Non-taxation revenue		
Fees	632,166	577,215
Fines	85,249	86,395
Total fees and fines	717,415	663,610
Corporations Act unclaimed monies ^{1,2}	331,300	12,899
Banking Act unclaimed monies ¹	520,442	61,227
Life Insurance Act unclaimed monies ¹	31,083	8,769
Total non-taxation revenue	1,600,240	746,505

1. The revenue for 2012–13 includes an abnormal increase as a result of the reforms to unclaimed monies. ASIC estimates the abnormal increase to be \$217.338m for Corporations Act, \$454.760m for Banking Act and \$23.946m for Life Insurance Act unclaimed monies.
2. The 2011–12 comparative relates to claims older than 6 years that were transferred to the OPA in accordance with the rules governing the Companies and Unclaimed Monies Special Account.

Corporations Act, National Consumer Credit Protection Act, Business Names Registration Act and Superannuation Industry (Supervision) Act 1993 fees and fines

	2013 \$'000	2013 \$'000	2013 \$'000	2012 \$'000	2012 \$'000	2012 \$'000
EXPENSES	Fees	Fines	Total	Fees	Fines	Total
Mandatory collections ¹						
– Corporations Act	534,956	83,282	618,238	515,433	84,617	600,050
– Business Names	33,947	–	33,947	1,294	–	1,294
– Other	6,019	211	6,230	5,086	207	5,293
Information broker fees ²	52,536	–	52,536	53,648	–	53,648
Other search fees ²	4,708	–	4,708	1,753	–	1,753
Court/infringement revenue ³	–	1,756	1,756	–	1,572	1,572
	632,166	85,249	717,415	577,214	86,396	663,610

1. Fees and charges arise from actions which are mandatory under the *Corporations Act 2001*, *National Consumer Credit Protection Act 2009*, *Business Names Registration (Fees) Act 2011* and *Superannuation Industry (Supervision) Act 1993*.
2. Fees and charges paid by information brokers and other consumers for information provided by ASIC from Registers.
3. Recovery of fines and penalties for contraventions of the *Corporations Act 2001* and the *National Consumer Credit Protection Act 2009*.



Note 19: Administered – Financial assets

Financial assets	Notes	2013 \$'000	2012 \$'000
Note 19A: Cash and cash equivalents			
<i>Total cash and cash equivalents</i>	24A	3,560	1,373
Note 19B: Receivables			
Fee and fines receivable		154,681	144,354
Information brokers fees		5,149	6,005
GST receivable from ATO	25	124	90
<i>Total receivables (gross)</i>		159,954	150,449
Less: impairment allowance account:			
Fees and fines		52,085	45,733
<i>Total receivables (net)</i>		107,869	104,716
Receivables were aged as follows:			
Not overdue		79,050	75,924
Overdue by:			
Less than 30 days		12,521	12,506
30 to 60 days		9,580	9,499
61 to 90 days		5,239	4,721
More than 90 days		53,564	47,799
<i>Total receivables (gross)</i>		159,954	150,449
The impairment allowance account is aged as follows:			
Not overdue		416	634
Overdue by:			
Less than 30 days		1,259	547
30 to 60 days		1,602	1,479
61 to 90 days		1,396	1,136
More than 90 days		47,412	41,937
<i>Total impairment allowance account</i>		52,085	45,733
Receivables are due from entities that are not part of the Australian Government.			
Reconciliation of the movement in the impairment allowance account			
Opening balance 1 July		45,733	35,254
Amounts written off		(34,115)	(29,442)
Amounts waived		(2,934)	(3,119)
Increase in impairment allowance recognised as an expense		43,401	43,040
<i>Closing balance</i>		52,085	45,733

Note 20: Administered – Payables

Note 20A: Other payables	Note	2013 \$'000	2012 \$'000
Refund of fees payable		13,293	11,099
Unallocated monies ¹		4,676	3,185
Grants payable ²	24A	750	761
Total other payables		18,719	15,045

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

1. All other payables are expected to be settled within 12 months. Settlement is usually made within 30 days.
2. Settlement is made according to the terms and conditions of each grant. This is usually within 30 days of performance and eligibility.

Note 20B: Other provisions

Corporations Act claims	83,491	19,600
Banking Act claims	388,610	39,099
Life Insurance Act claims	30,470	5,815
Total other provisions¹	502,571	64,514

The estimate of future claims for repayment was calculated using a methodology determined by an independent actuary.

Reconciliation of the opening and closing balance of other provisions

Carrying amount 1 July	64,514	–
Amounts recognised	501,873	64,514
Amounts used	(63,816)	–
Closing balance 30 June¹	502,571	64,514

1. ASIC has recognised a provision for claims payable for *Banking Act 1959*, *Life Insurance Act 1995* and *Corporations Act 2001* in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets. As the provision is recognised for the first time in 2011–12, the full amount was provided for and expensed in accordance with AASB 108 Accounting Policies, Changes in Estimates and Errors.



Note 21: Administered cash flow reconciliation

Reconciliation of cash and cash equivalents as per Administered Schedule of Assets and Liabilities to the Administered Cash Flow Statement

	2013 \$'000	2012 \$'000
Cash and cash equivalents as per:		
Administered Cash Flow Statement	3,560	1,373
Reconciliation of net cost of services to net cash from operating activities:		
Net contribution to budget outcome	1,052,763	598,498
Changes in assets/liabilities		
Increase / (decrease) in allowance for doubtful debts	6,352	10,479
Increase / (decrease) in payables and provisions	441,731	68,951
(Increase) / decrease in receivables	(9,504)	(17,457)
Net cash provided by operating activities	1,491,342	660,471

Note 22: Administered contingent liabilities

Quantifiable administered contingencies

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

Banking Act, Life Insurance Act and Corporations Act administration

An actuarial assessment of the amount of claims that are likely to be lodged with ASIC in respect to unclaimed monies was conducted by an independent actuary. ASIC used the actuary's calculation for the likely claims payable and deducted this estimate from the total balance unclaimed monies to derive the contingent liability at 30 June 2013 for:

- Banking Act \$426.983m (2012: \$296.529m)
- Life Insurance Act \$49.617m (2012: \$47.655m)
- Corporations Act \$276.289m (2012: \$276.568m).

Unquantifiable administered contingencies

There are no unquantifiable administered contingent liabilities.

Note 23: Administered contingent assets

There are no administered contingent assets.

Note 24: Administered financial instruments

	2013 \$'000	2012 \$'000
Note 24A: Categories of financial instruments		
Financial assets		
Cash and cash equivalents	3,560	1,373
Financial liabilities		
At amortised cost:		
Grants payable	750	761

Note 24B: Fair values of financial instruments

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

Note 24C: 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 24D: 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 2013 and 30 June 2012 are payable within one year.

Note 25: Administered financial assets reconciliation

	2013 \$'000	2012 \$'000
Note 25: Financial Assets		
Total financial assets as per Schedule of Administered Assets and Liabilities	111,429	106,089
Less: non-financial instrument components		
Net statutory receivables ¹	107,745	104,626
GST receivable from the Australian Taxation Office	124	90
Total non-financial instrument components	107,869	104,716
Total financial assets as per financial instruments note	3,560	1,373

1. Statutory receivables relate to outstanding fees and fines under the *Corporations Act 2001*, *National Consumer Credit Protection Act*, *Business Names Registration (Fees) Act* and the *Superannuation Industry (Supervision) Act 1993*. In accordance with the FMOs these are not classified as financial instruments because they relate to a legislative rather than contractual obligation.

Note 26: Appropriations

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

	2013 Appropriations			Appropriations applied in 2013 (current and prior years) \$'000	Variance ² \$'000
	Appropriation Act	FMA Act	Total appropriation \$'000		
DEPARTMENTAL	Annual Appropriation \$'000	Appropriations reduced ¹ \$'000	Section 31 \$'000		
Ordinary annual services	372,677	–	13,407	386,084	14,567
Other services					
Equity	13,934	–		13,934	3,766
Total departmental	386,611	–	13,407	400,018	18,333
ADMINISTERED					
Ordinary annual services					
Administered items	3,566	(1,363)		2,203	128
Total administered	3,566	(1,363)		2,203	128

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. On 5th August 2013, the Finance Minister issued 'Instrument to Reduce Appropriations (No. 1 of 2013–2014)'. This instrument reduced ASIC's departmental Appropriation Act (No. 1) 2012–2013 by \$5.842m under section 12 of Appropriation Act (No. 1) 2012–2013 following a request from ASIC's Minister.
2. The savings in ordinary annual services appropriation related to deferred outlay for the Enforcement Special Account and savings in the Enhanced Market Supervision project. The savings in equity funding relate to deferred capital expenditure for the implementation of the Insolvency Reform Programme and the Future of Financial Advice reforms.



Note 26: Appropriations (continued)

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

	2012 Appropriations				Appropriations applied in 2012 (current and prior years) \$'000	Variance ² \$'000
	Appropriation Act		FMA Act			
	Annual Appropriation \$'000	Appropriations reduced ¹ \$'000	Section 31 \$'000	Total appropriation \$'000		
DEPARTMENTAL						
Ordinary annual services	387,550	(639)	39,927	426,838	360,066	66,772
Other services						
Equity	6,462	(4,250)		2,212	17,281	(15,069)
Total departmental	394,012	(4,889)	39,927	429,050	377,347	51,703
ADMINISTERED						
Ordinary annual services						
Administered items	3,471	(1,648)		1,823	1,952	(129)
Total administered	3,471	(1,648)		1,823	1,952	(129)

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. On 26 June 2012, the Finance Minister issued a determination to reduce departmental appropriations following a request by the Minister. The amount of the reduction under *Appropriation Act (No. 2) 2011–2012* was \$4.250m and a reduction under *Appropriation Act (No. 1) 2011–2012* was \$0.639m.

As with departmental appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of *Appropriation Act (No. 1) 2011–2012*, the appropriation is taken to be reduced to the required amount specified in this note once the annual report is tabled in Parliament.

2. The variance for departmental ordinary annual services primarily relates to funding credited to the Enforcement Special Account and not drawn upon in 2011–12. Also contributing to the variance is a supplementary appropriation which ASIC received in 2011–12 for expenditure incurred in 2010–11 and an increase in unpaid invoices at balance date.

Note 26: Appropriations (continued)

Table B1: Departmental Capital Budget ('recoverable GST exclusive')

	2013 Capital Budget Appropriation				Capital Budget Appropriations applied in 2013 (current and prior years)			
	Appropriation Act		FMA Act		Total Capital Budget Appropriation \$'000	Payment for non-financial assets ³ \$'000	Payment for other purposes \$'000	Total payments \$'000
	Annual Capital Appropriation \$'000	Appropriations reduced ² \$'000	Section 32 \$'000					
DEPARTMENTAL								
Ordinary annual services – Departmental Capital Budget ¹	15,790	–	–		15,790	21,186	–	21,186 (5,396)

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.

2. Appropriations reduced under Appropriation Acts (No.1,3,5) 2012–2013: sections 10, 11, 12 and 15 or via a determination by the Finance Minister.

3. Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

4. The variance relates to capital expenditure accrued in 2011–12 paid in 2012–13.

Table B2: Departmental Capital Budget ('recoverable GST exclusive')

	2012 Capital Budget Appropriation				Capital Budget Appropriations applied in 2012 (current and prior years)			
	Appropriation Act		FMA Act		Total Capital Budget Appropriation \$'000	Payment for non-financial assets ³ \$'000	Payment for other purposes \$'000	Total payments \$'000
	Annual Capital Appropriation \$'000	Appropriations reduced ² \$'000	Section 32 \$'000					
DEPARTMENTAL								
Ordinary annual services – Departmental Capital Budget ¹	58,646	–	–		58,646	39,065	–	39,065 19,581

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.

2. Appropriations reduced under Appropriation Acts (No.1,3,5) 2011–2012: sections 10, 11, 12 and 15 or via a determination by the Finance Minister.

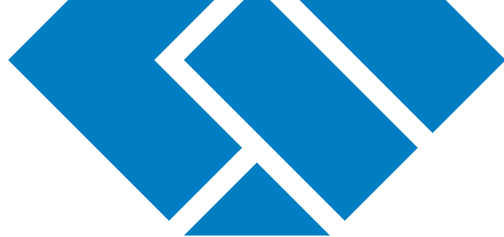
3. Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

4. The variance for Departmental Capital Budget primarily relates to activities funded by supplementary appropriation which will be received in 2011–12.

Note 26: Appropriations (continued)

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

	Note	2013 \$'000	2012 \$'000
Authority			
Appropriation Act (No.1) 2005–2006		–	267
Appropriation Act (No.2) 2010–2011		–	59
Appropriation Act (No.3) 2010–2011		–	1,514
Appropriation Act (No.1) 2011–2012		25,000	54,701
Appropriation Act (No.1) DCB 2011–2012		–	21,904
Appropriation Act (No.2) 2011–2012		–	2,554
Appropriation Act (No.1) 2012–2013		62,592	–
Appropriation Act (No.1) DCB 2012–2013		649	–
Appropriation Act (No.2) 2012–2013		4,856	–
Enforcement Special Account	30A	33,794	20,086
Total		126,891	101,085



Note 26: Appropriations (continued)

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

			Appropriation applied	
			2013 \$'000	2012 \$'000
s69 <i>Banking Act 1959</i> , Administered	Unlimited	ASIC has responsibility for the administration of unclaimed monies from banking and deposit taking institutions. 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.	40,479	32,769
s216 <i>Life Insurance Act 1995</i> , Administered	Unlimited	ASIC had responsibility for the administration of unclaimed monies from life insurance institutions and friendly societies. ASIC receives special appropriations from the OPA (section 216 <i>Life Insurance Act 1995</i>) to refund amounts to life insurance policy holders.	4,466	4,602
s28 <i>FMA Act</i> , <i>Corporations Act 2001</i> (Refunds of overpaid <i>Corporations Act</i> fees and charges), Administered	Unlimited	ASIC has responsibility for the administration and collection of <i>Corporations Act</i> fees and charges. All fees and charges are deposited into the OPA as received. Refunds of overpayments are appropriated under section 28 of the <i>FMA Act 1997</i> .	6,402	4,043
s28 <i>FMA Act 1997</i> , <i>Corporations Act 2001</i> (refunds of unclaimed money held under s1341 <i>Corporations Act 2001</i>), Administered	Unlimited	ASIC has responsibility for the administration of unclaimed monies from the Companies and Unclaimed Monies Special Account up to 5 December 2012.	675	1,259
s28 <i>FMA Act</i> , <i>Corporations Act 2001</i> (refunds of unclaimed money held under s1341 <i>Corporations Act 2001</i>), Administered	Unlimited	From 6 December 2012 ASIC has responsibility for the administration of unclaimed monies under s1341 of the <i>Corporations Act 2001</i> .	18,196	–
Total			70,218	42,673

Note 26: Appropriations (continued)

Table E1: Reduction in administered items ('recoverable GST exclusive')

2013	Amount required ³ – by Appropriation Act	Total amount required ³	Total amount appropriated ⁴	Total reduction ⁵
Ordinary annual services	Act (No.1)			
Outcome 1	2,202,578.87	2,202,578.87	3,566,000.00	1,363,421.13

Notes:

- Numbers in this section of the table must be disclosed to the cent.
- Administered items for 2013 were reduced to these amounts when these financial statements were tabled in Parliament as part of ASIC's 2012–13 annual report. This reduction is effective in 2014, but the amounts are reflected in Table A in the 2012–13 financial statements in the column 'Appropriations reduced' as they were adjustments to 2012 appropriations.
- Amount required as per Appropriation Act (Act 1 s11; Act 2 s12).
- Total amount appropriated in 2012–13.
- Total reduction effective in 2013–14.

Table E2: Reduction in administered items ('recoverable GST exclusive')

2012	Amount required ³ – by Appropriation Act	Total amount required ³	Total amount appropriated ⁴	Total reduction ⁵
Ordinary annual services	Act (No.1)			
Outcome 1	1,823,417.74	1,823,417.74	3,471,000.00	1,647,582.26

Notes:

- Numbers in this section of the table must be disclosed to the cent.
- Administered items for 2012 were reduced to these amounts when these financial statements were tabled in Parliament as part of the entity's 2012 annual report. This reduction was effective in 2013, but the amounts were reflected in Table A in the 2013 financial statements in the column 'Appropriations reduced' as they were adjustments to 2012 appropriations.
- Amount required as per Appropriation Act (Act 1 s11; Act 2 s12).
- Total amount appropriated in 2011–12.
- Total reduction effective in 2012–13.

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:

	2013 \$'000	2012 \$'000
Companies Auditors and Liquidators Disciplinary Board	624	466
Superannuation Complaints Tribunal	6,099	5,753

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 2011–12 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 only deals with vested property once an application is made by a third party for ASIC to exercise its powers under section 601AE of the *Corporations Act 2001*. ASIC 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 monies, deposits, stock, bonds or guarantees are not available to ASIC and are not recognised in the financial statements.

	2013 \$'000	2012 \$'000
Security deposits under <i>Corporations Regulations 2001</i> regulation 7.6.02AA (dealers and investment advisers)		
Cash (at bank)	343	303
Inscribed stock	20	20
Insurance bonds	–	20
Bank guarantees	10,590	11,860
Closing balance	10,953	12,203
Security deposits under <i>Corporations Act 2001</i> section 1284(1) (liquidators)		
Insurance bonds	1,800	1,800
Closing balance	1,800	1,800

Note 30: Special Accounts and FMA Act section 39

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.

	2013 \$'000	2012 \$'000
Balance carried forward from previous year	20,086	4,494
Appropriation for the reporting period	30,000	30,000
Available for payments	50,086	34,494
Costs recovered	2,166	–
Cash payments from the Special Account ¹	(18,458)	(14,408)
Balance available to draw down next year	33,794	20,086
Represented by:		
Cash – held in the OPA	33,794	20,086

1. For the period ended 30 June 2013 ASIC recognised ESA revenue of \$25.197m (2012: \$12.075m), of which \$18.458m (2012: \$14.408m) was drawn down in cash during the year.



Note 30: Special Accounts and FMA Act section 39 (continued)

Note 30B: Companies and Unclaimed monies 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 Monies 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 monies received by ASIC under section 1341 of the *Corporations Act 2001*.

On 5th December 2012 the Government abolished the CUMSA.

Table A – Special Account	2013 \$'000	2012 \$'000
Balance carried forward from previous year	7,096	25,458
Appropriation for the reporting period	675	1,259
Receipts during the year	50,513	37,841
Interest amounts credited	361	1,317
Investments realised	76,106	262,969
Available for payments	134,751	328,844
Investments made from the Special Account	(34,965)	(263,566)
Disbursements	(9,404)	(19,329)
Administration costs	(916)	(4,318)
Special purpose disbursement	(7,513)	(21,636)
Special Account prior to transfer	81,953	19,995
Cash transferred to Consolidated Revenue	(81,953)	(12,899)
Cash and cash equivalents	–	7,096

Table B – Special Account investment of Public Money	2013 \$'000	2012 \$'000
Special Appropriations under section 39 of the FMA Act		
Balance carried forward from previous year	243,566	228,737
Investments made from the Special Account	34,965	263,566
Investment income	7,960	14,232
Investments realised	(76,106)	(262,969)
Cash transferred to Consolidated Revenue	(210,385)	–
<i>Closing balance</i>	–	243,566

Note 30: Special Accounts and FMA Act section 39 (continued)

Note 30C: Deregistered Companies Trust Monies 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 monies Special Account Establishment 2008*

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

Purpose – The Deregistered Companies Trust Monies 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*.

	2013 \$'000	2012 \$'000
Balance carried forward from previous year	1,011	774
Receipts during the year	422	905
Interest received	35	36
Disbursements	(32)	(704)
Closing balance	1,436	1,011

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.

Balance carried forward from previous year	384	368
Receipts during the year	100	–
Interest received	12	16
Disbursements	(40)	–
Closing balance	456	384



Note 30: Special Accounts and FMA Act section 39 (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.

	2013 \$'000	2012 \$'000
Balance carried forward from previous year	11,019	68,700
Receipts during the year	–	162
Interest received	219	1,419
Disbursements	(11,227)	(59,262)
Closing balance	11	11,019

Note 30F: Services for Other Entities and Trust Monies Special Account – Australian Securities and Investments Commission (Special Public Money)

Legal authority – subsection 20(1) of the *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Determination 2012/07* establishes a Special Account entitled 'Services for Other Entities and Trust monies Special Account – Australian Securities and Investments Commission'.

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

Purpose – The Services for Other Entities and Trust Monies Special Account – Australian Securities and Investments Commission (SOETM) was established on 30 May 2012. The SOETM combines the purposes of the Other Trust Monies and the Services for other Government and Non-agency Bodies Special Accounts into a single standard-purpose Special Account. The SOETM enables ASIC to continue to hold and expend amounts on behalf of persons or entities other than the Commonwealth. The SOETM will typically be used to accommodate small amounts of miscellaneous monies, for example, amounts received in connection with services performed for or on behalf of any persons or entities that are not Agencies as prescribed under the FMA Act, such as other governments.

Balance carried forward from previous year	–	–
Receipts during the year	8,341	–
Disbursements	(8,341)	–
Closing balance	–	–

Note 31: Compensation and debt relief

	2013 \$	2012 \$
Departmental		
Expenses incurred in relation to no matters (2012: one matter) dealt with under the 'Compensation for Detriment caused by Defective Administration scheme' during the reporting period.	-	2,590

No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997* (2012: nil). No ex-gratia payments were provided for during the reporting period (2012: nil). No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the *Public Service Act 1999* (PS Act) during the reporting period (2012: nil).

Administered

Included in the impairment allowance expense in the Schedule of Administered Items are amounts written off under section 47 of the FMA Act. The number and aggregate amount of Commonwealth monies written off during the financial year under this section is 226,015 items totalling \$34,115,404 (2012: 191,003 items totalling \$29,442,419).

The number and aggregate of amounts owing to the Commonwealth, the recovery of which was waived during the financial year pursuant to section 34(1) of the FMA Act, is 17,078 items totalling \$2,934,095 (2012: 17,429 items totalling \$3,118,757).

None of the above payments were paid on a periodic basis (2012: nil). No ex-gratia payments were provided for during the reporting period (2012: nil). No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the *Public Service Act 1999* (PS Act) during the reporting period (2012: nil).



Note 32: Reporting of outcomes

ASIC's outcome during the reporting period was:

Improved confidence in Australia's financial markets through promoting informed investors and financial consumers, facilitating fair and efficient markets and delivering efficient registry systems.

Note 32A: Net (cost) / contribution of outcome delivery

	Outcome 1	
	2013 \$'000	2012 \$'000
Departmental		
Expenses	411,269	384,488
Own-source income	6,155	6,883
Administered		
Expenses ¹	547,477	148,007
Own-source income ¹	1,600,240	746,505
Net (cost) / contribution of outcome delivery	647,649	220,893

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 \$647.649m (2012: \$220.893m). 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 expenses and administered income are detailed in Notes 17 and 18 respectively.

1. The administered expenses for 2011–12 include a restated amount of \$65.773m. The administered own-sourced income for 2011–12 includes a restated amount of \$12.899m.

Note 33: Administered receipts subject to cost recovery policy

Note 33A: Receipts pursuant to cost recovery provisions

	2013 \$'000	2012 \$'000
Significant cost recovery arrangements		
Supervision of Australia's financial markets and competition for market services	19,183	10,368
Total receipts subject to cost recovery policy	19,183	10,368

Funding was approved in the 2011–12 Budget Measures to recover the additional costs required by ASIC to enhance its supervision of Australia's financial markets and competition for market services. ASIC began recovering the incremental costs from 1 January 2012.

Note 34: Net cash appropriation arrangements

	2013 \$'000	2012 \$'000
Total comprehensive income excluding depreciation/amortisation expenses previously funded through revenue appropriations attributable to ASIC ¹	7,195	2,947
Less: depreciation/amortisation expenses previously funded through revenue appropriation	(51,355)	(45,665)
Total comprehensive income/(loss) as per the Statement of Comprehensive Income	(44,160)	(42,718)

1. From 2010–11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required. The 'Departmental Capital Budget' is used to fund the replacement of ASIC's business as usual assets (i.e. individual assets with a value of less than \$10m).

Note 35: Compliance with statutory conditions for payments from Consolidated Revenue Fund

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance and Deregulation provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts.

ASIC have reviewed exposure to risks of not complying with statutory conditions on payments from appropriations. The plan involved:

- ♦ identifying each special appropriation and special account;
- ♦ determining the risk of non-compliance by assessing the difficulty of administering the statutory conditions and assessing the extent to which existing payment systems and processes satisfy those conditions;
- ♦ determining procedures to confirm risk assessments in medium risk cases and to quantify the extent of non-compliance, if any, in higher risk situations;
- ♦ obtaining legal advice as appropriate to resolve questions of potential non-compliance; and
- ♦ considering legislative or procedural changes to reduce the risk of non-compliance in the future to an acceptably low level.

ASIC identified eight appropriations involving statutory conditions for payment, comprising:

- ♦ two special appropriations; and
- ♦ six special accounts.

During 2012–13 it was noted there could be breaches of Section 83 under certain circumstances with payments for long service leave, goods and services tax and payments under determinations of the Remuneration Tribunal. ASIC has reviewed its processes and controls over payments for these items to minimise the possibility for future breaches as a result of these payments. ASIC has determined that there is a low risk of the certain circumstances mentioned in the legal advice applying to the department.

As at 30 June 2013 ASIC is aware of 1 circumstance where payments were made in excess of the amount prescribed under Determinations issued pursuant to the *Remuneration Tribunal Act 1973*. The 2012–13 payments in breach of section 83 of the Constitution, total \$20,484.36, drawn from *Appropriation Act (No 1) 2012–13* (Departmental item). ASIC has implemented plans to recover the overpayment and is expecting full recovery within the next 12 months.

End of financial statements