

# FINANCIAL STATEMENTS

for the year ended 30 June 2005

## CONTENTS FOR THE FINANCIAL STATEMENTS

|  | <b>Page</b> |
|--|-------------|
| Independent Audit Report                               | 62          |
| Statement by Commissioners and Chief Financial Officer | 64          |
| Statement of financial performance                     | 65          |
| Statement of financial position                        | 66          |
| Statement of cash flows                                | 67          |
| Schedule of commitments                                | 68          |
| Schedule of contingencies                              | 69          |
| Schedule of administered items                         | 70          |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

| <b>Note</b>  | <b>Page</b> |
|--|-------------|
| 1 Summary of significant accounting policies   | 74          |
| 2 Adoption of Australian Equivalents to International Financial Reporting Standards from 2005–2006 | 83          |
| 3 Economic dependency  | 86          |
| 4 Operating revenues   | 87          |
| 5 Appropriations   | 88          |
| 6 Operating expenses   | 91          |
| 7 Borrowing costs expense  | 92          |
| 8 Financial assets   | 92          |
| 9 Non-financial assets   | 93          |
| 10 Interest bearing liabilities  | 97          |
| 11 Provisions  | 97          |
| 12 Payables  | 98          |

| <b>Note</b>   | <b>Page</b> |
|---|-------------|
| 13 Equity   | 99          |
| 14 Cash flow reconciliation                                     | 100         |
| 15 Non-cash financing and investing activities                  | 100         |
| 16 Contingent liabilities and assets                            | 101         |
| 17 Related party disclosures                                    | 101         |
| 18 Remuneration of Commissioners and Executive Officers         | 102         |
| 19 Remuneration of Auditors                                     | 104         |
| 20 Assets held in trust   | 104         |
| 21 Expenditure relating to statutory boards and tribunal        | 104         |
| 22 Assets of deregistered companies vesting in ASIC             | 105         |
| 23 Average staffing levels                                      | 105         |
| 24 Financial instruments  | 105         |
| 25 Revenues administered on behalf of Government                | 109         |
| 26 Expenses administered on behalf of Government                | 110         |
| 27 Assets administered on behalf of Government                  | 111         |
| 28 Liabilities administered on behalf of Government             | 112         |
| 29 Administered reconciliation table                            | 112         |
| 30 Administered cash flow reconciliation                        | 112         |
| 31 Remuneration of auditors – administered items                | 112         |
| 32 Assets held in trust – companies unclaimed monies            | 113         |
| 33 Assets held in trust – unclaimed monies holding account      | 113         |
| 34 Fiduciary monies (other than trust monies)                   | 114         |
| 35 Fiduciary monies (other than trust monies) security deposits | 114         |
| 36 Special accounts   | 115         |
| 37 Administered financial instruments                           | 115         |
| 38 Events occurring after balance date                          | 117         |
| 39 Reporting of outcomes  | 117         |

# 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<br>\$'000 | 2004<br>\$'000 |
|---|------------|----------------|----------------|
| <b>REVENUE</b>  |            |                |                |
| <b>Revenues from ordinary activities</b>  |            |                |                |
| Revenues from Government  | 4A,5B      | <b>199,200</b> | 183,285        |
| Sale of services  | 4B         | <b>3,155</b>   | 3,603          |
| Interest  | 4C         | <b>2,622</b>   | 2,043          |
| Revenue from sale of assets   | 4D         | <b>33</b>      | 11             |
| Other revenues  | 4E         | <b>3,058</b>   | 2,396          |
| <b>Revenues from ordinary activities</b>  |            | <b>208,068</b> | 191,338        |
| <b>EXPENSE</b>  |            |                |                |
| <b>Expenses from ordinary activities<br/>(excluding borrowing costs expense)</b>                                    |            |                |                |
| Employees   | 6A         | <b>125,225</b> | 116,465        |
| Suppliers   | 6B         | <b>68,540</b>  | 66,066         |
| Depreciation and amortisation   | 6C         | <b>13,610</b>  | 12,836         |
| Write-down of assets  | 6D         | <b>232</b>     | 99             |
| Value of assets sold  | 6E         | <b>13</b>      | 87             |
| <b>Expenses from ordinary activities<br/>(excluding borrowing costs expense)</b>                                    |            | <b>207,620</b> | 195,553        |
| <b>Borrowing costs expense</b>  | 7          | <b>373</b>     | 605            |
| <b>Net surplus / (deficit)</b>  | 13,14      | <b>75</b>      | (4,820)        |
| Change in accumulated results on application of the transitional provisions of accounting standard AASB 1041        | 9B, 9D, 13 | <b>(4,079)</b> | 925            |
| <b>Total valuation adjustments recognised directly in equity</b>  |            | <b>(4,079)</b> | 925            |
| <b>Total changes in equity other than those resulting from transactions with the Australian Government as owner</b> |            | <b>(4,004)</b> | (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<br>\$'000 | 2004<br>\$'000 |
|---|-------|----------------|----------------|
| <b>ASSETS</b>                             |       |                |                |
| <b>Financial assets</b>                   |       |                |                |
| Cash                                      | 8A    | 14,907         | 10,850         |
| Receivables                               | 8B    | 6,207          | 10,163         |
| <b>Total financial assets</b>             |       | <b>21,114</b>  | 21,013         |
| <b>Non-financial assets</b>               |       |                |                |
| 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          |
| <b>Total non-financial assets</b>         |       | <b>35,504</b>  | 37,114         |
| <b>TOTAL ASSETS</b>                       |       | <b>56,618</b>  | 58,127         |
| <b>LIABILITIES</b>                        |       |                |                |
| <b>Interest bearing liabilities</b>       |       |                |                |
| Leases                                    | 10    | 4,134          | 9,496          |
| <b>Total interest bearing liabilities</b> |       | <b>4,134</b>   | 9,496          |
| <b>Provisions</b>                         |       |                |                |
| Employees                                 | 11    | 32,466         | 34,466         |
| <b>Total provisions</b>                   |       | <b>32,466</b>  | 34,466         |
| <b>Payables</b>                           |       |                |                |
| Suppliers                                 | 12A   | 8,390          | 9,719          |
| Other payables                            | 12B   | 9,049          | 9,371          |
| <b>Total payables</b>                     |       | <b>17,439</b>  | 19,090         |
| <b>TOTAL LIABILITIES</b>                  |       | <b>54,039</b>  | 63,052         |
| <b>NET ASSETS / (LIABILITIES)</b>         |       | <b>2,579</b>   | (4,925)        |
| <b>EQUITY</b>                             |       |                |                |
| Contributed equity                        | 3, 13 | 11,510         | 2              |
| Reserves                                  | 13    | 5,254          | 5,254          |
| Accumulated deficits                      | 13    | (14,185)       | (10,181)       |
| <b>TOTAL EQUITY</b>                       | 13    | <b>2,579</b>   | (4,925)        |
| <b>Current assets</b>                     |       | <b>23,382</b>  | 22,983         |
| <b>Non-current assets</b>                 |       | <b>33,236</b>  | 35,144         |
| <b>Current liabilities</b>                |       | <b>34,680</b>  | 42,899         |
| <b>Non-current liabilities</b>            |       | <b>19,359</b>  | 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<br>\$'000  | 2004<br>\$'000 |
|--|-------|-----------------|----------------|
| <b>OPERATING ACTIVITIES</b>  |       |                 |                |
| <b>Cash received</b>   |       |                 |                |
| 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          |
| <b>Total cash received</b>   |       | <b>220,511</b>  | 201,420        |
| <b>Cash used</b>   |       |                 |                |
| Employees  |       | 127,225         | 109,634        |
| Suppliers  |       | 78,667          | 73,136         |
| Borrowing costs  |       | 370             | 605            |
| Return of appropriation to Government                              | 5B    | –               | 3,000          |
| <b>Total cash used</b>   |       | <b>206,262</b>  | 186,375        |
| <b>Net cash from operating activities</b>                          | 14    | <b>14,249</b>   | 15,045         |
| <b>INVESTING ACTIVITIES</b>  |       |                 |                |
| <b>Cash received</b>   |       |                 |                |
| Proceeds from sales of leasehold improvements, plant and equipment | 4D    | 33              | 11             |
| <b>Total cash received</b>   |       | <b>33</b>       | 11             |
| <b>Cash used</b>   |       |                 |                |
| Purchase of leasehold improvements, plant and equipment            | 9D    | 16,371          | 9,845          |
| <b>Total cash used</b>   |       | <b>16,371</b>   | 9,845          |
| <b>Net cash used by investing activities</b>                       |       | <b>(16,338)</b> | (9,834)        |
| <b>FINANCING ACTIVITIES</b>  |       |                 |                |
| <b>Cash received</b>   |       |                 |                |
| Appropriations – contributed equity                                | 13    | 11,508          | 2              |
| <b>Total cash received</b>   |       | <b>11,508</b>   | 2              |
| <b>Cash used</b>   |       |                 |                |
| Repayment of finance lease principal                               |       | 5,362           | 5,551          |
| <b>Total cash used</b>   |       | <b>5,362</b>    | 5,551          |
| <b>Net cash from / (used by) financing activities</b>              |       | <b>6,146</b>    | (5,549)        |
| <b>Net increase / (decrease) in cash held</b>                      |       | <b>4,057</b>    | (338)          |
| Cash at the beginning of the reporting period                      |       | 10,850          | 11,188         |
| <b>Cash at the end of the reporting period</b>                     | 8A    | <b>14,907</b>   | 10,850         |

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



# SCHEDULE OF COMMITMENTS

as at 30 June 2005

|  | 2005<br>\$'000 | 2004<br>\$'000 |
|--|----------------|----------------|
| <b>BY TYPE</b>                             |                |                |
| <b>Capital commitments</b>                 |                |                |
| Plant and equipment <sup>1</sup>           | 291            | 39             |
| <b>Total capital commitments</b>           | <b>291</b>     | <b>39</b>      |
| <b>Other commitments</b>                   |                |                |
| Operating leases <sup>2</sup>              | 79,536         | 110,632        |
| Other commitments (goods and services)     | 116            | 237            |
| <b>Total other commitments</b>             | <b>79,652</b>  | <b>110,869</b> |
| <b>Commitments receivable <sup>3</sup></b> | <b>(7,233)</b> | <b>(8,134)</b> |
| <b>Net commitments by type</b>             | <b>72,710</b>  | <b>102,774</b> |
| <b>BY MATURITY</b>                         |                |                |
| <b>Capital commitments</b>                 |                |                |
| One year or less                           | 291            | 39             |
| <b>Total capital commitments</b>           | <b>291</b>     | <b>39</b>      |
| <b>Operating lease commitments</b>         |                |                |
| One year or less                           | 22,606         | 28,486         |
| From one to five years                     | 55,189         | 69,641         |
| Over five years                            | 1,741          | 12,505         |
| <b>Total operating lease commitments</b>   | <b>79,536</b>  | <b>110,632</b> |
| <b>Other commitments</b>                   |                |                |
| One year or less                           | 116            | 237            |
| <b>Total other commitments</b>             | <b>116</b>     | <b>237</b>     |
| <b>Commitments receivable</b>              | <b>(7,233)</b> | <b>(8,134)</b> |
| <b>Net commitments by maturity</b>         | <b>72,710</b>  | <b>102,774</b> |

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<br>There are no purchase options available to ASIC |
| Office equipment                   | No contingent rentals exist<br>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<br>\$'000 | 2004<br>\$'000 |
|--|-------|----------------|----------------|
| <b>REVENUES ADMINISTERED ON BEHALF OF GOVERNMENT</b>       |       |                |                |
| <b>Non-taxation</b>  |       |                |                |
| Corporations Act fees and charges                          | 25    | <b>530,995</b> | 456,575        |
| Banking Act unclaimed monies                               | 25    | <b>32,224</b>  | 31,474         |
| Life Insurance Act unclaimed monies                        | 25    | <b>5,119</b>   | 5,111          |
| Interest   | 25    | <b>49</b>      | 47             |
| Other revenue  | 25    | <b>27</b>      | 25             |
| <b>Total revenues administered on behalf of Government</b> |       | <b>568,414</b> | 493,232        |
| <b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>       |       |                |                |
| Write-down and impairment of assets                        | 26    | <b>28,440</b>  | 23,367         |
| Other expenses   | 26    | <b>20,572</b>  | 18,067         |
| <b>Total expenses administered on behalf of Government</b> |       | <b>49,012</b>  | 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<br>\$'000 | 2004<br>\$'000 |
|--|-------|----------------|----------------|
| <b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>       |       |                |                |
| <b>Financial assets (current)</b>                        |       |                |                |
| Cash   | 27    | 4,479          | 3,792          |
| Receivables  | 27    | 68,950         | 62,777         |
| <b>Total assets administered on behalf of Government</b> |       | <b>73,429</b>  | 66,569         |

## LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT

|   |    |               |        |
|---|----|---------------|--------|
| <b>Payables (current)</b>                                     |    |               |        |
| Payables  | 28 | 4,652         | 5,709  |
| <b>Total liabilities administered on behalf of Government</b> |    | <b>4,652</b>  | 5,709  |
| <b>Net assets administered on behalf of Government</b>        | 29 | <b>68,777</b> | 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   |
| <b>Total cash received</b>          |  | <b>535,941</b> | 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   |
| <b>Total cash used</b>              | 30 | <b>535,254</b> | 427,202 |

|   |  |            |         |
|---|--|------------|---------|
| <b>Net cash from / (used in) operating activities</b> |  | <b>687</b> | (1,586) |
|---|--|------------|---------|

|   |  |            |         |
|---|--|------------|---------|
| <b>Net increase / (decrease) in cash held</b> |  | <b>687</b> | (1,586) |
|---|--|------------|---------|

|   |  |       |       |
|---|--|-------|-------|
| Cash at the beginning of the reporting period |  | 3,792 | 5,378 |
|---|--|-------|-------|

|  |    |              |       |
|--|----|--------------|-------|
| <b>Cash at the end of the reporting period</b> | 27 | <b>4,479</b> | 3,792 |
|--|----|--------------|-------|

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

| NOTE | PAGE | NOTE | PAGE |
|------|------|------|------|
| 1    | 74   | 22   | 105  |
| 2    | 82   | 23   | 105  |
| 3    | 86   | 24   | 105  |
| 4    | 87   | 25   | 109  |
| 5    | 88   | 26   | 110  |
| 6    | 91   | 27   | 111  |
| 7    | 92   | 28   | 112  |
| 8    | 92   | 29   | 112  |
| 9    | 93   | 30   | 112  |
| 10   | 97   | 31   | 112  |
| 11   | 97   | 32   | 113  |
| 12   | 98   | 33   | 113  |
| 13   | 99   | 34   | 114  |
| 14   | 100  | 35   | 114  |
| 15   | 100  | 36   | 115  |
| 16   | 101  | 37   | 115  |
| 17   | 101  | 38   | 117  |
| 18   | 102  | 39   | 117  |
| 19   | 104  |      |      |
| 20   | 104  |      |      |
| 21   | 104  |      |      |

# 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             | <b>Lease Term</b> | Lease Term |
| Computer equipment                 | <b>1–10 years</b> | 1–10 years |
| Other plant and equipment (owned)  | <b>2–10 years</b> | 2–10 years |
| Other plant and equipment (leased) | <b>2–10 years</b> | 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<br>Australian<br>GAAP<br>\$'000 | AEIFRS<br>\$'000 | Change on<br>adoption<br>of AEIFRS<br>\$'000 |
|-----------------------------------|-------|--|------------------|--|
| <b>ASSETS</b>                     |       |  |                  |  |
| 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            | –  |
| <b>Total assets</b>               |       | <b>56,618</b>                            | <b>58,244</b>    | <b>1,626</b>                                 |
| <b>LIABILITIES</b>                |       |  |                  |  |
| 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            | –  |
| <b>Total liabilities</b>          |       | <b>54,039</b>                            | <b>57,080</b>    | <b>3,041</b>                                 |
| <b>NET ASSETS / (LIABILITIES)</b> |       | <b>2,579</b>                             | <b>1,164</b>     | <b>(1,415)</b>                               |
| <b>EQUITY</b>                     |       |  |                  |  |
| Contributed equity                |       | 11,510                                   | 11,510           | –  |
| Reserves                          |       | 5,254                                    | 5,254            | –  |
| Accumulated deficits              | (v)   | (14,185)                                 | (15,600)         | (1,415)                                      |
| <b>TOTAL EQUITY</b>               |       | <b>2,579</b>                             | <b>1,164</b>     | <b>(1,415)</b>                               |

**(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:

| <b>Reconciliation of net surplus / (deficit)</b>   | Notes | <b>2005<br/>\$'000</b> |
|--|-------|------------------------|
| <b>Net profit under existing Australian GAAP</b>   |       | 75                     |
| <b>Adjustments</b>   |       |                        |
| 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)                  |
| <b>Net deficit under AEIFRS</b>  |       | <b>(418)</b>           |

## 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<br>\$'000 | 2004<br>\$'000 |
|---|---------|----------------|----------------|
| <b>Note 4A: Revenues from Government</b>  |         |                |                |
| Appropriation Act No. 1 Operating Expenditure   |         | 196,001        | 183,169        |
| Appropriation Act No. 3 Operating Expenditure   |         | 3,199          | 116            |
| <b>Total revenues from government</b>   | (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            |                |
| <b>Total increase in appropriation</b>  |         | 15,915         |                |
| <b>Note 4B: Sale of services</b>  |         |                |                |
| Sale of services  |         | 3,155          | 3,603          |
| <b>Total sale of services</b>   |         | 3,155          | 3,603          |
| Rendering of services to:   |         |                |                |
| Related entities  |         | 1,359          | 1,484          |
| External entities   |         | 1,796          | 2,119          |
| <b>Total rendering of services</b>  |         | 3,155          | 3,603          |
| <b>Note 4C: Interest</b>  |         |                |                |
| Bank interest   |         | 2,622          | 2,043          |
| <b>Total interest revenues</b>  |         | 2,622          | 2,043          |
| <b>Note 4D: Revenue from sale of assets</b>   |         |                |                |
| Plant and equipment   |         |                |                |
| Proceeds from disposal  | 6E      | 33             | 11             |
| <b>Note 4E: Other revenues</b>  |         |                |                |
| Cost recoveries   | (i)     | 2,585          | 1,867          |
| Royalties   |         | 305            | 303            |
| Miscellaneous   |         | 168            | 226            |
| <b>Total other revenues</b>   |         | 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<br>\$'000       | 2004<br>\$'000 | 2005<br>\$'000 | 2004<br>\$'000 | 2005<br>\$'000 | 2004<br>\$'000 |
| <b>Year ended 30 June 2005</b>      |       |                      |                |                |                |                |                |
| 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)      |
| <b>Balance carried to next year</b> | 5B    | <b>3,084</b>         | 6,652          | <b>407</b>     | –              | <b>3,491</b>   | 6,652          |
| Represented by:                     |       |                      |                |                |                |                |                |
| Appropriations receivable           | 8B    | 3,084                | 6,652          | –              | –              | 3,084          | 6,652          |
| Unspent appropriation               | (ii)  | –                    | –              | 407            | –              | 407            | –              |
|                                     |       | <b>3,084</b>         | 6,652          | <b>407</b>     | –              | <b>3,491</b>   | 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<br>\$'000 | 2004<br>\$'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)        | –              |
| <b>Total revenues from Government</b>        |          | <b>199,200</b> | 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             | 2004          |
|--|------------------|---------------|
|  | <b>Outcome 1</b> |               |
|  | <b>\$'000</b>    | <b>\$'000</b> |

**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 | <b>4,000</b> | 3,000 |
| Payments made   | <b>2,755</b> | 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 | <b>20,000</b> | 18,000 |
| Payments made   | <b>17,790</b> | 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 |        |
| Corporations Act 2001 | \$'000    | \$'000 |

#### 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   | <b>406</b> | 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 | <b>6,000</b> | 3,000 |
| Payments made   | <b>3,522</b> | 3,055 |

## Note 6: Operating expenses

|   | Notes | 2005<br>\$'000 | 2004<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Note 6A: Employees</b>               |       |                |                |
| 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            |
| <b>Total employees expenses</b>         |       | 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 |
| <b>Total suppliers expenses</b> |     | 68,540 | 66,066 |

(i) These comprise minimum lease payments only.

### Note 6C: Depreciation and amortisation

#### *Depreciation of plant and equipment*

|                                   |  |       |       |
|-----------------------------------|--|-------|-------|
| Plant and equipment owned         |  | 1,849 | 750   |
| Assets subject to a finance lease |  | 3,424 | 5,633 |
| <b>Total depreciation</b>         |  | 5,273 | 6,383 |

#### *Amortisation*

|  |    |        |        |
|--|----|--------|--------|
| Intangibles (computer software)            |    | 5,429  | 3,649  |
| Leasehold improvements                     |    | 2,908  | 2,804  |
| <b>Total amortisation</b>                  |    | 8,337  | 6,453  |
| <b>Total depreciation and amortisation</b> | 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<br>\$'000 | 2004<br>\$'000 |
|--|----------------|----------------|
| <b>Note 6D: Write down of assets</b>   |                |                |
| Bad and doubtful debts expense   | 77             | 27             |
| Leasehold improvements, plant and equipment and intangibles<br>(computer software) – write-off | 155            | 72             |
| <b>Total write down of assets</b>  | <b>232</b>     | 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) |
| <b>Net profit / (loss) from disposal of plant and equipment</b> | <b>20</b> | (76) |

## Note 7: Borrowing costs expense

|                                      |     |     |
|--------------------------------------|-----|-----|
| Finance charges on lease liabilities | 373 | 605 |
|--------------------------------------|-----|-----|

## Note 8: Financial assets

### Note 8A: Cash

|  |               |        |
|--|---------------|--------|
| Cash at bank and on hand   | 3,519         | 7,432  |
| Cash on deposit  | 11,388        | 3,418  |
| <b>Total cash</b>  | <b>14,907</b> | 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  |
| <b>Total receivables (net)</b>     | <b>6,207</b> | 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<br>\$'000 | 2004<br>\$'000 |
|--|----------------|----------------|
| Receivables (gross) are aged as follows:             |                |                |
| Not overdue  | <b>6,285</b>   | 10,126         |
| Overdue by:  |                |                |
| Less than 30 days                                    | <b>23</b>      | 27             |
| 30 to 60 days  | <b>2</b>       | 4              |
| More than 90 days                                    | <b>25</b>      | 61             |
| <b>Total receivables (gross)</b>                     | <b>6,335</b>   | 10,218         |
| The provision for doubtful debts is aged as follows: |                |                |
| Not overdue  | <b>101</b>     | –              |
| Overdue by:  |                |                |
| Less than 30 days                                    | <b>3</b>       | –              |
| More than 90 days                                    | <b>24</b>      | 55             |
| <b>Total provision for doubtful debts</b>            | <b>128</b>     | 55             |

## Note 9: Non-financial assets

### Note 9A: Leasehold improvements

#### Leasehold improvements

|   |     |                 |          |
|---|-----|-----------------|----------|
| – at cost   |     | <b>2,138</b>    | 961      |
| Accumulated amortisation                          |     | <b>(435)</b>    | (154)    |
|   |     | <b>1,703</b>    | 807      |
| – at valuation                                    | (i) | <b>27,094</b>   | 28,180   |
| Accumulated amortisation                          |     | <b>(19,377)</b> | (18,018) |
|   |     | <b>7,717</b>    | 10,162   |
| <b>Total leasehold improvements (non-current)</b> |     | <b>9,420</b>    | 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<br>\$'000 | 2004<br>\$'000 |
|--|-------|----------------|----------------|
| <b>Note 9B: Plant and equipment</b>            |       |                |                |
| <i>Plant and equipment</i>                     |       |                |                |
| – at cost                                      |       | 5,319          | 3,625          |
| Accumulated depreciation                       |       | (1,094)        | (802)          |
|  |       | <b>4,225</b>   | 2,823          |
| – at valuation – finance lease                 | (i)   | 4,296          | 19,314         |
| Accumulated depreciation                       |       | (2,629)        | (10,352)       |
|  |       | <b>1,667</b>   | 8,962          |
| – at valuation – owned assets                  | (i)   | 1,768          | 6,144          |
| Accumulated depreciation                       |       | (723)          | (5,912)        |
|  |       | <b>1,045</b>   | 232            |
| <b>Total plant and equipment (non-current)</b> |       | <b>6,937</b>   | 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      |
|  |  | <b>3,892</b>  | 687      |
| – In use                               |  | 29,067        | 23,279   |
| Accumulated amortisation               |  | (16,080)      | (11,808) |
|  |  | <b>12,987</b> | 11,471   |
| <b>Total intangibles (non-current)</b> |  | <b>16,879</b> | 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<br>improvements<br>\$'000 | Plant and<br>equipment<br>\$'000 | Intangibles<br>– computer<br>software<br>\$'000 | TOTAL<br>\$'000 |
|---|----------|-------------------------------------|----------------------------------|---|-----------------|
| <b>As at 1 July 2004</b>                |          |                                     |                                  |   |                 |
| Gross book value                        |          | 29,141                              | 29,083                           | 23,966  | <b>82,190</b>   |
| Accumulated depreciation/amortisation   |          | (18,172)                            | (17,066)                         | (11,808)  | <b>(47,046)</b> |
| <b>Net book value</b>                   |          | <b>10,969</b>                       | <b>12,017</b>                    | <b>12,158</b>                                   | <b>35,144</b>   |
| <b>Additions</b>                        |          |                                     |                                  |   |                 |
| by purchase                             | (i)      | 1,493                               | 4,306                            | 2,165   | <b>7,964</b>    |
| Internally developed software           |          | –                                   | –                                | 7,985   | <b>7,985</b>    |
| Net revaluation decrement               | (ii), 13 | –                                   | (4,079)                          | –   | <b>(4,079)</b>  |
| Depreciation / amortisation expense     |          | (2,908)                             | (5,273)                          | (5,429)   | <b>(13,610)</b> |
| Write-offs: cost / valuation            |          | (804)                               | (51)                             | (1,156)   | <b>(2,011)</b>  |
| Write-offs: provision                   |          | 670                                 | 30                               | 1,156   | <b>1,856</b>    |
| <b>Disposals:</b>                       |          |                                     |                                  |   |                 |
| Disposals: cost / valuation             |          | (598)                               | (810)                            | –   | <b>(1,408)</b>  |
| Disposals: provision                    |          | 598                                 | 797                              | –   | <b>1,395</b>    |
| <b>As at 30 June 2005</b>               |          |                                     |                                  |   |                 |
| Gross book value                        |          | 29,232                              | 11,383                           | 32,959  | <b>73,574</b>   |
| Accumulated depreciation / amortisation |          | (19,812)                            | (4,446)                          | (16,080)  | <b>(40,338)</b> |
| <b>Net book value</b>                   |          | <b>9,420</b>                        | <b>6,937</b>                     | <b>16,879</b>                                   | <b>33,236</b>   |

(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<br>improvements<br>\$'000 | Plant and<br>equipment<br>\$'000 | TOTAL<br>\$'000 |
|---|-------------------------------------|----------------------------------|-----------------|
| <b>As at 30 June 2005</b>               |                                     |                                  |                 |
| Gross value                             | 27,094                              | 6,064                            | <b>33,158</b>   |
| Accumulated depreciation / amortisation | (19,377)                            | (3,352)                          | <b>(22,729)</b> |
| <b>Net book value</b>                   | <b>7,717</b>                        | <b>2,712</b>                     | <b>10,429</b>   |
| <b>As at 30 June 2004</b>               |                                     |                                  |                 |
| 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<br>equipment<br>\$'000 | TOTAL<br>\$'000 |
|---|----------------------------------|-----------------|
| <b>As at 30 June 2005</b>               |                                  |                 |
| Gross value                             | 4,296                            | <b>4,296</b>    |
| Accumulated depreciation / amortisation | (2,629)                          | <b>(2,629)</b>  |
| <b>Net book value</b>                   | <b>1,667</b>                     | <b>1,667</b>    |
| <b>As at 30 June 2004</b>               |                                  |                 |
| 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<br>– computer<br>software<br>\$'000 | TOTAL<br>\$'000 |
|------------------------------------|---|-----------------|
| <b>Gross value at 30 June 2005</b> | <b>3,892</b>                                    | <b>3,892</b>    |
| Gross value at 30 June 2004        | 687   | 687             |

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

## 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)        |
| <b>Net lease liability</b>     |  | <b>4,134</b> | <b>9,496</b> |

Lease liability is represented by:

|                            |  |              |              |
|----------------------------|--|--------------|--------------|
| Current                    |  | 2,314        | 5,349        |
| Non-current                |  | 1,820        | 4,147        |
| <b>Net lease liability</b> |  | <b>4,134</b> | <b>9,496</b> |

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           |
| <b>Total employees provisions</b>        |  | <b>32,466</b> | <b>34,466</b> |
| Employees provisions are represented by: |  |               |               |
| Current                                  |  | 16,411        | 20,392        |
| Non-current                              |  | 16,055        | 14,074        |
| <b>Total employees provisions</b>        |  | <b>32,466</b> | <b>34,466</b> |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

### Note 12: Payables

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

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            |
| <b>Total other payables</b>                  |      | <b>9,049</b> | <b>9,371</b> |

Other payables are represented by:

|                             |  |              |              |
|-----------------------------|--|--------------|--------------|
| Current                     |  | 7,565        | 7,439        |
| Non-current                 |  | 1,484        | 1,932        |
| <b>Total other payables</b> |  | <b>9,049</b> | <b>9,371</b> |

(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<br>\$'000       | 2004<br>\$'000 | 2005<br>\$'000            | 2004<br>\$'000 | 2005<br>\$'000     | 2004<br>\$'000 | 2005<br>\$'000 | 2004<br>\$'000 |
| Opening balance as at 1 July                           | <b>(10,181)</b>      | (6,286)        | <b>5,254</b>              | 5,254          | <b>2</b>           | –              | <b>(4,925)</b> | (1,032)        |
| Net surplus / (deficit)                                | <b>75</b>            | (4,820)        | <b>n/a</b>                | n/a            | <b>n/a</b>         | n/a            | <b>75</b>      | (4,820)        |
| Net revaluation increment<br>(leasehold improvements)  | –                    | 925            | <b>n/a</b>                | n/a            | <b>n/a</b>         | n/a            | –              | 925            |
| Net revaluation decrement<br>(plant and equipment) (i) | <b>(4,079)</b>       | –              | <b>n/a</b>                | n/a            | <b>n/a</b>         | n/a            | <b>(4,079)</b> | –              |
| <b>Transactions with owner:</b>                        |                      |                |                           |                |                    |                |                |                |
| Contributions by owner:                                |                      |                |                           |                |                    |                |                |                |
| Appropriations (equity injections)                     | <b>n/a</b>           | n/a            | <b>n/a</b>                | n/a            | <b>11,508</b>      | 2              | <b>11,508</b>  | 2              |
| <b>Closing balance as at 30 June</b>                   | <b>(14,185)</b>      | (10,181)       | <b>5,254</b>              | 5,254          | <b>11,510</b>      | 2              | <b>2,579</b>   | (4,925)        |
| <b>Total equity attributable to the Commonwealth</b>   | <b>(14,185)</b>      | (10,181)       | <b>5,254</b>              | 5,254          | <b>11,510</b>      | 2              | <b>2,579</b>   | (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<br>\$'000 | 2004<br>\$'000 |
|--|-------|----------------|----------------|
| <b>Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows</b> |       |                |                |
| Cash at year end per Statement of Cash Flows   |       | <b>14,907</b>  | 10,850         |
| Statement of Financial Position items comprising above cash:                                 |       |                |                |
| Financial Asset – Cash   |       | <b>14,907</b>  | 10,850         |
| <b>Reconciliation of net surplus / (deficit) to net cash from operating activities:</b>      |       |                |                |
| Net surplus / (deficit)  |       | <b>75</b>      | (4,820)        |
| Depreciation and amortisation  | 6C    | <b>13,610</b>  | 12,836         |
| Write down of leasehold improvements, plant and equipment assets                             | 6D    | <b>155</b>     | 72             |
| Net (profit) / loss on disposal of leasehold improvements, plant and equipment               | 6E    | <b>(20)</b>    | 76             |
| <i>Change in operating assets and liabilities resulting from operating activities:</i>       |       |                |                |
| (Increase) / decrease in receivables   |       | <b>3,956</b>   | (6,788)        |
| (Increase) in other non-financial assets   |       | <b>(298)</b>   | (934)          |
| Increase / (decrease) in employees provisions  |       | <b>(2,000)</b> | 6,829          |
| Increase / (decrease) in suppliers payables  | (i)   | <b>(907)</b>   | 2,529          |
| Increase / (decrease) in other payables  |       | <b>(322)</b>   | 5,245          |
| <b>Net cash from operating activities</b>  |       | <b>14,249</b>  | 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<br>Commissioners | 2004<br>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                     | –                     |
|                        | <b>4</b>              | <b>5</b>              |

|   | 2005<br>\$       | 2004<br>\$ |
|---|------------------|------------|
| Aggregate amount of superannuation payments in connection with the future retirement of commissioners | <b>65,878</b>    | 63,960     |
| Other remuneration received or due and receivable by commissioners                                    | <b>976,490</b>   | 934,450    |
| Total remuneration received or due and receivable by commissioners                                    | <b>1,042,368</b> | 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<br>Executives | 2004<br>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                  | –                  |
|   | <b>35</b>          | <b>37</b>          |

|   | 2005<br>\$       | 2004<br>\$ |
|---|------------------|------------|
| The aggregate amount of total remuneration of executives shown above:                                 | <b>7,112,682</b> | 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<br>\$     | 2004<br>\$ |
|---|----------------|------------|
| Remuneration to the Auditor-General for auditing the financial statements of ASIC in respect of the reporting period. | <b>120,000</b> | 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<br>\$'000 | 2004<br>\$'000 |
|------------------------|----------------|----------------|
| Opening balance        | <b>102</b>     | 92             |
| Receipts               | <b>310</b>     | 372            |
| Available for payments | <b>412</b>     | 464            |
| Disbursements          | <b>364</b>     | 362            |
| <b>Closing balance</b> | <b>48</b>      | 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<br>\$'000 | 2004<br>\$'000 |
|---|----------------|----------------|
| Companies Auditors and Liquidators Disciplinary Board (CALDB) | <b>681</b>     | 474            |
| Australian Accounting Standards Board (AASB)                  | <b>1,500</b>   | 1,500          |
| Superannuation Complaints Tribunal                            | <b>3,965</b>   | 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)                     |
|--------------------------|-------|---|---|
| <b>FINANCIAL ASSETS</b>  |       | 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)   |
|------------------------------|-------|---|---|
| <b>FINANCIAL LIABILITIES</b> |       | 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

| Financial instrument         | Notes | Floating interest rate |                | Fixed interest rate maturing in |                |                |                |                |                | Non-interest bearing |                | Total          |                | Weighted average effective interest rate |           |
|------------------------------|-------|------------------------|----------------|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------------|----------------|----------------|----------------|--|-----------|
|                              |       |                        |                | 1 year or less                  |                | 1 to 5 years   |                | > 5 years      |                |                      |                |                |                |  |           |
|                              |       | 2005<br>\$'000         | 2004<br>\$'000 | 2005<br>\$'000                  | 2004<br>\$'000 | 2005<br>\$'000 | 2004<br>\$'000 | 2005<br>\$'000 | 2004<br>\$'000 | 2005<br>\$'000       | 2004<br>\$'000 | 2005<br>\$'000 | 2004<br>\$'000 | 2005<br>%                                | 2004<br>% |
| <b>Financial assets</b>      |       |                        |                |                                 |                |                |                |                |                |                      |                |                |                |  |           |
| 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       |
| <b>Total</b>                 |       | <b>14,855</b>          | <b>10,787</b>  | <b>-</b>                        | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>6,259</b>         | <b>10,226</b>  | <b>21,114</b>  | <b>21,013</b>  |  |           |
| <b>Total Assets</b>          |       |                        |                |                                 |                |                |                |                |                |                      |                | <b>56,618</b>  | <b>58,127</b>  |  |           |
| <b>Financial liabilities</b> |       |                        |                |                                 |                |                |                |                |                |                      |                |                |                |  |           |
| 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       |
| <b>Total</b>                 |       | <b>18</b>              | <b>14</b>      | <b>2,314</b>                    | <b>5,349</b>   | <b>1,820</b>   | <b>4,147</b>   | <b>-</b>       | <b>-</b>       | <b>17,421</b>        | <b>19,076</b>  | <b>21,573</b>  | <b>28,586</b>  |  |           |
| <b>Total Liabilities</b>     |       |                        |                |                                 |                |                |                |                |                |                      |                | <b>54,039</b>  | <b>63,052</b>  |  |           |



# 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

|                                    | Notes | 2005                            |                                    | 2004                            |                                    |
|------------------------------------|-------|---------------------------------|------------------------------------|---------------------------------|------------------------------------|
|                                    |       | Total carrying amount<br>\$'000 | Aggregate net fair value<br>\$'000 | Total carrying amount<br>\$'000 | Aggregate net fair value<br>\$'000 |
| <b>Financial assets</b>            |       |                                 |                                    |                                 |                                    |
| 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                             |
| <b>Total financial assets</b>      |       | <b>21,114</b>                   | <b>21,114</b>                      | 21,013                          | 21,013                             |
| <b>Financial liabilities</b>       |       |                                 |                                    |                                 |                                    |
| 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                              |
| <b>Total financial liabilities</b> |       | <b>21,573</b>                   | <b>21,573</b>                      | 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<br>\$'000 | 2004<br>\$'000 |
|--|----------------|----------------|
|--|----------------|----------------|

### Revenues from Government

|   |    |    |
|---|----|----|
| Administered services received free of charge (i) | 27 | 25 |
|---|----|----|

(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        |
| <b>Total interest</b>  | <b>49</b> | <b>47</b> |

### 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          |
| <b>Total non-taxation revenues</b>   | <b>568,338</b> | <b>493,160</b> |

### Corporations Act fees and charges

|  | 2005<br>\$'000<br>Fines | 2005<br>\$'000<br>Fees | 2005<br>\$'000<br>Total | 2004<br>\$'000<br>Fines | 2004<br>\$'000<br>Fees | 2004<br>\$'000<br>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                     |
| <b>Total Corporations Act fees and charges</b> | <b>66,550</b>           | <b>464,445</b>         | <b>530,995</b>          | <b>32,775</b>           | <b>423,800</b>         | <b>456,575</b>          |

(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<br>\$'000 | 2004<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Write-down and impairment of assets</b>                          |       |                |                |
| 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          |
| <b>Total write-down and impairment of assets</b>                    |       | <b>28,440</b>  | <b>23,367</b>  |
| <b>Other expenses</b>   |       |                |                |
| 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             |
| <b>Total other expenses</b>   |       | <b>20,572</b>  | <b>18,067</b>  |

(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<br>\$'000 | 2004<br>\$'000 |
|--|----------------|----------------|
| <b>Cash</b>  |                |                |
| 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            |
| <b>Total cash</b>  | <b>4,479</b>   | 3,792          |
| <b>Balance of cash as at 30 June shown in the Schedule of Administered Cash Flows</b>                    | <b>4,479</b>   | 3,792          |
| <b>Receivables – Corporations Act</b>  |                |                |
| 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)       |
| <b>Total receivables (net)</b>   | <b>68,950</b>  | 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         |
| <b>Total receivables (gross)</b>   | <b>98,589</b>  | 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         |
| <b>Total provision for doubtful debts</b>  | <b>29,639</b>  | 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<br>\$'000 | 2004<br>\$'000 |
|---|----------------|----------------|
| <b>Payables</b>                                 |                |                |
| Information Integrity monies – Corporations Act | –              | 14             |
| Corporations Act refunds                        | 3,007          | 4,006          |
| Unallocated monies – Corporations Act           | 1,645          | 1,689          |
| <b>Total payables</b>                           | <b>4,652</b>   | <b>5,709</b>   |

### Note 29: Administered reconciliation table

|  |                  |           |
|--|------------------|-----------|
| <b>Administered assets less administered liabilities as at 1 July</b>  | <b>60,860</b>    | 15,860    |
| plus: Administered revenues  | <b>568,414</b>   | 493,232   |
| less: Administered expenses  | <b>(49,012)</b>  | (41,434)  |
| Appropriation provided by Government from CRF                          | <b>23,769</b>    | 20,404    |
| Transfers to CRF   | <b>(535,254)</b> | (427,202) |
| <b>Administered assets less administered liabilities as at 30 June</b> | <b>68,777</b>    | 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                      | <b>543,171</b>   | 472,202   |
| Cash to CRF   | <b>(535,254)</b> | (427,202) |
| Net increase in administered assets from operations     | <b>7,917</b>     | 45,000    |
| Increase in provision for doubtful debts                | <b>10,506</b>    | 15,005    |
| Decrease in payables and provisions                     | <b>(1,057)</b>   | (2,461)   |
| Increase in receivables                                 | <b>(16,679)</b>  | (66,721)  |
| Decrease in accrued revenue                             | –                | 7,591     |
|   | <b>(7,230)</b>   | (46,586)  |
| <b>Net cash provided/(used) by operating activities</b> | <b>687</b>       | (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. | <b>27,000</b> | 25,000 |

## Note 32: Assets held in trust – companies unclaimed monies

|  | 2005<br>\$'000 | 2004<br>\$'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 *Corporations Act 2001*. The principal amount of these monies is not available for the purposes of ASIC and is not recognised in the financial statements.

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

|   |               |               |
|---|---------------|---------------|
| Opening balance   | 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)       |
| <b>Closing balance</b>                                  | <b>68,496</b> | <b>53,216</b> |

## 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)   |
| <b>Closing balance</b> | <b>55</b> | <b>13</b> |

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

### 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        |
| <b>Closing balance</b>              | <b>36,710</b> | <b>41,166</b> |

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

|                        |              |              |
|------------------------|--------------|--------------|
| Insurance bonds        | 5,200        | 5,200        |
| Bank guarantees        | 1,000        | 500          |
| <b>Closing balance</b> | <b>6,200</b> | <b>5,700</b> |

## 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) |
|--|-------|--|---|
| <b>FINANCIAL ASSETS</b>                          |       | 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).                                  |
| <b>FINANCIAL LIABILITIES</b>                     |       | 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

| Financial instrument         | Notes | Floating interest rate |              | Fixed interest rate maturing in |              |           | Non-interest bearing |               | Total         |               | Weighted average effective interest rate |      |      |
|------------------------------|-------|------------------------|--------------|---------------------------------|--------------|-----------|----------------------|---------------|---------------|---------------|--|------|------|
|                              |       |                        |              |                                 |              |           |                      |               |               |               |  |      |      |
|                              |       |                        |              | 1 year or less                  | 1 to 5 years | > 5 years |                      |               |               |               |  |      |      |
|                              |       | 2005                   | 2004         | 2005                            | 2004         | 2005      | 2004                 | 2005          | 2004          | 2005          | 2004                                     | 2005 | 2004 |
|                              |       | \$'000                 | \$'000       | \$'000                          | \$'000       | \$'000    | \$'000               | \$'000        | \$'000        | \$'000        | \$'000                                   | %    | %    |
| <b>Financial assets</b>      |       |                        |              |                                 |              |           |                      |               |               |               |  |      |      |
| 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  |
| <b>Total</b>                 |       | <b>889</b>             | <b>1,116</b> | <b>-</b>                        | <b>-</b>     | <b>-</b>  | <b>-</b>             | <b>72,540</b> | <b>65,453</b> | <b>73,429</b> | <b>66,569</b>                            |      |      |
| <b>Total Assets</b>          |       |                        |              |                                 |              |           |                      |               |               | <b>73,429</b> | <b>66,569</b>                            |      |      |
| <b>Financial liabilities</b> |       |                        |              |                                 |              |           |                      |               |               |               |  |      |      |
| 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  |
| <b>Total</b>                 |       | <b>-</b>               | <b>-</b>     | <b>-</b>                        | <b>-</b>     | <b>-</b>  | <b>-</b>             | <b>4,652</b>  | <b>5,709</b>  | <b>4,652</b>  | <b>5,709</b>                             |      |      |
| <b>Total Liabilities</b>     |       |                        |              |                                 |              |           |                      |               |               | <b>4,652</b>  | <b>5,709</b>                             |      |      |

### 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 |
| <b>Financial assets</b>            |                              |                                 |                              |                                 |
| Cash at bank and on hand           | 4,479                        | 4,479                           | 3,792                        | 3,792                           |
| Receivables                        | 68,950                       | 68,950                          | 62,777                       | 62,777                          |
| <b>Total financial assets</b>      | <b>73,429</b>                | <b>73,429</b>                   | <b>66,569</b>                | <b>66,569</b>                   |
| <b>Financial liabilities</b>       |                              |                                 |                              |                                 |
| Refunds                            | 3,007                        | 3,007                           | 4,006                        | 4,006                           |
| Other monies                       | 1,645                        | 1,645                           | 1,703                        | 1,703                           |
| <b>Total financial liabilities</b> | <b>4,652</b>                 | <b>4,652</b>                    | <b>5,709</b>                 | <b>5,709</b>                    |

#### 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

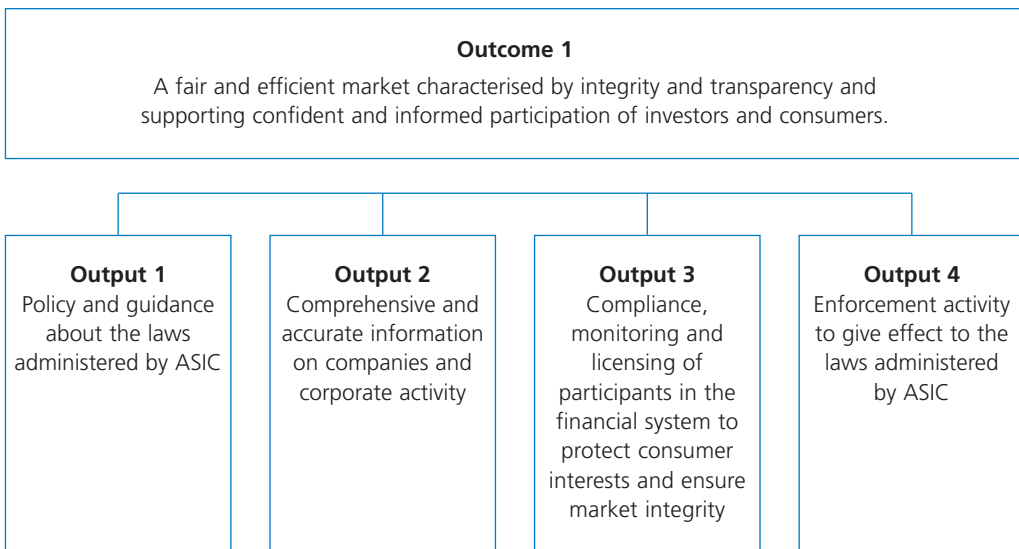
There were no events occurring after balance date that had a material effect on the financial statements.

### 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<br>\$'000   | 2004<br>\$'000 | 2005<br>\$'000   | 2004<br>\$'000 |
| Administered expenses  | 49,012           | 41,434         | 49,012           | 41,434         |
| Departmental expenses  | 207,993          | 196,158        | 207,993          | 196,158        |
| <b>Total expenses</b>  | <b>257,005</b>   | 237,592        | <b>257,005</b>   | 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          |
| <b>Total costs recovered</b>   | <b>1,796</b>     | 2,119          | <b>1,796</b>     | 2,119          |
| <i>Other external revenues</i>   |                  |                |                  |                |
| Administered   |                  |                |                  |                |
| Non-taxation revenue   | 568,414          | 493,232        | 568,414          | 493,232        |
| <b>Total administered</b>  | <b>568,414</b>   | 493,232        | <b>568,414</b>   | 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          |
| <b>Total departmental</b>  | <b>5,713</b>     | 4,450          | <b>5,713</b>     | 4,450          |
| <b>Total other external revenues</b>   | <b>574,127</b>   | 497,682        | <b>574,127</b>   | 497,682        |
| <b>Net contribution of outcome</b>   | <b>(318,918)</b> | (262,209)      | <b>(318,918)</b> | (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<br>\$'000 | 2004<br>\$'000 | 2005<br>\$'000 | 2004<br>\$'000 | 2005<br>\$'000 | 2004<br>\$'000 | 2005<br>\$'000 | 2004<br>\$'000 | 2005<br>\$'000 | 2004<br>\$'000 |
| <b>Departmental expenses</b>          |                |                |                |                |                |                |                |                |                |                |
| 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                        | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| <b>Total departmental expenses</b>    | <b>10,040</b>  | <b>10,928</b>  | <b>50,092</b>  | <b>45,306</b>  | <b>50,935</b>  | <b>55,998</b>  | <b>96,926</b>  | <b>83,926</b>  | <b>207,993</b> | <b>196,158</b> |
| <b>Funded by:</b>                     |                |                |                |                |                |                |                |                |                |                |
| 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          |
| <b>Total departmental revenues</b>    | <b>8,073</b>   | <b>11,424</b>  | <b>64,744</b>  | <b>53,644</b>  | <b>54,492</b>  | <b>51,895</b>  | <b>80,759</b>  | <b>74,375</b>  | <b>208,068</b> | <b>191,338</b> |

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<br>\$'000 | 2004<br>\$'000 | 2005<br>\$'000 | 2004<br>\$'000 |
| <b>Administered revenues</b>                      |                |                |                |                |
| 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             |
| <b>Total administered revenues</b>                | <b>568,414</b> | <b>493,232</b> | <b>568,414</b> | <b>493,232</b> |
| <b>Administered expenses</b>                      |                |                |                |                |
| Write-down and impairment of assets               | 28,440         | 23,367         | 28,440         | 23,367         |
| Other expenses                                    | 20,572         | 18,067         | 20,572         | 18,067         |
| <b>Total administered expenses</b>                | <b>49,012</b>  | <b>41,434</b>  | <b>49,012</b>  | <b>41,434</b>  |

End of financial statements

# INDEX

## A

accounting policies (ASIC), 74–82  
achievements recognised,  
*back cover*  
activity costing, 15  
addresses (ASIC), 124  
administered items, 70–72,  
109–111  
    cash flow reconciliation, 112  
    reconciliation table, 112  
administered financial  
instruments, 115–116  
administrative proceedings, 16  
aims, 6–7  
    statutory, 45  
appropriations (ASIC), 12, 88–90  
assets administered on behalf of  
Government, 111  
assets held in trust, 104  
    companies unclaimed monies,  
    113  
assisted business transactions, 30  
ASX share trading and  
compliance, 33  
Audit Committee and services  
(ASIC) 51, 54–55  
    independent audit report,  
    62–63  
    remuneration of auditors,  
    104, 112  
auditors  
    ASIC action against, 21  
    compliance, 26, 28  
    discipline, 16–17  
    enforcement, 21  
    guidance documents, 30  
    international requirements,  
    24, 40–41  
    regulation, 14, 29, 44

## B

banning orders, 16–17, 20–21  
business data (ASIC)  
    six year summary, 58  
business advisory committee, 15

## C

cash flows (ASIC), 67  
    administered items, 112  
    reconciliation, 100  
Chairman, 46  
Chairman's report, 4–5  
Chief Accountant, 13, 30  
Chief Financial Officer's  
statement, 64  
civil cases, 4, 6, 14, 16–17, 20  
Commissioners, 13, 46–47  
    appointment and  
    remuneration, 48, 102  
    role, 48  
    statement, 64  
commercial services, 37  
commitments, 68  
community and regional  
involvement, 52–53  
company information, 5, 34, 36  
    data lodged, 6, 35  
    data quality, 35  
    database use, 6, 35–36  
    electronic services, 37  
company registration, 35  
company regulation, 44  
    compliance, 14  
company restructure  
and merging, 3, 30–32  
compensation, 20

complaints to ASIC, 6, 22–23  
    about staff, 50

compliance, 13, 14, 26–29

confidentiality, 50

conflicts of interest, 32

Consumer Advisory Panel, 25

consumers  
    consultation, 52  
    protection, 6, 13, 14,  
    22–25, 44–45

contingencies, 69, 101

corporate law, 5–6

corporate services, 15, 40

cost reduction, 9, 15, 40–41

creditor protection, 34, 44–45

credit providers, 45

crime  
    ASIC action, 2–3, 4,  
    6, 14, 16–17  
    jail sentences, 18–19  
    reports of, 22–23

## D

debentures, high-yield, 14, 27–28

debt collection, 24

deregistered companies  
    applications about property, 22  
    assets vesting in ASIC, 105

Director of Public Prosecutions  
(DPP), 17, 19

directorates, 5, 13, 14–15

directors  
    banning orders, 20  
    compliance, 29  
    disclosure, 6, 8, 27  
    jail sentences, 18–19  
    removal, 33

directory, 124  
disability strategy, 56–57  
disclosure (ASIC), 51  
disclosure, corporate, 5  
    ASIC intervention, 6, 8, 21, 27  
    compliance, 26  
    regulation, 30  
document imaging services, 34  
dollar disclosure, 32

## E

economic dependency, 86  
effectiveness, 6–7  
    restructure, 9, 13  
Electoral Act disclosure, 57  
electronic lodgement, 35  
electronic services, 5  
energy use, 15, 40, 42  
enforcement, 6, 8, 13, 14, 16–21  
environmental management,  
9, 15, 40–42  
equal opportunity, 37  
equity (ASIC), 99  
ethical standards, 50  
events occurring after balance  
date (ASIC), 117  
executive officers' remuneration, 103  
Executive Directors, 13  
expenses, 7, 12, 15  
    administered on behalf  
    of Government, 110  
    operating expenses, 91–92

## F

fees and charges, 7, 12, 35, 109  
fiduciary monies (ASIC), 114  
finance (ASIC), 1, 13, 15, 40–43, 60  
    six year summary, 58  
finance sector levy, 57  
financial advisers  
    compliance checks, 26  
financial assets (ASIC), 93  
financial instruments, 105–108  
    administered, 115–116  
financial markets, 3, 20  
    ASX share trading and  
    compliance, 33  
    authorised, 15  
    compliance, 26  
    confidence, 5  
    inspection, 8, 33  
    manipulation, 16, 19  
    regulation, 30–31, 33, 44  
financial performance, 65  
financial position, 66  
financial product  
disclosure statements  
    additional disclosure, 26–27, 29  
financial product issuers  
    compliance checks, 26  
financial regulation, 44–45  
financial reporting  
    compliance, 26  
    enforcement, 21  
    failure to lodge accounts, 8, 36  
    international standards,  
    15, 33, 43  
    regulation, 30

financial services  
    banning orders, 21  
    commercial certainty,  
    15, 30–31  
    jail sentences, 18  
    licensing, 30–31, 33  
    performance, 6  
    regulation, 44–45  
    regulation reforms,  
    5, 15, 30–31, 33  
    standards, 8, 14, 28–29  
    unlicensed business, 28–29

financial statements (ASIC),  
60–119  
    notes to, 74–119

financial summary, 12  
    six year summary, 59

fraud, 8  
    jail sentences, 18–19

fraud control (ASIC), 50  
free trade agreements, 43  
freedom of information, 56

funding (ASIC), special purpose,  
9, 12, 15, 41, 40

fundraising, company,  
6, 8, 14, 28, 30  
    additional disclosure, 26–27

## G

General Counsel, 13  
goals, 8–9  
governance, 1, 48–49  
guidance documents, 30–32

## H

highlights, 2–3  
HIH investigation, 2, 4, 14, 16, 21  
    jail sentences, 18  
human resources, 15, 34

- I**
- industrial and workplace relations, 39
  - industry and professional associations, 52
  - information technology (IT) systems, 15, 34, 37, 39
    - software development, 43
  - insider trading, 14, 16, 19
  - insolvent trading, 8, 15, 34–36, 39
  - insurance and indemnities (ASIC), 51
  - insurance broker remuneration, 29
  - international cooperation, 1, 3–4, 14, 22–25
    - free trade agreements, 43
  - intangible assets, 43
  - interest bearing liabilities (ASIC), 97
  - international financial reporting standards, 15, 33, 43
    - ASIC adoption, 82–86
  - investigations, 16
    - funding, 9
  - investment schemes, illegal, 14, 16, 18
  - investor protection, 44–45
  - invoice payment efficiency, 43
- J**
- James Hardie investigation, 21, 41
- K**
- key events, 14–15
  - knowledge management, 15, 40, 42
- L**
- legislation, 45
    - disclosure under ASIC Act, 57
  - liabilities administered on behalf of Government, 112
  - licensees, 8, 26
    - compliance, 14, 27–28
    - regulation, 30–31, 33
  - liquidators
    - action against, 21
    - discipline, 16–17
    - regulation, 44
  - litigation, 6, 8
  - loan calculators, misleading, 22, 24
- M**
- managed funds calculator, 24
  - managed investment schemes, 28–29
    - compliance plans, 26–27
    - licensing, 30
    - registration, 31
    - regulation, 45
  - market manipulation, 16, 19
  - Ministers responsible, 49
  - misconduct
    - ASIC action, 3, 4, 8, 14, 16, 22
    - reports of, 6, 14, 22–23
- N**
- non-financial assets (ASIC), 93–97
  - Northern Territory schools competition, 52, *inside back cover*
- O**
- occupational health and safety, 10, 37
  - office addresses, 124
  - office services, 9, 15, 40–41
  - office space, 43
  - Offset Alpine investigation, 21, 41
  - One.Tel investigation, 20, 21
  - online searches, 35–36
  - operations and staffing, 13, 34–39
    - restructure, 9, 13
    - summary, 14–15
  - organisation, 13
    - performance, 35–36
  - outcomes and outputs framework, 12, 117–119
  - outlook, 5

## P

payables (ASIC), 98  
performance data  
    six year summary, 58–59  
planning, 34  
poster competition, 52,  
*inside back cover*  
project services, 34  
prospectuses  
    additional disclosure, 26–27  
    high-yield debentures, 28  
provisions (ASIC), 97  
public affairs, 13  
publications, 14, 22–24, 30–31, 56

## R

Regional Commissioners, 13, 53  
regional involvement, 22, 43, 53  
regulation, 13, 15, 30–33  
    ASIC in regulatory picture,  
    44–45  
related party disclosures, 101  
relief applications, 30–32  
remuneration (ASIC)  
    auditors 104  
    Commissioners and  
    executive officers, 102–103  
    staff, 10  
results, 14–15  
revenues, 7, 15, 35  
    administered on behalf  
    of Government, 109  
    operating revenues, 87  
risk management, 9, 15, 40, 50–51  
roles (ASIC), 13  
    directorates, 14–15

## S

schemes of arrangement, 31  
schools competition, 52,  
*inside back cover*  
security, 50  
six year summary, 58–59  
special accounts (ASIC), 115  
staff, 1, 5, 7, 10–11, 38–39  
    basis of employment, 38  
    complaints about, 50  
    development, 9, 15, 36, 39  
    directorates, 14–15  
    ethics, 50  
    industrial and workplace  
    relations, 39  
    location, 39  
    merit and equal opportunity, 37  
    numbers, 11, 38, 105  
    outlook, 11  
    performance management, 9, 10  
    remuneration, 10  
    skills, 9  
    survey, 9, 10  
    workplace safety, 10, 37  
stakeholders, information for, 52  
statements of additional advice, 32  
States, relationship with, 49  
statistics  
    six year summary, 58–59  
statutory boards and tribunals  
    expenditure, 104  
strategic plan 2002–05, 8  
strategic plan 2005–10, 5  
superannuation  
    ASIC action, 2, 4, 14, 16, 29  
    calculator, 24  
    choice of fund, 2, 4, 8,  
    14, 21, 22–23, 27–28  
    illegal access, 2, 4, 16, 27–28

## T

takeovers, 3, 30–32  
targets, 14–15  
telephone enquiries, 6, 34–36  
time recording, 15, 43

## U

unclaimed money, 43  
    assets held in trust, 113  
unit pricing errors, 29

## V

values, 1, 50  
Vizard, Stephen, 4

## W

warnings, 8, 24  
website, consumer information  
(FIDO), 6, 23–24  
winding up companies, 16  
workplace safety, 10, 37





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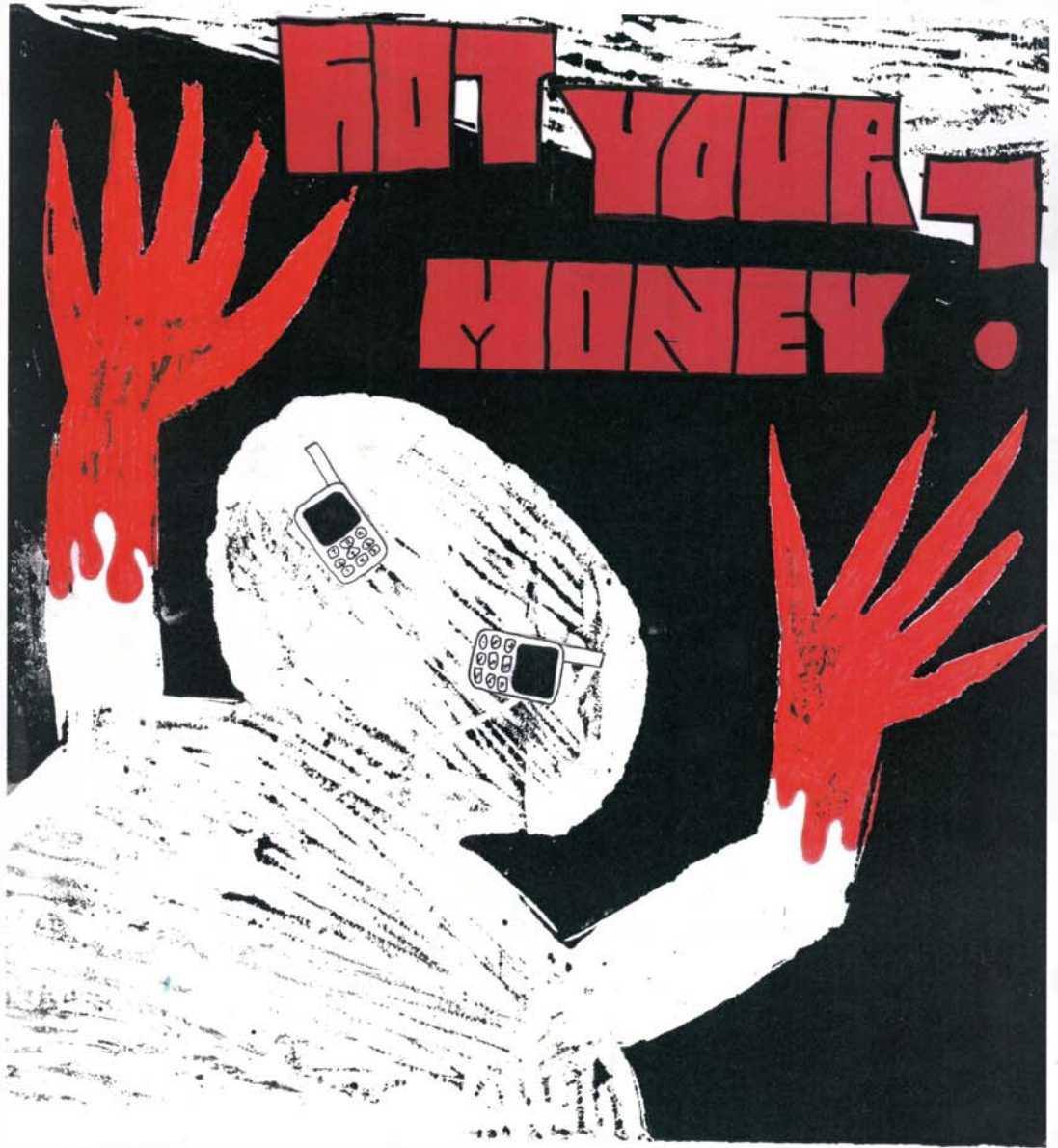
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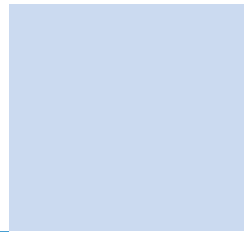
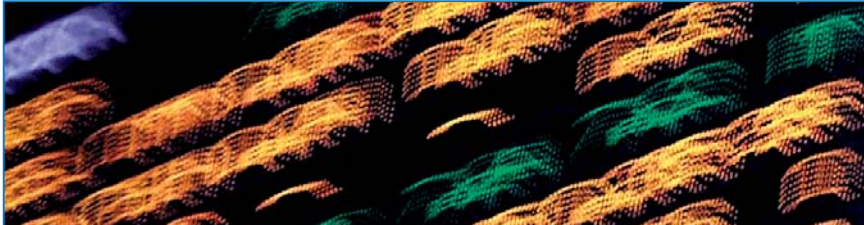
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