

financial statements

for the year ended 30 June 2004

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To the Treasurer

Scope

The financial statements comprise:

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

for the Australian Securities and Investments Commission (the Commission) for the year ended 30 June 2004.

The Commissioners are responsible for the preparation and true and fair presentation of the financial report in accordance with the Finance Minister's Orders. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with Australian National Audit Office (ANAO) Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatements. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of our procedures, the audit was not designed to provide assurance on internal controls.

The audit did not involve an analysis of the prudence of business decisions made by the Commissioners or management.

Procedures were performed to assess whether in all material respects the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and the *Financial Management and Accountability Act 1997*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Commission's performance as represented by the statements of financial performance, financial position and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Commission.

Independence

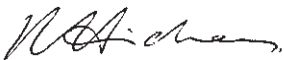
In conducting the audit, I have followed the independence requirements of the ANAO, which incorporate Australian professional ethical pronouncements.

Audit Opinion

In my opinion the financial statements:

- (i) have been prepared in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and the *Financial Management and Accountability Act 1997* and applicable Accounting Standards; and
- (ii) give a true and fair view of the matters required by applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Finance Minister's Orders, the financial position of the Australian Securities and Investments Commission as at 30 June 2004, and its financial performance and cash flows for the year then ended.

Australian National Audit Office



P Hinchey
Senior Director
Delegate of the Auditor-General

Sydney
23 July 2004

statement by commissioners and chief financial officer

In our opinion, the attached financial statements for the year ended 30 June 2004 have been prepared 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 Commonwealth Authorities and Companies Act 1997 and the Financial Management and Accountability Act 1997.

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

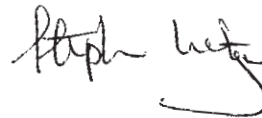
This Statement is made in accordance with a resolution of the Commission members.



J. J. Lucy
Chairman
23 July 2004



B. J. Collier
Commissioner
23 July 2004



S. D. Lutze
Chief Financial Officer
23 July 2004

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

statement of financial performance

for the year ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
REVENUE			
Revenues from ordinary activities			
Revenues from Government	4A,5B	183,285	162,832
Sale of services	4B	3,603	2,782
Interest	4C	2,043	2,094
Revenue from sale of assets	4D	11	69
Other revenues	4E	2,396	4,718
Revenues from ordinary activities		191,338	172,495
EXPENSE			
Expenses from ordinary activities (excluding borrowing costs expense)			
Employees	6A	116,465	96,919
Suppliers	6B	66,066	62,557
Depreciation and amortisation	6C	12,836	12,317
Write-down of assets	6D	99	185
Value of assets disposed	6E	87	70
Expenses from ordinary activities (excluding borrowing costs expense)		195,553	172,048
Borrowing costs expense	7	605	559
Net deficit	13,14	(4,820)	(112)
Increase in accumulated results on application of the transitional provisions in accounting standard AASB 1041			
Revaluation of Non-current Assets	9D,13	925	-
Total valuation adjustments recognised directly in equity		925	-
Total changes in equity other than those resulting from transactions with the Australian Government as owner		(3,895)	(112)

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

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

statement of financial position

as at 30 June 2004

	Notes	2004 \$'000	2003 \$'000
ASSETS			
Financial assets			
Cash	8A	10,850	11,188
Receivables	8B	10,163	3,375
Total financial assets		21,013	14,563
Non-financial assets			
Leasehold improvements	9A	10,969	12,133
Plant and equipment	9B	12,017	12,930
Intangibles	9C	12,158	8,200
Other non-financial assets	9E	1,970	1,036
Total non-financial assets		37,114	34,299
TOTAL ASSETS		58,127	48,862
LIABILITIES			
Interest bearing liabilities			
Leases	10	9,496	11,364
Total interest bearing liabilities		9,496	11,364
Provisions			
Employees	11	34,466	27,637
Total provisions		34,466	27,637
Payables			
Suppliers	12A	9,719	6,767
Other payables	12B	9,371	4,126
Total payables		19,090	10,893
TOTAL LIABILITIES		63,052	49,894
NET LIABILITIES		(4,925)	(1,032)
EQUITY			
Contributed equity	13	2	-
Reserves	13	5,254	5,254
Accumulated deficit	13	(10,181)	(6,286)
TOTAL EQUITY	3,13,38	(4,925)	(1,032)
Current assets		22,983	15,599
Non-current assets		35,144	33,263
Current liabilities		42,899	29,031
Non-current liabilities		20,153	20,863

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

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

statement of cash flows

for the year ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	5B	186,132	160,775
Services		3,874	3,234
Interest		2,043	2,094
GST recovered from ATO		5,395	6,953
Other		3,976	4,021
Total cash received		201,420	177,077
Cash used			
Employees		109,634	96,208
Suppliers		73,136	68,905
Borrowing costs		605	559
Return of appropriation to Government	5B	3,000	794
Total cash used		186,375	166,466
Net cash from operating activities	14	15,045	10,611
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment	4D	11	69
Total cash received		11	69
Cash used			
Purchase of property, plant and equipment	9D	9,845	11,066
Total cash used		9,845	11,066
Net cash used by investing activities		(9,834)	(10,997)
FINANCING ACTIVITIES			
Cash received			
Appropriations - contributed equity	13	2	-
Cash used			
Repayment of finance lease principal		5,551	4,972
Total cash used		5,551	4,972
Net cash used by financing activities		(5,549)	(4,972)
Net decrease in cash held		(338)	(5,358)
Cash at the beginning of the reporting period		11,188	16,546
Cash at the end of the reporting period	8A	10,850	11,188

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

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

schedule of contingencies

as at 30 June 2004

Contingent Liabilities and Assets

Contingent liabilities

There were no quantifiable contingent liabilities as at 30 June 2004 (2003: nil) note 16 refers.

Contingent assets

There were no quantifiable contingent assets as at 30 June 2004 (2003: nil) note 16 refers.

Schedule of unquantifiable contingent liabilities/assets

Details of each class of contingent liabilities and assets which cannot be quantified or are considered remote, are disclosed in Note 16: Contingent Liabilities and Assets.

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

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

schedule of commitments

as at 30 June 2004

	2004 \$'000	2003 \$'000
BY TYPE		
Capital commitments		
Plant and equipment ¹	39	102
Total capital commitments	39	102
Other commitments		
Operating leases ²	110,632	119,941
Other commitments (goods and services)	237	179
Total other commitments	110,869	120,120
Commitments receivable ³	(8,134)	(8,185)
Net commitments	102,774	112,037
BY MATURITY		
Capital commitments		
One year or less	39	102
Total capital commitments	39	102
Operating lease commitments		
One year or less	28,486	20,660
From one to five years	69,641	73,833
Over five years	12,505	25,448
Total operating lease commitments	110,632	119,941
Other commitments		
One year or less	237	179
Total other commitments	237	179
Commitments receivable	(8,134)	(8,185)
Net commitments by maturity	102,774	112,037

Note:

¹ Outstanding contractual payments for purchases of plant and equipment

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

<i>Nature of lease</i>	<i>General description of leasing arrangement</i>
Leases for office accommodation	Subject to annual or bi-annual rental reviews
Motor vehicles - senior executives	No contingent rentals exist There are no purchase options available to ASIC
Office equipment	No contingent rentals exist There are no purchase options available to ASIC

³ Commitments receivable consist of GST recoverable in respect of operating leases. All commitments are GST inclusive.

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

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

schedule of administered items

	Notes	2004 \$'000	2003 \$'000
Revenues Administered on Behalf of Government			
for the year ended 30 June 2004			
Non-taxation			
Other revenue	25	25	25
Interest	25	47	150
Non-taxation revenue	25	493,160	431,162
Total Revenues Administered on Behalf of Government		493,232	431,337
Expenses Administered on Behalf of Government			
for the year ended 30 June 2004			
Write-down and impairment of assets	26	23,367	7,538
Other expenses	26	18,067	19,326
Total Expenses Administered on Behalf of Government		41,434	26,864

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

1. ASIC collects and administers revenue under the Corporations Act 2001 and prescribed fees set by the Corporations (Fees) Regulations. The revenues from these fees are not available to ASIC and are remitted to the Consolidated Revenue Fund (CRF).
2. ASIC has responsibility for the administration of unclaimed monies from banking and deposit taking institutions. Monies from banking and deposit taking institution accounts that remain inactive for seven years are transferred to the Commonwealth, and are deposited into the CRF.
3. ASIC also has responsibility for the administration of unclaimed monies from life insurance institutions and friendly societies. Monies in respect of matured life insurance policies that have not been claimed for more than seven years are transferred to the Commonwealth and are deposited into the CRF.

Note: Intra Government transactions have been omitted.

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

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

schedule of administered items (continued)

	Notes	2004 \$'000	2003 \$'000
Assets Administered on Behalf of Government			
as at 30 June 2004			
Financial assets (current)			
Cash	27	3,792	5,378
Receivables	27	62,777	11,061
Accrued revenue - Corporations Act	27	-	7,591
Total assets administered on behalf of Government		66,569	24,030
Liabilities Administered on Behalf of Government			
as at 30 June 2004			
Payables (current)			
Payables	28	5,709	8,170
Total liabilities administered on behalf of Government		5,709	8,170
Net assets administered on behalf of Government	29	60,860	15,860
Note: Intra Government transactions have been omitted.			
Administered Cash Flows			
for the year ended 30 June 2004			
Operating activities			
Cash received			
- Corporations Act fees and charges		390,071	405,275
- Banking Act unclaimed monies		30,754	21,240
- Life Insurance Act unclaimed monies		4,791	4,818
Total cash received		425,616	431,333
Cash used			
Cash to Consolidated Revenue Fund from:			
- Corporations Act fees and charges		390,617	403,699
- Banking Act unclaimed monies		31,474	21,147
- Life Insurance Act unclaimed monies		5,111	4,562
Total cash used	30	427,202	429,408
Net cash from / (used in) operating activities		(1,586)	1,925
Net increase / (decrease) in cash held			
Cash at the beginning of the reporting period		5,378	3,453
Cash at the end of the reporting period	27	3,792	5,378

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

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

schedule of administered items (continued)

Administered Commitments

as at 30 June 2004

There were no administered commitments as at 30 June 2004 (2003: nil).

Administered Contingencies

as at 30 June 2004

Contingent liabilities

Banking Act administration

Monies from bank and deposit taking institution accounts inactive for seven years are transferred to the Commonwealth and are deposited into the CRF. A contingent liability of \$37,690,484 (2003: \$71,692,565) exists, and represents an estimate of future claims for repayment, where the validity of the claim has been established by the relevant institution.

The estimate of future claims for repayment was determined by an independent actuary (Towers Perrin) at 31 March 2004. As a consequence of this actuarial assessment, the contingent liability has been revised downwards.

Life Insurance Act administration

Monies in respect of matured life insurance policies that have not been claimed for more than seven years are transferred to the Commonwealth from life insurance companies and friendly societies, and are deposited into the CRF. A contingent liability of \$5,339,151 (2003: \$5,905,280) exists, and represents an estimate of future claims for repayment, where the validity of the claim has been established by the relevant institution.

The estimate of future claims for repayment was determined by an independent actuary (Towers Perrin) at 31 March 2004.

Contingent assets

There were no administered contingent assets as at 30 June 2004 (2003: nil).

Unquantifiable contingent liabilities - Corporations Act administration

Companies Unclaimed Monies Account

An administered unquantifiable contingent liability exists in relation to monies that may be refunded to bona fide claimants out of Companies Unclaimed Monies where those monies have been paid into the CRF pursuant to section 1341 of the Corporations Act 2001 after the statutory period of six years has elapsed.

It is not possible to quantify this contingent liability.

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

notes to and forming part of the financial statements

for the year ended 30 June 2004

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notes to and forming part of the financial statements

for the year ended 30 June 2004

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 is subject to the Commonwealth Authorities and Companies Act 1997 by virtue of section 7 of that Act, and also subject to the Financial Management and Accountability Act 1997 in respect of the public money that it holds pursuant to Schedule 1 Part 2 of the Financial Management and Accountability Regulations.

ASIC's objectives includes the promotion of the confident and informed participation of investors and consumers in the financial system.

ASIC collects and administers revenue under the Corporations Act 2001 and prescribed fees set by the Corporations (Fees) Regulations (Note 1.3 refers).

1.2 Basis of accounting

The financial statements are required by clause 1(B) of Schedule 1 to the Commonwealth Authorities and Companies Act 1997 (referred to as Schedule 1 in this financial report) and Section 49 of the Financial Management and Accountability Act 1997 and are a general purpose financial report.

The statements comply with:

- accounting standards and accounting interpretations that apply for the reporting period issued by:
 - (i) the Australian Accounting Standards Board (established under section 226 of the Australian Securities and Investments Commission Act 2001); and
 - (ii) the former Public Sector Accounting Standards Board, unless superseded by standards and interpretations of the Australian Accounting Standards Board.
- the Consensus Views issued by the Urgent Issues Group (UIG) that apply for the reporting period.

The statements have been prepared having regard to:

- the Explanatory Notes to Schedule 1;
- the Estimates Memoranda, FinanceBriefs, Finance Circulars, Financial Management Guidelines and other guidance/policies issued by the Department of Finance and Administration; and
- the Statements of Accounting Concepts.

1.2 Basis of accounting (continued)

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

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets, which are unrecognised, are reported in the Schedule of Commitments and the Schedule of Contingencies, other than unquantifiable or remote contingencies, which are reported at Note 16.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits have occurred and can be reliably measured.

1.3 Reporting of administered activities

ASIC collects and administers revenue under the Corporations Act 2001 and prescribed fees set by the Corporations (Fees) Regulations. The revenues from these fees are not available to ASIC and are remitted to the Consolidated Revenue Fund (CRF). Transactions and balances relating to these fees are reported as Administered Items.

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

Except where otherwise stated at Note 1.6, Administered Items are accounted for on the same basis and using the same policies as for ASIC items, including the application of Accounting Standards, Accounting Interpretations and UIG Consensus Views.

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

These transfers of cash are reported as administered (operating) cash flows and in the administered reconciliation table in Note 29.

Administered items are distinguished by shading.

1.4 Changes in accounting policy

Changes in accounting policy have been identified in this note under their appropriate headings.

1.5 Reporting by outcomes

ASIC's financial result reported in the context of the Government's outcomes and outputs framework is disclosed in Note 39.

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

notes to and forming part of the financial statements

for the year ended 30 June 2004

1 Summary of significant accounting policies (continued)

1.6 Revenue

Revenues from Government - output appropriations

The full amount of the appropriation for departmental outputs is recognised as revenue in the year of appropriation, with the exception of appropriations for specific government initiatives that are conditional on any unspent balance being returned to Government. Such appropriations are initially recognised as Unearned Revenue - Government Appropriation until expenditure is incurred (Note 12B refers).

Where the full amount of the appropriation for the year has not been drawn down an Appropriation Receivable is disclosed. In 2003-04 ASIC is, for the first time, recognising an appropriation receivable relating to the HIH Task Force (Note 8B refers).

Revenues from Government are disclosed in the Statement of Financial Performance (Note 4A refers).

Resources received free of charge

Services received free of charge are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are combined with the revenues from Government for the purposes of presentation (Note 25 refers).

Going concern

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

Other revenue

Revenue from independent sources is mainly comprised of bank interest, business names receipts relating to the administration of the business names register, fees charged for the administration of the companies unclaimed money account, recoveries of both legal costs and prosecution disbursements.

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

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

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

Administered revenue

(i) Definition

Revenues and related assets are considered to arise when the Government, through the application of legislation by ASIC, gains control of the future economic benefits that flow from prescribed fees and other statutory charges.

Administered revenues are disclosed in the note on Revenues Administered on Behalf of Government (Note 25 refers).

(ii) Recognition

The revenues of the Commonwealth, when administered by ASIC, are recognised (on an accruals basis) when the following conditions apply:

- the client or the client group can be identified in a reliable manner;
- an amount of prescribed fee or other statutory charge is payable by the client or client group under legislative provisions; and
- the amount of the prescribed fee or other statutory charge payable by the client or the client group can be reliably measured.

Statutory revenue arising from services rendered by ASIC under the Corporations Act 2001 is collected and deposited in the CRF on behalf of the Commonwealth.

Statutory revenue comprises annual review fees (2003: fees for the lodgement of annual returns) and other fees prescribed in the Corporations (Fees) Regulations and voluntary enquiries from clients for microfiche, certificates and document images.

As a consequence of a legislative change introduced by the Government under Part 7 of the Corporate Law Economic Reform Program (CLERP 7), effective from 1 July 2003, all registered companies and schemes will incur an annual review fee on each anniversary of the date of incorporation or registration. The quantum of the fee is prescribed in the Corporations (Fees) Regulations. This is a change from previous years in which revenue was recognised on lodgement of the annual return, with an accrual being made at 30 June each year in respect of registered companies and schemes that had not lodged an annual return.

notes to and forming part of the financial statements

for the year ended 30 June 2004

1 Summary of significant accounting policies (continued)

1.7 Employee benefits

Leave

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

The liability for annual leave reflects the value of total annual leave benefits of all employees at 30 June 2004 and is recognised at its nominal amount. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability, in accordance with the provisions of Accounting Standard AASB 1028.

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

Separation and redundancy

Provision is made for separation and redundancy payments in cases where positions have been formally identified as excess to requirements, and a reliable estimate of the amount payable can be determined.

Superannuation

The majority of employees contribute to the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS). There are also a small number of employees covered under state government and private superannuation schemes. The majority of the employees in the state government superannuation schemes were originally employed by the various state governments and were transferred to ASIC at its inception in 1989.

Details of superannuation payments are disclosed in Note 6A.

1.8 Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Other leases are classified as operating leases.

Operating lease payments are expensed on a basis, which is representative of the pattern of benefits derived from the leased assets. The net present value of future net outlays in respect of surplus space under non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

Lease incentives are recognised as a liability and are reduced by allocating lease payments between rental expense in the Statement of Financial Performance and the deferred lease incentive liability over the term of the lease.

Lease incentives taking the form of rent free holidays are recognised as a liability. This liability is reduced by allocating lease payments between rental expense and reduction of the liability over the term of the lease.

1.9 Borrowing costs

All borrowing costs are expensed as incurred except to the extent that they are directly attributable to qualifying assets, in which case they are capitalised. The amount capitalised in a reporting period does not exceed the amount of costs incurred in that period.

1.10 Cash

For the purpose of the Statements of Cash Flows for both ASIC and Administered items, cash includes deposits held at call with a bank. Cash is recognised at its nominal amount, interest is credited as it accrues.

1.11 Taxation

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

Administered items are exempt from all forms of taxation.

1.12 Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

1.13 Leasehold improvements, plant and equipment

Asset recognition threshold

Purchases of leasehold improvements, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition. The \$2,000 threshold was selected because it facilitates efficient asset management and recording without materially affecting asset values recognised. Items of leasehold improvements, plant and equipment acquired free or for a nominal charge are recognised initially at their fair value.

Revaluations

Basis

Leasehold improvements and plant and equipment are carried at valuation. Revaluations undertaken up to 30 June 2002 were made on a deprival basis; revaluations since that date are at fair value. This change in accounting policy is a requirement of AASB 1041 Revaluation of Non-Current Assets.

Assets in each class acquired after the commencement of the year of revaluation are not captured by the revaluation undertaken in that year and are reported at cost.

Assets that would not be replaced, or are surplus to requirements, are valued at net realisable value.

Leasehold improvements

During 2003-04, leasehold improvements were revalued to fair value for the first time measured at written down current cost, which is the lesser of depreciated replacement cost or depreciated reproduction cost.

Depreciated replacement cost is the cost of substitution by an equivalent modern asset, with due allowance for depreciation and obsolescence. Depreciated reproduction cost represents the cost of constructing a replica of the actual asset, with due allowance for depreciation and obsolescence.

notes to and forming part of the financial statements

for the year ended 30 June 2004

1 Summary of significant accounting policies (continued)

1.13 Leasehold improvements, plant and equipment (continued)

AASB 1041 requires that where the fair value basis is initially applied to a class of non-current assets, the resulting increment or decrement is credited or debited directly to retained surplus or accumulated deficit. This treatment has been complied with in the 2003-04 revaluation of leasehold improvements.

The financial effect of this change in accounting policy has been to increase the carrying amount of leasehold improvements by \$924,929 and reduce the accumulated deficit by an equivalent amount.

Plant and equipment

Plant and equipment were last revalued in 2001-02 at deprival value measured at depreciated replacement cost. This class of non-current assets will be revalued to fair value measured at market value in 2004-05.

Frequency

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

Conduct

The valuation of leasehold improvements and plant and equipment has been performed independently by the Australian Valuation Office.

Depreciation

Depreciable property, plant and equipment assets are written down to their estimated residual values over their estimated useful lives to ASIC using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

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

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

	2004	2003
Leasehold improvements	Lease term	Lease term
Plant and equipment	2 to 10 years	2 to 10 years
Plant and equipment under finance lease	1 to 5 years	1 to 5 years

The aggregate amount of depreciation/amortisation allocated for each class of asset during the reporting period is disclosed in Note 6C.

Impairment of non-current assets

Non-current assets carried at up-to-date fair value at the reporting date are not subject to impairment testing.

Non-current assets carried at cost or deprival value and held to generate net cash inflows have been tested for their recoverable amounts at the reporting date. The test compared the carrying amounts against the net present value of future net cash inflows. At 30 June 2004 ASIC did not have any assets in this category, and no write-down to recoverable amount was required (2003: nil).

The non-current assets carried at cost or depriv value, which are not held to generate net cash inflows, have been assessed for indications of impairment. Where indications of impairment exist, the carrying amount of the asset is compared to its net selling price and depreciated replacement cost and is written down to the higher of the two amounts.

1.14 Intangible assets - computer software

Purchased software

Purchased software is included in non-financial assets, and is classified under Intangibles. Where substantial installation/implementation costs are incurred and can be reliably measured, these costs are added to the purchase price to arrive at the initial value, otherwise purchase price is used.

Internally developed software

Internally developed business systems and enhancements are measured at cost and these costs are held as software under development until the system or component is released to production, at which time it becomes internally developed software and is recorded as an intangible asset.

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

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of software is 3 to 5 years (2003: 3 to 5 years).

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

1.15 Receivables

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

Provision for doubtful debts

The introduction of legislation by the Government under Part 7 of the Corporate Law Economic Reform Program (CLERP 7) that became operative from 1 July 2003 resulted in a change in revenue recognition. Effective from this date, all registered companies and schemes will incur an annual review fee debt to the Commonwealth on each anniversary of the date of incorporation or registration (Note 1.6 provides further explanation of this change to revenue recognition).

As a consequence, debts were raised for registered companies and schemes that may subsequently be found to be inactive, and for which there is a strong likelihood that the annual review fee will not be received by ASIC.

This change in revenue recognition has therefore necessitated a reappraisal of the basis for calculating the provision for doubtful debts. The portion of the provision at 30 June 2004 relating to the annual review fee includes a specific estimate of debts raised for registered companies and schemes that are inactive together with a further allowance for bad debts that arise in the normal course of business.

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

notes to and forming part of the financial statements

for the year ended 30 June 2004

1 Summary of significant accounting policies (continued)

1.16 Unclaimed monies - administered items

Banking Act administration

On 1 July 2000 ASIC assumed responsibility for the administration of unclaimed monies from banking and deposit taking institutions.

Monies from bank and deposit taking institution accounts that are inactive for seven years are transferred to the Commonwealth, and are deposited into the CRF.

Life Insurance Act administration

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

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

1.17 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 various boards and a tribunal to promote activities that enable ASIC to attain its aims. The boards are the Australian Accounting Standards Board and the Companies Auditors and Liquidators Disciplinary Board. The tribunal is the Superannuation Complaints Tribunal. Employee and administrative expenditure incurred on behalf of these boards and the tribunal are included in the Statement of Financial Performance of ASIC (Note 21 refers).

1.18 Rounding

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

- remuneration of commissioners;
- remuneration of executive officers;
- remuneration of auditors; and
- administered fee write off and waivers.

1.19 Comparative figures

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

1.20 Financial instruments

Accounting policies for financial instruments are stated at Notes 24 and 37.

1.21 Insurance

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

2 Adoption of Australian Equivalents to International Financial Reporting Standards from 2005-2006

The Australian Accounting Standards Board has issued replacement Australian Accounting Standards to apply from 2005-06. The new standards are the Australian Equivalents to International Financial Reporting Standards (AEIFRS) which are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005-06, but continue to apply in the meantime.

The purpose of issuing AEIFRS is to enable Australian entities reporting under the Corporations Act 2001 to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards more widely used overseas.

It is expected that the Finance Minister will continue to require compliance with the Accounting Standards issued by the AASB, including the AEIFRS, in his Orders for the Preparation of Agency financial statements for 2005-06 and beyond.

The Australian Equivalents contain certain additional provisions that will apply to not-for-profit entities, including ASIC. Some of these provisions are in conflict with the IFRS and therefore ASIC will only be able to assert compliance with the AEIFRS.

Existing AASB standards that have no IFRS equivalent will continue to apply.

Accounting Standard AASB 1047 Disclosing the impact of Adopting Australian Equivalents to IFRS requires that the financial statements for 2003-04 disclose:

- An explanation of how the transition to the Australian Equivalents is being managed, and
- A narrative explanation of the key differences in accounting policies arising from the transition.

The purpose of this Note is to make these disclosures.

Management of the transition to AEIFRS

ASIC has taken the following steps for the preparation towards the implementation of AEIFRS:

- The Audit Committee is overseeing the transition to and implementation of the AEIFRS on behalf of the Commission. The Chief Financial Officer is formally responsible for the project and reports to the Audit Committee.
- Consultants have been engaged where necessary to assist ASIC in determining the nature and extent of major accounting and disclosure changes.
- To date, all major accounting and disclosure differences have been identified.

ASIC does not anticipate any changes to financial systems will be required to enable compliance with AEIFRS.

Major changes in accounting policy

Changes in accounting policies under AEIFRS are applied retrospectively i.e. as if the new policy had always applied. This rule means that a balance sheet prepared under the AEIFRS must be made as at 1 July 2004, except as permitted in particular circumstances by AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. This will also enable the 2005-06 financial statements to report comparatives under AEIFRS.

Changes to major accounting policies are discussed in the following paragraphs.

notes to and forming part of the financial statements

for the year ended 30 June 2004

2 Adoption of Australian Equivalents to International Financial Reporting Standards from 2005-2006 (continued)

Property, plant and equipment

It is expected that the Finance Minister's Orders will require property, plant and equipment assets carried at valuation in 2003-04 to be measured at up-to-date fair value from 2005-06. This differs from the accounting policies currently in place for these assets which, up to and including 2003-04, have been revalued progressively over a 3-year cycle and which currently include assets at cost (for purchases since the commencement of a cycle) and at deprival value (which will differ from their fair value to the extent that they have been measured at depreciated replacement cost when a relevant market selling price is not available).

It is important to note that the Finance Minister's Orders currently requires these assets to be measured at up-to-date fair value as at 30 June 2005. Further, the transitional provisions in AASB 1 will mean that the values at which assets are carried at 30 June 2004 under existing standards will stand in the transitional balance sheet as at 1 July 2004.

It is expected that the adoption of AEIFRS will not result in a material restatement of property, plant and equipment values.

Impairment of non-current assets

ASIC's policy on impairment of non-current assets appears at Note 1.13.

Under AEIFRS, these assets will be subject to an assessment for impairment and, if there are indications of impairment, measurement of any impairment. (Impairment measurement must also be done, irrespective of any indications of impairment, for intangible assets not yet available for use). The impairment test is that the carrying amount of an asset must not exceed the greater of (a) its fair value less costs to sell and (b) its value in use. 'Value in use' is net of the depreciated replacement cost for other assets which would be replaced if ASIC were deprived of them.

The most significant change is that the recoverable amount is only generally to be measured where there is an indication of impairment, and that assets carried at up-to-date fair value may nevertheless be required to be written down if costs to sell are significant. As ASIC currently recognises asset impairment this requirement is not expected to result in a significant restatement of asset values.

3 Economic dependency

ASIC is controlled by the Government of the Commonwealth of Australia, and is dependent on appropriations from the Commonwealth Parliament for its continued existence and ability to carry out its normal activities and functions under the Corporations Act 2001.

The Government has provided ASIC, subsequent to year end, with an equity injection of \$11.3m to address accumulated past year losses (Note 38 refers).

	Notes	2004 \$'000	2003 \$'000
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4 Operating revenues

4A Revenues from Government

Appropriation Act No. 1 Operating Expenditure		183,169	160,447
Appropriation Act No. 3 Operating Expenditure		116	2,385
Total revenues from government	(i), 5	183,285	162,832

(i) The increase in Appropriations received by ASIC in 2003-04 of \$20.453m is due to specific purpose funding being provided by the Government as follows:

(a) To establish a dedicated task force to undertake investigations and civil litigation on possible breaches of the Corporations Act 2001 as identified by the HIH Royal Commission		7,848	
(b) To implement the Financial Services Reform Act and for its enhanced consumer protection and regulatory roles		6,240	
(c) To give effect to the CLERP 9 legislative reforms dealing with inadequate corporate disclosure, and for ASIC to conduct surveillance activities, investigate and take enforcement action in relation to alleged contraventions		3,000	
(d) To provide ASIC with resources for targeted surveillance and enforcement actions against companies and their officers who have allowed their companies to trade whilst insolvent		3,000	
(e) To increase the funding base of the Superannuation Complaints Tribunal to enable it to meet the increasing demands on its services including a reimbursement of over expenditure relating to prior years		2,135	
(f) Finalisation of the activities associated with the HIH Royal Commission		(2,500)	
(g) Other		730	
Total increase in appropriation		20,453	

notes to and forming part of the financial statements

for the year ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
4 Operating revenues (continued)			
4B Sale of services			
Sale of services		3,603	2,782
Total sale of services		3,603	2,782
Rendering of services to:			
Commonwealth Government entities		1,484	1,214
External entities		2,119	1,568
Total rendering of services		3,603	2,782
4C Interest			
Bank interest		2,043	2,094
Total interest revenues		2,043	2,094
4D Revenue from sale of assets			
Plant and equipment			
Proceeds from disposal	6E	11	69
4E Other revenues			
Cost recoveries	(i)	1,867	3,355
Rent of surplus space		-	499
Other	(ii)	529	864
Total other revenues		2,396	4,718

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

(ii) Other revenues includes seminars and royalties.

5 Appropriations

This table reports on appropriations made by the Parliament from the CRF for the year ended 30 June 2004.

Particulars	Notes	Departmental outputs	
		2004 \$'000	2003 \$'000

5A Cash basis acquittal of Appropriations from Acts 1 and 3

Year ended 30 June 2004

Balance carried from previous year		-	-
Appropriation Acts 1 and 3		192,784	160,775
Appropriations available for payment from CRF		192,784	160,775
Payments made out of CRF	5B	186,132	160,775
Balance carried to next year	5B	6,652	-
Represented by:			
Appropriations receivable	8B	6,652	-

5B Reconciliation of appropriation reported on a cash basis (Note 5A) to the accruals basis as reported in the Statement of Financial Performance

Payments from the CRF		186,132	160,775
Appropriations receivable	8B	6,652	-
less: Unearned appropriation revenue	(i), 12B	(6,499)	-
Appropriation returned to the CRF in 2003-04	(ii)	(3,000)	-
Appropriation returned to the CRF in 2002-03	(iii)	-	(794)
Unearned appropriation in 2002		-	2,851
Total revenues from Government		183,285	162,832

- (i) Unspent portion of specific purpose appropriation associated with the HIH Task Force, disclosed as unearned revenue.
- (ii) Specific departmental appropriation to fund ASIC for its costs associated with the HIH Task Force not utilised in 2003-04 and included in departmental appropriation for 2004-05.
- (iii) Unspent portion of specific purpose appropriation received from the Government to fund ASIC for its costs associated with the HIH Royal Commission returned to the CRF in 2002-03.

notes to and forming part of the financial statements

for the year ended 30 June 2004

5 Appropriations (continued)

5C Acquittal of authority to draw cash from the Consolidated Revenue Fund - special appropriations (unlimited amounts)

	2004	2003
	Outcome 1	
	\$	\$
Life Insurance Act 1995		
Legal authority - Life Insurance Act 1995		
Purpose - ASIC has responsibility for the administration of unclaimed monies from life insurance institutions and friendly societies. Monies in respect of matured life insurance policies that have not been claimed for more than seven years are transferred to the Commonwealth and are deposited into the CRF.		
ASIC receives special appropriations from the CRF (section 216 Life Insurance Act 1995) to refund amounts to life insurance policy holders.		
All transactions under this Act are recognised as Administered Items (Note 26 refers).		
Budget estimate	3,000,000	3,000,000
Payments made	3,332,726	2,760,771
Banking Act 1959		
Legal authority - Banking Act 1959		
Purpose - ASIC has responsibility for the administration of unclaimed monies from banking and deposit taking institutions. Monies from banking and deposit taking institution accounts that remain inactive for seven years are transferred to the Commonwealth, and are deposited into the CRF.		
ASIC receives special appropriations from the CRF (section 69 Banking Act 1959) to refund amounts to banking and deposit taking institution account holders.		
All transactions under this Act are recognised as Administered Items (Note 26 refers).		
Budget estimate	18,000,000	18,025,000
Payments made	14,708,934	16,540,285

5 Appropriations (continued)

5C Acquittal of authority to draw cash from the Consolidated Revenue Fund - special appropriations (unlimited amounts) (continued)

	2004	2003
	Outcome 1	
	\$	\$
Corporations Act 2001		
Legal authority - Corporations Act 2001		
Purpose - ASIC has responsibility for the administration of unclaimed monies from the Companies Unclaimed Monies Account. Monies that are not claimed within six years are transferred to the Commonwealth (section 1341 Corporations Act 2001), and are deposited into the CRF.		
Refunds are appropriated under section 28 of the FMA Act.		
All transactions under this Act are recognised as Administered Items (Note 32 refers).		
Budget estimate	-	-
Payments made	176,470	110,464
Corporations Act 2001		
Legal authority - Corporations Act 2001		
Purpose - ASIC has responsibility for the administration and collection of Corporations Act fees and charges. All fees and charges are deposited into the CRF as received.		
Refunds of overpayments are appropriated by Appropriation Act No. 1.		
All transactions under this Act are recognised as Administered Items.		
Budget estimate	3,000,000	4,000,000
Payments made	3,055,133	4,668,979

notes to and forming part of the financial statements

for the year ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
6 Operating expenses			
6A Employees			
Salaries		91,182	76,857
Superannuation	(i)	12,361	10,459
Leave and other entitlements		11,539	9,046
Separation and redundancy	(ii)	620	797
Reversal of provision for long service leave	(iii)	-	(700)
<i>Total employees benefits expense</i>		115,702	96,459
Workers compensation premiums		763	460
Total employees expenses		116,465	96,919

- (i) Contributions to superannuation schemes are at rates calculated to cover existing and emerging obligations. The employer contribution rate for the Commonwealth Superannuation Scheme (CSS) was 24.3% (2003: 17.7%), the Public Sector Superannuation Scheme (PSS) was 11.4% (2003: 10.5%), and the average superannuation productivity benefit was 3% (2003: 3%).
- (ii) Redundancy expenses are calculated on the basis of two weeks pay for every year of service by employees made redundant, up to a maximum of 48 weeks.
- (iii) ASIC's provision for long service leave at 31 December 2002 was determined by reference to a review undertaken by an independent actuary (Mercer Human Resource Consulting, M. A. Stevenson FIAA). As a result of this review, it was necessary to reduce the provision at 30 June 2003 by \$700,268.

6B Suppliers

Services from Commonwealth Government entities		5,774	5,770
Services from external entities		45,495	42,640
Operating lease rentals	(i)	14,797	14,147
Total suppliers expenses		66,066	62,557

- (i) These comprise minimum lease payments only.

	Notes	2004 \$'000	2003 \$'000
6 Operating expenses (continued)			
6C Depreciation and amortisation			
<i>Depreciation of plant and equipment</i>			
Plant and equipment owned		750	1,243
Assets subject to a finance lease		5,633	5,095
<i>Total depreciation</i>		6,383	6,338
<i>Amortisation</i>			
Computer software		3,649	2,987
Leasehold improvements		2,804	2,992
<i>Total amortisation</i>		6,453	5,979
Total depreciation and amortisation	9D	12,836	12,317
6D Write-down of assets			
Bad and doubtful debts expense		27	-
Plant and equipment and intangibles (computer software) - write-off		72	185
Total write-down of assets		99	185
6E Net loss from sales of assets			
<i>Plant and equipment:</i>			
Proceeds from disposal		(11)	(69)
Net book value of assets disposed		87	70
Net loss from disposal of plant and equipment		76	1
7 Borrowing costs expense			
Finance charges on lease liabilities		605	559

notes to and forming part of the financial statements

for the year ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
8 Financial assets			
8A Cash			
Cash at bank and on hand		7,432	6,023
Cash on deposit		3,418	5,165
Total cash		10,850	11,188
Balance of cash as at 30 June shown in the Statement of Cash Flows		10,850	11,188
8B Receivables			
Trade debtors		1,478	2,798
Less: Provision for doubtful debts		(55)	(33)
		1,423	2,765
GST receivable		2,088	610
Appropriations receivable	(i)	6,652	-
Total receivables (net)		10,163	3,375
All receivables are current assets.			
(i) HIH Task Force appropriation not drawn down at 30 June 2004.			
Receivables (gross) are aged as follows:			
Not overdue		10,126	3,242
Overdue by:			
Less than 30 days		27	12
30 to 60 days		4	53
More than 90 days		61	101
		92	166
Total receivables (gross)		10,218	3,408
The provision for doubtful debts is aged as follows:			
Overdue by:			
More than 90 days		55	33
Total provision for doubtful debts		55	33

	Notes	2004 \$'000	2003 \$'000
9 Non-financial assets			
9A Leasehold improvements			
<i>Leasehold improvements</i>			
- at cost		961	10,285
Accumulated amortisation		(154)	(2,253)
		807	8,032
- at 2004 valuation (fair value)	(i),(iii)	28,180	-
Accumulated amortisation		(18,018)	-
		10,162	-
- at 2001 valuation (deprival)	(i),(iii)	-	16,660
Accumulated amortisation		-	(12,559)
		-	4,101
Total leasehold improvements (non-current)		10,969	12,133

9B Plant and equipment

<i>Plant and equipment</i>			
- at cost		3,625	1,714
Accumulated depreciation		(802)	(406)
		2,823	1,308
- finance lease	(ii)	19,314	17,762
Accumulated depreciation		(10,352)	(6,848)
		8,962	10,914
- at valuation 2002 (deprival)	(iii)	6,144	9,492
Accumulated depreciation		(5,912)	(8,784)
		232	708
Total plant and equipment (non-current)		12,017	12,930

- (i) The revaluation of leasehold improvements was performed on 1 July 2003 in accordance with the progressive revaluation policy stated at Note 1.13 by an independent valuer from the Australian Valuation Office (Simon B. O'Leary AAPI MSAA).
- (ii) This amount is the present value of the minimum lease payments capitalised in accordance with ASIC's accounting policy Note 1.8.
- (iii) In accordance with the requirements of Schedule 1 to the Commonwealth Authorities and Companies Act 1997, all revalued assets are shown on a gross basis. Asset values are at deprival value for revaluations undertaken up to 30 June 2002, and accumulated depreciation has been calculated based on this value. Revaluations undertaken subsequent to 30 June 2002 are at fair value and accumulated depreciation has been calculated based on this value. The resulting increment of \$924,929 has been transferred directly to accumulated deficit (Note 13 refers).

notes to and forming part of the financial statements

for the year ended 30 June 2004

	2004 \$'000	2003 \$'000
9 Non-financial assets (continued)		
9C Intangibles		
Computer software:		
Internally developed - in progress	687	102
	687	102
Internally developed - in use	23,279	19,482
Accumulated amortisation	(11,808)	(11,384)
	11,471	8,098
Total intangibles (non-current)	12,158	8,200

9D Analysis of property, plant and equipment

TABLE A - Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment, and intangibles.

Item	Notes	Buildings - Leasehold Improvements \$'000	Plant and Equipment \$'000	Intangibles - Computer software \$'000	TOTAL \$'000
As at 1 July 2003					
Gross book value		26,945	28,968	19,584	75,497
Accumulated depreciation/amortisation		(14,812)	(16,038)	(11,384)	(42,234)
Net book value		12,133	12,930	8,200	33,263
Additions					
by purchase (i)		715	1,943	7,610	10,268
by finance lease	15	-	3,683	-	3,683
Net revaluation increment	13	925	-	-	925
Depreciation/amortisation expense		(2,804)	(6,383)	(3,649)	(12,836)
Write-offs: cost/valuation		-	(2,309)	(3,228)	(5,537)
Write-offs: provision		-	2,240	3,225	5,465
Disposals: (ii)					
Disposals: cost/valuation		-	(3,202)	-	(3,202)
Disposals: provision		-	3,115	-	3,115
As at 30 June 2004					
Gross book value		29,141	29,083	23,966	82,190
Accumulated depreciation/amortisation		(18,172)	(17,066)	(11,808)	(47,046)
Net book value		10,969	12,017	12,158	35,144

(i) Included in the total of \$10,267,749 are accruals of \$422,809, and cash payments of \$9,844,940.

(ii) Includes the return of leased assets of \$687 (net) at the conclusion of the lease period. The cost of these assets was \$2,130,155.

9 Non-financial assets (continued)

TABLE B - Assets at valuation, included in Table A above.

Item	Leasehold Improvements \$'000	Plant and Equipment \$'000	TOTAL \$'000
As at 30 June 2004			
Gross value	28,180	6,144	34,324
Accumulated depreciation/amortisation	(18,018)	(5,912)	(23,930)
Net book value	10,162	232	10,394
As at 30 June 2003			
Gross value	16,660	9,492	26,152
Accumulated depreciation/amortisation	(12,559)	(8,784)	(21,343)
Net book value	4,101	708	4,809

TABLE C - Assets held under finance lease, included in Table A above.

Item		Plant and Equipment \$'000	TOTAL \$'000
As at 30 June 2004			
Gross value		19,314	19,314
Accumulated depreciation/amortisation		(10,352)	(10,352)
Net book value		8,962	8,962
As at 30 June 2003			
Gross value		17,762	17,762
Accumulated depreciation/amortisation		(6,848)	(6,848)
Net book value		10,914	10,914

TABLE D - Assets under construction (Intangibles - Computer software - work in progress), included in Table A above.

Item	Intangibles - Computer software \$'000	TOTAL \$'000
Gross value at 30 June 2004	687	687
Gross value at 30 June 2003	102	102
	2004 \$'000	2003 \$'000
9E Other non-financial assets		
Prepayments	1,970	1,036
Total other non-financial assets (current)	1,970	1,036

notes to and forming part of the financial statements

for the year ended 30 June 2004

2004
\$'000

2003
\$'000

10 Interest bearing liabilities

Leases

Finance lease commitments

Payable:

 Within one year

5,722

5,518

 In one to five years

4,409

6,583

Minimum lease payments

10,131

12,101

Deduct: future finance charges

(635)

(737)

Net lease liability

9,496

11,364

Lease liability is represented by:

Current

5,349

5,041

Non-current

4,147

6,323

Net lease liability

9,496

11,364

Finance leases exist in relation to certain IT assets. The leases are for terms of up to 5 years, with an option to extend for a further term.

11 Provisions

Employees

Salaries

7,666

4,521

Leave

26,195

22,656

Separation and redundancies

605

460

Aggregate employees benefit liability and related on-costs

34,466

27,637

Employees provisions are represented by:

Current

20,392

15,326

Non-current

14,074

12,311

Total employees provisions

34,466

27,637

Notes	2004 \$'000	2003 \$'000
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12 Payables

12A Suppliers

Trade creditors	9,559	6,674
Goods and services tax payable	160	93
<i>Total supplier payables</i>	9,719	6,767

All supplier payables are current.

12B Other payables

Unearned revenue - Government appropriations	(i)	6,499	-
Other unearned revenue		104	30
Interest payable		14	-
Property lease incentives	(ii)	2,751	2,800
Insurance recoveries	(iii)	3	1,296
<i>Total other payables</i>		9,371	4,126

Other payables are represented by:

Current	7,439	1,897
Non-current	1,932	2,229
<i>Total other payables</i>	9,371	4,126

- (i) Unearned revenue - Government appropriations represents appropriations for specific government initiatives that have not yet been spent where the appropriation is conditional on any unspent balance being returned to Government. In 2003-04 this amount relates to the HIH Task Force.
- (ii) Total property lease incentives are disclosed as deferred rental expenditure at 30 June 2004. The amortisation of these amounts will be made over the life of the leases, commencing after the expiry of the rent deferral periods.
- (iii) Insurance recoveries are payments made by ASIC's insurer, Comcover, in connection with claims made by ASIC for expenditure attributable to the HIH Royal Commission. The amount of \$2,902 (2003: \$1,296,400) represents the balance of insurance recoveries owing to Government.

notes to and forming part of the financial statements

for the year ended 30 June 2004

13 Equity

Analysis of Equity

Item	Accumulated Deficit		Asset Revaluation Reserve		Contributed Equity		TOTAL EQUITY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Opening balance as at 1 July	(6,286)	(6,174)	5,254	5,254	-	-	(1,032)	(920)
Net surplus/deficit	(4,820)	(112)	n/a	n/a	n/a	n/a	(4,820)	(112)
Net revaluation increment (leasehold improvements) - disclosed in Note 9D Table A	925	-	n/a	n/a	n/a	n/a	925	-
Transactions with owner:								
Contributions by owner:								
Appropriations (equity injections)	-	-	-	-	2	-	2	-
Closing balance as at 30 June	(10,181)	(6,286)	5,254	5,254	2	-	(4,925)	(1,032)
Total equity attributable to the Commonwealth	(10,181)	(6,286)	5,254	5,254	2	-	(4,925)	(1,032)

Notes	2004 \$'000	2003 \$'000
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14 Cash flow reconciliation

Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows

Cash at year end per Statement of Cash Flows	10,850	11,188
Statement of Financial Position items comprising above cash:		
Financial Asset - Cash	10,850	11,188

Reconciliation of net deficit to net cash from operating activities:

Net deficit		(4,820)	(112)
Depreciation and amortisation	6C	12,836	12,317
Write down of property, plant and equipment assets	6D	72	185
Net loss on disposal of property, plant and equipment	6E	76	1

Change in operating assets and liabilities resulting from operating activities:

(Increase) in receivables		(6,788)	(561)
(Increase)/decrease in other non-financial assets		(934)	100
Increase in employees provisions		6,829	711
Increase in suppliers payables	(i)	2,529	908
Increase/(decrease) in other payables		5,245	(2,938)

Net cash from operating activities		15,045	10,611
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(i) Suppliers payables includes the accrual of capital expenditure amounting to \$422,809 (2003: nil).

15 Non-cash financing and investing activities

Finance Lease Transaction

During the financial year ASIC acquired plant and equipment with an aggregate fair value of \$3,682,561 (2003: \$7,001,631), by means of a finance lease. This acquisition is not reflected in the Statement of Cash Flows.

16 Contingent liabilities and assets

Contingent liabilities

ASIC is party to many civil litigation matters arising out of its statutory duty to administer and enforce laws for which it is responsible. Also, 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 were no contingent liabilities other than as disclosed as unquantifiable contingent liabilities below (2003: nil).

Contingent assets

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

As at the date of this report there were no contingent assets other than as disclosed as unquantifiable contingent assets below (2003: nil).

Unquantifiable contingent liabilities

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

As at the date of this report there are no matters of this type which may result in a material contingent liability by way of an award of costs against ASIC.

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

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

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

Seven further possible claims of this type have been notified to ASIC since 1 July 2003. It is not yet possible in any of those cases to assess the likelihood that proceedings will be commenced.

Unquantifiable contingent assets

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

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

17 Related party disclosures

The Commissioners of ASIC during the financial year and to the date of this report were:

J. J. Lucy (Deputy Chairman to 21 December 2003, Acting Chairman from 22 December 2003 and appointed as Chairman from 13 May 2004)

J. R. Cooper (Deputy Chairman from 12 July 2004)

B. J. Collier (Commissioner)

M. J. Rodgers (Acting Commissioner from 21 May 2004 to 12 July 2004)

J. C. Iglesias (Acting Commissioner from 22 December 2003 to 13 May 2004)

D.W. Knott (Chairman to 31 December 2003)

The aggregate remuneration of Commissioners is disclosed in Note 18A.

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

There were no other transactions with Commissioners or Commissioner related entities during the reporting period.

18 Remuneration of Commissioners and Executive Officers

18A Remuneration of Commissioners

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

	2004	2003
	Commissioners	Commissioners
\$100,000 to \$109,999	-	1
\$180,000 to \$189,999	1	-
\$260,000 to \$269,999	1	1
\$290,000 to \$299,999	1	1
\$300,000 to \$309,999	1	-
\$340,000 to \$349,999	-	1
\$370,000 to \$379,999	1	-
	5	4
	2004	2003
	\$	\$
Aggregate amount of superannuation payments in connection with the future retirement of Commissioners	109,701	50,987
Other remuneration received or due and receivable by Commissioners	1,298,012	962,286
Total remuneration received or due and receivable by Commissioners	1,407,713	1,013,273

Full year remuneration for Acting Commissioners M. J. Rodgers and J. C. Iglesias of \$554,519 is included in total remuneration received or due and receivable by Commissioners above. J. R. Cooper was appointed Deputy Chairman on 12 July 2004 and no remuneration was received by him during the financial year.

notes to and forming part of the financial statements

for the year ended 30 June 2004

18 Remuneration of Commissioners and Executive Officers (continued)

18B Remuneration of Executive Officers

	2004 Executives	2003 Executives
The number of executives who received or were due to receive total remuneration of \$100,000 or more in the relevant income bands is shown below:		
\$110,000 to \$119,999	1	3
\$120,000 to \$129,999	2	4
\$130,000 to \$139,999	4	1
\$140,000 to \$149,999	6	2
\$150,000 to \$159,999	2	4
\$160,000 to \$169,999	3	4
\$170,000 to \$179,999	3	5
\$180,000 to \$189,999	2	4
\$190,000 to \$199,999	4	1
\$200,000 to \$209,999	2	-
\$210,000 to \$219,999	2	3
\$220,000 to \$229,999	-	1
\$230,000 to \$239,999	1	1
\$240,000 to \$249,999	1	-
\$250,000 to \$259,999	1	-
\$270,000 to \$279,999	1	1
	35	34

	2004 \$	2003 \$
The aggregate amount of total remuneration of executives shown above:	6,099,485	5,756,017
The aggregate amount of separation and redundancy payments during the year to executives shown above:	79,330	-

The executive remuneration includes all executive officers concerned with or taking part in the management of ASIC during 2003-04 except for the Commissioners and Acting Commissioners. Details in relation to Commissioners and Acting Commissioners are shown at Note 18A - Remuneration of Commissioners.

19 Remuneration of Auditors

	2004 \$	2003 \$
Remuneration to the Auditor-General for auditing the financial statements of ASIC in respect of the reporting period.	120,000	100,000

Refer to Note 25 for audit services received free of charge in respect of administered items.

2004	2003
\$'000	\$'000

20 Assets held in trust

Legal authority: Safety Rehabilitation and Compensation Act 1998

Comcare Trust Account

Purpose - monies held in trust and advanced to ASIC by Comcare for the purpose of distributing compensation payments made in accordance with the Safety Rehabilitation and Compensation Act 1998.

Opening balance	92	227
Receipts	372	183
Available for payments	464	410
Disbursements	362	318
<i>Balance carried forward to next year</i>	102	92

21 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.

Companies Auditors and Liquidators Disciplinary Board (CALDB)	474	375
Australian Accounting Standards Board (AASB)	1,500	1,500
Superannuation Complaints Tribunal	3,353	3,138

The Superannuation Complaints Tribunal (SCT) is an independent body with distinct responsibilities as set out under the Superannuation (Resolution of Complaints) Act 1993 and has operated under the budgetary umbrella of ASIC since 1 July 1998.

Employee and administrative expenditure incurred on behalf of these boards and tribunal are included in the Statement of Financial Performance of ASIC.

22 Assets of deregistered companies vesting in ASIC

Section 601AD of the Corporations Act 2001 provides that, on deregistration of a company, all of the company's property vests in ASIC. ASIC adopts a passive approach to administering vested property and accounts for those assets in accordance with its statutory duties.

ASIC generally only deals with vested property once an application is made by a third party for ASIC to exercise its powers under section 601AE of the Corporations Act 2001. ASIC therefore does not consider it to be appropriate that the value of any identified property vesting be recorded, or disclosed in these financial statements.

23 Average staffing levels

	2004	2003
The average staffing levels for ASIC during the year were	1,531	1,396

notes to and forming part of the financial statements

for the year ended 30 June 2004

24 Financial instruments

24A Terms, conditions and accounting policies

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
FINANCIAL ASSETS		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash at bank	8A	Deposits are recognised at their nominal amounts. Interest on cash at bank is credited to revenue as it accrues.	Interest is earned on the daily balance. At 30 June 2004 the current interest rate was 4.2%.
Cash on deposit	8A	Deposits are recognised at their nominal amounts. Interest is accrued as it is earned.	Surplus funds, mainly from monthly drawdowns of appropriation, are placed on deposit at call with ASIC's banker. Interest is earned on the daily balance.
Receivables for services	8B	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are net 14 days (2003: 14 days).
FINANCIAL LIABILITIES		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Finance lease liabilities	10	Liabilities are recognised at the present value of the minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rates implicit in the lease.	At reporting date, ASIC had finance leases with terms of up to 5 years, with an option to extend for a further term. The interest rate used to discount the minimum lease payments is ASIC's incremental borrowing rate of 5.1%. The lease liabilities are secured by the lease assets.
Trade creditors	12A	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods and services have been received (and irrespective of having been invoiced).	Settlement is usually made net 30 days.
Lease incentives	12B	The lease incentive is recognised as a liability on receipt of the incentive. The amount of the liability is reduced on a straight-line basis over the life of the lease by allocating lease payments between rental expense and reduction of the liability.	

24 Financial instruments (continued)

24B Interest rate risk

Financial instrument	Notes	Floating interest rate		Fixed interest rate maturing in						Non-interest bearing		Total		Weighted average effective interest rate	
				1 year or less		1 to 5 years		> 5 years							
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 %	2003 %
Financial assets															
Cash at bank and on hand	8A	7,369	5,956	-	-	-	-	-	-	63	67	7,432	6,023	4.4	3.7
Cash on deposit	8A	3,418	5,165	-	-	-	-	-	-	-	-	3,418	5,165	5.3	4.7
Receivables for services	8B	-	-	-	-	-	-	-	-	10,163	3,375	10,163	3,375	n/a	n/a
Total		10,787	11,121	-	-	-	-	-	-	10,226	3,442	21,013	14,563		
Total Assets												58,127	48,862		
Financial liabilities															
Finance lease liabilities	10	-	-	5,349	5,041	4,147	6,323	-	-	-	-	9,496	11,364	5.1	4.5
Trade creditors	12A	-	-	-	-	-	-	-	-	9,719	6,767	9,719	6,767	n/a	n/a
Unearned revenue	12B	-	-	-	-	-	-	-	-	6,603	30	6,603	30	n/a	n/a
Other debt	12B	14	-	-	-	-	-	-	-	2,754	4,096	2,768	4,096	4.1	n/a
Total		14	-	5,349	5,041	4,147	6,323	-	-	19,076	10,893	28,586	22,257		
Total Liabilities												63,052	49,894		

notes to and forming part of the financial statements

for the year ended 30 June 2004

24 Financial instruments (continued)

24C Net fair values of financial assets and liabilities

		2004		2003	
	Notes	Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
Financial assets					
Cash at bank and on hand	8A	7,432	7,432	6,023	6,023
Deposits at call	8A	3,418	3,418	5,165	5,165
Receivables for services	8B	10,163	10,163	3,375	3,375
Total financial assets		21,013	21,013	14,563	14,563
Financial liabilities					
Finance lease liabilities	10	9,496	9,496	11,364	11,364
Trade creditors	12A	9,719	9,719	6,767	6,767
Unearned revenue	12B	6,603	6,603	30	30
Other debt	12B	2,768	2,768	4,096	4,096
Total financial liabilities		28,586	28,586	22,257	22,257

Financial assets

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

The net fair values of receivables for services approximate their carrying amounts.

Financial liabilities

The net fair values of finance leases are based on discounted cash flows using current interest rates for liabilities with similar risk profiles.

The net fair values of non-bank loans approximate their carrying amounts.

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

The net fair values for insurance recoveries, unearned revenue and trade creditors, all of which are short-term in nature, approximate their carrying amounts.

24D Credit risk exposures

ASIC's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position.

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

Notes	2004 \$'000	2003 \$'000
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25 Revenues administered on behalf of Government

Revenues from Government

Administered services received free of charge (i)	25	25
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- (i) Financial statement audit services by the Auditor-General are provided free of charge to ASIC in relation to the audit of Corporations Act, Banking Act and Life Insurance Act revenue items. The fair value of the audit services provided is \$25,000 (2003: \$25,000).

Bank interest

Bank interest from Banking Act Unclaimed Monies account	12	17
Bank interest from Life Insurance Act Unclaimed Monies account	35	133

Total bank interest	47	150
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Non-taxation revenues

Corporations Act fees and charges	1.6	456,575	405,453
Monies received from banks and deposit taking institutions in respect of accounts inactive for seven years	1.16	31,474	21,147
Monies received from life insurance institutions for policies inactive for seven years	1.16	5,111	4,562

Total non-taxation revenues		493,160	431,162
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Corporations Act fees and charges

	2004 \$'000	2004 \$'000	2004 \$'000	2003 \$'000	2003 \$'000	2003 \$'000
	Fines	Fees	Total	Fines	Fees	Total
Mandatory collections (i)	32,296	384,441	416,737	37,562	330,997	368,559
Information broker fees (ii)	-	38,179	38,179	-	32,347	32,347
Other fees (ii)	-	1,180	1,180	-	1,293	1,293
Court receivables (iii)	479	-	479	3,254	-	3,254
Total Corporations Act fees and charges	32,775	423,800	456,575	40,816	364,637	405,453

- (i) Fees and charges arising from actions which are mandatory under the Corporations Act. Examples include annual review fees (2003: lodgement of annual returns) and other fees prescribed in the Corporations (Fees) Regulations. Refer to Note 1.6 for details of the change in revenue recognition.
- (ii) Fees and charges paid by information brokers (intermediaries between ASIC and the consumer) and other consumers for information provided by ASIC from its corporations information database.
- (iii) Recoveries of outstanding lodgement fees in accordance with ASIC's summary prosecutions program.

notes to and forming part of the financial statements

for the year ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
26 Expenses administered on behalf of Government			
Write-down and impairment of assets			
Financial assets			
Write off of fees and charges	(i)	4,855	4,358
Increase (decrease) in provision for doubtful debts	(ii)	15,005	(1,491)
Waiver of fees and charges owing	(iii)	3,507	4,671
Total write-down and impairment of assets		23,367	7,538
Other expenses			
Refunds paid to bank and deposit taking institution account holders	1.16	14,709	16,540
Refunds paid to life insurance policy holders	1.16	3,333	2,761
Audit fees	25	25	25
Total other expenses		18,067	19,326

- (i) The number and aggregate amount of Commonwealth monies written off during the financial year pursuant to section 47 of the FMA Act 1997 is 24,520 items totalling \$4,855,336 (2003: 20,042 items totalling \$4,357,804).
- (ii) An increase in the provision for doubtful debts over the last year of \$15,005,313 to \$19,133,000 (2003: decrease of \$1,491,000 to \$4,127,687). The level of the provision was re-appraised following a change in legislation that became effective from 1 July 2003 (Note 1.15 refers).
- (iii) The number and aggregate of amounts owing to the Commonwealth the recovery of which was waived during the financial year pursuant to section 34(1) of the FMA Act 1997 is 16,482 items totalling \$3,506,998 (2003: 22,491 items totalling \$4,671,004).

	2004 \$'000	2003 \$'000
27 Assets administered on behalf of Government		
Cash		
Cash at bank and on hand - Corporations Act	2,676	3,222
Cash at bank - Banking Act	851	1,571
Cash at bank - Life Insurance Act	265	585
Total cash	3,792	5,378
Balance of cash as at 30 June shown in the Schedule of Administered Cash Flows	3,792	5,378
Receivables - Corporations Act		
Corporations Act fees and charges	74,500	10,338
Court costs	1,640	1,800
Information brokers fees	5,770	3,051
Less: Provision for doubtful debts	(19,133)	(4,128)
Total receivables (net)	62,777	11,061
The total of uncollected Corporations Act Commonwealth revenue classified by age analysis is as follows:		
Not overdue	45,515	210
Overdue by:		
Less than 30 days	14,985	6,015
30 to 60 days	7,294	1,252
60 to 90 days	2,259	997
More than 90 days	11,857	6,715
Total receivables (gross)	81,910	15,189
The provision for doubtful debts is aged as follows:		
Not overdue	3,733	-
Overdue by:		
Less than 30 days	1,263	-
30 to 60 days	1,314	-
60 to 90 days	1,155	-
More than 90 days	11,668	4,128
Total provision for doubtful debts	19,133	4,128
Accrued revenue - Corporations Act		
Annual returns not yet lodged	-	5,693
Late fees attributable to annual returns	-	1,898
Total accrued revenue	-	7,591

notes to and forming part of the financial statements

for the year ended 30 June 2004

	2004 \$'000	2003 \$'000
28 Liabilities administered on behalf of Government		
Payables		
Information Integrity monies - Corporations Act	14	303
Corporations Act refunds	4,006	4,556
Unallocated monies - Corporations Act	1,689	3,311
Total payables	5,709	8,170

29 Administered reconciliation table

Administered assets less administered liabilities as at 1 July	15,860	19,795
Plus Administered revenues	493,232	431,337
Less Administered expenses	(41,434)	(26,864)
Appropriation provided by Government from CRF	20,404	21,000
Transfers to CRF	(427,202)	(429,408)
Administered assets less administered liabilities (Net equity) as at 30 June	60,860	15,860

30 Administered cash flow reconciliation

Reconciliation of net contribution to budget outcome to net cash provided by operating activities

Net contribution to budget outcome	472,202	425,473
Cash to CRF	(427,202)	(429,408)
Net increase (decrease) in administered assets from operations	45,000	(3,935)
Increase/(decrease) in provision for doubtful debts	15,005	(1,491)
Increase/(decrease) in payables and provisions	(2,461)	1,642
Decrease/(increase) in receivables	(66,721)	2,173
Decrease in accrued revenue	7,591	3,536
Net cash provided/(used) by operating activities	(46,586)	5,860
	(1,586)	1,925

31 Remuneration of Auditors - administered items

	\$	\$
Financial statement audit services by the Auditor-General are provided free of charge to ASIC in relation to the audit of Corporations Act, Banking Act and Life Insurance Act (administered) items.	25,000	25,000

2004
\$'000

2003
\$'000

32 Assets held in trust - companies unclaimed monies

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

Companies Unclaimed Monies Account (Part 9.7 - Corporations Act 2001) (represented by cash at bank)

Opening balance	47,620	33,818
Receipts	13,831	21,281
Special appropriations received (section 28(2) FMA Act)	176	110
Interest received	2,358	1,688
Disbursements	(6,292)	(3,292)
Special purpose disbursement	(2,060)	(400)
Management costs recovered by ASIC	(613)	(506)
less transfer to Consolidated revenue	(1,804)	(5,079)
Closing balance	53,216	47,620

33 Assets held in trust - unclaimed monies holding account

ASIC has established a special purpose bank account in terms of Section 601AD and Part 9.7 of the Corporations Act 2001. Monies received are expended in accordance with the Corporations Act 2001.

These monies are not available for the purposes of ASIC and are not recognised in the financial statements.

Unclaimed monies holding account

Opening balance	16	-
Receipts	7,003	6,979
Interest received	5	1
Disbursements	(7,011)	(6,964)
Closing balance	13	16

notes to and forming part of the financial statements

for the year ended 30 June 2004

	2004 \$'000	2003 \$'000
34 Fiduciary monies (other than trust monies)		
Monies held pending the outcome of ASIC investigations and/or legal proceedings		
Opening balance	4,681	4,418
Receipts	-	204
Interest received	172	171
Disbursements	(1,033)	(112)
Closing balance	3,820	4,681
Monies received and disbursed in accordance with orders made by the courts or deeds of settlement between ASIC and other parties		
Opening balance	1,759	2,080
Receipts	-	41,923
Interest received	46	279
Disbursements	(935)	(42,523)
Closing balance	870	1,759
35 Fiduciary monies (other than trust monies) security deposits		
<p>The Corporations Act 2001 and the Corporations Regulations 2001 requires applicants for a dealers or investment advisers licence, and applicants for registration as a liquidator, to lodge a security deposit with ASIC. These monies, deposits, stock, bonds or guarantees are not available for the purposes of ASIC and are not recognised in the financial statements.</p>		
Security deposits under Corporations Regulations 2001 regulation 7.6.02AA (dealers and investment advisers)		
Cash (at bank)	261	311
Interest bearing deposits (at bank)	760	720
Inscribed stock	20	100
Insurance bonds	20	20
Bank guarantees	40,105	40,695
Closing balance	41,166	41,846
Security deposits under Corporations Act 2001 s1284(1) (liquidators)		
Insurance bonds	5,200	5,550
Bank guarantees	500	500
Closing balance	5,700	6,050

36 Special accounts

Two special accounts were established by the Department of Finance and Administration in terms of section 20 of the FMA Act on 31 December 1997 ('Other Trust Monies Account' and 'Services for Other Governments and Non-Agency Bodies Account'). There were no transactions in these two accounts during the year, and the balance in each account is nil (2003: nil).

37 Administered financial instruments

37A Terms, conditions and accounting policies

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
FINANCIAL ASSETS		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Deposits at call	27	Deposits are recognised at their nominal amounts.	Monies awaiting payment to the CRF are held at call with ASIC's banker.
Receivables - Corporations Act 2001 fees outstanding	27	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms: payable on lodgement of annual return (2003: payable on lodgement of annual return).
Accrued revenue	27	As for receivables - Corporations Act 2001 fees outstanding.	As for receivables - Corporations Act 2001 fees outstanding.
FINANCIAL LIABILITIES		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Refunds	28	These amounts are payable to companies that have either been paid in excess of what has been assessed or as a result of waiving a late fee. Refunds are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.	Refunds awaiting payment to companies are held at call with ASIC's banker.
Unallocated monies - Corporations Act	28	Unallocated monies including overpaid accounts are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.	Monies unallocated awaiting refund are held at call with ASIC's banker.

notes to and forming part of the financial statements

for the year ended 30 June 2004

37 Administered financial instruments (continued)

37B Administered interest rate risk

Financial instrument	Notes	Floating interest rate		Fixed interest rate						Non-interest bearing		Total		Weighted average effective interest rate	
				1 year or less		1 to 5 years		> 5 years							
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 %	2003 %
Financial assets															
Administered bank account	27	1,116	2,156	-	-	-	-	-	-	2,676	3,222	3,792	5,378	4.2	3.6
Fee receivable (net)	27	-	-	-	-	-	-	-	-	62,777	11,061	62,777	11,061	n/a	n/a
Accrued revenue	27	-	-	-	-	-	-	-	-	-	7,591	-	7,591	n/a	n/a
Total		1,116	2,156	-	-	-	-	-	-	65,453	21,874	66,569	24,030		
Total Assets												66,569	24,030		
Financial liabilities															
Refunds	28	-	-	-	-	-	-	-	-	4,006	4,556	4,006	4,556	n/a	n/a
Other monies	28	-	-	-	-	-	-	-	-	1,703	3,614	1,703	3,614	n/a	n/a
Total		-	-	-	-	-	-	-	-	5,709	8,170	5,709	8,170		
Total Liabilities												5,709	8,170		

37 Administered financial instruments (continued)

37C Net fair values of administered financial assets and liabilities

	2004		2003	
	Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
Financial assets				
Cash at bank and on hand	3,792	3,792	5,378	5,378
Receivables	62,777	62,777	11,061	11,061
Accrued revenue	-	-	7,591	7,591
Total financial assets	66,569	66,569	24,030	24,030
Financial liabilities				
Refunds	4,006	4,006	4,556	4,556
Other monies	1,703	1,703	3,614	3,614
Total financial liabilities	5,709	5,709	8,170	8,170

Financial assets

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

Receivables are carried at assessed value, which is equal to their net fair value.

Financial liabilities

Refunds are carried at their nominal value.

Administered credit risk exposures

The maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as disclosed in Note 27 Administered financial assets.

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

38 Events occurring after balance date

As at 30 June 2004, ASIC had a deficiency of equity of \$4.925m resulting from the accumulation of prior year losses. To address this deficiency, the Government has provided ASIC with a cash equity injection of \$11.3m. This amount was received in July 2004.

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

notes to and forming part of the financial statements

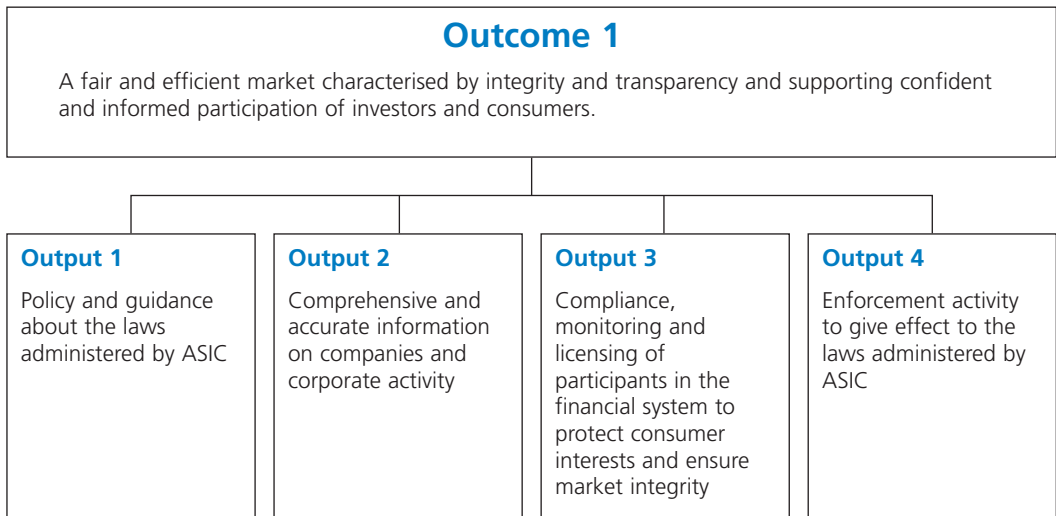
for the year ended 30 June 2004

39 Reporting of outcomes

The outcomes and outputs framework for budgeting and reporting was introduced by Government for all Commonwealth Departments and Agencies in 1999-2000.

ASIC receives funding from Government within the context of this framework to regulate the market in order to achieve "A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers" (Outcome 1).

ASIC's operations and activities that give effect to its role as a regulator are categorised into four outputs. The relationship between Outcome 1 and the corresponding four outputs is shown in the diagram below.



39 Reporting of outcomes (continued)

39A Net cost of outcome delivery

	Outcome 1		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Administered expenses	41,434	26,864	41,434	26,864
Departmental expenses	196,158	172,607	196,158	172,607
Total expenses	237,592	199,471	237,592	199,471
Costs recovered from provision of goods and services to the non-government sector				
Departmental	2,119	1,568	2,119	1,568
Total costs recovered	2,119	1,568	2,119	1,568
Other external revenues				
Administered				
Non-taxation revenue	493,232	431,337	493,232	431,337
<i>Total administered</i>	493,232	431,337	493,232	431,337
Departmental				
Interest	2,043	2,094	2,043	2,094
Revenue from sale of assets	11	69	11	69
Other	2,396	4,718	2,396	4,718
<i>Total departmental</i>	4,450	6,881	4,450	6,881
Total other external revenues	497,682	438,218	497,682	438,218
Net cost/(contribution) of outcome	(262,209)	(240,315)	(262,209)	(240,315)

Table A above shows the net cost to the Commonwealth Budget outcome by adding the departmental and administered expenses \$237.592m (2003: \$199.471m), less departmental and administered revenues \$499.801m (2003: \$439.786m) to produce a net contribution to the Budget outcome of \$262.209m (2003: \$240.315m). This derived amount of \$262.209m (2003: \$240.315m) is meaningful only when it is used to consider ASIC's cost to the Budget outcome for the purposes of 'whole of Government' reporting. It is not intended to represent or portray an alternative operating result for ASIC to that which is disclosed in the Statement of Financial Performance.

Administered expenses represent revenue forgone to the Commonwealth as a result of refunds and waivers and write offs of fees and charges owing to the Commonwealth (not ASIC) under the Corporations Act. Administered revenues and administered expenses are detailed in Notes 25 and 26 respectively.

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

notes to and forming part of the financial statements

for the year ended 30 June 2004

39 Reporting of outcomes (continued)

39B Major departmental revenues and expenses by output (output group)

Outcome 1	Output 1		Output 2		Output 3		Output 4		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Departmental expenses										
Employees	5,848	5,471	23,610	25,928	38,055	26,797	48,952	38,723	116,465	96,919
Suppliers	4,575	3,556	18,040	16,851	13,937	17,417	30,119	25,292	66,671	63,116
Depreciation and amortisation	492	695	3,622	3,295	3,934	3,405	4,788	4,922	12,836	12,317
Write-down of assets	7	10	18	50	38	51	36	74	99	185
Written down value of assets disposed	6	4	16	18	34	19	31	29	87	70
Total departmental expenses	10,928	9,736	45,306	46,142	55,998	47,689	83,926	69,040	196,158	172,607
Funded by:										
Revenues from government	10,997	9,192	49,487	43,560	51,320	45,022	71,481	65,058	183,285	162,832
Sale of services	-	-	3,603	2,782	-	-	-	-	3,603	2,782
Interest	123	115	551	550	572	568	797	861	2,043	2,094
Proceeds from sale of assets	1	4	3	18	3	19	4	28	11	69
Other	303	-	-	-	-	-	2,093	4,718	2,396	4,718
Total departmental revenues	11,424	9,311	53,644	46,910	51,895	45,609	74,375	70,665	191,338	172,495

The net costs shown include intra-government costs that would be eliminated in calculating the actual Budget outcome.

Expenses relating to more than one output are allocated using a predetermined formula.

39 Reporting of outcomes (continued)

39C Major classes of administered revenues and expenses by outcomes

	Outcome 1		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Administered revenues				
Other taxes, fees and fines	456,575	405,453	456,575	405,453
Monies from banks and deposit taking institutions	31,474	21,147	31,474	21,147
Monies from life insurance institutions	5,111	4,562	5,111	4,562
Services free of charge	25	25	25	25
Interest	47	150	47	150
Total administered revenues	493,232	431,337	493,232	431,337
Administered expenses				
Write-down and impairment of assets	23,367	7,538	23,367	7,538
Other expenses	18,067	19,326	18,067	19,326
Total administered expenses	41,434	26,864	41,434	26,864

End of financial statements

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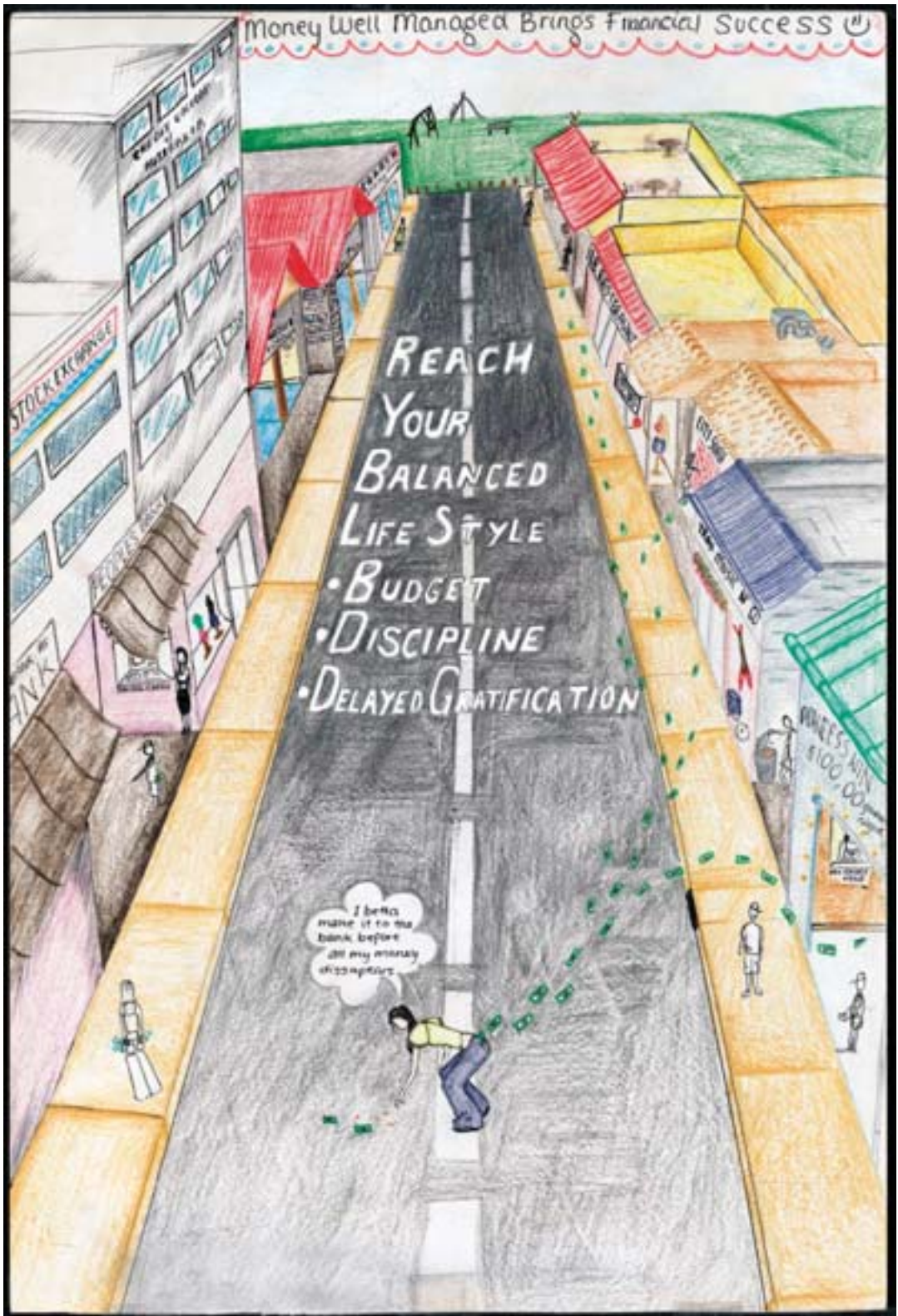
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'I wanted to get across that with proper money management you will always have money', said 15-year-old Carolina Barua of Darwin High School, winner of our Northern Territory schools competition, see page 54.