



PATROLLING A BROAD TERRITORY

ASIC Annual Report 2004–05



A suspicious investment scheme under investigation in Brisbane



ASIC

Australian Securities &
Investments Commission

About this report

This is our 15th annual report since we began operating in January 1991, at that time as the Australian Securities Commission. We strive to achieve excellence in reporting. Last year's report won ASIC's sixth consecutive Gold Award from the Australasian Reporting Awards Inc.

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

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Front cover: ASIC enforcement staff left to right Mike Keily, Regina Walsh and Jan Speirs investigate one of 76 suspicious investment schemes closed down, see page 16.



ASIC AT A GLANCE

To protect you, the Australian Securities and Investments Commission enforced and regulated company and financial services laws.

What we did

Helped protect people in financial markets, companies, super, managed funds, insurance, credit, deposit-taking and seeking financial advice. See highlights of the year, page 2.

Enforced laws against crime and misconduct. Regulated Australia's 1.4 million corporations and 4,135 financial services businesses, and worked to improve Australia's financial system.

Met a broader span of responsibilities than comparable regulators around the world, page 44.

Worked with Australian and international financial and law enforcement agencies, page 4.

Our vision

Fair and efficient markets and confident, informed consumers.

For our aims, strategies and outputs see pages 6, 8, 12. Delivered through six directorates, page 14.

Values

To be strong, fair and progressive, page 50.

Finances

Raised \$531 million in fees for the Commonwealth. Our work cost \$208 million, funded from the Commonwealth budget, page 12.

Staff

Employed 1,570 people around Australia (average full-time equivalents), page 10.

Governance

An independent Commonwealth government body, led by three full-time Commissioners, pages 46, 48.



HIGHLIGHTS 2004–05

1. Brought wrongdoers to justice:

HIH directors Adler, Williams and Cassidy among

27 jailed for more than 96 years (PAGES 18 AND 19)

2. Guarded superannuation from suspect schemes and misinformation and prepared for super choice:

**56 schemes checked,
5 stopped, 4 million super
publications distributed** (PAGES 16, 23 AND 28)

PATROLLING A BROAD TERRITORY

3. Helped more people: 40% more action on reports of crime and misconduct, and answered 40% more phone calls on enforcement, consumer and regulatory issues (PAGES 22 AND 36)
4. Promoted stronger markets: got better disclosure for investors, assessed new financial markets, created more certainty for business (PAGES 15, 27 AND 33)
5. Assisted companies restructure or merge in transactions worth at least \$41 billion (PAGE 32)



CHAIRMAN'S REPORT



Patrolling a broad territory

ASIC patrolled a territory broader than any comparable regulator in the world, but with a single aim: to promote confidence in Australia's financial markets, corporations and businesses.

We investigated serious corporate crime and civil misconduct. We monitored 13 exchanges and financial markets, oversaw 4,135 licensed financial services businesses and acted against misleading and deceptive conduct in superannuation, insurance, managed funds, deposit accounts and credit. We managed a public database of 1.4 million corporations, and regulated company fundraising, restructures and wind-ups.

Effective enforcement and regulation helped people feel confident about using Australia's financial markets, products and services. Australia has remained prosperous and has outperformed most other economies.

Bringing wrongdoers to justice

'ASIC has continued to enjoy stunning success in the courts...', (editorial from the respected *Company and Securities Law Journal*, June 2005).

The convictions and jailings of former HIH director Rodney Adler and CEO Ray Williams sent a powerful message to corporate Australia. We have brought to account 9 former executives on 31 charges.

Another 25 people were jailed on ASIC charges. We took civil

action for misconduct against 121 people or companies, and banned 58 people from managing companies or offering financial services. Financial and corporate crime and misconduct may never be eliminated, but ASIC can help suppress it through effective enforcement.

(In July 2005, ASIC took civil penalty proceedings against Stephen Vizard for misusing confidential information he obtained as a director of Telstra Corporation Ltd. This followed a decision by the Director of Public Prosecutions that the evidence was insufficient to bring criminal charges. Our successful civil proceedings saw Mr Vizard banned from managing any corporation in Australia for 10 years and ordered to pay pecuniary penalties of \$390,000. The Court set a new benchmark in accepting punishment and retribution as elements of sentencing in civil cases.)

Guarding people's superannuation

Superannuation moved higher up on the public agenda with the introduction of choice of fund for millions more employees.

Responsibility for protecting super, often people's largest single asset outside their homes, has been shared among ASIC, the Australian Prudential Regulation Authority (APRA), the Australian Taxation Office (ATO) and the Treasury as policy adviser to government.

We prepared, in cooperation with all government agencies, the Australian Government's publication *Super Choices* about how to make

better super choices. Over 1 million copies were distributed.

We worked with the ATO to shut down and deter illegal schemes that wrongfully encouraged people to get their super before they were entitled to it. We worked with APRA to encourage high standards by super fund trustees and investment managers.

To meet our other responsibilities, we also worked closely with the Australian Competition and Consumer Commission, the Australian Stock Exchange, as well as the Australian Federal Police and Commonwealth Director of Public Prosecutions.

Helping more people

As our responsibilities have broadened and the number of organisations we regulate has grown, more people have turned to ASIC for help.

Reports of crime and misconduct increased by 8%, and we have resolved almost 57% of these. Our Infoline staff answered 40% more calls about enforcement, regulation and consumer issues. Use of our company information was steady, but it has nearly doubled on five years ago.

Companies themselves needed our help to operate commercially. ASIC dealt with applications to assist businesses transactions worth at least \$41 billion, granting approval where it was in the public interest.

International collaboration

Increasingly, our work has taken on an international character.

LEFT: Jeffrey Lucy AM, ASIC Chairman, see page 46 for biographical details.

RIGHT: In Canberra, agreeing to regulatory cooperation with Pakistan, left to right: President of Pakistan, HE General Pervez Musharraf, the High Commissioner for Pakistan, HE Mr Babar Malik, ASIC Chairman Jeffrey Lucy, the Prime Minister, the Hon John Howard, MP



We have been negotiating with US authorities about US financial reporting requirements affecting some of our major companies.

We have strengthened collaboration in regulation and enforcement, especially in our region, with new agreements signed with Pakistan, China and Thailand. I also visited Indonesia to strengthen relationships. We trained staff from regulators in Thailand, Indonesia, Vanuatu and Fiji.

We hosted four working party meetings of the International Organization of Securities Commissions, and contributed as a member to IOSCO's Executive and Technical Committees.

Our staff

The broad scope of ASIC's work placed extensive demands on our 1,570 staff. The back cover of this report shows some of the ways in which the high-quality work of our staff was recognised this year.

I was pleased that the Treasurer, the Hon Peter Costello, MP, was able to speak to all staff on a national videoconference about his perspective on future regulatory issues.

The Commission is indebted to staff for their professionalism, knowledge and dedication. We drew on their talent to replenish our senior management team, and we are determined to ensure we recruit, develop and retain capable and enthusiastic people. See page 10 for a summary of our staffing strategies and results.

Our Executive Director Regulation, Malcolm Rodgers, was awarded a Public Service Medal.

Executive Director Financial Services Regulation, Ian Johnston, resigned to take up a senior role with the Hong Kong regulator, and Chief Accountant, Greg Pound, resigned to reduce his work commitments. Both Ian and Greg contributed enormously and we will miss their contributions.

More flexible organisation

We reviewed the role of our small business centres in Geelong, Newcastle, Townsville and the Gold Coast. Across Australia, people have chosen to use the more efficient electronic service channels for company information. Due to declining demand for face-to-face services, these centres will close from 29 July 2005.

We altered the responsibilities of five directorates to achieve more consistent compliance and regulation and to streamline our operations and financial management.

Challenges we face

Overall, people can invest and do business in Australia with confidence. However, this cannot be taken for granted.

Some consumers are disengaged, others are over-confident, leading to poor financial decisions or exposure to fraud and misconduct. Some company directors and officers still drag their feet in disclosing bad news and view compliance as a burden rather than a strength. Competitive pressures among our financial markets and exchanges could open gaps in the regulatory structure. The potential

economic and regulatory value of the information reported to ASIC is limited by imaged paper-based archives and associated technology.

Outlook

To meet these challenges, we published a new *ASIC Strategic Plan 2005–10*, a strong public statement to guide ASIC's development, values and annual business planning.

Key tasks include:

- consolidating major financial services reforms so that consumers can make better financial decisions
- implementing corporate law reform to strengthen the integrity of Australian corporations
- sustaining confidence in our financial markets
- unlocking new value from public information about corporations and other businesses that report data to ASIC
- creating a more flexible organisation with more robust priority setting, IT, funding, staff and public support.

My report, and the rest of this annual report except for the financial statements, constitutes ASIC's report of operations in accordance with a resolution of Commissioners made on 1 August 2005.

**Jeffrey Lucy, AM
Chairman**

EFFECTIVENESS

Achieving the aims set out in our legislation



Measures of effectiveness in meeting our statutory aims

(based on the ASIC Act, see page 45)

	2004–05	2003–04	2002–03
Upholding the law uniformly, effectively and quickly			
• Criminals jailed	27	28	29
• Civil orders against people or companies	121	118	151
• % litigation successful	94%	93%	94%
• Additional disclosures achieved through ASIC intervention	161	212	311
Promoting confident and informed consumers			
• \$ million in company fundraisings where ASIC required additional disclosure	\$6,092m	\$4,094m	\$383m
• \$ million in recoveries, costs, compensation, fines and assets frozen	\$123m	\$122m	\$123m
• Public complaints about misconduct finalised	10,752	9,970	9,292
• Visits to our consumer website FIDO	*615,000	1,196,000	875,000
• Callers assisted through our Infoline	154,000	†108,000	†142,000
Making company information available quickly and efficiently			
• Total use of our databases (free and paid)	13,661,000	13,437,000	10,997,500
• Company data lodged on time	94%	92%	93%
Improving the performance of the financial system and the entities within it			
• Approvals of commercial transactions or products that reduced costs to business	2,939	1,916	1,360
• Approvals of innovative transactions or innovative financial products	54	91	90
• Australian financial services licences issued	401	‡3,227	604

* With new software we are now able to exclude visits by web spiders.

† Calls fell because company document lodgement inquiries were re-routed.

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



Going through the evidence in a major case, left to right:
Ivan Middleton, Aya Daniel, Glen Unicomb,
Jennifer Balding and Margaret Fitzgerald

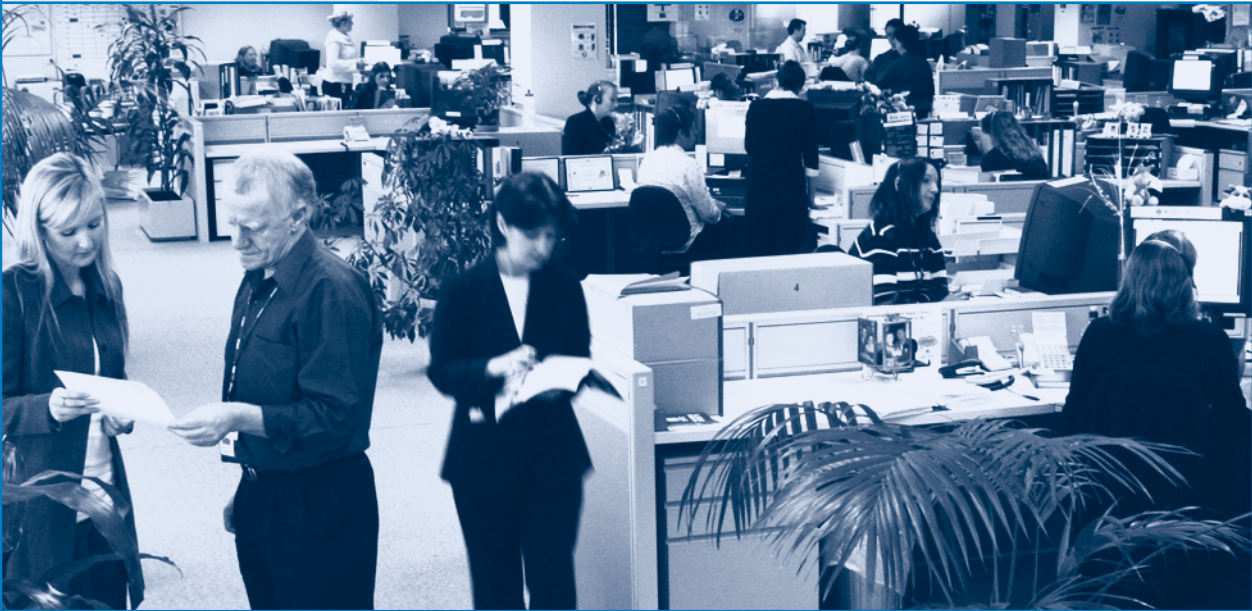
Staff, expenses and revenue

	2004–05	2003–04	2002–03
Staff (full-time equivalents) increased for enforcement and financial services reform			
	1,570	1,531	1,396
Annual change	3%	10%	9%
Operating expenses rose to pay for extra workload			
\$ millions	\$208m	\$196m	\$173m
Annual change	6%	13%	8%
Fees and charges raised for the Commonwealth up			
\$ millions	\$531m	\$457m	\$405m
Annual change	16%	13%	7%

STRATEGIES

Met the six key goals in our 2002–05 strategic plan

Key goal	Results in 2004–05
Fight fraud and misconduct	<p>This year, ASIC:</p> <ul style="list-style-type: none">• succeeded in 94% of litigation, page 6• maintained high levels of enforcement activity, pages 6, 16• achieved an all-time high in distributing warnings to 2.9 million people, page 24
Raise standards in financial services	<p>This year, ASIC:</p> <ul style="list-style-type: none">• checked, inspected and visited more than 703 licensees, page 26• inspected market operators and clearing houses and reported to the Minister, page 33
Make a greater impact in the boardroom and improve the financial system	<p>This year, ASIC:</p> <ul style="list-style-type: none">• required directors to improve disclosure in \$6 billion worth of fundraising, page 27• acted to reduce insolvent trading, pages 35, 36• acted against 405 companies for failing to lodge financial accounts, page 36



Key goal

Detect and act on early warning signs

Maintain optimal funding, relevance and efficiency

Strengthen the skills of our staff

Results in 2004–05

This year, ASIC:

- set new five-year and annual priorities based on risk analysis
- took more action to resolve public complaints at an early stage, page 23
- met with Chairs and CEOs of major corporates to gain insight into emerging issues

This year, ASIC:

- secured additional funding for major investigations and to monitor superannuation choice of fund, pages 12, 41
- restructured to increase operational effectiveness, page 13
- improved our environmental performance, page 42
- cut cost of office services by 4%, page 41

This year, ASIC:

- developed a new performance management system for staff, page 10
- completed a staff survey and acted on its findings, page 10
- invested in staff development, page 36

(Opposite page) Our Client Contact Centre in Traralgon answered calls about all our responsibilities, foreground: Belinda Daniel, John Hallyburton and Gayle Teuma

STAFF

Attracting and developing skilled and enthusiastic people

Our staff delivered strong results, thanks to their professionalism and commitment.

We have implemented strategies to attract and develop skilled and enthusiastic people, taking into account the competition we face from private sector financial and professional services businesses.

A safer workplace

The Commonwealth Safety Rehabilitation and Compensation Commission named ASIC as a winner in its award for 'rehabilitation and return to work'. We made it a priority to manage safety at work and situations where staff suffered work-related injury or illness.

Injuries and claims decreased, thanks to ongoing strategies to prevent and manage injuries in the workplace, see page 37.

Remuneration and managing performance

We successfully negotiated with staff and union representatives for a new certified agreement. (Staff voted overwhelmingly to support the agreement in July 2005.)

A new performance management system forms part of the new agreement. It aims to increase the pay staff can earn through high performance and to encourage continuous appraisal and feedback.

Survey

We conducted our first national survey of staff opinion to identify strengths and opportunities to improve the organisation and working environment. The survey measured and prioritised the key issues staff believed should be addressed.

As a result, the Commission adopted more regular and systematic staff communication, and is dealing with remuneration and career path issues. We also increased the emphasis on management and leadership training.



Numbers stabilised

Staff numbers remained much the same for most of the year, with an average 1,570 full-time equivalents. This helped meet the high demand for our services, including enforcement (the HIH taskforce and James Hardie investigation). Staff numbers declined towards the end of the year.

Outlook

In the coming year, we expect staff levels to reduce slightly. We will implement strategies to:

- upgrade leadership and management development and training
- implement our new performance management system
- strengthen workforce planning, recruitment and selection.

For more information on staffing, see pages 38 and 39.

Melbourne graduates experiencing the full range of ASIC work, left to right: Kara Martini, Luke Hall, Thea Lavery talking to Regulation Director John Price, and Tim King



FINANCIAL SUMMARY

Increased outputs to achieve the outcome approved by Parliament

Parliament appropriated funds for ASIC in order to achieve the outcome of ‘a fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers’.

To achieve this outcome, we delivered four outputs (or services).

Output*

	This year	Last year	Change
1. Policy and guidance about laws administered by ASIC, pages 31 and 32.	\$10m	\$11m	steady
2. Comprehensive and accurate information on companies and corporate activity, page 34. Increased expenses included acquiring a new mainframe and upgrading online business systems.	\$50m	\$45m	+11%
3. Compliance monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity, pages 23, 28 and 33. Lower expenses flowed from successfully completing the transition to new financial services laws.	\$51m	\$56m	−9%
4. Enforcement activity to give effect to the laws administered by ASIC, page 16. Increased expenses included major matters including James Hardie, Offset Alpine Printing and One.Tel.	\$97m	\$84m	+15%
Total	\$208m	\$196m	+6%

*Internal service costs are apportioned to these outputs.

We raised \$531 million for the Commonwealth in fees and charges.

We balanced revenue and expenses with a break-even result. We received \$199 million in appropriations and \$9 million in revenue from sale of services, interest and other sources, including \$2.6 million in recoveries for court and investigation costs.

Our expenses of \$208 million increased, largely to sustain ASIC operations and to increase enforcement activities and

surveillance of company auditors. Employee expenses, our largest outlay of \$125 million, increased as a result of an additional 39 full-time equivalent positions. Supplier expenses, excluding property costs, increased 4% to \$69 million, including increased litigation and forensic costs.

Some \$13.2 million of our appropriation was levied by the government on deposit taking, superannuation and insurance organisations, used for the purposes shown on page 57.

Our financial statements begin on page 60.

Outlook

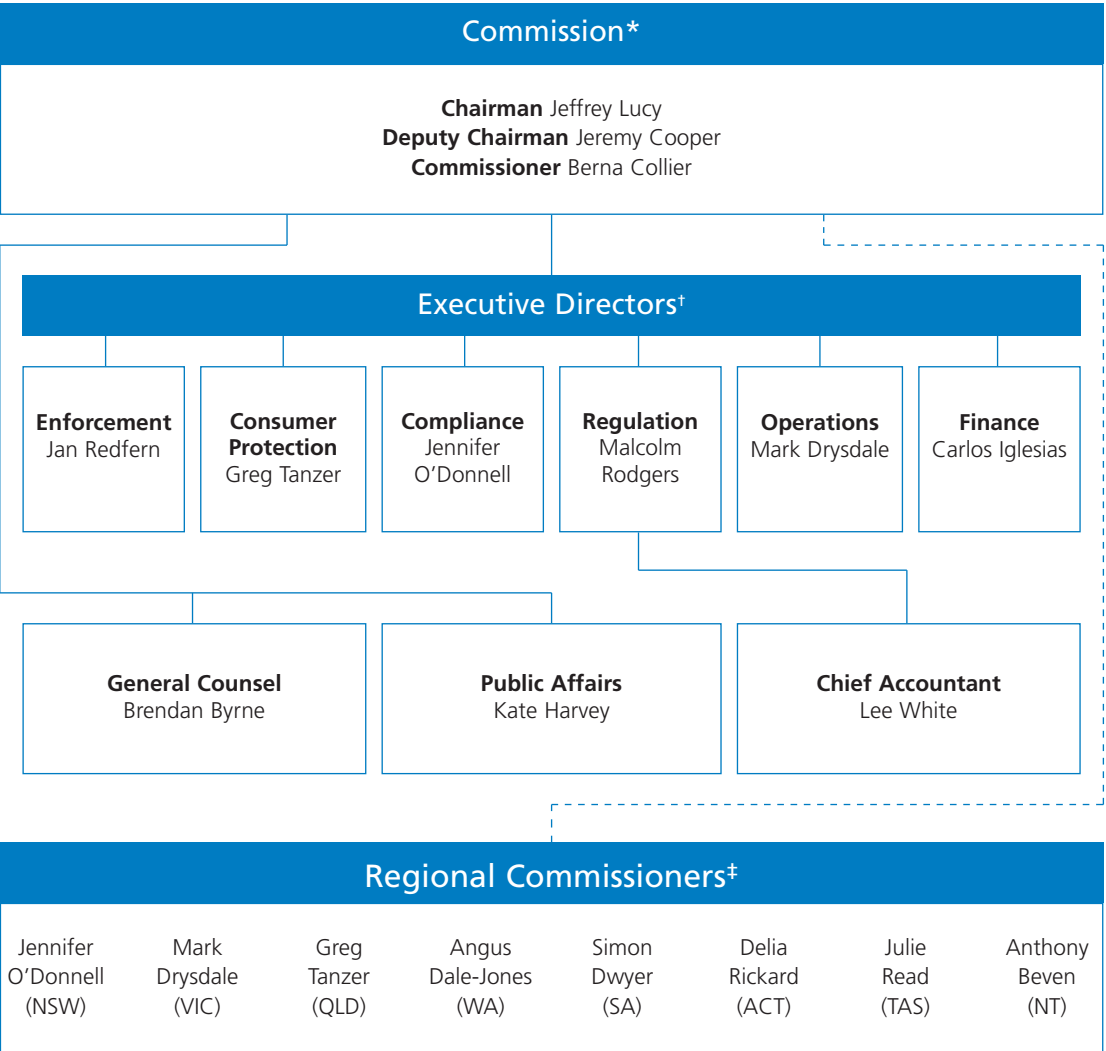
Under the government’s May 2005 budget, ASIC will receive \$214 million in 2005–06. All increases to our budget were tied to specific activities, such as enforcement activities (including One.Tel, Offset Alpine and James Hardie), consumer protection and monitoring superannuation choice. No additional money was provided for general operations.

ORGANISATION

Key roles adjusted for a more flexible organisation

The Commission reorganised five of our operating directorates by:

- expanding Consumer Protection to assess and act on reports of misconduct
- creating the Compliance and Regulation directorates to replace the former Financial Services Regulation and Policy and Markets directorates
- creating a new Operations directorate and appointing the Executive Director as Chief Operating Officer
- creating a new Finance directorate.



* Commissioners' biographies, see page 46.

† Executive Directors' details, see relevant directorate chapters.

‡ Regional Commissioners' details, see page 53.

OPERATIONAL SUMMARY

Specialist directorates contributed to common goals

	Enforcement	Consumer Protection	Compliance
Staff†	420 people	100 people	157 people
Role	Investigate and act against misconduct	Protect consumers, act on international issues	Ensure companies and licensees comply with the law
Key events	HIH directors Adler, Williams and Cassidy jailed	Employee choice of super fund announced	Government approved extra ASIC monitoring of advice on super
Results	<p>27 jailed, banned 33 directors and 25 people from financial services</p> <p>Acted against 5 suspect super schemes and 76 suspect investment schemes</p> <p>3 convictions, 2 civil penalty orders against insider trading</p>	<p>Prepared <i>Super Choices</i> booklet: more than 1 million distributed</p> <p>8% increase in reports of misconduct, 57% of matters resolved</p> <p>Built stronger links with Asian and Pacific regulators</p>	<p>Deterred illegal super schemes and prepared the industry for super choice</p> <p>Stopped misleading advertising of high-yield debentures</p> <p>Achieved better information about \$6 billion capital raisings</p>
Targets for next year	<p>Deal effectively with high-interest enforcement actions</p> <p>Target misconduct in high priority areas</p>	<p>Protect consumers during the introduction of choice of super fund</p> <p>Educate consumers about finance</p>	<p>Maintain pressure on financial services businesses to raise standards</p> <p>Ensure effective regulation of company auditors</p>
More information	Page 16	Page 22	Page 26



Regulation

Operations

Finance

163 people

Set ASIC policy on regulating markets and business

Minister announced refinements to financial services laws

Helped \$41 billion in corporate transactions

Created greater commercial certainty for financial services

Advised the Minister about six new authorised markets

Oversee introduction of international financial reporting standards

Work on refinements to financial services regulation

Page 30

535 people†

Company data, insolvency, IT and HR

National business advisory committee established

Visited 488 companies to deter insolvent trading

40% increase in calls answered on consumer and regulatory matters

Online business supported by upgraded IT systems

Maintain our commitment to deter insolvent trading

Upgrade leadership and management development and training

Page 34

122 people

Finance, risk, knowledge management, corporate services

Federal budget allocated additional special purpose funding

Balanced revenue and expenses

Reduced internal services costs by 4% while maintaining service levels

Energy use better than target, stronger environmental management systems

Develop a funding base so resources can move more freely to meet public needs

Introduce activity costing and time recording

Page 40

† Full-time equivalents, not including 35 staff supporting the Commission, General Counsel, and 38 staff supporting the Superannuation Complaints Tribunal and other statutory bodies.

‡ Includes 29 full-time graduates working for other directorates.

(Opposite page) Looking after markets, companies and consumers in Perth, left to right: Margaret Pyrchla, James Rowe, WA Regional Commissioner Angus Dale-Jones and Melissa Trees

ENFORCEMENT

Overview

420 staff investigated suspected breaches of the law:

- had 27 criminals jailed for more than 96 years and 23 others convicted
- commenced 215 criminal, civil and administrative proceedings, involving 300 people or companies
- \$119 million in recoveries, costs, compensation and fines with more than \$5 million in assets frozen
- banned 58 people from managing corporations or offering financial services
- disciplined 12 company auditors and liquidators for misconduct
- wound up 60 companies.

KEY RESULTS

Issue

Result

HIH Insurance*	Jail for former director Rodney Adler, former CEO Ray Williams and former Australian managing director Terrence Cassidy. Four others before the courts
Superannuation: suspect illegal access schemes	2 scheme promoters jailed, 5 suspect schemes halted involving at least \$14 million
'Get rich quick', 'wealth creation' and illegal fundraising schemes	76 schemes closed down involving 2,150 investors and \$220 million
Insider trading and market manipulation	5 criminal convictions, 2 civil penalty orders imposed

* Results for 2004–05 only.

Main activities

	This year	Last year	% change
Criminals jailed	27	28	steady
Civil orders against people or companies	121	118	steady
People removed from directing companies	33	22	+50%
People banned from financial services	25	42	–40%
Auditors and liquidators disciplined for misconduct	12	13	steady

Criminal matters

We had 49 criminals convicted from briefs prosecuted by the Commonwealth Director of Public Prosecutions (DPP). Staff investigated and obtained evidence for the DPP, who then decided to bring, and prosecuted, all indictable and some summary matters.

Jan Redfern, Executive Director, a lawyer with extensive public and private sector experience appointed 2003, with Deputy Executive Directors Allen Turton and Mark Steward



27 criminals jailed

Jail sentences were handed down for serious fraud or dishonesty:

What they did	Names and details of crime	Sentence
Investment fraudsters	Donna Tung Sing Ho and Mark Andrew Sweeney dishonestly used \$1.5 million of investors' money on the pretext of investing in China	9 years, with a minimum of 3 for Ho, 8 years 6 months for Sweeney
	William Frederick Harmer, finance broker, made misleading statements in prospectus	2 years, with a minimum of 12 months
	Haydn James Dodge, defrauded investors in solicitors mortgage fund	2 years, with a minimum of 12 months
	Andrzej Michalik and Martin Michalik, operated an early release of superannuation scheme. Contempt of court	18 months, with a minimum of 12, fined \$200,000
Financial services professionals who cheated clients	John Michael Higgins, financial adviser, defrauded his clients of \$1.7 million	8 years, with a minimum of 5
	Robert Geoffrey Walker, former managing director of FOGI, deceived investors costing them around \$11 million	7 years, with a minimum of 4 years 6 months
	Robert Andrew Street deceived clients involving more than \$1 million, and used money in a Nigerian advance fee fraud	5 years 3 months, with a minimum of 4 years
	Michael Andrew Smith, financial adviser, misappropriated client funds	3 years 6 months, with a minimum of 18 months
	Mervyn Alexander Roach, securities representative, misappropriated client funds	2 years, with a minimum of 14 months
Dishonest company directors and officers	Ray Williams, former CEO of HIH Insurance Ltd, for failing in his duties	4 years 6 months, with a minimum of 2 years 9 months
	Rodney Stephen Adler, former director of HIH Insurance Ltd, for dishonesty	4 years 6 months, with a minimum of 2 years 6 months
	Terry Cassidy, former managing director Australia, HIH Insurance, for making false statements	18 months, with a minimum of 10
	Gregory Joseph Fisher, director of the Satellite group of companies made improper use of his position	2 years 6 months, with a minimum of 6 months
	Luke Duffy, former head of the National Australia Bank's foreign currency options desk for dishonestly using his position	29 months, with a minimum of 16



What they did	Names and details of crime	Sentence
Dishonest company directors and officers continued	Andrew James McKenzie, undischarged bankrupt, dishonestly applying funds and misusing his position as director	4 years, with a minimum of 16 months
	Gregory John Waring, falsified company accounts	2 years 10 months, with a minimum of 4 months
	Marcus Anthony, operated as an unlicensed insurance broker and misappropriated client funds	6 months and fined \$500
	John Phillip Gorcilov, director used false identity to defraud others of \$8 million	5 years, with a minimum of 3
	John Robert Forwood, company director, submitted false invoices for \$3.9 million	3 years 9 months, with a minimum of 18 months
	John Thomas McMunn, director provided false information to investors	5 years 4 months, with a minimum of 4 years
	Stephen John Riddell, acted as a director whilst disqualified, lodged false documents	2 years, with a minimum of 16 months
	Peter Puhakka, provided false information to ASIC	8 months, with a minimum of 3
Market manipulation	Upul Samantha Anthony, former securities lending dealer, manipulated various share prices of two shares, also other offences	4 years 6 months, with a minimum of 2 years and 9 months
Insider trading	Maxwell John Sweetman, insider trading in Harts Australasia Ltd shares	18 months, with a minimum of 6
	Richard James Frawley, insider trading in JNA Telecommunication shares	2 years 6 months periodic detention

Referrals to the DPP

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

Months between resourcing investigation and requesting handover

Months	0–3	3–6	6–9	9–12	12+	Total
Number of briefs	7	16	11	8	22	64

Briefs concerned 80 potential defendants. The DPP accepted handover of these briefs for prosecution after it decided that the evidence was sufficient to support a conviction and warranted prosecution. In many cases, charges were laid within three months of handover being accepted by the DPP.

Civil action and compensation

ASIC took 93 civil proceedings to stop misconduct, protect assets or obtain remedial or protective orders and fines. We also obtained orders against 121 people or companies to freeze assets, get compensation, wind up illegal schemes and get bans or penalties against directors, company officers and others who failed in their duties.

Court orders, enforceable undertakings or recoveries were obtained for compensation, refunds, fines and costs of \$119 million. Assets worth over \$5 million were frozen for investors and creditors. Matters of interest are set out below.

Entity or person	Results
AXA Staff Superannuation Pty Ltd	Undertaking by the trustee to restore around \$10 million in benefits to 2,000 current and former fund members
National Exchange	Court orders allowing shareholders with a total shareholding value of \$4.2 million to withdraw their acceptances of National Exchange's purchase offer
Ludgates	Settlement of proceedings following breaches of an enforceable undertaking relating to the provision of improper financial advice. Ten year banning from securities industry and orders to pay compensation of nearly \$400,000
Kingsley Brown Holdings Pty Ltd	Winding up of companies associated with property development to protect investors in the sum of approximately \$2.5 million

We successfully applied to the courts to wind up 60 companies, including Radisson Maine Group (Australia) Pty Ltd, International Finance Corporation Ltd, Global SDR Technologies Pty Ltd and the Commercial IBT group of companies.

We accepted 28 enforceable undertakings affecting 37 entities (including National Australia Bank, Zurich and Colonial Mutual) to get more wide-ranging remedies, and often on behalf of more people, than can usually be obtained in court proceedings.

Bannings, fines and disciplinary proceedings

To protect the public, we banned (or obtained orders or undertakings that banned) 33 people from managing companies, and 25 people from offering financial services. We also disciplined or deregistered 12 company auditors and liquidators for misconduct.

33 company directors and officers banned

Targeted action was taken that banned 2 directors permanently and 31 for periods exceeding 140 years. As a result of convictions ASIC obtained this year, a further 50 people were automatically disqualified from managing corporations for 5 years from the date of their conviction or release from prison. These matters were of particular public or regulatory interest.

Name	What they did	Period of banning
Barrie Loiterton, Ian Robert Hall and Ian Sapier	Directors of Clifford Corporation Ltd, which collapsed with a deficiency of \$90 million, contravened the Corporations Act, including for acts of dishonesty. Also ordered to pay pecuniary penalties and part of ASIC's costs	17, 14 and 8 years respectively
Santo Rapisarda	Director of 15 companies placed into liquidation within the last seven years owing more than \$3.6 million	5 years
John Greaves	Former chairman of One.Tel admitted to contraventions of the Corporations Law. Also found liable for \$20 million compensation, and ordered to pay ASIC's costs	4 years

25 banned from financial services

To protect the public, 15 people were permanently banned and another 10 were banned or undertook to stay out of the industry for shorter periods of time. These matters were of particular public or regulatory interest.

Name	What they did	Period of banning
Neville John Kakoschke	Former stockbroker operated client accounts without consent, exposing them to risk and financial losses	Permanent
Alexander Carrick Ross	Former stockbroker misled clients, failed to disclose his interest in investments he recommended, and lost more than \$400,000	Permanent
Piet Cornelius Walthers	Operated an \$8 million illegal investment scheme, deceiving 118 investors that he had the authority of ABN AMRO Morgans	Permanent
Neville Martin Dunn	Unlicensed adviser who recommended options trading without adequate information about his clients	5 years

Action against company auditors and liquidators

ASIC took criminal, civil and disciplinary proceedings. Matters of interest are listed below.

Name	What they did	Orders made
Alan Mitchell Bates, auditor (PH Cary)	Prosecuted for failing to comply with audit independence requirements	Convicted with \$1,000 fine and costs
John Henderson Jackson, liquidator	Fraudulently converted funds of company while receiver and manager	3 years, suspended with 2 year good behaviour bond
KordaMentha, liquidators	ASIC successfully challenged remuneration practices, highlighting important issues of disclosure to creditors (Stockford Ltd)	Remedial disclosure to creditors
Ralph David Goodman (BDO), auditor	Inadequate review work on half-year accounts of the Satellite Group	12 month suspension
Neil John Cameron Smith (KPMG), auditor	Failed to qualify his audit opinion on EDGE Group as a going concern, and failed to get sufficient evidence to support audit opinion	6 month suspension, with limits on audit practice for a further 12 months

Some 10 auditors and 2 liquidators were disciplined or surrendered registration for misconduct, with another 4 disciplined for not complying with administrative requirements.

Outlook

Effective enforcement remains essential to ensuring confidence in our markets, companies and financial services businesses.

We will:

- deal effectively with high-interest enforcement actions, including investigations into HIH Insurance, James Hardie, One.Tel and Offset Alpine
- target misconduct in high priority areas, including issues arising from superannuation choice, corporate disclosure, financial reporting and audit.

CONSUMER PROTECTION

Overview

100 staff:

- dealt with 10,752 reports of crime and misconduct
- tackled issues affecting consumers through compliance, policy and educational work
- managed 724 international requests for assistance and led ASIC's contribution to international regulation
- coordinated ASIC's 8 regional offices to maintain service levels
- managed 1,455 applications about property of deregistered companies.

KEY RESULTS

Issue

Result

Superannuation choice	Prepared <i>Super Choices</i> booklet: more than 1 million distributed. Acted against misleading claims, contributed to community education
More action on reports of crime and misconduct	8% increase in reports of crime and misconduct. 57% of matters resolved through action and assistance
Misleading loan calculators	Closed down misleading loan calculators on more than 100 websites
International cooperation	Built stronger links and offered training for Asian and Pacific regulators



Greg Tanzer, Executive Director, also Queensland Regional Commissioner, a lawyer, appointed 2004, with Deputy Executive Director Delia Rickard, also ACT Regional Commissioner

Main activities

	This year	Last year	% change
Reports of crime and misconduct finalised	10,752	9,970	+8%
Consumer publications distributed	5 million	684,000	830%
Visits to our consumer website FIDO	*615,000	1,196,000	not comparable
ASIC requested overseas assistance	203	206	steady
Other regulators requested our assistance	521	366	+42%

* New software allows us to exclude web spiders.

Superannuation choice

From 1 July 2005, new laws allowed millions more employees to choose their own super fund. To help consumers, we prepared the government's booklet *Super Choices*. More than 1 million have been distributed, including in six languages other than English. We contributed extensively to the government advertising campaign, super choice website, consumer information on the standard choice forms, and to training call centre staff.

To deter misselling of superannuation products and services, we acted against misleading and deceptive advertising, prepared guidelines for financial advisers when they recommend switching funds, and helped with enforcement action against misconduct.

More action on reported crime and misconduct

ASIC encouraged the public to report suspected corporate and financial

services misconduct, and we dealt with 10,752 complaints, up 8%. Even with this increase, we resolved 57% of matters, compared with 44% last year, primarily through helping people with the information they needed or by getting companies or company officers to comply.

We sent 1,222 warning letters, achieving compliance in 81% of those cases. Another 478 company officers were prosecuted for 905 offences, most commonly aimed at thwarting creditors. Penalties included 1 jail term, 30 good behaviour bonds, 7 disqualifications from company management, and total fines and costs of \$989,000.

Liquidators, administrators and receivers lodged a further 6,878 reports about suspected misconduct, down 1%. We made inquiries in 12% of matters, resolved 7%, and referred another 1% for more action or investigation.



Misleading loan calculators closed down

ASIC closed down loan calculators on more than 100 websites of Australian financial institutions, including banks, credit unions, other lenders and finance brokers.

The calculators suggested that using a line of credit will result in the consumer paying off their home loan more quickly. Most lines of credit charge higher interest rates than standard home loans, so it was extraordinary to suggest that paying higher interest could pay off a loan sooner.

The calculators assumed that extra repayments would be credited to the line of credit but not to the standard loan, and that the line of credit was at the same interest rate as the home loan. These assumptions were made clear to the consumer.

Boost to consumer education on super and money

We boosted our consumer education in print and online. We distributed more than 5 million hard copy publications, including *Super Choices*, 3 million leaflets about illegal early access to super, and our new booklet *Your Money*. *Your Money* which helps consumers plan their finances, was published in the *Sydney Daily Telegraph* and *Melbourne Herald Sun*, and won Australian and international awards for effective communication.

FIDO, ASIC's consumer website, launched a superannuation calculator. All super funds must refer to that calculator in their product disclosure statements from 1 July 2005. We also launched a managed funds calculator, which funds must refer to from 1 July 2006. We issued public warnings on current financial scams, illegal investment offers and risks in low-deposit loans and high-yield debentures.

We delivered free training sessions to financial counsellors and Centrelink Financial Information Service officers, and spoke at selected consumer events across Australia.

Acting on debt collection

Vulnerable and disadvantaged consumers have been subjected to unacceptable treatment by debt collection agencies. To raise standards in this industry, ASIC and the Australian Competition and Consumer Commission (ACCC) released a joint draft debt collection guideline for public consultation. It explains and reinforces prohibitions against misleading and deceptive conduct, harassment and coercion, and unconscionable conduct in the debt collection industry.

Stronger international cooperation

International requests for enforcement and other assistance between regulators grew strongly.

As an active member of the International Organization of Securities Commissions, we worked to strengthen cross-border standards and cooperation. ASIC's Chairman visited Indonesia to strengthen relations between the regulators. We helped the Sri Lanka Securities and Exchange Commission assess its compliance with the International Principles of Securities Regulation, and helped Hong Kong Securities and Futures Commission make their first assessment of the Hong Kong Exchange.

ASIC staff trained Thai and Indonesian regulators at a week-long program in Bangkok. We also hosted staff from the Indonesian, Vanuatu and Fiji securities regulators at our Summer School and for a week's secondment at ASIC.

ASIC advised the Treasury and Department of Foreign Affairs and Trade on the negotiation of the financial services chapter of the Australia-US free trade agreement.

Some Australian companies must meet strict financial reporting-related requirements under the US Sarbanes-Oxley Act as well as the requirements of Australia's Corporations Act. The US Public Company Accounting Oversight Board will periodically inspect the work of those companies' auditors. To reduce costs for Australian business, we are exploring cooperative arrangements with the Board for inspecting auditors subject to both US and Australian requirements.

(Opposite page) Our Consumer Advisory Panel; standing: left to right: David Tennant, Catherine Wolthuizen, Basil La Brooy, Nicola Howell, Leigh Shacklady, Jan Pentland; seated: Carolyn Bond, Fiona Guthrie, David Jackson; Absent: Bob Andrew

Outlook

We aim to further raise ASIC's profile as an effective protector of consumers and to maintain our strong standing among global regulators.

We will:

- focus on protecting consumers exercising their right to choose a superannuation fund
- educate consumers about financial issues, their rights and

their responsibilities and support a vigorous consumer movement

- manage the increasing breadth of international issues affecting our domestic activities
- maintain service levels in all States and Territories.

CONSUMER ADVISORY PANEL REPORT

In July 2004, I took up the role of Chair of ASIC's Consumer Advisory Panel.

The Panel advised on emerging consumer issues. In turn, ASIC responded to particular issues as needed and kept the Panel informed of its work in consumer protection.

The Panel met four times. Members raised a broad range of issues including debt agreements, licensing of financial advisors, share buybacks, timeshare, finance brokers, debt collection, credit reporting, reverse mortgages and super choice.

Panel members also commented on ASIC's policies for codes approvals and dollar disclosure.

The Panel made recommendations to ASIC about the funding of research and submissions for consumer protection.

Three projects were funded:

- a qualitative research project into the experience of consumers who establish and operate a self managed super fund (SMSF) – this research will offer insights into why consumers set up SMSFs and whether their expectations are met
- a survey of consumers who re-finance their personal and household finance – why and how they did this and the perceived outcomes of the strategy
- a joint consumer submission in response to the ASIC and ACCC discussion paper on debt collection.

Fiona Guthrie, July 2005

Chair, Consumer Advisory Panel

Members

Fiona Guthrie (Chair)

Bob Andrew, Australian Investors' Association

Carolyn Bond, Consumer Credit Legal Service (Vic)

David Jackson, Australian Shareholders' Association

Nicola Howell, Centre for Credit and Consumer Law

Basil La Brooy, National Information Centre on Retirement Investments

Jan Pentland, financial counsellor and Chair, Australian Financial Counselling and Credit Reform Association

Leigh Shacklady, financial counsellor Tangentyere Council, Alice Springs

David Tennant, consumer advocate and lawyer and director, CARE Financial Counselling Service (ACT)

Catherine Wolthuizen, Australian Consumers Association



COMPLIANCE

Overview

157 staff:

- monitored corporations for compliance with financial reporting, audit, disclosure and market conduct
- achieved additional disclosure in 90 prospectuses and financial product disclosure statements
- conducted 703 compliance checks of financial advisers and financial product issuers and obtained significant corrective or enforcement action
- strengthened 111 scheme compliance plans.



Jennifer O'Donnell, Executive Director, appointed 2005, also NSW Regional Commissioner. She has previously held senior ASIC regulatory roles.



KEY RESULTS

Issue

Superannuation

Result

Deterred illegal schemes to access super and prepared the industry for superannuation choice

High-yield debentures

Stopped misleading advertising and achieved better disclosure for investors

Company fundraising

Obtained additional disclosure for the public affecting \$6 billion in capital raisings

Main activities

Additional disclosures to the market obtained

This year

Last year

% change

71

95

–22%

Corrective disclosure achieved in prospectuses

72

67

+7%

Corrective disclosure achieved in product disclosure statements

18

50

–64%

On-site compliance reviews of licensees

703

1,186

–41%

Compliance plans of responsible entities upgraded after ASIC intervention

111

65

+71%

Protecting superannuation

We campaigned against schemes promoting illegal early access to superannuation. Staff examined 56 schemes promising people access to their super to pay off debts or meet daily living expenses. We stopped 15 misleading advertisements, and alerted 26 publishers and media organisations to their liability for knowingly publishing misleading advertisements about illegal super schemes. We briefed fund trustees and advisers on risks and fraud management, and with their co-operation, alerted 2.9 million super fund members to these risks.

To prepare for greater employee choice of super fund, we worked to ensure that financial advisers avoid encouraging people to switch funds simply to earn commission. We obtained client files from licensed advisers that recommended switching super funds (and will do so during 2005–06) to see that advisers comply with their obligations.

High-yield debentures

We reviewed prospectuses issued for high-yield debentures to see if they told investors about the additional risks of these types of investments.

We found evidence of aggressive or misleading advertising, poor disclosure about property developments and related-party transactions, and insufficient disclosure of bad and doubtful debts.

We stopped two misleading advertising campaigns, and required companies to improve the information provided to investors in two other cases. In one case, we permanently stopped the offer from proceeding.

Company fundraising and disclosure

Corporate fundraising continued at record levels, with numerous initial public offerings including listed investment companies. We required directors to disclose more information about fundraisings worth \$6.1 billion, including the major \$1 billion offer for Babcock & Brown Capital Ltd and the \$300 million public offer for Seek Ltd.

We successfully encouraged smaller companies to get their fundraising disclosure right the first time, and produced a noticeable improvement in information given to shareholders when considering related-party transactions.

Auditor compliance

Auditors must now comply with additional legal requirements designed to raise the standards of financial reporting and disclosure. We established a specialist team to monitor the profession. Initial work focused on auditor independence and involved on-site inspections of audit practices. We will follow up by reviewing audit methodologies and compliance with auditing standards.

Raising standards in financial services

Across Australia, we made 703 on-site visits to licensees, including visits to more than 300 licensees in regional Australia, where we checked breach notification and complaints handling. We also examined compliance and advice to retail investors in selected stockbroking firms.

To nip in the bud potential problems with managed investments schemes, we checked auditors' comments about scheme operators. Auditors raised issues of concern in 64% of schemes they reviewed. In all but 6% of those schemes, operators took early steps to rectify problems. The remainder addressed the issues after discussion with ASIC.

To stop unlicensed businesses from offering financial services, staff contacted various people or companies and secured compliance with the law.

Insurance broker remuneration

After investigations in the United States into abuses and rigging bids for insurance, we examined broker practices in Australia.

We did not find any instances of bid-rigging or other systemic abuses. Some insurance brokers had not properly understood their obligations to disclose and manage conflicts of interest, or had not been diligent in complying with them. These matters are being dealt with.

Tackling unit pricing errors

ASIC and APRA (the prudential regulator) jointly conducted a review of how life companies, superannuation trustees and fund managers priced investors' units in their funds. This review followed a number of significant pricing errors. In December, both agencies released proposed guidance for good practice in unit pricing for industry comment. When finalised, this guidance will help industry participants to meet their unit pricing obligations in a consistent manner.

Financial product disclosure documents

We reviewed defective documents brought to our attention, with corrective disclosure obtained in 18 product disclosure statements. We also aimed to ensure that product issuers disclose information in at least a broadly similar way for similar products.

Outlook

All over the world, corporations, directors and officers and financial services businesses face close attention on the quality and reliability of their reporting, disclosure and conduct.

We will:

- maintain constructive pressure on the financial services industry to raise standards
- help company directors and officers achieve a noticeable improvement in corporate compliance
- ensure effective regulation of company auditors
- target areas of particular risk, including superannuation advice, small and medium managed investment schemes, and product disclosure statements.



REGULATION

Malcolm Rodgers,
Executive Director, a
lawyer with extensive
regulatory experience,
appointed 2001,
previously ASIC Director
Regulatory Policy

Overview

163 staff, including the Office of Chief Accountant:

- regulated company fundraising, restructures, financial reporting and market disclosure
- regulated Australia's 13 licensed financial markets and 4 clearing and settlement facilities
- issued 29 guidance documents to regulate or guide industry and professionals, including guidance about new laws on audit and company disclosure
- licensed 401 new financial services businesses and registered 590 managed investment schemes
- approved 2,993 applications for relief from the law involving licensing, disclosure, managed investments and related provisions.



KEY RESULTS

Issue

Corporate takeovers and restructures

Result

Assisted business transactions worth at least \$41 billion to proceed more efficiently and fairly

Financial services

Offered extra guidance to bring greater commercial certainty

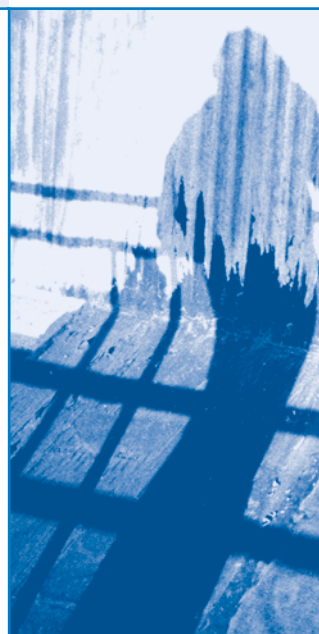
Market supervision

Advised the Minister about 5 new authorised markets

Main activities

	This year	Last year	% change
Authorised financial markets regulated	13	8	+63%
Commercial relief applications approved	2,993	2,007	+49%
Takeovers received	68	67	steady
Schemes of arrangement	39	53	–26%
Policies and guidance documents issued	29	27	steady
Australian financial services licences issued	399	*3,227	–87%
Managed investment schemes registered	590	524	+13%

* Last year was a peak caused by the transition to a wholly new licensing regime.



Assisted \$41 billion corporate transactions

Corporate mergers, acquisitions and restructures involved some of Australia's largest companies. ASIC dealt with a record number of applications for relief from strict compliance with the law, so these transactions could proceed efficiently but fairly for all parties involved.

Major transactions included News Ltd's change of domicile to the USA, BHP Billiton's acquiring WMC Resources, Foster's acquiring Southcorp, and contested transactions involving Australia's oldest property trust GPT and retail giants bidding for Australian Liquor and Hospitality.

We worked to promote independent, high-quality experts' reports, used to inform directors and shareholders. We also streamlined and updated our regulation of managed investments.

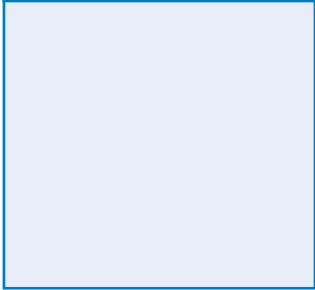
Extra guidance for financial services

Australia's new financial services laws set higher and more consistent standards of conduct and disclosure across all financial products and services.

Transition to these new laws posed some challenges for ASIC and for industry, and gave rise to many applications for relief and requests for guidance. We approved 2,993 applications and published key decisions on applications. New guidance included these matters.

Conflicts of interest	How to manage conflicts of interest, and a guide to help research report providers (including research analysts) manage conflicts of interest
Dollar disclosure	How to disclose various fees, charges, expenses, benefits and interests in dollar amounts in disclosure documents, and relief to ensure that the obligation to disclose these fees, expenses benefits and interests in dollar amounts does not operate in a way that is unreasonably burdensome or not in the interests of clients
Statements of additional advice	Relief to allow advisers to avoid duplicating information already given to clients and to provide shorter disclosure documents to clients

We also worked with the Treasury and the Parliamentary Secretary on proposed refinements to financial services regulation. ASIC agreed to lead 8 of the 25 relevant projects. We have already issued relief for providers of superannuation calculators. We aim to complete the projects or public consultation (where required) by September 2005.



Assessing more authorised markets

The number of authorised financial markets on which Australians can now invest and trade increased from 8 to 13. On advice from ASIC, the Minister granted five new markets licences, including Reuters, EBS (one of the largest foreign exchange platforms in the world) and APX, an equities and listed property trust market operating out of Melbourne.

For each market and for the four licensed clearing and settlement facilities, ASIC staff inspected and reported to the Minister on supervisory arrangements, including arrangements for handling conflicts of interest. Based on those assessments, we found that Australia's major exchanges did have appropriate supervision structures and procedures in place. There can be a high degree of confidence in their ability to operate their markets in a fair, orderly and transparent manner.

New financial reporting standards

New international financial reporting standards came into effect from 1 January 2005. To promote a smooth transition, we worked closely with government, standard setters and industry.

We tracked companies' progress in implementing the new standards and reviewed their compliance. We had earlier encouraged those preparing financial reports to identify and disclose the significant matters facing their companies. Internationally, ASIC chaired a working group to encourage consistent regulation and enforcement of international financial reporting standards for those countries introducing them.

Removal of company directors

ASIC intervened to ensure market understanding that it is the prerogative of shareholders, not directors, to remove directors from office. We expressed concern about agreements or arrangements by directors to remove another director from office, or to compel another director to resign. We noted publicly that such agreements are ineffective at law and that if a company presented an agreement as if it were binding, there is a real risk shareholders would be misinformed.

ASX share trading and compliance

ASX shares trade on its own market. To avoid conflicts of interest, ASIC directly monitored daily trading and compliance by ASX with its listing rules in much the same way as ASX oversees other listed entities.

Financial services licensing

We checked 69 licensed businesses to verify compliance, resulting in 30 changes in procedures and 6 referrals for further action. We also successfully piloted a new program for checking the compliance and risk management arrangements of licensees.

We licensed a further 401 licensees and approved variations of 684 existing licences. Applications from responsible entities, financial planners, insurance brokers and derivative and foreign exchange dealers grew strongly.

Outlook

Effective regulation can maintain standards and protect Australians, while being compatible with overseas regulation.

We will:

- oversee introduction of international financial reporting standards
- work actively on refinements to financial services reform
- maintain credible regulation of corporate finance
- strive for greater transparency and clear, effective communication of our regulatory and policy stances.

OPERATIONS AND STAFFING

Overview

535* staff:

- deterred insolvent company trading
- maintained Australia's public database of 1.4 million companies
- managed information technology, human resources, planning and project services
- answered 784,000 telephone inquiries
- provided high volume document imaging services on commercial terms.

*Includes 29 full-time graduates working for other directorates.



Mark Drysdale, Chief Operating Officer, appointed 2005, and Victorian Regional Commissioner, experienced in corporate management and regulation, with Deputy Executive Director Jeremy McNeice

KEY RESULTS

Issue

Result

Organisational performance	Strengthened organisational development and performance review systems
Insolvent trading	488 companies visited. Corrective action taken to avoid insolvent trading
Database usage	More than 13.4 million free and paid searches. New business advisory committee established
More support for online business	Online business supported by new mainframe and upgraded IT systems

Main activities

	This year	Last year	% change
Fees and charges raised for the Commonwealth	\$531 million	\$457 million	+16%
Company data lodged on time	94%	92%	+2%
New companies registered	121,463	122,441	steady
% documents lodged electronically	69%	69%	steady
% paid searches done online	99%	98.1%	+1%
Telephone inquiries	784,000	863,000	-9%



Strengthening organisational performance

Our first staff survey highlighted the importance of effective rewards for good performance and better management of underperformance.

We reviewed our performance management system, and discussed proposed changes with staff and union representatives as part of negotiating a new certified agreement. We expect the new agreement, replacing the one that expires in August 2005, will deliver significant improvements in individual and organisational performance.

As part of a review of staff development priorities, we increased emphasis on training managers and team leaders by offering 3 new management development programs. We also worked to make ASIC's \$1 million annual investment in staff development more cost-effective.

Career and succession planning also helped improve personal capabilities and staff development, and better manage the risk of vacancies in key roles. We also upgraded staff induction arrangements. Some 17 new graduates will participate in a 12-month rotation program.

Deterring insolvent trading

To help companies deal promptly with financial difficulties, staff visited 488 potentially troubled companies to assess their solvency. We encouraged directors to seek professional advice to turn the company around or to appoint a voluntary administrator.

After these visits from our insolvency specialists, many companies restructured, refinanced, or introduced turnaround strategies with professional advice. Some 63 companies had a voluntary administrator appointed after our visits, including Henry Walker Eltin Ltd, Collins Booksellers Pty Ltd, and Sams Seafoods Holdings Ltd.

More use of online public information

The total number of companies registered in Australia increased 5% to 1,427,573, although the number of new companies formed was steady compared with last year.

People conducted 13.7 million free and paid searches of our databases, up marginally, including 9.9 million free internet searches of company names, numbers and document lists.

Use of electronic service channels for paid searches increased to 99%, and electronic company registrations accounted for more than 78% of new companies formed. This further reduced workloads in our service centres, and we announced the proposed closure of four regional service centres from 29 July 2005.

Maintaining quality data

To maintain quality data, 14,686 companies were targeted to ensure compliance with the law. Some 405 civil actions were undertaken to ensure lodgement of financial reports by large proprietary companies, managed investment schemes, foreign companies, and unlisted public companies. We also acted to require companies to appoint at least the minimum number of officeholders and to remove bankrupt officeholders. We began deregistration of 22,094 companies that failed to pay their annual review fee.

More telephone inquiries

Our Client Contact Centre handled more than 784,000 calls from the public. Some 154,000 calls raised regulatory, enforcement and consumer protection issues, up more than 40%. These calls related to matters such as fundraising and takeovers, financial services, licensing, managed investments, unclaimed money, and various searches and licence checks.

The remaining 630,000 calls dealt with more routine company housekeeping matters such as company incorporation, deregistration, annual statements, form and invoice inquiries, charges, and external administrations and liquidations.

Staff answered 94% of all calls connected, and answered 76% of these calls within two minutes.

New services and greater business input

When companies make critical changes to their records, we now give them an electronic confirmation to reduce the risk of error or false lodgements. We also increased electronic services for liquidators who lodge documents with ASIC.

To advise us about operations and future directions for public information, we set up a business advisory committee. We also strengthened international links, hosting the first meeting of the international Corporate Registers Forum, representing government registries in 13 countries. ASIC was elected Chair of the Executive Committee.

Commercial services

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

- high-volume scanning services for organisations that wish to 'back capture' data
- document management services for litigation and public inquiries.

Customers included a range of government and private sector organisations.

Information technology upgraded to meet demand

Electronic business transactions have replaced many over-the-counter services. To meet this demand, we successfully installed a new mainframe, replaced servers throughout the organisation, and upgraded IT systems nationally. A new national phone system was also installed.

Staff developed new applications to support corporate law reforms and delivered 24 significant projects. To update our overall IT management, we also documented:

- software development methodologies
- enterprise architecture management
- details of core systems.

Improved safety at work

ASIC improved its already sound record on occupational health and safety with a well-established OHS framework and a focus on the rehabilitation of injured employees. The rate of time away from work by injured employees is well below targets set by our insurer, Comcare. We also won an award for rehabilitation strategies, see back cover.

Some 13 incidents were reported, generally involving minor injury, 35% fewer than last year. Claims for workers compensation fell by 32%.

To improve safety, we also carried out:

- quarterly OHS risk assessments at all sites
- ergonomic assessments, screen-based eye tests, and other protective measures
- OHS awareness programs, including articles in internal publications and poster displays.

ASIC required every manager to take responsibility for ensuring a safe workplace for their staff and the public, supported by human resources staff and OHS committees that met quarterly in each location to address local issues.

Merit and equal opportunity

ASIC required that all staff engagements and promotions be conducted in accordance with the merit principle and the APS values. We maintained procedures and mandatory staff training to ensure these obligations were met.

ASIC is an equal opportunity employer. At 30 June 2005, women made up 57% of our workforce and 39% of our executives and senior executives. Under a joint Women in Law Enforcement Strategy, four female ASIC staff joined a one-year mentoring program with mentors from other agencies, and four ASIC senior managers acted as mentors to women from other agencies.

We participated in the Commonwealth strategy to ensure access to recruitment, training and grievance procedures for people with disabilities, see page 56.

Staff numbers stable

Staff numbers stabilised at 1,570 full-time equivalents, comprising investigators, lawyers, accountants, and analysts; information processing and customer service staff; information technology, human resources, financial, business management and communication specialists.

Staff (average full-time equivalents)	This year	Last year
Operational and support (ASIC 1–4)	852	878
Senior operational staff (EL1 and EL2)	571	534
Senior Executive Service	34	29
Others (contractors, agency staff, consultants)	110	87
Commissioners	3	3
Total	1,570	1,531

Basis of staff employment

Most staff are ongoing employees under the Public Service Act. Non-ongoing staff generally helped us complete special projects or filled peak workloads in document processing.

Basis of employment	This year	Last year
Public Service Act, ongoing	1,171	1,015
Public Service Act, temporary, most often for peak company data processing	262	400
ASIC Act consultants, for essential specialist services including investigatory, legal, corporate regulatory and accounting functions	43	49
Contractors, mainly in information technology	91	64
Commissioners	3	3
Total (average FTE over the year)	1,570	1,531

ASIC contributed to superannuation through Commonwealth government schemes, State government schemes for staff who transferred to ASIC in 1991, and private sector schemes for consultants or contractors. See also the financial statements on page 91.

Industrial and workplace relations

Staff were represented either through their union or staff representatives. ASIC maintained a National Consultative Committee that met regularly about workplace issues.

ASIC also maintained formal procedures for staff to raise grievances. We received four formal applications for review of management actions under the Public Service Act.

Location of staff

State or Territory	This year	Last year
Victoria	676	663
New South Wales	603	547
Queensland	131	131
Western Australia	74	93
South Australia	50	58
Australian Capital Territory	15	16
Tasmania	13	16
Northern Territory	8	7
Total	1,570	1,531

Outlook

To ensure that ASIC can meet future challenges, we must strengthen the effectiveness and efficiency of our operations.

We will:

- maintain our commitment to deter insolvent trading
- offer new services that help more fully realise the economic and regulatory value of Australia's corporate database
- continue major reforms to our information technology
- strengthen leadership and management development and training, performance management, and workforce planning, recruitment and selection.





Overview

122 staff delivered the following services to all ASIC offices:

- finance
- corporate services
- risk management
- knowledge management.

KEY RESULTS

Issue

ASIC funding

Result

Received additional funding for 2004–05 for ongoing operations and auditor surveillance

Cost of services

Reduced cost of office services by 4% while maintaining service levels

Environmental management

Energy use better than target, paper use cut 15% in Sydney site, stronger environmental management systems

Additional funding from government

In the May 2005 budget, the government granted ASIC an additional appropriation of \$2.1 million for the ASIC-US audit regulation program, \$3.4 million for the James Hardie matter and \$3.9 million for the One.Tel and Offset Alpine matters.

Service expenses further reduced

Site service expenses have been reduced by a further 3.9% nationally over the savings delivered in the 2003–04 financial year, including significant cost reductions ranging from 10% to 14% in stationery, printing, photocopy charges and fleet expenses.

Improved environmental performance

Under our environmental policy, we have committed ourselves to continuously improving ASIC's environmental performance.

Carlos Iglesias, Executive Director, appointed 2005, an accountant, with experience in corporate management and information technology.



Key environmental results

Energy consumption	Use per person of 9,079 MJ, better than target of 10,000 MJ. Pulse meter energy monitoring reporting allows us to identify and rectify unwanted consumption increases
Paper consumption	Reduced paper consumption in our Sydney site by around 15%. Printers set to default duplex printing
Recycling	Introduced recycling of aluminium, plastics, mobile phones and batteries. Extended paper recycling to non-confidential materials such as newspapers. All recycling programs monitored and volumes recorded
Motor vehicles	38% of fleet vehicles and 42% of our senior executive service fleet have a 'Green Vehicle Guide' rating of 10.5 or better. Our new fleet management booking system enabled us to reduce our fleet in several sites

ASIC's Sydney office, our largest, was certified to International Standard ISO 14001:1996 *Environmental Management Systems* in May. Many of the Sydney initiatives will be implemented nationally in 2005–06, and targets set for further consumption reduction and increased recycling. Our operations have no implications for ecologically sustainable development.

Knowledge management

More than 600 ASIC staff were involved in communities of practice, a focus for our knowledge management program. These staff networks share and learn together in areas of strategically important knowledge such as insurance, superannuation, managed investments, derivatives and retail advice, as well as compliance and markets regulation.

Many of our communities heard from industry specialists to understand the issues and challenges facing industry, and to strengthen our capacity to educate and protect consumers and investors.



International financial reporting standards

The transition to new financial reporting standards was successfully completed. ASIC restated its statement of financial position as at 1 July 2004 and recalculated the 2004–05 financial results to comply with the Australian Equivalents to the International Financial Reporting Standards and with the 2004–05 Finance Minister's orders.

Property, plant and equipment was also revalued and restated at fair value as at 30 June 2005.

Unclaimed money

Unclaimed monies collected from banks, life insurance companies and approved deposit-taking institutions increased with \$53 million collected in 2004–05. We actively promoted public awareness of unclaimed monies through the media and on the internet. As a result, \$22 million was refunded to claimants during the year.

Invoice payment efficiency

ASIC's creditors continued to be paid in a timely fashion with 85% of all invoices paid by electronic funds transfer. This reduced our suppliers' administrative costs as well as our own processing costs.

More accurate recording of intangible assets

Finance and IT staff implemented a new time recording system to better manage and record the costs of developing software in-house. This enabled a more accurate presentation of intangible assets in ASIC's statement of financial position.

Free trade agreements and procurement

ASIC's contracts and procurement manual and procedures were updated to comply with Commonwealth Procurement Guidelines to take into account the free trade agreements with

the United States, New Zealand, Singapore and Thailand.

Office space

In early August 2005, we will surrender leases for the four regional service centres that close on 29 July, and in September we will terminate a lease for a large storage facility in Traralgon. This will result in a 3.6% reduction in ASIC's portfolio of leased space. We continue to explore alternatives to our current accommodation to minimise the cost of our leased space portfolio.

Outlook

To develop a more flexible organisation, we will:

- develop a funding base that allows us to move resources more freely to meet public needs
- capture greater internal efficiencies, including activity costing and time recording.

WHERE ASIC FITS IN THE REGULATORY PICTURE

Who does ASIC protect?

Consumers, investors and creditors of corporations, including an estimated*:

- 15.7 million people with a deposit account
- 10.5 million investing through superannuation or annuities
- 9.9 million with credit or charge cards including debit only
- 6.4 million with a home, personal or investment loan
- 4 million directly owning shares
- 2.1 million having invested through a financial adviser
- 1.2 million investing in managed funds.

*Roy Morgan Research, 12 months to March 2005, people aged 14+.

Who we regulate

How we regulate them

1.43 million companies

- Register each company with a unique number, and record the number, name, directors and other information on a public register
- Investigate and act against misconduct by company directors and officers
- Grant or refuse requests for relief from the law
- Receive prospectuses before money is raised
- Uphold the law on financial reporting and company mergers and acquisitions

6,173 company auditors,
762 registered liquidators of whom
367 were also official liquidators

- Register them before they start operating
- Investigate and act against misconduct

13 financial markets and 4 clearing
and settlement facilities licensed by
the Minister, including:

- Australian Stock Exchange Ltd
- Sydney Futures Exchange Ltd

- Investigate and act against misconduct by listed companies, brokers and traders
- Assess and report to the Minister on market supervisory arrangements
- Advise the Minister about rule changes and whether to approve new markets
- Monitor what ASX Ltd does as a listed company, and trading in its shares

4,135 financial services businesses,
regulated by ASIC including:

- fund managers
- stockbrokers
- financial advisers
- insurance brokers

- License them before they start operating
- Set standards for education, training and operations
- Investigate and act against misconduct
- Record their details and their authorised representatives on a public register

Who we regulate

4,093 managed investment schemes, registered by ASIC

APRA-regulated financial services businesses including:

- banks and deposit taking institutions
- superannuation funds
- life and general insurance companies

Credit providers operating under State and Territory laws

How we regulate them

- Register them before they start operating
- Investigate and act against misconduct
- Record their details on a public register

- Investigate and act against misconduct affecting consumers or misconduct as corporations
- Cooperate with APRA
- Approve consumer complaint resolution schemes
- Report on how they comply with codes of practice

- Investigate and act against misleading and deceptive conduct affecting consumers
- Cooperate with State and Territory regulators

ASIC's statutory aims

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

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

ASIC's legislation

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

Other financial regulators

The Australian Prudential Regulation Authority (APRA) regulates prudential standards for deposit-taking institutions, insurance companies, and larger superannuation funds so to ensure, under all reasonable circumstances, that they meet their financial promises.

State and Territory fair trading or consumer affairs agencies regulate consumer credit under the Uniform Consumer Credit Code.

The Reserve Bank of Australia regulates monetary policy and the stability of the financial system.

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

COMMISSIONERS



Jeffrey Lucy, AM

FCA, FAICD

Chairman from May 2004, for a three-year term. Previously ASIC Deputy Chairman from February 2003.

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

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



Jeremy Cooper

LLB (Hons) (Melb), FSIA, FAICD

Deputy Chairman from July 2004 for a five-year term.

Jeremy Cooper is a lawyer and former partner of Blake Dawson Waldron, having worked with the firm in the corporate area for more than 19 years. He has been involved in many major transactions, including takeovers, reconstructions, ASX listings and capital raisings, as well as advising on Corporations Act and securities market issues. He has been a member of the Corporations Committee of the Business Law Section of the Law Council since 1995 and is a regular speaker on corporate law issues.



Three full-time Commissioners led ASIC's wide-ranging and complex activities: Chairman Jeffrey Lucy, Deputy Chairman Jeremy Cooper and Commissioner Berna Collier.



Berna Collier

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

ASIC Commissioner from November 2001, re-appointed from July 2004 for a four-year term.

Professor Berna Collier is a lawyer and a member of the Insolvency, the Corporations and the Banking and Finance Committees of the Law Council of Australia.

She has worked in and written extensively about commercial and insolvency law for 15 years.

Professor Collier was most recently Professor of Commercial Law at the Queensland University of Technology, a consultant with Clayton Utz lawyers and an educational consultant with CPA Australia. She previously practised law in Melbourne and Brisbane. During 1999 and 2000, Professor Collier chaired the Commonwealth Government Taskforce on Industry Self-regulation.

ASIC GOVERNANCE

Three full-time Commissioners directed ASIC’s affairs. Through full-time membership, the Commissioners led ASIC’s complex and wide-ranging activities.

Role of Commissioners

Commissioners approved a new strategic plan (page 5), set national priorities, appointed and evaluated the performance of executive directors, and approved

delegations, budgets and business plans for each directorate.

Through day-to-day contact with executives and staff, and through written reports, Commissioners stayed informed about operational performance, finance, human resources and information technology. A Commissioner also participated in the Audit Committee, see page 54.

ASIC’s Office of General Counsel reported directly and independently to the Commission, giving legal counsel to Commissioners on ASIC operations and administration. Other independent legal and accounting experts also advised on specific matters. Where necessary, an individual Commissioner may obtain independent legal advice at ASIC expense.

The Commission held 26 formal meetings.

Commissioner	Eligible to attend	Attended
Jeffrey Lucy	26	25
Jeremy Cooper	24	24
Berna Collier	26	21

Executive Directors and General Counsel also attended Commission meetings. Commissioners and relevant senior executives made decisions and set priorities in major enforcement and regulatory matters through our National Enforcement Conference and Regulatory Policy Group.

Commissioners’ appointment and remuneration

The Governor-General, on the nomination of the Treasurer, appointed ASIC Commissioners. No changes occurred this year. Commissioners are appointed on fixed terms that may be terminated earlier only for reasons set out in section 111 of the ASIC Act.

The Treasurer may nominate as Commissioners only people who are qualified by knowledge or experience in business, administration of companies, financial markets, financial products and financial services, law, economics or accounting. The Remuneration Tribunal set Commissioners’ remuneration, see also page 102.

Reporting to Parliament

ASIC appeared before Commonwealth Parliamentary Committees on five occasions: Parliamentary Joint Committee on Corporations and Financial Services (3), Senate Economics Legislation Committee (2).

ASIC also submitted an annual report, and replied to Parliamentary questions and inquiries on behalf of constituents.

Relationship with the responsible Minister

The Ministers responsible for ASIC are the Treasurer, the Hon Peter Costello MP and, in matters determined by him, the Parliamentary Secretary to the Treasurer, the Hon Chris Pearce MP (from October 2004 and previously the Hon Ross Cameron, MP).

Commissioners reported to the Minister through their annual report, and through briefings, submissions and meetings with the Treasurer or Parliamentary Secretary. ASIC also briefed the Treasury about current issues and proposed changes to the law.

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

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

investigation and prosecution of serious corporate wrongdoing.

Under section 137, the Minister approved contracts exceeding \$1 million and leases of land exceeding 10 years.

Under section 28 of the Commonwealth Authorities and Companies Act, the Minister may also notify Commissioners in writing of general policies of the government that will apply to ASIC. No such notifications were received this year.

In addition, Commonwealth Ministers and Departmental Secretaries from time to time asked ASIC, along with other agencies, to conform to government policies affecting our general administration, for example, use of the Commonwealth coat of arms in logos.

Relationship with the States

The Commonwealth assumed responsibility for corporate regulation from the States in 1991, subject to arrangements between the Commonwealth, States and Northern Territory under the *Corporations Agreement 2002*.

This Agreement requires the Commonwealth to consult the Ministerial Council for Corporations (MINCO), comprising Commonwealth, State and Northern Territory Ministers, in appointing ASIC Commissioners, and requires ASIC to:

- consult the relevant State or Northern Territory Minister in appointing Regional Commissioners
- maintain offices in each State capital and Darwin, and maintain certain minimum service levels in each State and the Northern Territory
- maintain Regional Liaison Committees in each State and the Northern Territory to consult the local business community, and use our best endeavours to have a Commission member present at those meetings, see page 53.

ASIC attended MINCO to observe and answer questions about the administration of the corporations legislation. We also attended the Ministerial Council on Consumer Affairs as part of our role in protecting consumers in credit, a jurisdiction shared with the States and Territories.

MANAGING RISK

ASIC achieved the highest five-star rating for its risk management practices following our insurer Comcover's risk management benchmarking in 2004. The Commission and Executive Directors regularly reviewed key risks and our practices for managing them.

Staff ethics

All ASIC staff must adhere to the Australian Public Service values and code of conduct under the *Public Service Act 1999*. The values and code require impartiality, honesty, diligence and service, and all staff are required to attend training to learn about and apply the values and code.

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

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

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

Complaints about staff

We maintained internal procedures for investigating complaints about how our staff carry out their significant public responsibilities, which include formal inquiry and disciplinary procedures under the Public Service Act.

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

Confidentiality and security

ASIC receives extensive information that it must protect from unauthorised disclosure. All staff, immediately on joining, must sign confidentiality undertakings, and, if they occupy positions of trust, must undergo a security assessment.

ASIC maintained various other security systems and procedures designed to safeguard confidential information. External government experts and external and internal auditors regularly reviewed our general and IT security arrangements, business continuity systems and procedures.

Fraud control

ASIC reassessed its fraud risks and determined relevant risk mitigation, and developed a new fraud control plan for 2004–06. The plan outlines strategies and processes to avoid, detect, investigate and minimise the effects of fraud. We maintained reporting and data collection mechanisms that met our needs and complied with Commonwealth fraud control guidelines.

Audit

The Commission appointed an internal audit manager who reported to the Commission's Audit Committee. The Audit Committee examined internal and external audit matters and risk assessment, see page 54.

The majority of Audit Committee members (including the Chair) are independent of ASIC. The Committee's charter conforms with Australian National Audit Office guidelines. The Commonwealth Auditor-General audited ASIC's financial statements, see page 62.

Disclosure

To operate transparently, while protecting confidential information, ASIC:

- complied with the *Freedom of Information Act 1982*, see page 56
- met high standards of disclosure through its annual report, see inside front cover

- issued media releases, subject to written guidelines, about enforcement and regulatory issues, respecting the rights of people subject to investigation or administrative action
- updated information daily on our websites and in publications, see page 56.

Insurance and indemnities

Consistent with the Commonwealth Authorities and Companies Act, ASIC:

- paid a premium of \$59,990 for directors and officers' insurance which covered all current and former Commissioners and ASIC staff members for liabilities, including legal costs, incurred by them in the performance of their duties
- provided indemnities to Commissioners for liabilities, including legal costs, incurred by them in the course of their duties, but
- made no reimbursements for legal and other costs.

COMMUNITY AND REGIONAL INVOLVEMENT

Keeping stakeholders informed

Senior ASIC staff gave more than 500 presentations to an estimated 21,000 people from the markets, financial services industry, markets, companies, government agencies and consumer groups about how to comply with the law and how the law protects users of financial markets, products and advice.

Listening to consumers

We funded a 10 member Consumer Advisory Panel including consumer and investor advocates experienced in financial services and an independent Chair. It recommended research, alerted us to issues and commented on policy affecting investors and consumers. Read the Panel's report on page 25. We also consulted other investor and consumer organisations.

Northern Territory schools competition expanded

This year, all Year 9 and 10 students in the Northern Territory had the chance to win \$200 for themselves and \$1,000 for their school by participating in the competition. Students were asked to design a poster with a slogan about looking after money, or ways to avoid being ripped off by a financial scam, see inside back cover.

Building relationships

To build support for compliance and good practice, we met regularly with about 20 peak industry and professional associations, and consulted other organisations, companies and professionals on proposed policies. We helped thousands of company office holders and professionals over the phone.

ASIC's 2005 Summer School brought together international and Australian speakers and 107 participants from a broad spectrum of the financial services industry, including regulators, financial advisers, deposit-taking institutions, lawyers, accountants and superannuation and insurance firms. Participants discussed the theme, 'Law reform: stable door or springboard?', with a focus on the *Financial Services Reform Act 2001* and the Corporate Law Economic Reform Program (Phase 9).

(Opposite page) left to right:
ASIC Regional Commissioners
Jennifer O'Donnell, Anthony Beven,
Mark Drysdale, Delia Rickard,
Greg Tanzer, Angus Dale-Jones,
Julie Read; Absent: Simon Dwyer.

Serving Australia's regions

ASIC's Regional Commissioners ensured that we understood specific needs and maintained service levels in all the States and Territories. They represented the organisation and reported on ASIC's activities and performance to State and Territory Ministers. They bring a range of qualifications including law and accounting and experience in regulation, government and consumer affairs.

Regional Liaison Committees representing the business community met about four times each year, received information on our performance and service, and offered ideas. A Commission member usually attended these meetings.

ASIC's Regional Commissioners also played national roles.

Regional Commissioner	State or Territory	National role
Anthony Beven	Northern Territory	Adviser, Consumer Protection
Angus Dale-Jones	Western Australia	Director, Compliance
Mark Drysdale	Victoria	Executive Director, Operations
Simon Dwyer	South Australia	Director, Enforcement
Jennifer O'Donnell	New South Wales	Executive Director, Compliance
Julie Read	Tasmania	Director, Enforcement
Delia Rickard	Australian Capital Territory	Deputy Executive Director, Consumer Protection
Greg Tanzer	Queensland	Executive Director, Consumer Protection



AUDIT COMMITTEE AND AUDIT SERVICES

The Audit Committee, operating under a Charter approved by the Commission, assisted Commissioners and ASIC senior management identify, monitor and review the effectiveness and integrity of ASIC's internal controls in conjunction with internal and external audit.

The Committee also examined and provided assurance to the Commission on the soundness and integrity of ASIC's 2004–05 financial statements. Issues concerning the preparation of future financial statements were also considered recognising that these statements would need to comply with International Financial Reporting Standards.

Key internal audits conducted included reviews of user access to ASIC's mainframe, management of intangible assets, accounts payable, revenue collection and debt management, ASIC's human resources capability framework, records management and training programs.

Some reviews were conducted by the National Manager Audit, Assurance and Compliance and others conducted by ASIC's outsourced internal audit services provider, KPMG.

The three independent members of the Audit Committee, including the Chairman and Deputy Chairman, have significant financial and business experience and have been appointed from outside ASIC. Chairman Robert Savage, BCom, FCA, is a Chartered Accountant and company director; Deputy Chairman Robert Lynn, FCA is a Chartered Accountant. The third independent member is Byram Johnston, a Chartered Accountant and CEO of a business. The internal appointees comprise Commissioner Berna Collier and Regional Commissioner Angus Dale-Jones.

The Committee met four times:

Members	Eligible to attend	Meetings attended
Robert Savage, appointed Chairman January 2005	4	4
Robert Lynn, appointed Deputy Chairman January 2005	4	4
Byram Johnston, appointed January 2005	2	2
Berna Collier, appointed March 2002, ASIC Commissioner	4	4
Angus Dale-Jones, appointed May 2005, ASIC WA Regional Commissioner	1	1
Merran Kelsall, ceased January 2005, previously Chair	2	2
Greg Tanzer, ceased May 2005, ASIC Executive Director Consumer Protection	3	3

Members met outside session once, to consider the first draft of ASIC's Financial Statements for 2004–05.

The Australian National Audit Office provided external audit services, KPMG Assurance and Advisory provided internal audit services. Both external and internal audit representatives attended Audit Committee meetings.

Robert R Savage

Chairman, ASIC Audit Committee, July 2005



APPENDICES

In this section

- publications
- freedom of information
- disability strategy report
- finance sector levy
- Electoral Act disclosure
- ASIC Act disclosure

Publications

We published the following free publications:

- electronic newsletters: *ASIC News* (regulation and enforcement), *FIDO News* (financial tips and safety checks), *Financial Services Update* (financial services reform); printed newsletters: *InFocus* (company information)
- brochures: *Your Money*, *Super Choices*, *Don't kiss your money goodbye*, *You can complain* (last three also in languages other than English)
- comics: *Moola Talk*, *To the Max!*
- annual report, occasional reports, papers and information sheets accessible through our website or Infoline.

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

Freedom of Information Act 1982

You have a right to apply to ASIC for access to documents in ASIC's possession under the *Freedom of Information Act 1982* (Cth) (FOI Act). You must apply in writing, stating which documents you want to obtain. Requests should be directed to the Administrative Law Coordinator in your State or Territory or to the Manager, Administrative Law, in Sydney. (For further information on how to apply, visit www.asic.gov.au.)

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

- operational matters such as:
 - licence and professional registration applications
 - applications from businesses, correspondence, internal working papers, policy proposals and submissions
 - administrative, civil and criminal enforcement matters, including documents obtained under ASIC's compulsory powers
- law reform, including submissions and proposal papers
- correspondence with members of the public, government entities, Parliamentary committees, business entities and other bodies
- administration, including accommodation, accounts, expenditure, invoices, audit, human resources, recruitment and staff management, delegation and authorisation

- reference materials, including those contained in the library, handbooks, guidelines, manuals, policy statements, practice notes, media releases, information releases, pamphlets and annual reports
- other documents held as public database information (ASCOT).

As required by section 9 of the FOI Act, we note that you may inspect and purchase by subscription the following documents from Thomson-CPD, phone 1800 036 186:

- ASIC Digest – which contains, among other things, policy statements, practice notes, information brochures, media releases, information releases, summaries of most ASIC instruments, class orders, and pro-formas for various types of standard relief.

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

Commonwealth Disability Strategy Report

As a regulator, ASIC published (in formats accessible for people with disabilities) all its publicly available information on regulations, quasi-regulations and compliance reporting. This occurred through our website on the day materials were released, and in hard copy through our commercial publisher and on request through ASIC's Infoline.

Our website substantially complied with accessibility guidelines, within the limits of the technology at our disposal.

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

- recruitment information was released in accessible electronic format, within 24 hours, or

posted out in hard copy on request within 24 hours. No requests were received for other formats

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

- ASIC also has internal and external grievance procedures, including review of actions under the Public Service Act and appeals to the Australian Public Service Commission. Grievance provisions have been included in the ASIC certified agreement. Staff also had access to an Employee Assistance Program. ASIC received no complaints about disability issues.

Finance sector levy

Some \$13.2 million of our appropriation was levied by the government on deposit taking, superannuation, retirement savings and insurance organisations. This table shows how that levy was used for consumer protection, regulatory and enforcement activities relating to the products and services these organisations offer, and for the Superannuation Complaints Tribunal.

Activity	This year \$m	Last year \$m
Consumer protection and policy formulation	5.4	4.1
Investigation and enforcement	4.5	7.3
ASIC sub-total	9.9	11.4
Superannuation Complaints Tribunal	4.0	3.3
Total	13.9	14.7

Disclosure under Commonwealth Electoral Act

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

- polling organisations, advertising agencies and media advertising organisations: nil
- market research organisations: Chant Link & Associates \$132,045
- direct mail organisations: City Mail Room \$8,082 for mailing *ASIC News*, BluePrint Instant Printing Pty Ltd \$34,166 and Chandlers \$17,373 for printing and mailing *InFocus*, Canprint Communications Pty Ltd \$11,903 for printing and mailing the *Business Gazette*, Hermes Precisa Pty Ltd \$146,348 for printing and mailing company annual review statement packs and invoices.

Disclosure under ASIC Act

As required by section 138, we report that ASIC granted no exemptions or modifications under Part 15 of the Retirement Savings Account Act, and approved one application and refused another under Part 29 of the Superannuation Industry Supervision Act.

SIX YEAR SUMMARY

	2004–05	2003–04	2002–03	2001–02	2000–01	1999–2000
Business data						
Companies (total)	1,427,573	1,359,305	1,299,985	1,251,237	1,224,207	1,195,851
New companies registered	121,463	122,441	107,917	90,175	76,103	105,472
Authorised financial markets	13	8	4	4	4	3
Licensed clearing and settlement facilities	5	4	3	3	3	3
Australian financial services licensees	4,135	3,853	626	35	n/a	n/a
Registered company auditors	6,173	6,503	7,017	7,113	7,222	7,624
Registered liquidators	762	758	835	830	858	883
Registered managed investment schemes	4,093	3,765	3,487	3,265	2,778	2,512
Prospectuses lodged†	1,064	1,148	1,658	2,089	2,744	1,033
Product disclosure 'in use' notices‡	12,708	7,563	579	n/a	n/a	n/a
Takeovers	68	67	55	67	81	81
ASIC performance data						
Criminals jailed	27	28	29	19	25	25
\$ million in fundraising where ASIC required additional disclosure	\$6,092m	\$4,095m	\$383m	\$291m	\$409m	n/a
\$ million in recoveries, costs compensation, fines or assets frozen	\$123m	\$121m	\$123m	\$110m	\$121m	n/a

	2004–05	2003–04	2002–03	2001–02	2000–01	1999–2000
% successful litigation††	94%	93%	94%	92%	71%	75%
Litigation concluded	193	220	222	205	150	173
Reports of crime and misconduct	10,752	9,970	9,292	7,827	6,946	5,534
Total searches of ASIC databases	13,661,000	13,437,405	10,997,500	9,095,600	7,260,700	5,702,200
% company data lodged on time	94%	92%	93%	93%	93%	94%
Fees and charges raised for the Commonwealth	\$531m	\$457m	\$405m	\$379m	\$363m	\$360m
Staff (FTEs)	1,570	1,531	1,396	1,284	1,221	1,234
Financial summary (\$m)						
<i>Operations</i>						
Total operating expenses	207.6	196.2	172.6	159.9	143.3	143.0
Total operating revenue	208.0	191.3	172.5	154.3	144.2	140.2
<i>Financial position</i>						
Current assets	23.4	23.0	15.6	20.5	15.1	12.2
Non-current assets	33.2	35.1	33.2	27.1	22.1	24.9
Current liabilities	34.7	42.9	29.0	27.3	18.6	21.7
Non-current liabilities	19.3	20.2	20.9	21.2	16.4	16.6
Total equity	2.6	(4.9)	(1.0)	(0.9)	2.2	(1.1)

† From 11 March 2002, 'product disclosure statements' replaced 'prospectuses' for managed funds. After 11 March 2004, prospectuses were used only for company securities.

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

†† 1999–2000 may understate success rate.

FINANCIAL STATEMENTS

for the year ended 30 June 2005

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INDEPENDENT AUDIT REPORT



To the Treasurer

Scope

The financial statements and directors' responsibility

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

of the Australian Securities and Investments Commission (the Commission) for the year ended 30 June 2005.

The Commissioners are responsible for preparing the financial statements that give a true and fair view of the financial position and performance of the Commission, and that comply with 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. The Commissioners are also responsible 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 statements.

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 the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. 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 audit procedures, the audit was not designed to provide assurance on internal controls.

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders, accounting standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Commission's financial position, and of its performance as represented by the statements of financial performance 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 statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Commissioners.

Independence

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

Audit opinion

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

- (a) 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
- (b) give a true and fair view of the financial position of the Australian Securities and Investments Commission as at 30 June 2005 and of its performance and cash flows for the year then ended, in accordance with:
 - (i) the matters required by the Finance Minister's Orders; and
 - (ii) applicable accounting standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office



P Hinchey
Senior Director
Delegate of the Auditor-General

Sydney
20 July 2005

STATEMENT BY COMMISSIONERS AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2005 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
20 July 2005



J. R. Cooper
Deputy Chairman
20 July 2005



B. J. Collier
Commissioner
20 July 2005



S. D. Lutze
Chief Financial Officer
20 July 2005

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
REVENUE			
Revenues from ordinary activities			
Revenues from Government	4A,5B	199,200	183,285
Sale of services	4B	3,155	3,603
Interest	4C	2,622	2,043
Revenue from sale of assets	4D	33	11
Other revenues	4E	3,058	2,396
Revenues from ordinary activities		208,068	191,338
EXPENSE			
Expenses from ordinary activities (excluding borrowing costs expense)			
Employees	6A	125,225	116,465
Suppliers	6B	68,540	66,066
Depreciation and amortisation	6C	13,610	12,836
Write-down of assets	6D	232	99
Value of assets sold	6E	13	87
Expenses from ordinary activities (excluding borrowing costs expense)		207,620	195,553
Borrowing costs expense	7	373	605
Net surplus / (deficit)	13,14	75	(4,820)
Change in accumulated results on application of the transitional provisions of accounting standard AASB 1041	9B, 9D, 13	(4,079)	925
Total valuation adjustments recognised directly in equity		(4,079)	925
Total changes in equity other than those resulting from transactions with the Australian Government as owner		(4,004)	(3,895)

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
ASSETS			
Financial assets			
Cash	8A	14,907	10,850
Receivables	8B	6,207	10,163
Total financial assets		21,114	21,013
Non-financial assets			
Leasehold improvements	9A	9,420	10,969
Plant and equipment	9B	6,937	12,017
Intangibles	9C	16,879	12,158
Other non-financial assets	9E	2,268	1,970
Total non-financial assets		35,504	37,114
TOTAL ASSETS		56,618	58,127
LIABILITIES			
Interest bearing liabilities			
Leases	10	4,134	9,496
Total interest bearing liabilities		4,134	9,496
Provisions			
Employees	11	32,466	34,466
Total provisions		32,466	34,466
Payables			
Suppliers	12A	8,390	9,719
Other payables	12B	9,049	9,371
Total payables		17,439	19,090
TOTAL LIABILITIES		54,039	63,052
NET ASSETS / (LIABILITIES)		2,579	(4,925)
EQUITY			
Contributed equity	3, 13	11,510	2
Reserves	13	5,254	5,254
Accumulated deficits	13	(14,185)	(10,181)
TOTAL EQUITY	13	2,579	(4,925)
Current assets		23,382	22,983
Non-current assets		33,236	35,144
Current liabilities		34,680	42,899
Non-current liabilities		19,359	20,153

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

STATEMENT OF CASH FLOWS

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	5B	202,957	186,132
Services		3,470	3,874
Interest		2,622	2,043
GST recovered from ATO		7,970	5,395
Other		3,492	3,976
Total cash received		220,511	201,420
Cash used			
Employees		127,225	109,634
Suppliers		78,667	73,136
Borrowing costs		370	605
Return of appropriation to Government	5B	–	3,000
Total cash used		206,262	186,375
Net cash from operating activities	14	14,249	15,045
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of leasehold improvements, plant and equipment	4D	33	11
Total cash received		33	11
Cash used			
Purchase of leasehold improvements, plant and equipment	9D	16,371	9,845
Total cash used		16,371	9,845
Net cash used by investing activities		(16,338)	(9,834)
FINANCING ACTIVITIES			
Cash received			
Appropriations – contributed equity	13	11,508	2
Total cash received		11,508	2
Cash used			
Repayment of finance lease principal		5,362	5,551
Total cash used		5,362	5,551
Net cash from / (used by) financing activities		6,146	(5,549)
Net increase / (decrease) in cash held		4,057	(338)
Cash at the beginning of the reporting period		10,850	11,188
Cash at the end of the reporting period	8A	14,907	10,850

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

SCHEDULE OF COMMITMENTS

as at 30 June 2005

	2005 \$'000	2004 \$'000
BY TYPE		
Capital commitments		
Plant and equipment ¹	291	39
Total capital commitments	291	39
Other commitments		
Operating leases ²	79,536	110,632
Other commitments (goods and services)	116	237
Total other commitments	79,652	110,869
Commitments receivable ³	(7,233)	(8,134)
Net commitments by type	72,710	102,774

BY MATURITY

Capital commitments		
One year or less	291	39
Total capital commitments	291	39
Operating lease commitments		
One year or less	22,606	28,486
From one to five years	55,189	69,641
Over five years	1,741	12,505
Total operating lease commitments	79,536	110,632
Other commitments		
One year or less	116	237
Total other commitments	116	237
Commitments receivable	(7,233)	(8,134)
Net commitments by maturity	72,710	102,774

Note:

- 1 Outstanding contractual payments for purchases of plant and equipment
- 2 Operating leases included are effectively non-cancellable and comprise:

Nature of lease	General description of leasing arrangement
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.

SCHEDULE OF CONTINGENCIES

as at 30 June 2005

CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities

There were no quantifiable contingent liabilities as at 30 June 2005 (2004: nil) (Note 16 refers).

Contingent assets

There were no quantifiable contingent assets as at 30 June 2005 (2004: 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.

SCHEDULE OF ADMINISTERED ITEMS

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
REVENUES ADMINISTERED ON BEHALF OF GOVERNMENT			
Non-taxation			
Corporations Act fees and charges	25	530,995	456,575
Banking Act unclaimed monies	25	32,224	31,474
Life Insurance Act unclaimed monies	25	5,119	5,111
Interest	25	49	47
Other revenue	25	27	25
Total revenues administered on behalf of Government		568,414	493,232
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT			
Write-down and impairment of assets	26	28,440	23,367
Other expenses	26	20,572	18,067
Total expenses administered on behalf of Government		49,012	41,434

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.

	Notes	2005 \$'000	2004 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT			
Financial assets (current)			
Cash	27	4,479	3,792
Receivables	27	68,950	62,777
Total assets administered on behalf of Government		73,429	66,569

LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT

Payables (current)			
Payables	28	4,652	5,709
Total liabilities administered on behalf of Government		4,652	5,709
Net assets administered on behalf of Government	29	68,777	60,860

Note: Intra Government transactions have been omitted.

ADMINISTERED CASH FLOWS

Operating activities

Cash received

Corporations Act fees and charges		498,827	390,071
Banking Act unclaimed monies		31,738	30,754
Life Insurance Act unclaimed monies		5,376	4,791
Total cash received		535,941	425,616

Cash used

Cash to Consolidated Revenue Fund from:			
Corporations Act fees and charges		497,911	390,617
Banking Act unclaimed monies		32,224	31,474
Life Insurance Act unclaimed monies		5,119	5,111
Total cash used	30	535,254	427,202

Net cash from / (used in) operating activities		687	(1,586)
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Net increase / (decrease) in cash held		687	(1,586)
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Cash at the beginning of the reporting period		3,792	5,378
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Cash at the end of the reporting period	27	4,479	3,792
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The above schedule should be read in conjunction with the accompanying notes.

SCHEDULE OF ADMINISTERED ITEMS continued

for the year ended 30 June 2005

ADMINISTERED COMMITMENTS

There were no administered commitments as at 30 June 2005 (2004: nil).

ADMINISTERED CONTINGENCIES

Contingent liabilities

Banking Act administration

Monies from bank and deposit taking institution accounts inactive for seven or more years are transferred to the Commonwealth and are deposited into the CRF. A contingent liability of \$37,624,081 (2004: \$37,690,484) 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 at 30 June 2005 was determined by using a methodology provided by an independent actuary (Towers Perrin (Australia) Pty Ltd).

Life Insurance Act administration

Monies in respect of matured life insurance policies that have not been claimed within seven years are transferred to the Commonwealth from life insurance companies and friendly societies, and are deposited into the CRF. A contingent liability of \$5,400,123 (2004: \$5,339,151) 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 at 30 June 2005 was determined by using a methodology provided by an independent actuary (Towers Perrin (Australia) Pty Ltd).

Corporations Act administration

Companies Unclaimed Monies Account

Unclaimed monies held by ASIC, pursuant to Part 9.7 of the *Corporations Act*, that have not been claimed within six years are transferred to the Commonwealth and deposited into the CRF. A contingent liability of \$650,000 exists, and represents an estimate of future claims for repayment.

The estimate of future claims for repayment at 30 June 2005 was provided by an independent actuary (Russell Employee Benefits Pty Ltd).

Contingent assets

There were no administered contingent assets as at 30 June 2005 (2004: nil).

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 2005

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 1: Summary of significant accounting policies

1.1 Objectives of the Australian Securities and Investments Commission

The Australian Securities and Investments Commission (ASIC) is an independent Commonwealth Government body operating under the *Australian Securities and Investments Commission Act 2001 (ASIC Act)* to administer the *Corporations Act 2001*, and other legislation, throughout Australia.

ASIC is subject to the *Commonwealth Authorities and Companies Act 1997* by virtue of section 7 of that Act, and is also subject to the *Financial Management and Accountability Act 1997 (FMA Act)* in respect of the public monies that it holds on behalf of Government, 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 also 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* and are a general purpose financial report.

The statements have been prepared in accordance with the:

- Finance Minister's Orders (being the Commonwealth Authorities and Companies Orders (Financial Statements for reporting periods ending on or after 30 June 2005));
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Urgent Issues Group (UIG) Abstracts.

ASIC's Statements of Financial Performance and Financial Position 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 performance or the financial position of ASIC.

Assets and liabilities are recognised in ASIC's 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 that are not recognised 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 ASIC's Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

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 an equity injection.

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

Administered Items are distinguished by shading in these financial statements.

1.4 Revenue

The revenues described in this note are revenues relating to the core operating activities of ASIC. Accounting policies relating to administered revenue are disclosed in Note 1.20.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the relevant asset.

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

Revenue from the rendering of a service is recognised by reference to the stage of completion of the contract to provide the service. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for services rendered 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 collectability of the debt is judged to be less rather than more likely.

Revenues from Government – Output Appropriations

The full amount of the appropriation for departmental outputs for the year is recognised as revenue with the exception of appropriations for specific purpose 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.

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 (Note 25 refers).

1.5 Transactions with the Government as owner

Equity Injections

Amounts appropriated by the Parliament as equity injections are recognised as 'contributed equity' in accordance with the Finance Minister's Orders.

Appropriations not classified by the Government as 'contributed equity' are recognised as revenue and not as a transaction with the Government as owner.

Equity contributions are recognised when received.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 1: Summary of significant accounting policies continued

1.6 Employee benefits

Benefits

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

Liabilities for wages, salaries (including non-monetary benefits) and annual leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

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

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

Leave

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

The leave liabilities are calculated on the basis of employees' remuneration, including ASIC's employer superannuation

contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of an independent actuary (Mercer Human Resource Consulting) following a review at 30 June 2003. Future actuarial reviews will be undertaken on a five yearly basis. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

Provision is made for separation and redundancy 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 of ASIC are members of either the Commonwealth Superannuation Scheme or the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

There is 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.

ASIC makes employer contributions to the Australian Government and the various state superannuation schemes at rates determined by actuaries to be sufficient to meet the cost to the Government of the superannuation entitlements of ASIC's employees.

1.7 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets. In operating leases, 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 beginning of the lease term and a liability recognised at the same time and for the same amount. The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a basis that 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 taking the form of 'free' leasehold improvements and rent holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability.

1.8 Borrowing costs

All borrowing costs are expensed as incurred.

1.9 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount. Interest is credited to revenue as it accrues.

1.10 Appropriations receivable

These receivables are recognised at the nominal amounts due.

1.11 Other 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 incur an annual review fee debt to the Commonwealth on each anniversary of the date of incorporation or registration (Note 1.20 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.

The change in revenue recognition in 2004 therefore necessitated a reappraisal of the basis for calculating the provision for doubtful debts. The portion of the provision at 30 June 2004 and 30 June 2005 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.

1.12 Other non-financial assets – prepayments

Prepayments are recognised at their nominal amounts, being cost.

1.13 Other financial liabilities

Trade creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.

Liabilities are recognised to the extent that the goods or services have been received (irrespective of having been invoiced).

Interest payable is accrued over time.

1.14 Acquisition of assets

Purchased assets are recorded at cost on acquisition providing the asset recognition threshold is satisfied (Note 1.15 refers). The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired by finance lease are initially recognised at the present value of the minimum lease payments.

Internally developed software assets are recognised as work in progress until the asset is available for use. Internally developed software assets are recorded at cost, which includes the cost of direct labour and other direct costs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 1: Summary of significant accounting policies continued

1.15 Leasehold improvements, plant and equipment

Asset recognition threshold

Acquisitions 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 (other than where they form part of a group of similar items which are significant in total).

Revaluations

(i) Basis

Leasehold improvements and plant and equipment are carried at valuation, being revalued with sufficient frequency such that the carrying amount of each asset class is not materially different, as at reporting date, from its fair value.

Assets that are surplus to requirements are measured at their net realisable value. At 30 June 2005 ASIC held no surplus assets (30 June 2004: nil).

(ii) Leasehold improvements

During 2003–04 leasehold improvements were revalued to fair value for the first time measured at written down replacement 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.

Leasehold improvements are subject to a formal valuation every three years. Formal valuations are carried out by an independent qualified valuer (Australian Valuation Office). Between formal valuations, leasehold improvements are reviewed to ensure reported amounts are not materially different to fair values. For the purposes of these interim reviews, leasehold improvements are revalued using an appropriate index reflecting movements in the price of similar assets. If a material difference is identified assets are revalued.

(iii) Plant and equipment

On 1 July 2004 plant and equipment assets were revalued to fair value for the first time. The fair value of plant and equipment assets is measured at market selling price, being the amount for which the asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of plant and equipment acquired by finance lease, where no residual value is guaranteed by ASIC, has been valued at the market selling price of the asset at the date of valuation less the present value of the unguaranteed residual value expected to accrue to the benefit of the lessor at the end of the lease term.

In accordance with AASB 1041 *Revaluation of Non-Current Assets*, 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 accumulated surplus or deficit.

Plant and equipment assets are subject to a formal valuation every three years. Formal valuations are carried out by an independent qualified valuer (Australian Valuation Office). Between formal valuations, plant and equipment assets are reviewed to ensure reported amounts are not materially different to fair values. The valuation confirmed that asset values reported at 30 June 2005 were representative of fair value and no valuation adjustment was required.

Depreciation and amortisation

Depreciable leasehold improvements, plant and equipment assets are written down to their estimated residual values over their estimated useful lives to ASIC.

(i) Plant and equipment

Computer equipment is depreciated using the declining-balance method whilst, for all other plant and equipment, the straight-line method of depreciation is applied. Depreciation of computer equipment was changed to the declining balance method for the first time in 2004–05. This change was made as the resultant depreciation pattern from the declining balance method more accurately reflects the reduction in fair value over the life of these assets.

(ii) Leasehold improvements

Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

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

	2005	2004
Leasehold improvements	Lease Term	Lease Term
Computer equipment	1–10 years	1–10 years
Other plant and equipment (owned)	2–10 years	2–10 years
Other plant and equipment (leased)	2–10 years	2–10 years

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

1.16 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, which are not held to generate net cash inflows, have been assessed for indications of impairment. Where indications of impairment exist, the asset is written down to the higher of its net selling price and, if ASIC would replace the asset's service potential, its depreciated replacement cost.

1.17 Intangibles

ASIC's intangibles comprise purchased and internally developed software for internal use. These assets are carried at cost. The cost of internally developed software, which is capitalised, includes the cost of direct labour and other direct costs.

Software is amortised on a straight-line basis over its anticipated useful life. For accounting purposes, the useful lives of ASIC's software is estimated to be 4 years (2003–04: 3 to 5 years). Any enhancements to an existing asset are amortised over the remaining life of the asset. All software assets were assessed for indications of impairment as at 30 June 2005. No impairment write-down was required.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 1: Summary of significant accounting policies continued

1.18 Taxation

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

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

1.19 Insurance

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

1.20 Reporting of administered activities

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

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

Administered cash transfers to and from the Consolidated Revenue Fund (CRF)

Revenue collected by ASIC on behalf of the Government is Administered Revenue.

Collections are transferred to the CRF maintained by the Department of Finance and Administration. These transfers to the CRF are adjustments to the administered cash held by ASIC on behalf of the Government and reported as such in the Statement of Cash Flows in the Schedule of Administered Items and in the Administered Reconciliation Table in Note 29. The Schedule of Administered Items reflects the Government's transactions through ASIC, with parties outside the Government.

Revenue

Administered revenue comprises annual review fees and other fees prescribed under the Corporations (Fees) Regulations and fees for microfiche, certificates and document images.

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.

Administered revenue is recognised at its nominal amount due less any provision for bad or doubtful debts. Collectability of debts is reviewed during the financial year and at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.

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 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.

1.21 Unclaimed monies – administered items

Banking Act administration

ASIC is responsible 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 or more years are transferred to the Commonwealth, and are deposited into the CRF.

Life Insurance Act administration

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

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

1.22 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).

1.23 Changes in accounting policy

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

1.24 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 arriving at the amount shown as 'net contribution of outcome' are eliminated in calculating the actual budget outcome for the Government overall (Note 39 refers).

1.25 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 offs and waivers.

1.26 Comparative figures

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

1.27 Financial instruments

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 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). The International Financial Reporting Standards are issued by the International Accounting Standards Board. The standards being replaced are to be withdrawn with effect from 2005–06, but continue to apply in the meantime, including the reporting period ended on 30 June 2005. The new standards cannot be adopted early.

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 Financial Statements for 2005–06 and beyond.

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

Accounting Standard AASB 1047 *Disclosing the Impact of Adopting Australian Equivalents to International Financial Reporting Standards* requires that the financial statements for 2004–05 disclose:

- An explanation of how the transition to AEIFRS is being managed;
- A narrative explanation of the key differences in accounting policies arising from the adoption of AEIFRS;

- Any known or reliably estimable information about the impacts on the financial report had it been prepared using AEIFRS; and
- If the impacts of the above are not known or reliably estimable, a statement to that effect.

The purpose of this note is to make these disclosures.

Management of the transition to AEIFRS

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

- The Audit Committee is overseeing the transition to and implementation of AEIFRS on behalf of the Commission. The Chief Financial Officer is formally responsible for the project and reports to the Audit Committee.

- All major accounting policy differences between current AASB standards and AEIFRS have been identified;
- AEIFRS compliant balance sheets as at 1 July 2004 and 30 June 2005 have been prepared. The 30 June 2005 balance sheet is provided as information in this note;
- No financial system changes will be required to implement AEIFRS;
- From 1 July 2004 all accounting records will be maintained to comply with AEIFRS requirements; and
- External advice has been sought where necessary to assist ASIC in determining the nature and extent of major accounting and disclosure changes.

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 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 disclosed in the table below and are discussed in the following paragraphs.

Management's review of the quantitative impacts of AEIFRS represents the best estimate of the impacts of the changes as at reporting date. The actual effects of the impacts of AEIFRS may differ from these estimates due to:

- The continuing review of the impacts of AEIFRS on ASIC's operations;
- Potential amendments to AEIFRS and AEIFRS Interpretations; and
- Emerging interpretations regarding the application of AEIFRS and AEIFRS Interpretations.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 2: Adoption of Australian Equivalents to International Financial Reporting Standards from 2005–2006 *continued*

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Notes	Existing Australian GAAP \$'000	AEIFRS \$'000	Change on adoption of AEIFRS \$'000
ASSETS				
Cash		14,907	14,907	–
Receivables		6,207	6,207	–
Leasehold improvements	(i)	9,420	11,046	1,626
Plant and equipment		6,937	6,937	–
Intangibles		16,879	16,879	–
Other non-financial assets		2,268	2,268	–
Total assets		56,618	58,244	1,626
LIABILITIES				
Leases	(ii)	4,134	4,052	(82)
Employee provisions	(iii)	32,466	32,379	(87)
Suppliers payables	(iv)	8,390	11,600	3,210
Other payables		9,049	9,049	–
Total liabilities		54,039	57,080	3,041
NET ASSETS / (LIABILITIES)		2,579	1,164	(1,415)
EQUITY				
Contributed equity		11,510	11,510	–
Reserves		5,254	5,254	–
Accumulated deficits	(v)	(14,185)	(15,600)	(1,415)
TOTAL EQUITY		2,579	1,164	(1,415)

(i) Leasehold improvements – make good of leased premises

AASB 116 *Property, Plant and Equipment* (AEIFRS) states that the cost of an item of property, plant and equipment includes 'the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a period for purposes other than to produce inventories during that period'.

As a consequence of the change to the accounting standards ASIC is now required to cost leasehold improvements inclusive of the estimated cost of restoring the leased premises at the end of the lease. The net impact on leasehold improvements at transition is an increase of \$1.798m.

During 2004–05 the higher asset value will give rise to a higher depreciation expense of \$0.402m.

After accounting for the make good of leasehold improvements acquired during 2004–05, the closing written down value of leasehold improvements at 30 June 2005 will be \$1.626m higher than is reported under existing Australian GAAP.

(ii) Leases – change to initial determination of lease liability

AASB 1008 *Leases* (existing Australian GAAP) requires ASIC to recognise finance lease liabilities at the inception of the lease at the present value of the minimum lease payments. AASB 117 *Leases* (AEIFRS) requires that finance lease liabilities be recognised at the inception of the lease at the lower of fair value or the present value of the minimum lease payments.

The fair value at the inception of some of ASIC's finance leases was lower than the present value of the minimum lease payments. This will require ASIC to restate the lease liability on transition to AEIFRS. The net impact on the lease liability is a reduction of \$0.151m at transition.

The reduction in the lease liability at 1 July 2004 has the flow on effect of increasing interest expense in 2004–05 by \$0.069m. The lease liability at 30 June 2005 will therefore be lower under AEIFRS by \$0.082m.

(iii) Employee provisions – determination of non-current annual leave provision

AASB 119 *Employee Benefits* (AEIFRS) requires annual leave liabilities that will not be settled within 12 months of the reporting date to be recognised as a long-term employee provision. As a consequence the non-current portion of the annual leave provision will be measured at present value, whereas AASB 1028 *Employee Benefits* (existing GAAP) requires all annual leave be measured at its nominal value. The restatement of non-current annual leave to present value at 1 July 2004 will result in a reduction in the provision at that date of \$0.126m.

Annual leave expense for 2004–05 will be \$0.039m higher under AEIFRS. At 30 June 2005 the liability will be \$0.087m lower under AEIFRS after discounting to present value the non-current portion of the provision.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 2: Adoption of Australian Equivalents to International Financial Reporting Standards from 2005–2006 continued**(iv) Supplier payables – provision for make good of leased premises**

UIG 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities* (AEIFRS) requires ASIC to recognise as a liability an estimate of the decommissioning and restoration costs relating to leased premises where the lease creates an obligation for ASIC to make good those premises.

Currently ASIC does not recognise a liability for making good leased premises until a decision has been made by ASIC to vacate a premises. The basis of this treatment is that a present obligation does not exist prior to a decision to vacate being made.

The recognition of a make good liability, on adoption of AEIFRS, for all leased premises, will increase supplier payables by \$3.210m at 30 June 2005. UIG 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities* (AEIFRS) also requires that the discount included in the calculation of the fair value of the make good liability be unwound and reported as an interest expense. This will result in interest expense being \$0.107m higher in 2004–05 under AEIFRS.

(v) Accumulated (deficits)

The increase in the accumulated deficit of (\$1.415m) that will be reported once AEIFRS is adopted incorporates a 2004–05 operating loss of \$0.418m. A reconciliation of the difference in the net surplus / (deficit) on adoption of AEIFRS is provided in the table below. The note references in the table refer to the comments above:

Reconciliation of net surplus / (deficit)	Notes	2005 \$'000
Net profit under existing Australian GAAP		75
Adjustments		
Depreciation expense arising from the capitalisation of estimated make good costs on leased premises (AASB 116).	(i)	(402)
Increase in borrowing costs arising from restatement of lease liability (AASB 117).	(ii)	(69)
Change in employee expense arising from discounting of non-current annual leave (AASB 119).	(iii)	(39)
Reversal of make good provision raised in 2004–05 under existing Australian GAAP that will be included in the AEIFRS make good provision at transition date (1 July 2004) (AASB 116, UIG 1).		124
Interest expense arising from the unwinding of the discount in the make good provision (UIG 1).	(iv)	(107)
Net deficit under AEIFRS		(418)

Note 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 in 2004–05 provided ASIC with equity injections of \$11.5m of which \$11.3m was made available to address accumulated past year losses (Note 13 refers).

Note 4: Operating revenues

	Notes	2005 \$'000	2004 \$'000
Note 4A: Revenues from Government			
Appropriation Act No. 1 Operating Expenditure		196,001	183,169
Appropriation Act No. 3 Operating Expenditure		3,199	116
Total revenues from government	(i), 5B	199,200	183,285
(i) The increase in Appropriations received by ASIC in 2004–05 of \$15.915m is due to funding provided by the Government as follows:			
(a) Support provided by the government to sustain ASIC's operations		11,700	
(b) Funding for specific litigation and enforcement costs		5,518	
(c) To give effect to the CLERP 9 legislative reforms dealing with auditor regulation, and for ASIC to conduct surveillance activities, investigate and take enforcement action in relation to alleged contraventions		1,858	
(d) Completion of activity associated with the implementation of the <i>Financial Services Reform Act 2001</i>		(3,463)	
(e) Other		302	
Total increase in appropriation		15,915	
Note 4B: Sale of services			
Sale of services		3,155	3,603
Total sale of services		3,155	3,603
Rendering of services to:			
Related entities		1,359	1,484
External entities		1,796	2,119
Total rendering of services		3,155	3,603
Note 4C: Interest			
Bank interest		2,622	2,043
Total interest revenues		2,622	2,043
Note 4D: Revenue from sale of assets			
Plant and equipment			
Proceeds from disposal	6E	33	11
Note 4E: Other revenues			
Cost recoveries	(i)	2,585	1,867
Royalties		305	303
Miscellaneous		168	226
Total other revenues		3,058	2,396

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 5: Appropriations

Note 5A: Cash basis acquittal of Appropriations from Acts 1, 2, 3 and 4

Particulars	Notes	Departmental outputs		Equity		Total	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Year ended 30 June 2005							
Balance carried from previous year		6,652	–	–	–	6,652	–
Appropriation Acts 1 and 3		205,888	192,784	–	–	205,888	192,784
Appropriation Acts 2 and 4		–	–	11,915	2	11,915	2
Appropriation deferred to 2005–06	(i)	(6,499)	–	–	–	(6,499)	–
Available for payment out of CRF		206,041	192,784	11,915	2	217,956	192,786
Cash payments made out of CRF	5B	(202,957)	(186,132)	(11,508)	(2)	(214,465)	(186,134)
Balance carried to next year	5B	3,084	6,652	407	–	3,491	6,652
Represented by:							
Appropriations receivable	8B	3,084	6,652	–	–	3,084	6,652
Unspent appropriation	(ii)	–	–	407	–	407	–
		3,084	6,652	407	–	3,491	6,652

(i) Specific purpose appropriations to fund ASIC for its costs associated with the HIH Task Force have been reprofiled to 2005–06 and will be received in that year.

(ii) Unspent portion of specific purpose appropriation funding from the Government to fund ASIC for its costs associated with the James Hardie matter. This amount is not included in the financial statements.

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

Particulars	Notes	2005 \$'000	2004 \$'000
Payments from the CRF		202,957	186,132
Appropriations receivable	8B	3,084	6,652
less: Unearned appropriation revenue	(i), 12B	(6,688)	(6,499)
Appropriation returned to the CRF in 2003–04	(ii)	–	(3,000)
Unearned appropriation in 2004	12B	6,499	–
less: Appropriations receivable in 2004	8B	(6,652)	–
Total revenues from Government		199,200	183,285

(i) Unspent portion of specific purpose appropriation associated with certain litigations and investigations, 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.

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

ASIC receives special appropriations for administered items to allow refunds of collected monies to be made when required (further details are provided within the tables below). The purpose of this note is to summarise the actual utilisation of the CRF for these special appropriations compared to the initial estimate included in the Government's Budget for each class of administered item appropriation.

	2005 \$'000	2004 Outcome 1 \$'000
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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 within 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	4,000	3,000
Payments made	2,755	3,333

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 or more 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	20,000	18,000
Payments made	17,790	14,709

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 5: Appropriations continued**Note 5C: Acquittal of authority to draw cash from the Consolidated Revenue Fund – special appropriations (unlimited amounts)** (continued)

	2005	2004
	Outcome 1	
	\$'000	\$'000

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 (part 9.7 of the *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	406	176

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 under section 28 of the *FMA Act*.

All transactions under this Act are recognised as Administered Items.

Budget estimate	6,000	3,000
Payments made	3,522	3,055

Note 6: Operating expenses

	Notes	2005 \$'000	2004 \$'000
Note 6A: Employees			
Salaries		97,782	91,182
Superannuation	(i)	13,467	12,361
Leave and other entitlements		10,953	11,539
Separation and redundancy	(ii)	1,717	620
<i>Total employees benefits expense</i>		123,919	115,702
Workers compensation premiums		1,306	763
Total employees expenses		125,225	116,465

- (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 23.1% (2004: 24.3%), the Public Sector Superannuation Scheme (PSS) was 11.1% (2004: 11.4%), and the superannuation productivity benefit was 2.0% to 3.0% (2004: 2.0% to 3.0%).
- (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.

Note 6B: Suppliers

Goods from related entities		8	18
Goods from external entities		1,938	3,499
Services from related entities		5,917	5,757
Services from external entities		44,301	41,995
Operating lease rentals	(i)	16,376	14,797
Total suppliers expenses		68,540	66,066

- (i) These comprise minimum lease payments only.

Note 6C: Depreciation and amortisation

<i>Depreciation of plant and equipment</i>			
Plant and equipment owned		1,849	750
Assets subject to a finance lease		3,424	5,633
Total depreciation		5,273	6,383
<i>Amortisation</i>			
Intangibles (computer software)		5,429	3,649
Leasehold improvements		2,908	2,804
Total amortisation		8,337	6,453
Total depreciation and amortisation	9D	13,610	12,836

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 6: Operating expenses continued

	Notes	2005 \$'000	2004 \$'000
Note 6D: Write down of assets			
Bad and doubtful debts expense		77	27
Leasehold improvements, plant and equipment and intangibles (computer software) – write-off		155	72
Total write down of assets		232	99
Note 6E: Net profit / (loss) from sales of assets			
Plant and equipment:			
Proceeds from disposal		33	11
Net book value of assets disposed		(13)	(87)
Net profit / (loss) from disposal of plant and equipment		20	(76)

Note 7: Borrowing costs expense

Finance charges on lease liabilities	373	605
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Note 8: Financial assets

Note 8A: Cash

Cash at bank and on hand	3,519	7,432
Cash on deposit	11,388	3,418
Total cash	14,907	10,850
Balance of cash as at 30 June shown in the Statement of Cash Flows	14,907	10,850

Note 8B: Receivables

Trade debtors	1,321	1,478
less: Provision for doubtful debts	(128)	(55)
	1,193	1,423
GST receivable	1,930	2,088
Appropriations receivable (i)	3,084	6,652
Total receivables (net)	6,207	10,163

All receivables are current assets.

(i) Appropriation by government to fund ASIC for specific investigation and litigation costs.

Note 8: Financial assets continued

	Notes	2005 \$'000	2004 \$'000
Receivables (gross) are aged as follows:			
Not overdue		6,285	10,126
Overdue by:			
Less than 30 days		23	27
30 to 60 days		2	4
More than 90 days		25	61
Total receivables (gross)		6,335	10,218
The provision for doubtful debts is aged as follows:			
Not overdue		101	–
Overdue by:			
Less than 30 days		3	–
More than 90 days		24	55
Total provision for doubtful debts		128	55

Note 9: Non-financial assets

Note 9A: Leasehold improvements

Leasehold improvements

– at cost		2,138	961
Accumulated amortisation		(435)	(154)
		1,703	807
– at valuation	(i)	27,094	28,180
Accumulated amortisation		(19,377)	(18,018)
		7,717	10,162
Total leasehold improvements (non-current)		9,420	10,969

- (i) The revaluation of leasehold improvements was performed on 1 July 2003 by an independent valuer from the Australian Valuation Office (Simon O'Leary AAPI MSAA). The valuations have been reviewed to ensure there is no material difference to fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 9: Non-financial assets continued

	Notes	2005 \$'000	2004 \$'000
Note 9B: Plant and equipment			
<i>Plant and equipment</i>			
– at cost		5,319	3,625
Accumulated depreciation		(1,094)	(802)
		4,225	2,823
– at valuation – finance lease	(i)	4,296	19,314
Accumulated depreciation		(2,629)	(10,352)
		1,667	8,962
– at valuation – owned assets	(i)	1,768	6,144
Accumulated depreciation		(723)	(5,912)
		1,045	232
Total plant and equipment (non-current)		6,937	12,017

(i) Plant and equipment was revalued to fair value for the first time at 1 July 2004 by an independent valuer from the Australian Valuation Office (Ty Noble AAPI). Resulting from this revaluation, a debit of \$4.079m was recorded against the accumulated deficit in accordance with the transitional provisions of AASB 1041. Prior to 1 July 2004 plant and equipment was valued at deprival value.

Asset values have been reviewed at 30 June 2005 to ensure that there is no material difference to fair value.

Note 9C: Intangibles

Computer software

– Internally developed – in progress		3,892	687
		3,892	687
– In use		29,067	23,279
Accumulated amortisation		(16,080)	(11,808)
		12,987	11,471
Total intangibles (non-current)		16,879	12,158

Note 9D: Analysis of leasehold improvements, plant and equipment and intangibles

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

	Notes	Leasehold improvements \$'000	Plant and equipment \$'000	Intangibles – computer software \$'000	TOTAL \$'000
As at 1 July 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
Additions					
by purchase	(i)	1,493	4,306	2,165	7,964
Internally developed software		–	–	7,985	7,985
Net revaluation decrement	(ii), 13	–	(4,079)	–	(4,079)
Depreciation / amortisation expense		(2,908)	(5,273)	(5,429)	(13,610)
Write-offs: cost / valuation		(804)	(51)	(1,156)	(2,011)
Write-offs: provision		670	30	1,156	1,856
Disposals:					
Disposals: cost / valuation		(598)	(810)	–	(1,408)
Disposals: provision		598	797	–	1,395
As at 30 June 2005					
Gross book value		29,232	11,383	32,959	73,574
Accumulated depreciation / amortisation		(19,812)	(4,446)	(16,080)	(40,338)
Net book value		9,420	6,937	16,879	33,236

(i) Total purchases of \$15,948,511 comprises cash purchases of \$16,371,320 less the reduction in accrued expenses of \$422,809.

(ii) The revaluation decrement is a result of the initial restatement of plant and equipment to fair value (Note 9B refers).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 9: Non-financial assets continued

Note 9D: Analysis of leasehold improvements, plant and equipment and intangibles (continued)

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

	Leasehold improvements \$'000	Plant and equipment \$'000	TOTAL \$'000
As at 30 June 2005			
Gross value	27,094	6,064	33,158
Accumulated depreciation / amortisation	(19,377)	(3,352)	(22,729)
Net book value	7,717	2,712	10,429
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

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

	Plant and equipment \$'000	TOTAL \$'000
As at 30 June 2005		
Gross value	4,296	4,296
Accumulated depreciation / amortisation	(2,629)	(2,629)
Net book value	1,667	1,667
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

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

	Intangibles – computer software \$'000	TOTAL \$'000
Gross value at 30 June 2005	3,892	3,892
Gross value at 30 June 2004	687	687

	Notes	2005 \$'000	2004 \$'000
Note 9E: Other non-financial assets			
Prepayments		2,268	1,970
Total other non-financial assets (current)		2,268	1,970

Note 10: Interest bearing liabilities

Leases

Finance lease commitments

Payable:

Within one year	2,468	5,722
In one to five years	1,928	4,409
Minimum lease payments	4,396	10,131
Deduct: future finance charges	(262)	(635)
Net lease liability	4,134	9,496

Lease liability is represented by:

Current	2,314	5,349
Non-current	1,820	4,147
Net lease liability	4,134	9,496

Finance leases exist in relation to certain IT assets. The leases are for terms of up to five years.

Note 11: Provisions

Employees

Salaries	3,476	7,666
Leave	27,501	26,195
Separation and redundancies	1,489	605
Total employees provisions	32,466	34,466
Employees provisions are represented by:		
Current	16,411	20,392
Non-current	16,055	14,074
Total employees provisions	32,466	34,466

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 12: Payables

	Notes	2005 \$'000	2004 \$'000
Note 12A: Suppliers			
Trade creditors		8,250	9,559
Goods and services tax payable		140	160
Total supplier payables		8,390	9,719

All supplier payables are current.

Note 12B: Other payables

Unearned revenue – Government appropriations	(i)	6,688	6,499
Other unearned revenue		57	104
Interest payable		18	14
Property lease incentives	(ii)	2,286	2,751
Insurance recoveries payable to the CRF		–	3
Total other payables		9,049	9,371
Other payables are represented by:			
Current		7,565	7,439
Non-current		1,484	1,932
Total other payables		9,049	9,371

(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.

(ii) Total property lease incentives are disclosed as deferred rental expenditure at 30 June 2005. The amortisation of these amounts will be made over the life of the leases, commencing after the expiry of the rent deferral periods.

Note 13: Equity

Analysis of equity

	Accumulated deficits		Asset revaluation reserve		Contributed equity		TOTAL EQUITY	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Opening balance as at 1 July	(10,181)	(6,286)	5,254	5,254	2	–	(4,925)	(1,032)
Net surplus / (deficit)	75	(4,820)	n/a	n/a	n/a	n/a	75	(4,820)
Net revaluation increment (leasehold improvements)	–	925	n/a	n/a	n/a	n/a	–	925
Net revaluation decrement (plant and equipment) (i)	(4,079)	–	n/a	n/a	n/a	n/a	(4,079)	–
Transactions with owner:								
Contributions by owner:								
Appropriations (equity injections)	n/a	n/a	n/a	n/a	11,508	2	11,508	2
Closing balance as at 30 June	(14,185)	(10,181)	5,254	5,254	11,510	2	2,579	(4,925)
Total equity attributable to the Commonwealth	(14,185)	(10,181)	5,254	5,254	11,510	2	2,579	(4,925)

(i) The revaluation decrement is a result of the initial restatement of plant and equipment to fair value (Note 1.15 refers).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 14: Cash flow reconciliation

	Notes	2005 \$'000	2004 \$'000
Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows			
Cash at year end per Statement of Cash Flows		14,907	10,850
Statement of Financial Position items comprising above cash:			
Financial Asset – Cash		14,907	10,850
Reconciliation of net surplus / (deficit) to net cash from operating activities:			
Net surplus / (deficit)		75	(4,820)
Depreciation and amortisation	6C	13,610	12,836
Write down of leasehold improvements, plant and equipment assets	6D	155	72
Net (profit) / loss on disposal of leasehold improvements, plant and equipment	6E	(20)	76
<i>Change in operating assets and liabilities resulting from operating activities:</i>			
(Increase) / decrease in receivables		3,956	(6,788)
(Increase) in other non-financial assets		(298)	(934)
Increase / (decrease) in employees provisions		(2,000)	6,829
Increase / (decrease) in suppliers payables	(i)	(907)	2,529
Increase / (decrease) in other payables		(322)	5,245
Net cash from operating activities		14,249	15,045

(i) In 2003–04 suppliers payables included the accrual of capital expenditure amounting to \$422,809.

Note 15: Non-cash financing and investing activities

Finance Lease Transaction

During 2003–04 ASIC acquired plant and equipment with an aggregate fair value of \$3,682,561, by means of a finance lease. This acquisition is not reflected in the Statement of Cash Flows.

Note 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 (2004: 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 (2004: 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 is one matter 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, six 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 2004. 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 are three matters of this type which may result in a material contingent asset by way of a payment of costs in favour of ASIC. It is not practicable to make an estimate of any such costs.

Note 17: Related party disclosures

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

J. J. Lucy (Chairman)

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

B. J. Collier (Commissioner)

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

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 18: Remuneration of commissioners and executive officers

Note 18A: Remuneration of commissioners

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

		2005 Commissioners	2004 Commissioners
\$0	to \$9,999	1	–
\$20,000	to \$29,999	–	1
\$110,000	to \$119,999	–	1
\$180,000	to \$189,999	–	1
\$300,000	to \$309,999	–	1
\$310,000	to \$319,999	1	–
\$330,000	to \$339,999	1	–
\$370,000	to \$379,999	–	1
\$380,000	to \$389,999	1	–
		4	5

	2005 \$	2004 \$
Aggregate amount of superannuation payments in connection with the future retirement of commissioners	65,878	63,960
Other remuneration received or due and receivable by commissioners	976,490	934,450
Total remuneration received or due and receivable by commissioners	1,042,368	998,410

Remuneration for M. J. Rodgers (2004: M. J. Rodgers and J. C. Iglesias) is included in total remuneration received or due and receivable for the part of year he was Acting Commissioner.

2003–04 comparatives have been restated to be on the same basis as 2004–05.

Note 18B: Remuneration of executive officers

		2005 Executives	2004 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:			
\$100,000	to \$109,999	2	–
\$110,000	to \$119,999	–	1
\$120,000	to \$129,999	–	2
\$130,000	to \$139,999	–	4
\$140,000	to \$149,999	1	6
\$150,000	to \$159,999	2	2
\$160,000	to \$169,999	3	3
\$170,000	to \$179,999	5	4
\$180,000	to \$189,999	3	2
\$190,000	to \$199,999	4	4
\$200,000	to \$209,999	2	2
\$210,000	to \$219,999	3	2
\$220,000	to \$229,999	1	–
\$230,000	to \$239,999	1	2
\$240,000	to \$249,999	1	1
\$250,000	to \$259,999	1	1
\$260,000	to \$269,999	1	–
\$270,000	to \$279,999	1	1
\$280,000	to \$289,999	2	–
\$300,000	to \$309,999	2	–
		35	37

	2005 \$	2004 \$
The aggregate amount of total remuneration of executives shown above:	7,112,682	6,508,788
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 2004–05 except for the commissioners and in respect of the period executive officers were occupying the post of Acting Commissioner. Details in relation to commissioners and acting commissioners are shown at Note 18A.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 19: Remuneration of auditors

	2005 \$	2004 \$
Remuneration to the Auditor-General for auditing the financial statements of ASIC in respect of the reporting period.	120,000	120,000

No other services are provided by the Auditor-General.

Refer to Note 25 for audit services received free of charge in respect of Administered Items.

Note 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*.

	2005 \$'000	2004 \$'000
Opening balance	102	92
Receipts	310	372
Available for payments	412	464
Disbursements	364	362
Closing balance	48	102

Note 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.

	2005 \$'000	2004 \$'000
Companies Auditors and Liquidators Disciplinary Board (CALDB)	681	474
Australian Accounting Standards Board (AASB)	1,500	1,500
Superannuation Complaints Tribunal	3,965	3,353

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.

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

Note 23: Average staffing levels

	2005	2004
The average staffing levels for ASIC during the year were	1,570	1,531

Note 24: Financial instruments

Note 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 and on hand	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 2005 the current interest rate was 5.1% (2004: 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 (2004: 14 days).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 24: Financial instruments continued

Note 24A: Terms, conditions and accounting policies (continued)

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 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 5.2%. 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.	

Note 24B: Interest rate risk

Note 24B: Interest rate risk															Weighted average effective interest rate	
Financial instrument	Notes	Floating interest rate		Fixed interest rate maturing in						Non-interest bearing		Total				
				1 year or less		1 to 5 years		> 5 years								
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 %	2004 %	
Financial assets																
Cash at bank and on hand	8A	14,855	7,369	-	-	-	-	-	-	52	63	14,907	7,432	4.9	4.4	
Cash on deposit	8A	-	3,418	-	-	-	-	-	-	-	-	-	3,418	5.5	5.3	
Receivables for services	8B	-	-	-	-	-	-	-	-	6,207	10,163	6,207	10,163	n/a	n/a	
Total		14,855	10,787	-	-	-	-	-	-	6,259	10,226	21,114	21,013			
Total Assets													56,618	58,127		
Financial liabilities																
Finance lease liabilities	10	-	-	2,314	5,349	1,820	4,147	-	-	-	-	4,134	9,496	5.2	5.1	
Trade creditors	12A	-	-	-	-	-	-	-	-	8,390	9,719	8,390	9,719	n/a	n/a	
Unearned revenue	12B	-	-	-	-	-	-	-	-	6,745	6,603	6,745	6,603	n/a	n/a	
Other debt	12B	18	14	-	-	-	-	-	-	2,286	2,754	2,304	2,768	4.8	4.1	
Total		18	14	2,314	5,349	1,820	4,147	-	-	17,421	19,076	21,573	28,586			
Total Liabilities													54,039	63,052		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 24: Financial Instruments continued

Note 24C: Net fair values of financial assets and liabilities

		2005		2004	
	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	14,907	14,907	7,432	7,432
Deposits at call	8A	–	–	3,418	3,418
Receivables for services	8B	6,207	6,207	10,163	10,163
Total financial assets		21,114	21,114	21,013	21,013
Financial liabilities					
Finance lease liabilities	10	4,134	4,134	9,496	9,496
Trade creditors	12A	8,390	8,390	9,719	9,719
Unearned revenue	12B	6,745	6,745	6,603	6,603
Other debt	12B	2,304	2,304	2,768	2,768
Total financial liabilities		21,573	21,573	28,586	28,586

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.

Note 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.

Note 25: Revenues administered on behalf of Government

	2005 \$'000	2004 \$'000
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Revenues from Government

Administered services received free of charge (i)	27	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 2001*, *Banking Act 1959* and *Life Insurance Act 1995* revenue items. The fair value of the audit services provided is \$27,000 (2004: \$25,000).

Interest

Bank interest from Life Insurance Act Unclaimed Monies account	13	12
Bank interest from Banking Act Unclaimed Monies account	36	35
Total interest	49	47

Non-taxation revenues

Corporations Act fees and charges	530,995	456,575
Monies received from banks and deposit taking institutions in respect of accounts inactive for seven or more years	32,224	31,474
Monies received from life insurance institutions for policies not claimed within seven years	5,119	5,111
Total non-taxation revenues	568,338	493,160

Corporations Act fees and charges

	2005 \$'000 Fines	2005 \$'000 Fees	2005 \$'000 Total	2004 \$'000 Fines	2004 \$'000 Fees	2004 \$'000 Total
Mandatory collections (i)	66,217	421,770	487,987	32,296	384,441	416,737
Information broker fees (ii)	–	41,623	41,623	–	38,179	38,179
Other fees (ii)	–	1,052	1,052	–	1,180	1,180
Court receivables (iii)	333	–	333	479	–	479
Total Corporations Act fees and charges	66,550	464,445	530,995	32,775	423,800	456,575

(i) Fees and charges arise from actions which are mandatory under the *Corporations Act 2001*. Examples include annual review fees and other fees prescribed in the Corporations (Fees) Regulations. The level of fines increased as a result of the full year impact of late payment fees following the introduction of the CLERP 7 legislation.

(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 2005

Note 26: Expenses administered on behalf of Government

	Notes	2005 \$'000	2004 \$'000
Write-down and impairment of assets			
Financial assets			
Write-off of fees and charges	(i)	12,842	4,855
Increase in provision for doubtful debts	(ii)	10,506	15,005
Waiver of fees and charges owing	(iii)	5,092	3,507
Total write-down and impairment of assets		28,440	23,367
Other expenses			
Refunds paid to bank and deposit taking institution account holders		17,790	14,709
Refunds paid to life insurance policy holders		2,755	3,333
Audit fees		27	25
Total other expenses		20,572	18,067

- (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 60,755 items totalling \$12,842,232 (2004: 24,520 items totalling \$4,855,336). ASIC's new deregistration powers, as a result of the CLERP 7 legislation changes, have resulted in a significant increase in the level of Commonwealth monies written off during 2004–05.
- (ii) An increase in the provision for doubtful debts over the last year of \$10,506,000 to \$29,639,000 (2004: increase of \$15,005,313 to \$19,133,000).
- (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 35,646 items totalling \$5,092,404 (2004: 16,482 items totalling \$3,506,998). The increase is due to the full year effect of the late payment fees implemented as part of the CLERP 7 legislation.

Note 27: Assets administered on behalf of Government

	2005 \$'000	2004 \$'000
Cash		
Cash at bank and on hand – Corporations Act	3,590	2,676
Cash at bank – Banking Act	365	851
Cash at bank – Life Insurance Act	524	265
Total cash	4,479	3,792
Balance of cash as at 30 June shown in the Schedule of Administered Cash Flows	4,479	3,792
Receivables – Corporations Act		
Corporations Act fees and charges	93,145	74,500
Court costs	–	1,640
Information brokers fees	5,444	5,770
less: Provision for doubtful debts	(29,639)	(19,133)
Total receivables (net)	68,950	62,777
The total of uncollected Corporations Act Commonwealth revenue classified by age analysis is as follows:		
Not overdue	50,204	45,515
Overdue by:		
Less than 30 days	14,116	14,985
30 to 60 days	6,702	7,294
61 to 90 days	2,780	2,259
More than 90 days	24,787	11,857
Total receivables (gross)	98,589	81,910
The provision for doubtful debts is aged as follows:		
Not overdue	2,830	3,733
Overdue by:		
Less than 30 days	868	1,263
30 to 60 days	990	1,314
61 to 90 days	867	1,155
More than 90 days	24,084	11,668
Total provision for doubtful debts	29,639	19,133

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 28: Liabilities administered on behalf of Government

	Notes	2005 \$'000	2004 \$'000
Payables			
Information Integrity monies – Corporations Act		–	14
Corporations Act refunds		3,007	4,006
Unallocated monies – Corporations Act		1,645	1,689
Total payables		4,652	5,709

Note 29: Administered reconciliation table

Administered assets less administered liabilities as at 1 July	60,860	15,860
plus: Administered revenues	568,414	493,232
less: Administered expenses	(49,012)	(41,434)
Appropriation provided by Government from CRF	23,769	20,404
Transfers to CRF	(535,254)	(427,202)
Administered assets less administered liabilities as at 30 June	68,777	60,860

Note 30: Administered cash flow reconciliation

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

Net contribution to budget outcome	543,171	472,202
Cash to CRF	(535,254)	(427,202)
Net increase in administered assets from operations	7,917	45,000
Increase in provision for doubtful debts	10,506	15,005
Decrease in payables and provisions	(1,057)	(2,461)
Increase in receivables	(16,679)	(66,721)
Decrease in accrued revenue	–	7,591
	(7,230)	(46,586)
Net cash provided/(used) by operating activities	687	(1,586)

Note 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.	27,000	25,000

Note 32: Assets held in trust – companies unclaimed monies

	2005 \$'000	2004 \$'000
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 <i>Corporations Act 2001</i> . 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	53,216	47,620
Receipts	21,911	13,831
Special appropriations received (section 28(2) FMA Act)	406	176
Interest received	3,041	2,358
Disbursements	(6,417)	(6,292)
Special purpose disbursement	–	(2,060)
Management costs recovered by ASIC	(411)	(613)
less: Transfer to Consolidated revenue	(3,250)	(1,804)
Closing balance	68,496	53,216

Note 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	13	16
Receipts	753	7,003
Interest received	3	5
Disbursements	(714)	(7,011)
Closing balance	55	13

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 34: Fiduciary monies (other than trust monies)

	2005 \$'000	2004 \$'000
Monies held pending the outcome of ASIC investigations and/or legal proceedings		
Opening balance	3,820	4,681
Interest received	33	172
Disbursements	(3,737)	(1,033)
Closing balance	116	3,820
Monies received and disbursed in accordance with orders made by the courts or deeds of settlement between ASIC and other parties		
Opening balance	870	1,759
Receipts	—	—
Interest received	40	46
Disbursements	(123)	(935)
Closing balance	787	870

Note 35: Fiduciary monies (other than trust monies) security deposits

The *Corporations Act 2001* and the *Corporations Regulations 2001* require applicants for a dealers or investment advisers licence, and applicants for registration as a liquidator, to lodge a security deposit with ASIC. These monies, deposits, stock, bonds or guarantees are not available for the purposes of ASIC and are not recognised in the financial statements.

Security deposits under *Corporations Regulations 2001* regulation 7.6.02AA (dealers and investment advisers)

Cash (at bank)	40	261
Interest bearing deposits (at bank)	480	760
Inscribed stock	20	20
Insurance bonds	20	20
Bank guarantees	36,150	40,105
Closing balance	36,710	41,166

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

Insurance bonds	5,200	5,200
Bank guarantees	1,000	500
Closing balance	6,200	5,700

Note 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 (2004: nil).

Note 37: Administered financial instruments

Note 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.	
Cash at bank and on hand	27	Deposits are recognised at their nominal amounts. Interest on cash at bank is credited to revenue as it accrues.	Monies awaiting payment to the CRF are held at call with ASIC's banker.
Receivables – Corporations Act 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 within 60 days of annual review (2004: payable on lodgement of annual return).
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.	
Payables – Corporations Act 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.
Payables – 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 2005

Note 37: Administered financial instruments continued**Note 37B: Administered interest rate risk**

Note 37B. Administered interest rate risk														Weighted average effective interest rate	
Financial instrument	Notes	Floating interest rate		Fixed interest rate maturing in						Non-interest bearing		Total			
				1 year or less		1 to 5 years		> 5 years							
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 %	2004 %
Financial assets															
Cash at bank															
and on hand	27	889	1,116	-	-	-	-	-	-	3,590	2,676	4,479	3,792	4.8	4.2
Fee receivable (net)	27	-	-	-	-	-	-	-	-	68,950	62,777	68,950	62,777	n/a	n/a
Total		889	1,116	-	-	-	-	-	-	72,540	65,453	73,429	66,569		
Total Assets												73,429	66,569		
Financial liabilities															
Payables – Corporations															
Act refunds	28	-	-	-	-	-	-	-	-	3,007	4,006	3,007	4,006	n/a	n/a
Other monies	28	-	-	-	-	-	-	-	-	1,645	1,703	1,645	1,703	n/a	n/a
Total		-	-	-	-	-	-	-	-	4,652	5,709	4,652	5,709		
Total Liabilities												4,652	5,709		

Note 37C: Net fair values of administered financial assets and liabilities

	2005		2004	
	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	4,479	4,479	3,792	3,792
Receivables	68,950	68,950	62,777	62,777
Total financial assets	73,429	73,429	66,569	66,569
Financial liabilities				
Refunds	3,007	3,007	4,006	4,006
Other monies	1,645	1,645	1,703	1,703
Total financial liabilities	4,652	4,652	5,709	5,709

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 Items.

Note 38: Events occurring after balance date

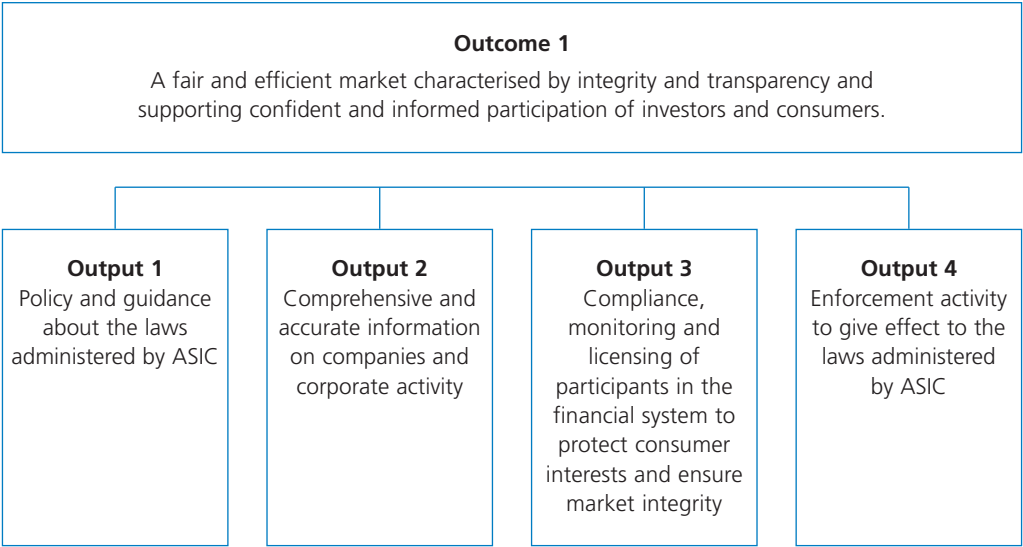
There were no events occurring after balance date that had a material effect on the financial statements.

Note 39: Reporting of outcomes

The outcomes and outputs framework for budgeting and reporting was introduced by Government for all Commonwealth Departments and Agencies in 1999–00.

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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 39: Reporting of outcomes continued

Note 39A: Net contribution of outcome delivery

Outcome 1. A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers.

	Outcome 1		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Administered expenses	49,012	41,434	49,012	41,434
Departmental expenses	207,993	196,158	207,993	196,158
Total expenses	257,005	237,592	257,005	237,592
<i>Costs recovered from provision of goods and services to the non-government sector</i>				
Departmental	1,796	2,119	1,796	2,119
Total costs recovered	1,796	2,119	1,796	2,119
<i>Other external revenues</i>				
Administered				
Non-taxation revenue	568,414	493,232	568,414	493,232
Total administered	568,414	493,232	568,414	493,232
Departmental				
Interest	2,622	2,043	2,622	2,043
Revenue from sale of assets	33	11	33	11
Other	3,058	2,396	3,058	2,396
Total departmental	5,713	4,450	5,713	4,450
Total other external revenues	574,127	497,682	574,127	497,682
Net contribution of outcome	(318,918)	(262,209)	(318,918)	(262,209)

Table A above shows the net cost to the Commonwealth Budget outcome by adding the departmental and administered expenses \$257.005m (2004: \$237.592m), less departmental and administered revenues \$575.923m (2004: \$499.801m) to produce a net contribution to the Budget outcome of \$318.918m (2004: \$262.209m). This derived amount of \$318.918m (2004: \$262.209m) is meaningful only when it is used to consider ASIC's contribution to the Budget outcome for the purposes of 'whole of Government' reporting. It is not intended to represent or portray an alternative operating result for ASIC to that which is disclosed in the Statement of Financial Performance.

Administered expenses represent revenue foregone to the Commonwealth as a result of refunds and waivers and write-offs of fees and charges owing to the Commonwealth (not ASIC) under the *Corporations Act 2001*. Administered revenues and administered expenses are detailed in Notes 25 and 26 respectively.

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

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

Outcome 1	Output 1		Output 2		Output 3		Output 4		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Departmental expenses										
Employees	5,939	5,848	28,564	23,610	34,223	38,055	56,499	48,952	125,225	116,465
Suppliers and borrowing costs	3,552	4,575	17,417	18,040	13,008	13,937	34,936	30,119	68,913	66,671
Depreciation and amortisation	544	492	4,083	3,622	3,674	3,934	5,309	4,788	13,610	12,836
Write-down of assets	4	7	24	18	27	38	177	36	232	99
Written down value of assets disposed	1	6	4	16	3	34	5	31	13	87
Other expenses	-	-	-	-	-	-	-	-	-	-
Total departmental expenses	10,040	10,928	50,092	45,306	50,935	55,998	96,926	83,926	207,993	196,158
Funded by:										
Revenues from government	7,968	10,997	59,760	49,487	53,784	51,320	77,688	71,481	199,200	183,285
Sale of services	-	-	3,155	3,603	-	-	-	-	3,155	3,603
Interest	105	123	787	551	708	572	1,022	797	2,622	2,043
Proceeds from sale of assets	-	1	33	3	-	3	-	4	33	11
Other	-	303	1,009	-	-	-	2,049	2,093	3,058	2,396
Total departmental revenues	8,073	11,424	64,744	53,644	54,492	51,895	80,759	74,375	208,068	191,338

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.

Note 39C: Major classes of administered revenues and expenses by outcomes

	Outcome 1		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Administered revenues				
Other taxes, fees and fines	530,995	456,575	530,995	456,575
Monies from banks and deposit taking institutions	32,224	31,474	32,224	31,474
Monies from life insurance institutions	5,119	5,111	5,119	5,111
Services free of charge	27	25	27	25
Interest	49	47	49	47
Total administered revenues	568,414	493,232	568,414	493,232
Administered expenses				
Write-down and impairment of assets	28,440	23,367	28,440	23,367
Other expenses	20,572	18,067	20,572	18,067
Total administered expenses	49,012	41,434	49,012	41,434

End of financial statements

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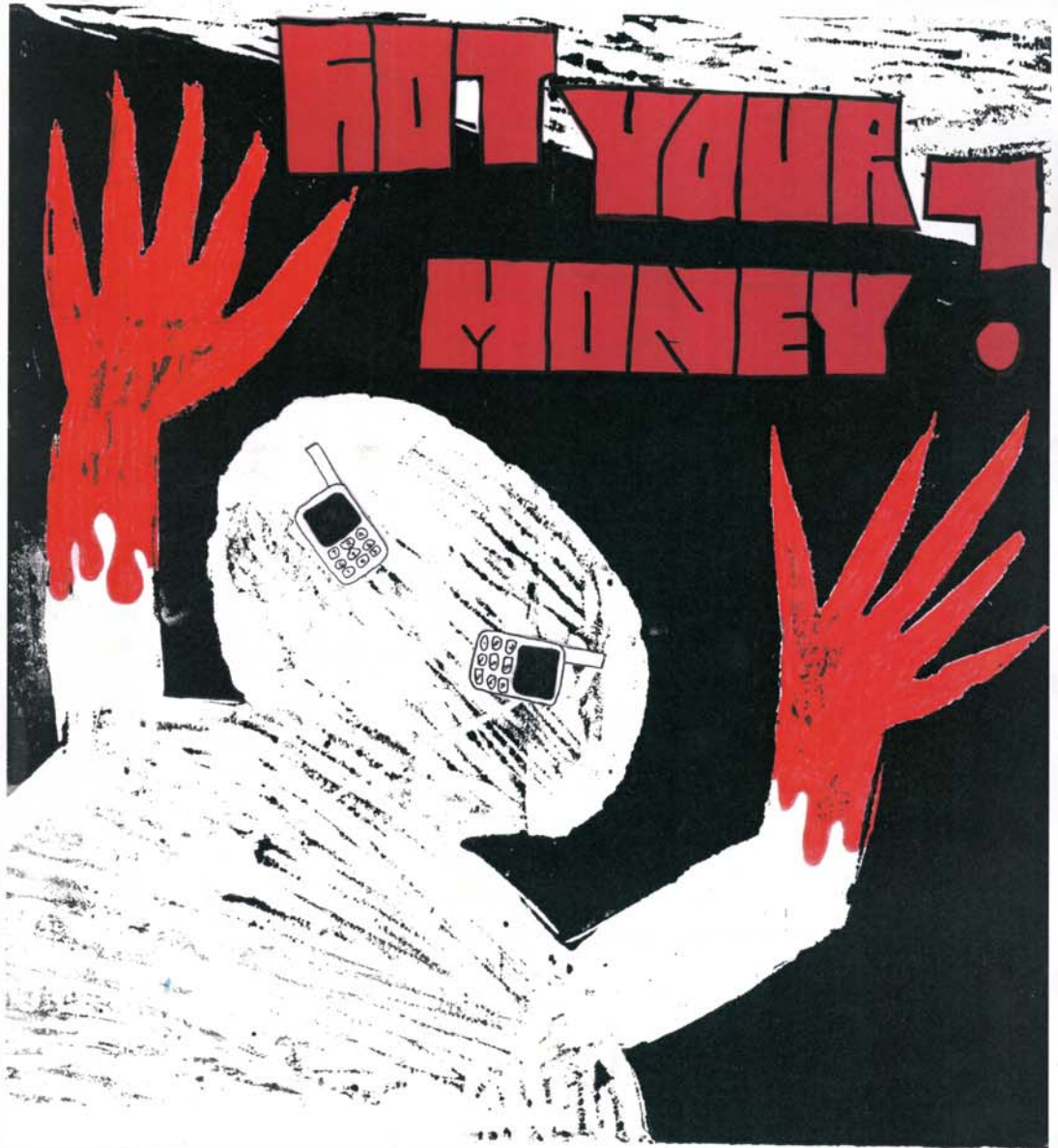
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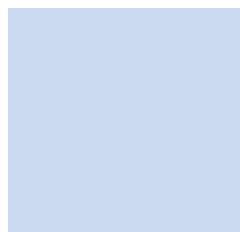
MOBILE

MONSTER

GOT YOUR MONEY!



Mobile monster got your money? Especially for younger people, mobile phones can make a dent in your budget. Catherine Browne, aged 14, won our Northern Territory schools competition, see page 52.



ASIC achievements recognised 2004–05



Financial communication: *Your Money*, our new publication to help you manage your finances:

- 'Best in show', Australia 2004
- 'Distinguished', highest grade international award

from Society for Technical Communication's International Technical Publications Competition, 2005.

Your Money available from www.fido.gov.au or phone 1300 300 630.



Annual reporting: *2003–04 Annual Report*, 'Gold Award' 2005 for overall excellence in annual reporting from Australasian Reporting Awards Inc.



Safety and rehabilitation: Winner, Safety Award 2005 for 'Rehabilitation and Return to Work', from the Commonwealth Safety, Rehabilitation and Compensation Commission. This award recognised achievement in improving outcomes for ill and injured employees.



Risk management: Highest five-star rating awarded by our insurer Comcover in 2005. This rating recognised our risk management benchmarking, as assessed by Standard and Poor's.



Environmental management: ASIC's Sydney site certified to International Standard (ISO 14001:1996 *Environmental Management Systems*) in 2005.